

Domino's Pizza UK & IRL plc
Preliminary Results
For the 52 weeks ended 29th December 2002

Domino's Pizza UK & IRL plc ("Domino's Pizza" or the "Company") is pleased to announce its Preliminary Results for the 52 weeks ended 29th December 2002. A summary of key points follows.

Financial

- Pre-tax profit up 48.1% to £4.2m (2001: £2.9m)
- Operating profit up 43.2% to £4.5m (2001 : £3.1m)
- Interest costs covered 14.1 times by operating profits (2001: 9.0 times)
- Earnings per share:
 - Basic earnings per share up 40.0% to 5.60p (2001: 4.00p)
 - Diluted earnings per share up 36.3% to 5.29p (2001: 3.88p)
- Total dividend up 50.4% to 2.00p per share for the year (2001: 1.33p per share)
- System sales up 20.8% to £118.9m (2001 : £98.4m)
- Like-for-like sales up 11.2% (2001: 21.4%)

Business

- 34 new delivery stores opened (2001: 24)
- Total number of stores at year end – 269 (2001: 237)
- Like-for-like sales up 10.1% for the first six weeks of 2003

Stephen Hemsley, Chief Executive of Domino's Pizza commented:

“It is very encouraging to see that a 20.8% increase in system sales has delivered a 43.2% increase in operating profit. 2002 was the most successful year on record for Domino's Pizza in the UK and Ireland. A continued focus on the quality of our fresh pizza and delivery service standards is having an clear, positive impact on the bottom line.”

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Notes to editors: -

Brand new photography is available at www.newscast.co.uk.

Domino's Pizza Group Limited is a wholly owned subsidiary of Domino's Pizza UK & IRL plc, which is quoted on the Alternative Investment Market of the London Stock Exchange (symbol: DOM). Domino's Pizza Group Limited is the UK's leading pizza delivery company and holds the master franchise to own, operate and franchise Domino's Pizza stores in the UK and Ireland. The first UK store opened in 1985 and there are currently 272 stores in the UK and Ireland.

Domino's Pizza is the world leader in pizza delivery and was founded in the United States in 1960. There are currently more than 7,000 stores open across more than 50 international markets employing over a quarter of a million people.

Chairman's Statement

Even as you read this report, people all over the country are picking up their telephones, logging onto the internet and using their digital remote controls to order a delivery from Domino's Pizza. Their made-to-order pizzas will usually arrive in less than 30 minutes, fresh-baked and straight out of the oven.

When one thinks for a moment, it's amazing how new technology, quality ingredients, skilled professionals and a focus on service can work together to make an experience that's so special yet so perfectly straightforward for the customer.

At Domino's, we are becoming quite accomplished at making something complex look seemingly effortless. After all, delivering fresh, great-tasting pizza on time would appear to be such a simple transaction when it is, in actual fact, a very intricate one that is only made possible by ongoing innovation, invention and product development.

In 2002 alone, we responded to almost ten million orders from customers – that's around a quarter of all of the delivered pizza orders placed in the UK and Ireland in the last year. As our share of the pizza delivery market continues to grow, so does the market itself. Today, the home delivery pizza market is estimated to be around £400 million per annum. By 2010, it is expected to top the £800 million mark. And Domino's is the leader in this market thanks to our vigorous commitment to using the freshest, finest ingredients and our total dedication to impeccable service with every order.

Thanks to our commitment to quality in all areas of the business, our like-for-like sales have continued to grow significantly over the last three years. In the past year, our system sales have increased more than 20%, from £98 million at the end of 2001 to nearly £119 million in 2002. We have also continued to add stores at an aggressive clip, 34 stores opened in 2002 compared to 24 in 2001.

Furthermore, our pool of franchise applicants is growing as word of our success spreads. In 2002, we had over 2,300 franchise applicants and we accepted 14. With a selection that large, we are able to select only the most competent and experienced franchisees to add to our family tree.

It is our commitment to quality that has made Domino's what it is today, but it is national TV that has made Domino's Pizza such a familiar name. In 2003, our national advertising fund will spend in excess of £5.5million and our stores will deliver to approximately 35-40% of all households within our potential reach. As we open more stores, each of our new and existing ones will benefit from coming under the umbrella of our existing nationwide TV campaigns.

