Domino's Pizza Enterprises Limited
1/485 Kingsford Smith Drive
Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

22 February 2023

The Manager

Market Announcements Office

Australian Securities Exchange

4th Floor, 20 Bridge Street

SYDNEY NSW 2000

Dear Sir

Appendix 4D and financial statements for the half-year ended 01 January 2023

Please find attached for immediate release to the market the following documents in respect of the half-year ended 01 January 2023:

(a) Appendix 4D
(b) 2023 half-year financial statements

For further information, contact Nathan Scholz, Head of Investor Relations at investor.relations@dominos.com.au or on +61-419-243-517.

Authorised for lodgement by the Board.

Craig Ryan

Company Secretary

END

DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report
for the half-year ended 01 January 2023

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

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APPENDIX 4D

DOMINO'S PIZZA ENTERPRISES LIMITED

Current reporting period: Half-year ended 01 January 2023

Previous reporting period: Half-year ended 02 January 2022

SECTION A: RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Percentage change %		Amount $'million
Revenue and net profit				
Revenue from ordinary activities	Down	4.3%	to	1,154.5
Profit from ordinary activities after tax from continuing operations	Down	29.9%	to	65.9
Profit from ordinary activities after tax attributable to members	Down	28.3%	to	63.9
Net profit attributable to members	Down	28.3%	to	63.9

Dividends

	Amount per security (cents)	Franked percentage per security
Final dividend in respect of full-year ended 03 July 2022 paid 15 September 2022	68.1	70%
Interim dividend payable in respect of half-year ended 01 January 2023	67.4	60%

Record date for determining entitlements to the dividend: 01 March 2023

	01 January 2023 $	03 July 2022 $
Net tangible assets per security		
Net tangible assets per security	(7.09)	(5.94)

SECTION B: COMMENTARY ON RESULTS

For comments on trading performance during the half-year, refer to the media release.

The interim dividend franked at 60%, of 67.4 cents per share was approved by the Board of Directors on 21 February 2023. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the half-year financial report.

DIRECTORS' REPORT

The directors of Domino's Pizza Enterprises Limited (the Company or DPE) submit herewith the condensed financial report for the consolidated entity (the Company and its controlled entities) for the half-year ended 01 January 2023. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report as follows:

The following persons held office as directors of Domino's Pizza Enterprises Limited during the half-year:

Jack Cowin
Grant Bourke
Lynda O'Grady
Ursula Schreiber
Doreen Huber
Tony Peake
Don Meij

REVIEW OF OPERATIONS

The following are the key operational highlights for the half-year.

EXPLANATION OF STATUTORY PROFIT TO UNDERLYING PROFIT

Statutory Profit before tax is prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS).

Statutory Profit before tax of $93.7 million, includes expenditures of $11.1 million treated as significant items. Excluding these items, the Underlying Profit before tax was $104.8 million, 24.1% down on the prior corresponding period.

Underlying Profit before tax is reported to give information to shareholders that provides a greater understanding of the performance of the Company's operations. DPE believes Underlying Profit before tax is useful as it removes significant items thereby facilitating a more representative comparison of financial performance between financial periods. Underlying Profit is a non-IFRS measure which is not subject to audit or review.

The below provides a reconciliation of Statutory Profit to Underlying Profit including earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest, and tax (EBIT).

	Half-year ended 01 January 2023						
	Statutory $'000	Significant Items $'000	Underlying $'000	ANZ $'000	Europe $'000	Asia $'000	Unallocated $'000
Revenue	1,154,487	-	1,154,487	402,667	364,317	387,503	-
EBITDA	171,129	(11,140)	182,269	81,911	46,518	64,150	(10,310)
Depreciation and amortisation	(68,364)	-	(68,364)	(18,482)	(20,870)	(27,720)	(1,292)
EBIT	102,765	(11,140)	113,905	63,429	25,648	36,430	(11,602)
Net finance costs	(9,083)	-	(9,083)				
Net profit before tax	93,682	(11,140)	104,822				
Income tax expense	(27,759)	3,374	(31,133)				
Net profit after tax	65,923	(7,766)	73,689				
Profit is attributed to:							
Owners of the parent	63,897	(7,766)	71,663				
Non-controlling interests	2,026	-	2,026				

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

EXPLANATION OF STATUTORY PROFIT TO UNDERLYING PROFIT (CONTINUED)

	Half-year ended 02 January 2022						
	Statutory $'000	Significant Items $'000	Underlying $'000	ANZ $'000	Europe $'000	Asia $'000	Unallocated $'000
Revenue	1,206,638	-	1,206,638	403,001	360,989	442,648	-
EBITDA	209,692	(3,087)	212,779	78,654	70,480	74,175	(10,530)
Depreciation and amortisation	(68,044)	-	(68,044)	(18,333)	(20,775)	(28,448)	(488)
EBIT	141,648	(3,087)	144,735	60,321	49,705	45,727	(11,018)
Net finance costs	(6,677)	-	(6,677)				
Net profit before tax	134,971	(3,087)	138,058				
Income tax expense	(40,890)	930	(41,820)				
Net profit after tax	94,081	(2,157)	96,238				
Profit is attributed to:							
Owners of the parent	89,135	(2,157)	91,292				
Non-controlling interests	4,946	-	4,946				

SIGNIFICANT ITEMS

Significant items in the current and comparative periods include external legal and acquisition costs that relate to discrete matters and costs relating to structural changes in the business.

Statutory Profit before tax was $93.7 million this included the following significant costs excluded from Underlying Profit before tax as outlined below:

CURRENT PERIOD

ANZ

- External legal costs of $5.4 million pertaining to the Fast Food Industry Award class action.
- Acquisition and integration costs of $2.5 million relating to the acquisitions of Domino's Malaysia and Singapore.

