

DP Poland plc

("DP Poland" or the "Group")

Interim results for the half year to 30 June 2020

System Sales in H1 2020 up 2.51%

Positive like-for-like growth in Q2 and strong 8.9% performance in Q3

Polish Anti-trust clearance received on the potential acquisition of Dominium S.A.

Financial highlights:

- System Sales¹ up 2.51% to 42m PLN H1 2020 (41m PLN H1 2019)
- -1.8% like-for-like² (-1.2% pre-split⁴) growth in System Sales H1 2020 on H1 2019 with high positive like-for-like growth in Q3
 - - 4.1% like-for-like in Q1
 - + 0.5% like-for-like in Q2
 - + 8.9% like-for-like in Q3
- Over half of the Group's stores with double digit like-for-like growth in Q3
- System Sales growth continuing in October to date
- Pre-IFRS 16 Group EBITDA³ losses increased modestly by 1.5% in H1 2020 over H1 2019
- Cash at bank as at 30 June 2020 of £2.7m (£3.6m as at 31 December 2019)
- Group performance in H1 2020 broadly in line with management's expectations, despite impact of COVID-19

Operational highlights:

- 84% of delivery H1 2020 sales ordered online (80% H1 2019)
- Positive interaction with food aggregator Pyszne.pl (takeaway.com) which has provided additional sales
- Started interaction with 2nd food aggregator Glovo
- Food and labour costs, and some rent costs, continue to soften

Iwona Olbryś, Chief Executive of DP Poland said:

"With the delivery market growing and the use of digital and online payments increasing we believe that we are well positioned. Alongside our delivery expertise, we have a strong brand, an experienced and dedicated team and a reputation for quality of product and services. We have all the ingredients to continue growing.

Thus, despite the ongoing COVID-19 crisis, we will continue to work on growing Domino's in Poland.

Work continues on the potential acquisition of Dominium S.A., with both parties delighted to receive Polish Anti-trust clearance recently. Further announcements will be made as and when appropriate.

¹ System Sales - total retail sales including sales from corporate and sub-franchised stores, unaudited.

² Like-for-like growth in PLN, matching trading periods for the same stores between 1 January and 30 June 2019 and 1 January and 30 June 2020.

³ Excluding non-cash items, non-recurring items and store pre-opening expenses.

⁴ When a store's delivery area is split, by opening a second store in its original delivery area, a significant portion of the original store's customer database is allocated to the new store, resulting in the original store losing sales. Calculating pre-split like-for-likes allows us to see sales growth by matched delivery areas, irrespective of the opening of new stores. Pre-split like-for-likes are a standard measure adopted by many major Domino's Pizza master franchisees

⁵ Exchange rate average for H1 2020 £1: 5,0455

⁶ Exchange rate average for H1 2019 £1: 4,9158

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Notes to editors:

DP Poland, through its wholly owned subsidiary DP Polska S.A., has the exclusive right to develop, operate and sub-franchise Domino's Pizza stores in Poland. There are currently 69 Domino's Pizza stores, 50 corporately managed (2 of which are under management contract) and 19 sub-franchised.

Chief Executive's Review

Group performance

Group performance in H1 2020 was broadly in line with management's expectations, despite the impact of COVID-19. The business operated during the period with minimal interruption.

System Sales increased by 2.51% to 42m PLN in H1 2020 from 41m PLN in H1 2019.

Like-for-like² System Sales in the first quarter of the year were negative at -4.1%, reflecting the initial impact of COVID-19. However, like-for-like System Sales growth resumed in the second quarter of the year, resulting in positive 0.5% like-for-like System Sales growth for that period, continuing in the third quarter with a strong 8.9% increase in sales.

Overall, Pre-IFRS 16 Group EBITDA losses increased in the period by 3.4% year on year at constant exchange rates⁵. At actual exchange rates^{5, 6}, Pre-IFRS 16 Group EBITDA losses increased by 1.5% year on year.

Store performance

System Sales in the H1 2020 period increased by 2.51% year on year. Pre-IFRS 16 corporate store EBITDA decreased by 11.4% year on year.

As a result of the outbreak of the COVID-19 crisis early in the year and the consequent lockdown in Poland, like-for-like System Sales in the first half of the year were negative at -1.8%² (-1.2% pre-split⁴). However, we recovered quickly from the initial lockdown, achieving positive like-for-like sales in Q2 and better like-for-like sales in Q3. System Sales growth continues in October to date.

Like-for-like System Sales growth per quarter were as follows:

Q1	-4.1%
Q2	+0.5%
Q3	+8.9%

Performance in Warsaw since the COVID-19 lockdown remains poor on account of our stores in commercial areas, which remain quiet. However, we are pleased to observe outstanding performance in other cities: notwithstanding the COVID-19 impact, we have cities achieving double digit growth in H1, including Wrocław, Tczew, Białystok, Toruń, Elbląg, Katowice and Poznań.