Opening more stores, driving up like-for-like sales, increasing e-commerce revenues and growing market share - all of these things have been accomplished in 2002 without our raising any new capital. This means our shareholders will see the benefits of our labour even faster. This year our dividend will increase by 50% on last year to two pence per share. That's more than our entire earnings per share in 1999. Our cashflow will continue to grow as we continue to drive our business and profitability. We believe we can sustain our growth without any increases in our current share capital in the years ahead.

We are proud to share the details of our success with you, our valued shareholders. As always, we look forward to years of continued growth and success. We thank you for your commitment to Domino's and we pledge our continued devotion to you.

Colin Halpern
Chairman

Chief Executive's Report

Introduction

2002 was the most successful year on record for your company. It was also a year during which we passed several significant milestones which helped to ensure that Domino's Pizza remained the leading pizza delivery company in the UK and Ireland. How did we achieve this? Simply, by *delivering more*.

At its heart, Domino's is a partnership between our franchisees, their teams and our corporate team members. Working together we have delivered more to our customers by further increasing our focus on fresh food and high in-store standards. Together we have delivered record store sales and a record number of store openings. Our corporate team members have delivered more by exceeding the majority of our internal targets for the year and we will be sharing the resulting rewards with them. And, of course, we delivered more to shareholders, with a 40% increase in earnings per share and a 50% increase in dividend this year.

One milestone of which I am particularly proud is the opening of our third commissary in Penrith, the final addition to the infrastructure required to sustain our ever-growing community of stores in the North of England and Scotland. It is in these local markets that we see one of our greatest opportunities for expansion and such growth would not be possible without the Northern commissary to produce and deliver fresh dough and ingredients to the stores.

I have highlighted in previous statements the benefits that should arise from the continued rollout of stores and sales increases in a fixed cost business such as ours. With the majority of our higher royalty payments and infrastructure costs absorbed, it is very encouraging to see that a 20.8% increase in system sales has delivered a 43.2% increase in operating profit.

Sales

Continued positive sales performance in 2002 means that Domino's Pizza has retained its position as the UK's leading pizza delivery company in terms of both total sales and number of stores.

System sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 20.8% to £118.9m (2001: £98.4m) in the 52 weeks ended 29 December 2002. Average weekly unit sales grew 8.1% (2001: 19.0%). Like-for-like sales in the 215 stores open for twelve months or more in both periods grew by 11.2% (2001: 21.4%).

System Expansion & Re-Imaging

2002 saw a significant acceleration in the rate of new openings with 34 delivery stores opened (2001: 24 stores). Two delivery stores were closed (2001: two). This took the year-end store count to 269.

We opened more stores in 2002 than in any other year, of which 11 were in the South of England, 5 in the Midlands, 6 in the North of England, 6 in the Republic of Ireland, 1 in Northern Ireland and 5 in Scotland.

In addition to opening new delivery stores, we continued to focus on re-imaging existing stores. At the year end a further 42 stores had been re-imaged, bringing the total stores with the latest image standards to 85% of the system. Such improvements have helped to convey to customers our contemporary and exciting brand values and have also underlined our commitment to high standards in all areas of our operation.

Trading Results

Group turnover, which includes the sales generated by the company from royalties, fees on new store openings, food sales and rental income, as well as the turnover of corporately owned and operated stores, grew by 21.2% to £53.1m from £43.8m.

Group operating profit was up 43.2% to £4.50m from £3.14m. 2002 saw the second of three phased increases in the rate of royalty paid to Domino's Pizza International Inc. in the USA under the Master Franchise agreement. The rate increased from an average rate of 1.94% in 2001 to 2.5% in the year. The final increase to 2.7% occurred on 1st January 2003.

The net interest charge fell slightly in the year to £0.32m (2001: £0.35m). The total net interest charge was covered a comfortable 14.1 times by operating profit (2001: 9.1 times).

Profit before tax was up 48.1% to £4.24m from £2.86m. The tax charge increased from 30% to 33% principally as a result of the full provision for deferred taxation and the reduction in tax losses available from an acquired subsidiary.