ASIA

- Acquisition and integration costs of $0.7 million relating to the acquisitions of Domino's Malaysia and Singapore.

EUROPE

- External legal costs of $0.9 million pertaining to the Speed Rabbit Pizza legal matter.
- Denmark brand re-launch costs of $1.6 million.

PRIOR CORRESPONDING PERIOD

ANZ

- External legal costs of $1.6 million pertaining to the Fast Food Industry Award class action.
- Acquisition and integration costs of $1.4 million relating to acquisition of Domino's Taiwan.

ASIA

- Acquisition and integration costs of $0.1 million relating to Domino's Taiwan.

Underlying Profit before tax was $104.8 million, down 24.1% from the prior period. A description of the contributing factors is disclosed below.

REVIEW OF OPERATIONS (CONTINUED)

CONSOLIDATED ENTITY

The Group's revenue was $1,154.5 million compared with $1,206.6 million in the first half of 2021/22. The revenue decline was due to Same Store Sales (SSS) decline of 0.55% and a decline in network sales of 4.0% for the half year period.

Cash from operating activities is $109.1 million for the first half compared to $92.8 million in the first half of 2022/23. Operating cash flows have been impacted by unfavourable working capital of $11.6 million, due to timing of payments. Income tax paid has decreased by $9.0 million compared to the first half of 2021/22 due to the timing of income tax payments. The Company also completed a capital raising during first half of 2021/22 which resulted in net cash inflows of $163.2 million.

As inflation, through increases in labour costs, food input costs, and energy, rapidly affected the Group's unit economics, management moved quickly to adjust customer-facing pricing to protect franchisee profitability and sustainability. Initially Domino's intent was to 'earn' additional pricing from customers through a 'More for More' strategy, whereby customers would be encouraged to trade into additional, or higher ticket, items that would deliver value for customers and additional earnings for stores.

This resonated well with customers, but as cost increases continued unabated, Domino's took additional steps to pass through these costs to consumers. It was anticipated that pricing changes implemented at the end of Q1 would deliver an improvement of earnings in Q2. However, while the initial customer response was pleasing, some of this margin improvement unwound in November as repeat purchases were affected, particularly in markets where order frequency is not as high (for example Japan and Germany).

For the Half, customers and sales volumes fell (albeit sold at a higher ticket). The net results of this was reduced volumes through warehousing, affecting revenue and margins, as well as a flow-through affect on lower corporate store performance.

The Company is addressing this customer affect through 'rebalancing the Value equation'. That is, where customers perceive value as a function of Price + Service + Image at a particular price point, management in all markets is focused on the initiatives that ladder up into perceived value. Specifically, these include store operations where there is heightened focus on product quality scores and delivery times, as well as brand initiatives including technology launches (such as the new mobile application which is being adopted in record numbers), new product development and aggressively priced special promotions.

Management is confident in the application of these principles in rebuilding average weekly order counts for stores, and the flow-through affect to unit economics and the Group's revenues and earnings. However, the time required for these initiatives to resonate with customers remains unknown.

While the Company's organic growth (+79 stores) and inorganic growth (+278 stores through the acquisition of Malaysia and Singapore) has been pleasing, the short-term outlook for network expansion will rely on improving unit economics, built on Domino's ability to successfully pass through cost increases to customers without a resulting customer count decline.

The consolidated entity's overall risk management and governance strategies have not substantially changed since the last full year annual report.

AUSTRALIA/NEW ZEALAND OPERATIONS

Although revenue decreased by 0.1% to $402.7 million, Underlying EBIT grew 5.2% to $63.4 million. Reinvestment in the franchise base has delivered network expansion, with 23 new stores opened in the Half, versus 20 in the prior Full Year. Corporate stores have increased as some franchisees exited the business due to underperformance; enhanced unit economics is key to refranchising these stores.

EUROPE OPERATIONS

Our European operations have been more affected by inflation, largely due to higher levels of inflation affecting primary markets including Germany and France, as well as geopolitical uncertainty. Passing through input costs has seen a decline in customer counts across multiple markets, particularly in delivery. Nonetheless, delivery orders remain elevated vs pre-COVID, and management are working to rebalance the value equation for customers and franchisees. Total revenue increased 0.9% to $364.3 million, however underlying EBIT was 48.4% lower at $25.6 million, due to reduced warehouse margins through lower volumes, a delay in passing through higher food costs to stores, and a lower performance in corporate stores.

REVIEW OF OPERATIONS (CONTINUED)

ASIA OPERATIONS

Sales in Asia decreased 12.5% to $387.5 million, rebuilding following the lifting of the State of Emergency in the prior comparable period. Underlying EBIT was 20.3% lower at $36.4 million, affected by a higher proportion of corporate stores opened during COVID that have yet to reach maturity. The Asian business is materially stronger vs pre-COVID and will strengthen as a significant portion of the store network matures. The newly acquired markets (Malaysia and Singapore) are performing at expectations, with management intending to apply High Volume Mentality to store operations.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 7 of the half-year condensed consolidated financial report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year condensed consolidated financial report are rounded off to the nearest thousand dollar, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

Jack Cowin
Non-Executive Chairman
21 February 2023

Don Meij
Managing Director/ Group Chief Executive Officer
21 February 2023

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF DOMINO'S PIZZA ENTERPRISES LIMITED

Deloitte.

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www.deloitte.com.au

21 February 2023

The Directors
Domino's Pizza Enterprises Limited
Level 1, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

Dear Directors

Auditor's Independence Declaration to Domino's Pizza Enterprises Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Domino's Pizza Enterprises Limited.