Marketing and product innovation

In 2020 we are continuing our Influencer campaign with two Polish chefs: Matteo Brunetti – a Polish/Italian celebrity chef, and a MasterChef Poland competition finalist – and Gaja Kuroń, also a celebrity chef, who took part in the same competition.

Matteo and Gaja each created one pizza that became part of our Limited Edition in Q2 – “Mamma Mia” by Matteo Brunetti, and “Swojska” by Gaja Kuroń.

We used content, Influencers and channels that enabled us to reach the younger segment of our customers. This was a positive move, especially during the initial COVID-19 lockdown, when students were staying at home and studying online. We introduced a mobile phone game which allows users to 'catch' pizza slices in their mouths and earn higher discounts! We cooperate with Influencers, who have significant support on social media, especially with our younger customers. They post on their social media platforms information about our current promotions, fast and contactless delivery, online ordering and our artificial reality game.

In addition, in 2020 we are focusing in our marketing campaign on the pleasure that comes with eating pizza. This was highlighted in our new video, as well as the fast delivery and high quality of our products. In Q2 we moved from weekly offers to more focused daily promotions. This has proved to be a good decision during the COVID-19 pandemic, when customers' behaviour started to shift with a decrease in weekend sales and greater activity during the working week and allowed us to make better use of the content on our platforms and our marketing budget.

Since the outbreak of COVID-19, we have worked hard to communicate with our staff and customers regarding our safe, contactless delivery offering, the high standards of hygiene in our stores and our support of healthcare workers by delivering pizzas to hospitals for staff members.

2020 to date has also been notable for our digital performance. As in previous years we have continued to grow this channel. We are building a new digital platform to respond to the market growth and reinforce our leadership in this field. Our new website will deliver greater functionality than our existing one, and allow us to digitalise further our business operations. It will gather valuable customer insight, but the ultimate goal is to provide better customer experience. COVID-19 has created a great opportunity for the delivery market, as well as digital and online payments, and we are working every day to be the best in class.

Food aggregators

As a part of the growing delivery market, food aggregators have become important 'search engines' for food. We have been working on a test with Pyszne.pl (takeaway.com) for some months and we have recently started with a second aggregator test with Glovo. Our interaction to date has been positive. Our objective is to generate incremental orders with higher average spend; we are broadly satisfied with the early result.

Potential acquisition of Dominium S.A.

Work continues on the possible acquisition of Dominium S.A., with both parties delighted to receive Polish Anti-trust clearance recently. Further announcements will be made as and when appropriate.

Current trading and outlook

The year 2020 is undoubtedly without precedent. We are all facing the COVID-19 presence and its impact on our lives and our businesses. Further Government restrictions were imposed last week across Poland which affect the food and beverage industry, but these new rules do not currently apply to delivery and take-away food. Meanwhile, the Polish economy continues to be perceived as more resilient than many of the other European countries. At Domino's we believe that we have great products, we are expert in delivery and digital platforms, and our team has proved the ability of our brand to recover and to perform well under COVID-19.

The delivery market is growing, digital and online payments are growing and in this environment we believe that we are in a good position. Alongside our delivery expertise, we have a strong brand, an experienced and dedicated team and a reputation for quality of product and services. We have all the ingredients to continue growing.

Thus, despite the ongoing COVID-19 crisis, we will continue to work on growing Domino's in Poland.

Group Income Statement
for the six months ended 30 June 2020

	Notes	Unaudited 6 months to 30.06.20 £	Unaudited 6 months to 30.06.19 £	Audited Year to 31.12.19 £
Revenue	2	6,991,964	6,887,081	14,006,659
Direct costs		(6,109,101)	(5,820,311)	(11,820,235)
Selling, general and administrative expenses - excluding: store pre-opening expenses, depreciation, amortisation and share based payments		(1,268,929)	(1,332,591)	(2,605,692)
GROUP EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses		(386,066)	(265,821)	(419,268)
Store pre-opening expenses		-	(30,971)	(53,633)
Other non-cash and non-recurring items		(50,373)	(220,043)	(189,518)
Finance income		51,091	78,071	160,186
Finance costs		(245,229)	(106,420)	(600,343)
Foreign exchange gains / (losses)		(39,768)	(18,446)	(10,825)
Depreciation, amortisation and impairment		(1,007,404)	(1,214,320)	(2,246,949)
Share based payments		(80,899)	(72,902)	(151,418)
Loss before taxation		(1,758,648)	(1,850,852)	(3,511,768)
Taxation	3	-	-	-
Loss for the period		(1,758,648)	(1,850,852)	(3,511,768)
Loss per share				
Basic	4	(0.70 p)	(0.86 p)	(1.51 p)
Diluted	4	(0.70 p)	(0.86 p)	(1.51 p)