Earnings per share and dividend

Basic earnings per share were up 40.0% to 5.60 pence from 4.00 pence. Diluted earnings per share increased by 36.3% to 5.29 pence from 3.88 pence.

With the completion of the infrastructure, the company has moved into a period in which it should generate strong positive cashflows. As a result, the Board is pleased to recommend to shareholders a 50.4% increase in the dividend per share for the year. If approved this will give a final dividend of 1.22p per share (2001: 0.76p per share) and result in a total dividend for the year to 2.00 pence per share (2001: 1.33 pence per share). The proposed dividend is 2.8 times covered by profits after tax (2001: 3.0 times).

Subject to shareholders' approval the final dividend will be payable on 29th April 2003 to shareholders on the register on 11th April 2003.

Cash Flow & Balance Sheet

Operating activities generated net cash of £5.1m (2000: £4.5m). Capital expenditure (including intangibles) totalled almost £4.0m during the year. Of this £1.3m was expended on the completion of the freehold commissary facility in Penrith, which together with the commissaries in Milton Keynes and Naas in Ireland gives the group the infrastructure necessary to service in excess of 500 stores. Investment in corporate stores of £1.6m was broadly matched with proceeds from disposals, although most of these funds were received after the year end or were reinvested in a further joint venture.

The group further extended the leasing finance provided to franchisees, to fit-out new stores and refit existing stores. In the year further advances of £0.9m were made which, after repayments, resulted in a balance outstanding at the year-end of £2.0m (2001: £1.6m). These facilities are financed by a limited recourse facility which at the year-end stood at £2.0m (2001: £1.4m).

At the year-end, the group had total net borrowings of £6.3m (2001: £5.8m) of which borrowings used to finance group operating assets, including freehold properties, declined slightly to £4.3m from £4.4m in the previous year. The increase in overall borrowing resulted from the expanding activities of our leasing company as noted above. Total borrowings represented 53.9% (2001: 60.0%) of shareholders funds of £11.7m (2001: £9.6m).

Corporate Stores

The initial purpose of expanding the portfolio of corporate stores was to generate additional income to meet the increased royalty payment to the US. The portfolio of stores successfully delivered this with a contribution to group profits of £633,000 (2001: £787,000) in the year. However, now that the infrastructure has been completed and the economies of scale available from the expanding store base are apparent, we wish to concentrate our efforts on the roll-out of stores which we feel is best achieved in partnership with our franchisees

We therefore expect to reduce the number of corporate stores from the year-end total of 35. As part of this process, we have established a joint venture with an existing franchisee in Scotland to whom we sold our two corporate stores in Edinburgh. Subsequently, other transactions have been agreed, in principle, which we will complete in the current year, and the cash flow generated will be re-invested in the franchise business, used to repay bank borrowings or returned to shareholders.

The Market

The total home-delivered food market is estimated to have been worth £1.1 billion in 2002, a 56% increase in value since 1997. Pizza is the single largest category in the home delivered food market, presently accounting for 36% of the total, or £400m.

In December 2002, we commissioned the Future Foundation, an independent think-tank, to track the factors that will impact on the food delivery industry during the rest of this decade. The key findings indicate that more people will be seeking to order delivered food to save time and, in other instances, to accompany an increasing portfolio of at-home entertainment choices.

I am delighted to report that the key 'new' opportunities identified in the report are already incorporated into our own strategy. For example, the Future Foundation indicates that, over the next five years, 90% of the population will have access to interactive technologies. These people will become more experienced and confident about e-commerce and online home food deliverers such as Domino's are likely to benefit.

Building The Brand

During the third quarter of 2002, we undertook a far-reaching strategic review of our marketing communications activity. This process reinforced our understanding of the maturing and developing audiences who are in the market for delivered pizza today and in the future.

The review also involved a thorough appraisal of the Domino's Pizza brand, product and service attributes that appeal strongly to these audiences. We will continue to translate these unique attributes into new creative themes for future marketing communications activity and, in doing so, will continue to set Domino's apart from the competition.