As lead audit partner for the review of the consolidated half year financial report of Domino's Pizza Enterprises Limited for the half year ended 1 January 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the audit review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of Domino's Pizza Enterprises Limited

Conclusion

We have reviewed the half-year financial report of Domino's Pizza Enterprises Limited, (the "Entity"), which comprises the condensed consolidated statement of financial position as at 1 January 2023, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 28.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Entity is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Entity's financial position as at 1 January 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Entity's financial position as at 1 January 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 21 February 2023

DIRECTORS' DECLARATION

The directors declare that:

1. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

Jack Cowin
Non-Executive Chairman
21 February 2023

Don Meij
Managing Director/ Group Chief Executive Officer
21 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 01 JANUARY 2023

	Note	01 January 2023 $'000	02 January 2022 $'000
Continuing operations			
Revenue	3	1,154,487	1,206,638
Other gains and losses		10,774	14,203
Finance income		2,840	2,641
Food, equipment and packaging expenses		(512,450)	(522,056)
Employee benefits expense		(199,974)	(207,145)
Plant and equipment costs		(15,728)	(18,023)
Depreciation and amortisation expense		(68,364)	(68,044)
Occupancy expenses		(3,484)	(2,248)
Finance costs		(11,923)	(9,318)
Marketing expenses		(112,549)	(122,996)
Royalties expense		(52,171)	(51,990)
Store related expenses		(18,114)	(15,555)
Communication expenses		(23,140)	(18,901)
Integration, conversion and legal costs		(11,140)	(3,087)
Other expenses		(45,382)	(49,148)
Profit before tax		93,682	134,971
Income tax expense		(27,759)	(40,890)
Profit for the period from continuing operations		65,923	94,081
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gain/(loss) on net investment hedge taken to equity		(2,789)	957
Exchange differences arising on translation of foreign operations		7,079	1,021
Gain/(loss) on cash flow hedges taken to equity		(5,837)	2,186
Income tax relating to components of other comprehensive income		2,903	(931)
Other comprehensive income/(loss) for the period, net of tax		1,356	3,233
Total comprehensive income for the period		67,279	97,314
Profit is attributable to:			
Owners of Domino's Pizza Enterprises Limited		63,897	89,135
Non-controlling interests		2,026	4,946
Total profit for the period		65,923	94,081
Total comprehensive income for the period is attributable to:			
Owners of the parent		63,742	93,007
Non-controlling interests		3,537	4,307
Total comprehensive income for the period		67,279	97,314
		Cents	Cents
Earnings per share from continuing operations			
Basic (cents per share)		73.5	103.0
Diluted (cents per share)		73.5	102.5

The above Statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 01 JANUARY 2023

	Note	01 January 2023 $'000	03 July 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		143,726	76,877
Trade and other receivables		170,832	163,591
Other financial assets		13,098	20,892
Inventories		58,741	30,861
Current tax assets		11,021	1,234
Other assets		69,493	45,760
Investment in lease assets		75,825	72,063
Total current assets		542,736	411,278
Non-current assets			
Other financial assets		122,565	119,869
Investment in joint venture		1,744	1,709
Property, plant and equipment		337,411	273,471
Goodwill	5	565,652	485,707
Intangible assets		669,716	450,352
Right of use assets		331,003	306,845
Investment in lease assets		381,111	382,493
Total non-current assets		2,409,202	2,020,446
Total assets		2,951,938	2,431,724
Liabilities			
Current liabilities			
Trade and other payables		349,591	303,976
Contract liabilities		3,350	3,134
Lease liabilities		138,345	122,304
Borrowings	6	104,547	32,035
Other financial liabilities		137,234	140,003
Current tax liabilities		25,036	17,571
Provisions		21,103	21,559
Total current liabilities		779,206	640,582
Non-current liabilities			
Contract liabilities		13,439	15,775
Lease liabilities		658,063	646,714
Borrowings	6	702,679	612,066
Other financial liabilities		50,441	511
Deferred tax liabilities		132,385	85,249
Provisions		12,066	8,870
Total non-current liabilities		1,569,073	1,369,185
Total liabilities		2,348,279	2,009,767
Net assets		603,659	421,957
Equity			
Issued capital	7	430,475	264,212
Reserves		(126,340)	(136,848)
Retained earnings		299,524	294,593
Total equity		603,659	421,957

The above Statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 01 JANUARY 2023

	Issued Capital $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Other reserve $'000	Retained Earnings $'000	Non-controlling interests $'000	Total $'000
Balance at 27 June 2021	259,500	(1,364)	7,754	(156,777)	286,024	-	395,137
Profit for the period	-	-	-	-	89,135	4,946	94,081
Other comprehensive income	-	2,212	1,661	-	-	(640)	3,233
Total comprehensive income	-	2,212	1,661	-	89,135	4,306	97,314
Non-controlling interests	-	-	-	-	-	(461)	(461)
Issue of employee share options	4,712	-	-	-	-	-	4,712
Share options trust	-	-	-	(1,899)	-	-	(1,899)
Non-controlling interest put option	-	-	-	(4,985)	-	(3,845)	(8,830)
Recognition of share-based payments	-	-	-	(1,851)	-	-	(1,851)
Payment of dividends	-	-	-	-	(73,633)	-	(73,633)
Balance at 02 January 2022	264,212	848	9,415	(165,512)	301,526	-	410,489
Balance at 03 July 2022	264,212	8,426	(18,632)	(126,642)	294,593	-	421,957
Profit for the period	-	-	-	-	63,897	2,026	65,923
Other comprehensive income	-	(5,723)	5,568	-	-	1,511	1,356
Total comprehensive income	-	(5,723)	5,568	-	63,897	3,537	67,279
Contributions of equity, net of transaction costs and tax	164,999	-	-	-	-	-	164,999
Share options trust	-	-	-	(130)	-	-	(130)
Share issue costs	(1,810)	-	-	-	-	-	(1,810)
Issue of employee share options	3,074	-	-	-	-	-	3,074
Non-controlling interest put option	-	-	-	11,465	-	(3,537)	7,928
Payment of dividends	-	-	-	-	(58,966)	-	(58,966)
Recognition of share-based payments	-	-	-	(672)	-	-	(672)
Balance at 01 January 2023	430,475	2,703	(13,064)	(115,979)	299,524	-	603,659