Group Statement
of comprehensive income
for the six months ended 30 June
2020

	<i>Unaudited</i> 6 months to 30.06.20	<i>Unaudited</i> 6 months to 30.06.19	<i>Audited</i> Year to 31.12.19
	£	£	£
Loss for the period	(1,758,648)	(1,850,852)	(3,511,768)
Currency translation differences	226,001	159,294	(213,974)
Other comprehensive expense for the period, net of tax to be reclassified to profit or loss in subsequent periods	226,001	159,294	(213,974)
Total comprehensive income for the period	(1,532,647)	(1,691,558)	(3,725,742)

Group Balance Sheet
at 30 June 2020

	<i>Unaudited</i> 30.06.20 £	<i>Unaudited</i> 30.06.19 £	<i>Audited</i> 31.12.19 £
Non-current assets			
Intangible assets	520,907	568,938	520,376
Property, plant and equipment	5,678,375	6,459,661	6,018,901
Leases - right of use assets	5,576,492	3,300,098	5,807,783
Trade and other receivables	1,718,518	1,853,389	1,651,358
Finance lease receivables	514,625	-	538,988
	14,008,917	12,182,086	14,537,406
Current assets			
Inventories	364,977	404,860	383,287
Trade and other receivables	2,288,573	2,443,035	2,288,085
Finance lease receivables	70,597	-	73,549
Cash and cash equivalents	2,688,502	5,057,831	3,592,402
	5,412,649	7,905,726	6,337,323
Total assets	19,421,566	20,087,812	20,874,729
Current liabilities			
Trade and other payables	(1,975,915)	(1,689,412)	(1,776,117)
Borrowings	(68,796)	(123,394)	(58,258)
Lease liabilities	(1,055,825)	(1,433,843)	(1,005,525)
Provisions	(13,711)	(22,666)	(16,717)
	(3,114,247)	(3,269,315)	(2,856,617)
Non-current liabilities			
Lease liabilities	(6,084,302)	(2,457,005)	(6,315,270)
Borrowings	(52,726)	(180,056)	(80,803)
	(6,137,028)	(2,637,061)	(6,396,073)
Total liabilities	(9,251,275)	(5,906,376)	(9,252,690)
Net assets	10,170,291	14,181,436	11,622,039
Equity			
Called up share capital	1,267,779	1,247,444	1,267,779
Share premium account	36,838,450	36,838,450	36,838,450
Capital reserve - own shares	(48,163)	(48,163)	(48,163)
Retained earnings	(28,099,139)	(24,214,926)	(26,421,390)
Currency translation reserve	211,364	358,631	(14,637)
Total equity	10,170,291	14,181,436	11,622,039

Group Statement of Cash Flows
for the six months ended 30 June 2020

	<i>Unaudited</i> 6 months to 30.06.20 £	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Audited</i> Year to 31.12.19 £
Cash flows from operating activities			
Loss before taxation for the period	(1,758,648)	(1,850,852)	(3,511,768)
<i>Adjustments for:</i>			
Finance income	(51,091)	(78,071)	(160,186)
Finance costs	245,229	106,420	600,343
Depreciation and amortisation and impairment (Profit) on disposal of property, plant and equipment	1,007,404	1,214,320	2,246,949
Share based payments expense	80,899	72,902	151,418
Operating cash flows before movement in working capital	(476,207)	(535,281)	(673,244)
Change in inventories	27,092	61,539	60,368
Change in trade and other receivables	48,377	(612,654)	(763,323)
Change in trade and other payables and provisions	146,935	(457,019)	(282,634)
Cash (used in) / provided by operations	(253,803)	(1,543,415)	(1,658,833)
Taxation paid	-	-	-
Net cash from operating activities	(253,803)	(1,543,415)	(1,658,833)
Cash flows from investing activities			
Payments to acquire software	(30,931)	(1,852)	(9,685)
Payments to acquire property, plant and equipment	(121,699)	(491,597)	(1,264,315)
Payments to acquire intangible fixed assets	-	(11,451)	(43,794)
Proceeds from disposal of property plant and equipment	-	-	6,641
Net movement in loans to sub-franchisees	70,493	53,389	167,925
Interest received	4,200	15,350	24,501
Net cash used in investing activities	(77,937)	(436,161)	(1,118,727)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	5,492,320	5,512,655
Repayment of borrowings and lease liabilities	(374,053)	(323,563)	(497,448)
Interest paid	(245,229)	(124,866)	(586,396)
Net cash (used in) / from financing activities	(619,282)	5,043,891	4,428,811
Change in cash and cash equivalents	(951,022)	3,064,315	1,651,251
Exchange differences on cash balances	47,122	35,600	(16,765)
Cash and cash equivalents at beginning of period	3,592,402	1,957,916	1,957,916
Cash and cash equivalents at end of period	2,688,502	5,057,831	3,592,402