In 2002 there was further evidence of the 'virtuous circle' effect created by our national advertising fund. In brief, this means that every time store sales increase, the national advertising fund increases too. This provides us with more money to invest in high impact marketing such as national terrestrial TV, which further increases sales.

Whilst it is both exciting and effective, national advertising is only made so powerful when it works alongside equally successful local marketing campaigns. The 120 million menus we distribute every year and in particular, the strategically focused local store marketing activities we execute, help to reinforce brand values at store level.

The Community

At the heart of our business is a commitment to the communities we serve and a belief that our presence should benefit local people in many more ways than just via the provision of a pizza delivery service.

On average, every store opening creates between 25 and 30 new jobs and every store team is trained to think about its positive impact on the local area. Our franchisees and stores aim to deliver greater value to their communities by showing support for local charities and organisations, enabling local schools and groups to visit stores and conducting business in a responsible, friendly manner.

Current trading and prospects

Trading at the start of 2003 is off to a very good start with like-for-like sales up 10.1% in the first six weeks of the year. The rollout of new stores remains a key part of our strategy in delivering improving shareholder returns. We plan to further accelerate the rate of openings in the current year and have a strong pipeline of both new properties and franchisees to help us achieve this. We, therefore, look forward to 2003 with confidence.

Conclusion and thanks

The results we have achieved in 2002 would not have been possible without a team of exceptional people working in partnership. Any business that develops using a franchising model has to be keenly aware that the success of the business depends on the strength of that partnership. It is testament to the strength of the underlying business, and the spirit of co-operation that exists between our franchisees and us, that we continue to successfully build this business together. I thank all our franchisees and their staff for their support and hard work during the year.

Such growth would also not be possible without the talented and dedicated people in the corporate team. This team's constant commitment to the targets we set for ourselves has been one of the most positive aspects of the last year. To recognise this commitment we have put in place revised bonus arrangements and will shortly be bringing forward for shareholder approval a revised share option arrangement and long-term incentive plan for key team members. I should like to thank each and every team member for their continuing dedication.

To close where we opened, it is our continuing objective to *deliver more* for all the stakeholders in this great business we are creating, in particular for our franchisees, our team members, our shareholders and, most importantly of all, our customers.

Stephen Hemsley
Chief Executive

Domino's Pizza UK & IRL plc

GROUP PROFIT AND LOSS ACCOUNT for the 52 weeks ended 29 December 2002

	2002 £000	2001 £000
TURNOVER		
Turnover: group and share of joint ventures' turnover	54,673	45,185
Less: share of joint ventures' turnover	(1,564)	(1,360)
	<hr/>	<hr/>
GROUP TURNOVER	53,109	43,825
Cost of sales	(28,054)	(23,132)
	<hr/>	<hr/>
GROSS PROFIT	25,055	20,693
Distribution costs	(8,663)	(7,150)
Administrative expenses	(11,813)	(10,230)
Other operating expenditure	(75)	(169)
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GROUP OPERATING PROFIT	4,504	3,144
Share of operating profit in joint venture	64	75
Amortisation of goodwill on joint venture	(5)	(5)
	<hr/>	<hr/>
	59	70
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	4,563	3,214
Interest receivable	50	78
Interest payable and similar charges	(374)	(430)
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PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4,239	2,862
Tax on profit on ordinary activities	(1,404)	(858)
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PROFIT FOR THE FINANCIAL YEAR	2,835	2,004
Dividends on equity shares	(1,018)	(668)
	<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR	1,817	1,336
	<hr/> <hr/>	<hr/> <hr/>
Earnings per share - basic	5.60p	4.00p
- diluted	5.29p	3.88p

Domino's Pizza UK & IRL plc

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 52 weeks ended 29 December 2002

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
Profit attributable to the financial period	1,817	1,336
Unrealised gain on exchange of properties for interest in joint venture	55	–
Total gains and losses recognised since the last annual report	<u>1,872</u>	<u>1,336</u>