The above Statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 01 JANUARY 2023

	Note	01 January 2023 $'000	02 January 2022 $'000
Cash flows from operating activities			
Receipts from customers		**1,264,285**	1,321,083
Payments to suppliers and employees		**(1,120,667)**	(1,186,541)
Interest received		**5,980**	4,977
Interest and other finance costs		**(11,179)**	(8,458)
Income taxes paid		**(29,290)**	(38,248)
Net cash generated from operating activities	8	**109,129**	92,813
Cash flows from investing activities			
Proceeds from franchisee loans		**24,910**	22,023
Payments for intangible assets		**(23,953)**	(26,133)
Payments for property, plant and equipment		**(50,365)**	(59,655)
Proceeds from sale of non-current assets		**11,543**	15,865
Acquisition of stores net of cash		**(27,495)**	(18,235)
Acquisition of subsidiaries		**(202,789)**	(79,600)
Net cash inflow/(outflow) on investment in joint ventures		**(28)**	-
Net cash used in investing activities		**(268,177)**	(145,735)
Cash flows from financing activities			
Proceeds from issues of equity securities		**167,127**	1,286
Proceeds from borrowings		**563,399**	680,752
Repayment of borrowings		**(416,160)**	(589,263)
Payments for establishment of borrowings		**(2,043)**	(4,154)
Lease principal payments		**(64,076)**	(61,598)
Receipts from subleases		**36,218**	30,465
Share issue cost		**(1,810)**	-
Dividends paid		**(58,966)**	(73,633)
Net cash used from financing activities		**223,689**	(16,145)
Net increase/(decrease) in cash and cash equivalents		**64,641**	(69,067)
Cash and cash equivalents at the beginning of the period		**76,877**	174,689
Effects of exchange rate changes on the balance of cash held in foreign currencies		**2,208**	1,953
Cash and cash equivalents at the end of the period		**143,726**	107,575

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Domino's Pizza Enterprises Limited ("the Company") is a Company domiciled in Australia. The financial report for the half-year ended 01 January 2023 comprises the condensed consolidated financial statements of the Company and its controlled entities (together referred to as the "consolidated entity" or "Group"). The annual financial report of the consolidated entity as at and for the year ended 03 July 2022 is available on request from the Company's registered office at Level 1, KSD1 485 Kingsford Smith Drive, Hamilton Qld 4007 or at www.dominos.com.au.

STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of the consolidated entity for the financial year ended 03 July 2022 and public announcements made by the Company.

BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year condensed consolidated financial report are rounded off to the nearest thousand dollar, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 03 July 2022, except for the impact of the Standards and Interpretations described below and any new accounting policies adopted by the consolidated entity during the period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

BASIS OF GOING CONCERN

The financial statements have been prepared on the basis that the Group will continue as a going concern. The Group has a net current liability position of $236.5 million as at 01 January 2023 (03 July 2022: net current liability position $229.3 million).

As at 01 January 2023 the Group had unrestricted cash and cash equivalents of $143.7 million and generated net operating cash flows of $109.1 million. The Group's capital structures is sustainable with sufficient liquidity, including undrawn committed borrowings of $453.6 million. The Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate, and that assets are likely to be realised, and liabilities are likely to be discharged, at the amounts recognised in the financial statements in the ordinary course of business.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 03 July 2022, except for the adoption of new standards effective as of 04 July 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

The annual improvements to AASB 9 *Financial Instruments* to clarify fees included in the '10 per cent' test in assessing whether to derecognise a financial liability, explaining that only fees paid between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lending on the other's behalf are included. The annual improvements to AASB 16 *Leases* to resolve potential confusion regarding the treatment of lease incentives in an example.

The amendment to AASB 3 *Business Combinations* to add requirement that, for transactions and other assets within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* or Interpretation 21 *Levies*, an acquirer applies those pronouncements (instead of the Conceptual Framework) to identify liabilities assumed in a business combination. An amendment to AASB 3 to add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendment to AASB 116 *Property, Plant and Equipment* to prohibit deducting the costs of an item of property, plant and equipment from any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendment to AASB *137 Provisions, Contingent Liabilities and Contingent Assets* to specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs to fulfilling that contract (e.g direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to AASB 1 First-time *Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS Accounting Standards.

Amendments to AASB 141 *Agriculture* to remove the requirement to exclude cash flows for taxation when measuring the fair value of a biological asset when using a present value technique.

These amendments are effective for annual reporting period beginning on or after 1 January 2022 and are applied prospectively.

Other Amendments

In addition to the above pronouncements, the Group has also applied the amendments in AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and other amendments that are effective for annual reporting periods beginning on or after 1 January 2022. These amendments are minor editorial corrections and did not have any impact on the Group's consolidated financial statements.