Group Statement of Changes in Equity

for the six months ended 30 June 2020

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2018	764,111	31,829,463	(22,053,832)	199,337	(48,163)	10,690,916
Adjustment to reserves on adoption of IFRS 16	-	-	(383,144)	-	-	(383,144)
At 1 January 2019 - as restated	764,111	31,829,463	(22,436,976)	199,337	(48,163)	10,307,772
Shares issued	483,333	5,316,667	-	-	-	5,800,000
Expenses of share issue	-	(307,680)	-	-	-	(307,680)
Share based payments	-	-	72,902	-	-	72,902
Translation difference	-	-	-	159,294	-	159,294
Loss for the period	-	-	(1,850,852)	-	-	(1,850,852)
At 30 June 2019 - as presented	1,247,444	36,838,450	(24,214,926)	358,631	(48,163)	14,181,436
Additional adjustment to reserves on adoption of IFRS 16	-	-	(624,064)	-	-	(624,064)
As at 01 July 2019	1,247,444	36,838,450	(24,838,990)	358,631	(48,163)	13,557,372
Shares issued	20,335	-	-	-	-	20,335
Share based payments	-	-	78,516	-	-	78,516
Translation difference	-	-	-	(373,268)	-	(373,268)
Loss for the period	-	-	(1,660,916)	-	-	(1,660,916)
At 31 December 2019	1,267,779	36,838,450	(26,421,390)	(14,637)	(48,163)	- 11,622,039
Share based payments	-	-	80,899	-	-	80,899
Translation difference	-	-	-	226,001	-	226,001
Loss for the period	-	-	(1,758,648)	-	-	(1,758,648)
At 30 June 2020	1,267,779	36,838,450	(28,099,139)	211,364	(48,163)	10,170,291

Notes to the Interim Financial Statements for the six months ended 30 June 2020

1 Basis of preparation

These condensed interim financial statements are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 2006. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and were approved on behalf of the Board by the Chief Executive Officer Iwona Olbryś.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those applied in the Group's most recent annual financial statements for the year ended 31 December 2019.

The financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under s498(2) or (3) of the Companies Act 2006.

Copies of these condensed interim financial statements and the Group's most recent annual financial statements are available on request by writing to the Company Secretary at our registered office DP Poland plc, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey KT13 0TS, or from our website www.dppoland.com.

2 Revenue

	<i>Unaudited</i> 6 months to 30.06.20 £	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Audited</i> Year to 31.12.19 £
Core revenue	6,991,964	6,887,081	13,753,544
Other revenue	-	-	253,115
	<u>6,991,964</u>	<u>6,887,081</u>	<u>14,006,659</u>

Core revenues are ongoing revenues including sales to the public from corporate stores, sales of materials and services to sub-franchisees, royalties received from sub-franchisees and rents received from sub-franchisees. Other revenues are non-recurring transactions such as the sale of stores, fittings and equipment to sub-franchisees.

3 Taxation

	<i>Unaudited</i> 6 months to 30.06.20 £	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Audited</i> Year to 31.12.19 £
Current tax	-	-	-
Deferred tax charge relating to the origination and reversal of temporary differences	-	-	-
Total tax charge in income statement	<u>-</u>	<u>-</u>	<u>-</u>

4 Earnings per ordinary share

The loss per ordinary share has been calculated as follows:

	<i>Unaudited</i> 6 months to 30.06.20	<i>Unaudited</i> 6 months to 30.06.19	<i>Audited</i> Year to 31.12.19
Profit / (loss) after tax (£)	(1,758,648)	(1,850,852)	(3,511,768)

Weighted average number of shares in issue (<i>excluding EBT held shares</i>)	251,072,868	215,867,842	232,432,469
Basic and diluted earnings per share (pence)	(0.70 p)	(0.86 p)	(1.51 p)

The weighted average number of shares for the period excludes those shares in the Company held by the employee benefit trust. At 30 June 2020 the basic and diluted loss per share is the same, because the vesting of share awards would reduce the loss per share and is, therefore, anti-dilutive.

5 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are disclosed in the Group's financial statements for the year ended 31 December 2019, available from www.dppoland.com and remain unchanged.