Domino's Pizza UK & IRL plc

GROUP BALANCE SHEET at 29 December 2002

	2002 £000	2001 £000
FIXED ASSETS		
Intangible assets	2,386	2,484
Tangible assets	13,685	12,181
Investments in joint venture:		
Share of gross assets	717	757
Share of gross liabilities	(410)	(480)
	<u>307</u>	<u>277</u>
TOTAL FIXED ASSETS	<u>16,378</u>	<u>14,942</u>
CURRENT ASSETS		
Stocks	1,411	1,260
Debtors:		
amounts falling due within one year	8,572	6,665
amounts falling due after more than one year	2,130	1,756
	<u>10,702</u>	<u>8,421</u>
Cash at bank and in hand	3,885	3,231
TOTAL CURRENT ASSETS	<u>15,998</u>	<u>12,912</u>
CREDITORS: amounts falling due within one year	<u>(12,919)</u>	<u>(10,203)</u>
NET CURRENT ASSETS	<u>3,079</u>	<u>2,709</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>19,457</u>	<u>17,651</u>
CREDITORS: amounts falling due after more than one year	(7,152)	(7,632)
PROVISION FOR LIABILITIES AND CHARGES	<u>(604)</u>	<u>(421)</u>
	<u>11,701</u>	<u>9,598</u>
CAPITAL AND RESERVES		
Called up share capital	2,546	2,518
Share premium account	2,395	2,192
Profit and loss account	6,760	4,888
Equity shareholders' funds	<u>11,701</u>	<u>9,598</u>

Domino's Pizza UK & IRL plc

GROUP STATEMENT OF CASH FLOWS at 29 December 2002

	2002 £000	2001 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>5,128</u>	<u>4,475</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	50	78
Interest paid	(343)	(304)
Interest element of finance lease payments	(9)	(11)
	<u>(302)</u>	<u>(237)</u>
TAXATION		
Corporation tax paid	<u>(950)</u>	<u>(617)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire intangible fixed assets	(214)	(68)
Payments to acquire tangible fixed assets	(3,291)	(2,560)
Receipts from sales of tangible and intangible fixed assets	411	5
Receipts from repayment of joint venture loan	46	36
Payments to acquire finance lease assets and advance of franchisee loans	(1,247)	(1,007)
Receipts from repayment of finance leases and franchisee loans	901	445
	<u>(3,394)</u>	<u>(3,149)</u>
ACQUISITIONS		
Purchase of subsidiary undertaking and un-associated businesses	<u>(484)</u>	<u>(160)</u>
	<u>(484)</u>	<u>(160)</u>
EQUITY DIVIDENDS PAID	(777)	(501)
NET CASH OUTFLOW BEFORE FINANCING	(779)	(189)
FINANCING		
Issue of ordinary share capital	231	164
New long-term loans	2,719	2,660
Repayments of long-term loans	(1,443)	(330)
Repayment of capital element of finance leases and hire purchase contracts	(74)	(72)
	<u>1,433</u>	<u>2,422</u>
INCREASE IN CASH	<u>654</u>	<u>2,233</u>

Domino's Pizza UK & IRL plc

NOTES TO THE ACCOUNTS

at 29 December 2002

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

2. DIVIDENDS

	2002	2001
	£000	£000
Equity dividends on ordinary shares:		
Interim paid 0.78p (2001: 0.57p)	395	285
Final proposed 1.22p (2001: 0.76p)	623	383
	<u>1,018</u>	<u>668</u>

3. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on earnings of £2,835,000 (2001: £2,004,000) and on 50,620,687 (2001: 50,043,018) ordinary shares.

The diluted earnings per share is based on 53,577,582 (2001: 51,561,552) ordinary shares which takes into account theoretical ordinary shares that would have been issued, based on average market value if all outstanding options were exercised.

4. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	£000	£000
Operating profit	4,504	3,144
Depreciation charge	1,127	1,044
Amortisation charge	228	146
Other operating expenditure	75	168
(Increase) in stocks	(151)	(66)
(Increase) in debtors	(1,047)	(690)
Increase in creditors	392	729
	<u>5,128</u>	<u>4,475</u>

4. FINANCIAL INFORMATION

The financial information set out in the announcement does not constitute the Company's statutory accounts for the 52 weeks ended 29 December 2002. The financial information for the 52 weeks ended 30 December 2001 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for the 52 weeks ended 29 December 2002 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.