2 SEGMENT INFORMATION

The consolidated entity has identified its operating segments on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the consolidated entity's Chief Executive Officer for the purpose of resource allocation and assessment of performance is specifically focused on the geographical location the consolidated entity operates in. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

- Australia/New Zealand ("ANZ")
- Europe
- Asia[1]

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies. The following is an analysis of the revenue and results by reportable operating segment for the periods under review:

	Half-year ended 01 January 2023				
	ANZ $'000	Europe $'000	Asia[1] $'000	Unallocated[2] $'000	Total $'000
Continuing operations					
Revenue	**402,667**	**364,317**	**387,503**	**-**	**1,154,487**
EBITDA	**73,993**	**43,999**	**63,447**	**(10,310)**	**171,129**
Depreciation & amortisation	**(18,482)**	**(20,870)**	**(27,720)**	**(1,292)**	**(68,364)**
EBIT	**55,511**	**23,129**	**35,727**	**(11,602)**	**102,765**
Net finance costs					**(9,083)**
Net profit before tax					**93,682**

	Half-year ended 02 January 2022				
	ANZ $'000	Europe $'000	Asia[1] $'000	Unallocated[2] $'000	Total $'000
Continuing operations					
Revenue	403,001	360,989	442,648	-	1,206,638
EBITDA	75,642	70,480	74,100	(10,530)	209,692
Depreciation & amortisation	(18,333)	(20,775)	(28,448)	(488)	(68,044)
EBIT	57,309	49,705	45,652	(11,018)	141,648
Net finance costs					(6,677)
Net profit before tax					134,971

[1] On 30 November 2022, the Group completed the acquisitions of Dommal Foods Services Sdn. Bhd (Domino's Malaysia) and Domino's Pizza Singapore Pte. Ltd (Domino's Singapore). On 31 August 2021, the Group completed the acquisition of PizzaVest Company Limited (Domino's Taiwan). The aggregate financial results of Domino's Malaysia, Domino's Singapore and Domino's Taiwan have been reported in the "Asia" segment.

[2] The Unallocated segment represents corporate costs associated with the management and oversight of global functions which are shared by all the jurisdictions in which the Group operates.

The revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period.

Segment net profit before tax represents the profit earned by each segment using the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

2 SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the consolidated entity's assets by reportable operating segment:

	01 January 2023 $'000	03 July 2022 $'000
Continuing operations		
ANZ	**662,358**	592,959
Europe	**892,164**	849,978
Asia	**1,381,658**	976,759
Total segment assets	**2,936,180**	2,419,696
Unallocated assets	**15,758**	12,028
Total assets	**2,951,938**	2,431,724

The following is an analysis of the consolidated entity's liabilities by reportable operating segment:

	01 January 2023 $'000	03 July 2022 $'000
Continuing operations		
ANZ	**(941,995)**	(848,620)
Europe	**(524,017)**	(531,582)
Asia	**(879,077)**	(626,562)
Total segment liabilities	**(2,345,089)**	(2,006,764)
Unallocated	**(3,190)**	(3,003)
Total liabilities	**(2,348,279)**	(2,009,767)

3 REVENUE

Revenue is recognised when performance obligations under the relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time.

In the following table, revenue is disaggregated by type and timing of revenue recognition. No single customer amounts to 10% or more of the Group's total external revenue.

The below table provides the timing of revenue recognition:

	Half-year ended 01 January 2023			
	ANZ $'000	Europe $'000	Asia $'000	Total $'000
Revenue type				
Revenue from the sale of goods	281,052	266,737	324,348	872,137
Revenue from rendering of services[1]	120,280	97,456	61,473	279,209
Interest income	1,335	124	1,682	3,141
Total	402,667	364,317	387,503	1,154,487
Timing of revenue recognition				
At a point in time	291,871	277,511	329,197	898,579
Over time	110,796	86,806	58,306	255,908
Total	402,667	364,317	387,503	1,154,487

[1]Revenue for the rendering of services relates to franchise royalties, franchise service fees and supplier fees.

3 REVENUE (CONTINUED)

	Half-year ended 02 January 2022			
	ANZ $'000	Europe $'000	Asia $'000	Total $'000
Revenue type				
Revenue from the sale of goods	290,295	258,093	383,081	931,469
Revenue from rendering of services[1]	111,483	102,724	58,626	272,833
Interest income	1,223	172	941	2,336
Total	403,001	360,989	442,648	1,206,638
Timing of revenue recognition				
At a point in time	301,223	266,075	390,760	958,058
Over time	101,778	94,914	51,888	248,580
Total	403,001	360,989	442,648	1,206,638

[1]Revenue for the rendering of services relates to franchise royalties, franchise service fees and supplier fees.

4 DIVIDENDS

	01 January 2023 $'000	02 January 2022 $'000
Recognised amounts		
Partially franked at 70% dividend for full-year ended 03 July 2022: 68.1 cents (27 June 2021: partially franked at 70% 85.1 cents)	**58,966**	73,633
Unrecognised amounts		
Interim partially franked at 60% dividend for the half-year ended 01 January 2023: 67.4 cents (02 January 2022: 88.4 cents partially franked at 70%)	**60,046**	76,514

On 21 February 2023, the directors declared a partially franked at 60% interim dividend of 67.4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 02 July 2023, to be paid to shareholders on 16 March 2023. The dividend will be paid to all shareholders on the Register of Members on 01 March 2023. The total estimated dividend to be paid is $60.0 million.

5 GOODWILL

	01 January 2023 $'000	03 July 2022 $'000
Gross carrying amount		
Cost	**565,652**	485,707
Accumulated amortisation and impairment	**-**	-
Net carrying amount	**565,652**	485,707
Movement		
Net carrying amount at the beginning of the year	**485,707**	456,091
Acquisitions of Domino's Pizza stores and other businesses	**21,545**	27,299
Acquisitions through business combinations (see note 9)	**56,537**	38,269
Disposals	**(7,592)**	(10,736)
Other including foreign exchange movement	**9,455**	(25,216)
Net carrying amount at the end of the period	**565,652**	485,707

6 BORROWINGS

	01 January 2023 $'000	03 July 2022 $'000
Loans from other entities		
Loans from other entities[1]	**17,299**	16,851
Total loans from other entities	**17,299**	16,851
Uncommitted		
Bank loans	-	15,184
Total uncommitted borrowings	-	15,184
Committed		
Bank loans	**789,927**	612,066
Total committed borrowings	**789,927**	612,066
Current	**104,547**	32,035
Non-current	**702,679**	612,066
Total borrowings	**807,226**	644,101

[1]Relates to loans from Domino's Pizza Group plc relating to the German joint venture.

7 ISSUED CAPITAL

	01 January 2023 $'000	03 July 2022 $'000
89,090,162 fully paid ordinary shares (03 July 2022: 86,553,914)	**430,475**	264,212

	01 January 2023		03 July 2022	
	Number of shares '000	Share capital $'000	Number of shares '000	Share capital $'000
Fully paid ordinary shares				
Balance at beginning of financial period	**86,554**	**264,212**	86,523	259,500
Shares issued:				
Issue of shares under executive share option plan	**44**	**3,074**	-	-
Issue of shares under share placement and purchase plan	**2,492**	**164,999**	31	4,712
Capital costs associated with share issue	-	**(1,810)**	-	-
Balance at the end of the period	**89,090**	**430,475**	86,554	264,212

PLACEMENT AND SHARE PURCHASE PLAN

On 02 December 2022, the Company completed its $150 million share placement plan with institutional investors. The Placement offer price was determined via a bookbuild process and priced at $66.38 per new share, the closing price on Wednesday, 30 November 2022. The placement was fully subscribed.

On 30 December 2022, the Company completed its $15 million share purchase plan with eligible shareholders with a registered address in Australia and New Zealand. The issue price was $64.54, being a 2.0% discount to the last closing price of the Company's shares on 22 December 2022. The placement was fully subscribed.

Funds raised under the Placement and Share Purchase Plan will be used to fund the option exercise price for the acquisition of all the shares held by Domino's Pizza Group plc in the German joint venture and any surplus will be applied towards debt repayment.

TERMS AND CONDITIONS OF THE ESOP

The Company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other consolidated entity employee incentive scheme would exceed 7.5% of the total number of shares on issue on a fully diluted basis at the time of the proposed issue or grant.

7 ISSUED CAPITAL (CONTINUED)

TERMS AND CONDITIONS OF THE ESOP (CONTINUED)

Fully diluted basis means the number of shares which would be on issue if all those securities of the Company which are capable of being converted into shares, were converted into shares. If the number of shares into which the securities are capable of being converted cannot be calculated at the relevant time, those shares will be disregarded.

During the half-year ended 01 January 2023, a total of 44,138 options were exercised, increasing share capital by $3.1 million.

8 NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the period to net cash flows from operating activities:

	Note	01 January 2023 $'000	02 January 2022 $'000
Profit for the period		**65,923**	94,081
Profit on sale of non-current assets		**(11,410)**	(13,344)
Equity settled share-based payments		**274**	1,574
Depreciation and amortisation		**68,364**	68,044
Share of joint venture entities net (profit)/loss		**315**	(103)
Amortisation of loan establishment costs		**688**	678
Other		**1,312**	(1,942)
Net cash provided by operating activities before changes in working capital		**125,466**	148,988
Movement in working capital			
(Increase)/decrease in assets:			
Trade and other receivables		**(11,536)**	(5,901)
Inventories		**(16,652)**	(15,410)
Other current assets		**(7,439)**	(6,608)
Increase/(decrease) in liabilities:			
Trade and other payables		**23,997**	(29,243)
Provisions		**127**	(767)
Current tax assets and liabilities		**(2,563)**	(3,990)
Deferred tax balances		**(2,271)**	5,744
Net cash from operating activities		**109,129**	92,813

Included in the movement of other financial assets are non-cash transactions of $22.5 million (02 January 2022: $33.6 million) relating to loans to franchisees.

9 ACQUISITION OF BUSINESSES

Dommal Food Services Sdn. Bhd (Domino's Malaysia) and Domino's Pizza Singapore Pte. Ltd (Domino's Singapore)
On 30 November 2022, the Group acquired through its 100% controlled subsidiary Domino's Pizza Japan, Inc. , 100% of the issued share capital of Dommal Food Services Sdn. Bhd ("Domino's Malaysia ") and Domino's Pizza Singapore Pte. Ltd ("Domino's Singapore"). Domino's Malaysia and Domino's Singapore hold the franchise rights of Domino's in Malaysia and Singapore, and also operates corporate stores in Malaysia and Singapore. The acquisition is expected to expand the Group's markets across Asia. The acquisition was funded through debt raising respectively.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Fair value $'000
Assets	
Cash and cash equivalents	19,340
Trade and other receivables	3,737
Inventories	9,807
Other assets	4,224
Property, plant and equipment	41,664
Right of use assets	25,481
Other intangible assets	202,137
Total identifiable assets	306,390
Liabilities	
Trade and other payables	(16,379)
Current tax liabilities	454
Lease liabilities	(25,481)
Provisions	(2,068)
Deferred tax liabilities	(47,872)
Total identifiable liabilities	91,346
Total identifiable net assets at fair value	215,044
Total Consideration	(271,581)
Less identifiable net assets at fair value	215,044
Goodwill	56,537
Net cash outflow arising on acquisition	
Total Consideration	271,581
Contingent Consideration	(49,452)
Cash and cash equivalents	(19,340)
	202,789

9 ACQUISITION OF BUSINESSES (CONTINUED)

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. At the date of the finalisation of the consolidated financial statements, the necessary market valuations and other calculations had not been finalised (as well as associated tax impacts) and have therefore only been provisionally determined based on the directors' best estimate of the likely fair value.

The contingent consideration has a maximum earn-out of 440 million Malaysian ringgit (equivalent to $147 million) paid over the next two to three years, determined by capitalising earnings at an 11x adjusted EBITDA pre-IFRS16 multiple.

Goodwill arose on acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Domino's Malaysia and Domino's Singapore. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets.

In determining the fair value of assets arising from the acquisitions of Domino's Malaysia and Domino's Singapore, judgements and estimates are required to be applied.

The acquired businesses contributed revenues and net profit to the Group for the period of 30 November 2022 to 01 January 2023. Acquisition related costs of $3.2 million were included as an expense in the consolidated statement of profit and loss. The revenue and results from continuing operations have been included in the Asia segment in note 2.

Acquisitions of Domino's Pizza stores

During the year the Group acquired a number of Domino's pizza branded stores from former and current franchisees. The below provides a summary of these acquisitions during the year by segment which, have been accounted for on a provisional basis:

	ANZ	Europe	Asia	Total
Number of stores acquired	38	5	4	47
	ANZ $'000	**Europe $'000**	**Asia $'000**	**Total $'000**
Fair value on acquisition				
Inventories	296	-	-	296
Property, plant & equipment	3,583	846	1,225	5,654
Total identifiable assets	3,879	846	1,225	5,950
Cash consideration	22,960	2,747	1,788	27,495
Less fair value of net identifiable assets	(3,879)	(846)	(1,225)	(5,950)
Goodwill	19,081	1,901	563	21,545

9 ACQUISITION OF BUSINESSES (CONTINUED)

PRIOR YEAR ACQUISITION

PizzaVest Company Limited (Domino's Taiwan)

On 31 August 2021, the Group acquired through its 100% controlled subsidiary Taiwan Domino's Pizza Co., Ltd, 100% of the issued share capital of PizzaVest Company Limited ("PizzaVest"). PizzaVest held the franchise rights of Domino's in Taiwan and also operates corporate stores in Taiwan. The acquisition is expected to expand the Group's markets across Asia. The acquisition was funded through debt raising.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Fair value $'000
Assets	
Cash and cash equivalents	6,188
Trade and other receivables	7,035
Inventories	2,101
Other assets	661
Property, plant and equipment	1,867
Other intangible assets	54,589
Right of use assets	3,509
Total identifiable assets	75,950
Liabilities	
Trade and other payables	12,799
Current tax liabilities	1,074
Borrowings	10
Lease liabilities	3,627
Provisions	308
Deferred tax liabilities	10,771
Total identifiable liabilities	28,589
Total identifiable net assets at fair value	**47,361**

Total Consideration	85,630
Less identifiable net assets at fair value	(47,361)
Goodwill	38,269

Net cash outflow arising on acquisition	
Total Consideration - cash	85,630
Cash and cash equivalents	(6,188)
	79,442

Goodwill arose on acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PizzaVest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets.

In determining the fair value of assets arising from the acquisition of PizzaVest, judgements and estimates are required to be applied. These estimates and judgements are detailed in the Group's Annual Financial Report.

Acquisition related costs of $1.3 million were included as an expense in the consolidated statement of profit and loss. The revenue and results from continuing operations have been included in the Asia segment in note 2.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	01 January 2023 $'000	03 July 2022 $'000
Guarantees - Franchisee Loans and Leases	9,022	8,848
Total guarantees	**9,022**	8,848

Included above are guarantees provided to third party financial institutions in relation to franchisee loans and leases. This is a contingent liability representing the amounts guaranteed in respect of franchisees that would not, without the guarantee, have been granted the loans. The directors believe that if the guarantees are ever called upon, the Company will be able to recover the amounts paid on disposal of the stores.

Included above are guarantees provided by the Company to third party financial institutions in relation to borrowings of the European subsidiaries.

OTHER

SPEED RABBIT PIZZA

There are various separate French legal proceedings by a competitor, Speed Rabbit Pizza (SRP) against subsidiary, Domino's Pizza France (DPF) (the main claim) and seven SRP franchisees against DPF and the relevant DPF franchisees (the local claims). The allegations are that DPF and its franchisees breached French laws governing payment time limitations and lending, thereby giving DPF and its franchisees an unfair competitive advantage. SRP claimed significant damages for impediment of the development of its franchise network, lost royalty income from SRP franchisees and harm to SRP's image. DPF and its franchisees have denied liability and are vigorously defending the claims. On 7 July 2014, the Court at first instance handed down its decision in the main claim, as well as in five of the local claims. All of the claims of SRP and the relevant SRP franchisees were dismissed. SRP filed an appeal to these decisions in the Court of Appeal, which dismissed SRP's appeal in the main claim on 25 October 2017 and the appeal of SRP and/or SRP franchisees in five local claims on 12 December 2018. SRP then filed an appeal from the decision in the main claim and in 2 local claims to the Cour de Cassation i.e. France's highest court. In the main claim, the Cour de Cassation handed down its judgement on 15 January 2020 which found errors of law in the Court of Appeal decision and set aside parts of the Court of Appeal's decision. On 20 December 2020, SRP filed a fresh appeal in the Court of Appeal and on 22 January 2021 provided DPF with a brief of evidence including new claims for compensation of €236 million. The referring appeal was heard on 5 January 2022. On 18 May 2022, the Court of Appeal issued a decision making no findings on the allegations and appointing an independent expert whose mission is to provide a report to inform the Court on the allegations. A first meeting with the expert took place on 12 July 2022. The expert is currently working on the report, with no known due date for the report.

In the two local claims appealed to the Cour de Cassation, judgements were handed down on 7 July 2020 and 30 September 2020 which found errors of law and cancelled the Court of Appeal decisions. SRP initiated the referring appeals of these two local cases in April 2022 before the Court of Appeal of Paris and filed its briefs in June 2022. DPF filed its briefs by mid-August 2022 and the hearings were held on 14 September 2022. On 23 November 2022, the Court of Appeal appointed an independent expert whose mission is to provide a report to inform the Court on the allegations.

For the sixth local claim, the Court found in favour of DPF at first instance on 27 September 2016, and SRP filed an appeal from this decision to the Court of Appeal. On 30 January 2018, the Court of Appeal dismissed SRP's appeal. The two SRP franchisees then appealed to the Cour de Cassation which dismissed their appeal on 29 January 2020.

The seventh local claim was heard by the Commercial Court of Nanterre at first instance on 15 January 2021. On 12 April 2021, the First President of the Court of Appeal of Versailles handed down a decision transferring the case to the Commercial Court of Versailles, on the request of the President of the Commercial Court of Nanterre. The case was heard by the Commercial Court of Versailles on 9 December 2022. On 3 February 2023, the Court issued a decision ordering DPF to disclose documents and appointing an independent expert whose mission is to provide a report to inform the Court on the allegations.

DPE denies all claims made and is vigorously defending the proceedings brought against it. DPE is confident of its legal position. Accordingly, no provision has been recognised as at 1 January 2023.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

OTHER (CONTINUED)

PIZZA SPRINT

In May 2016, proceedings were brought against Fra-Ma Pizz SAS and Pizza Center France SAS, the Pizza Sprint entities, by a number of former and current franchisees (Relevant Pizza Sprint Franchisees) whom allege a significant imbalance in the rights and obligations by the franchisor (Franchisees' Proceedings). The alleged practices predated the acquisition of Pizza Sprint by the Company, accordingly during the re-measurement period the Company has adjusted the purchase price accounting to recognise a contingent liability and asset in relation to the above matter. A number of the claims by the Relevant Pizza Sprint Franchisees have been settled on a commercial basis.

The French Ministry for the Economy and Finance (Ministry) also brought proceedings (Ministry Proceedings) involving the same facts against Fra-Ma Pizz SAS, Pizza Center France SAS and Domino's Pizza France SAS (collectively, DPF Companies). The Ministry Proceedings are being defended by the DPF Companies. The Relevant Pizza Sprint Franchisees sought to join the Franchisees' Proceedings to the Ministry Proceedings. The request was rejected by the court on 15 February 2018.

On 24 June 2019, the Franchisees' Proceedings and Ministry Proceedings were heard separately. On 22 October 2019, a decision was made in relation to the Ministry Proceedings which did not result in any fine or financial charges against any of the DPF Companies. The Ministry has appealed the decision and the Relevant Pizza Sprint Franchisees have also filed an appeal in support. The appeal has been heard on 15 September 2021 and the Appeal court handed down its decision on 5 January 2022. Fra-Ma Pizz, Pizza Center France and Domino's Pizza France were ordered to pay a €500k fine to the French Ministry for the Economy and Finance, €60k to six former Sprint franchisees and €20k in procedural costs. On 10 January 2022, Fra-Ma Pizz, Pizza Center France and Domino's Pizza France filed an appeal to the Cour de Cassation (French Supreme Court). On 24 June 2022, the Ministry filed a motion to dismiss Fra-Ma Pizz, Pizza Center France and Domino's Pizza France application alleging that the decision of the Appeal court had not been executed. The motion was rejected on 12 January 2023, meaning that the procedure on the merits has resumed and the Ministry is required to file its brief by 12 March 2023.

Five decisions in the Franchisees' Proceedings were handed down on 3 December 2019 and the remaining four decisions were handed down on 31 January 2020. Fra-Ma Pizz SAS and Domino's Pizza France SAS were ordered to pay a total amount of €3 million to certain Relevant Pizza Sprint Franchisees. Various appeals have been filed by the DPF Companies, on the one hand, and separately by some of the Relevant Pizza Sprint Franchisees, on the other, with the Paris Court of Appeal. The appeals were heard on 23 November 2022.

On 8 February 2023, the Paris Court of Appeal issued decisions ordering Fra-Ma Pizz SAS and Domino's Pizza France SAS to pay a total amount of approximately €2.1 million to certain Relevant Pizza Sprint Franchisees. As the decision has only recently been issued, Fra-Ma Pizz, Pizza Center France and Domino's Pizza France are currently considering the legal merits of the decision, including grounds for an appeal to the Cour de Cassation.

CLASS ACTION

On 24 June 2019, Riley Gall, as the lead applicant, commenced a representative proceeding (class action) against the Company in the Federal Court of Australia on behalf of an alleged group comprising some Australian franchisee employees who were employed as delivery drivers or in-store workers between 24 June 2013 and 23 January 2018.

The statement of claim alleges that the Company misled its franchisees who, in reliance on the Company's representations and conduct, paid their delivery drivers and in-store workers in accordance with a number of industrial instruments rather than under the Fast Food Industry Award 2010.

The Company rejects the allegations and has defended the action vigorously. A defence denying the allegations was filed and an application to have the statement of claim (or parts thereof) struck out was heard on 9 June 2020. On 13 April 2021, the Federal Court dismissed that application, and at that time the parties were engaged in a referral before a Registrar of the Federal Court regarding discovery. As a result of that referral process the parties amended their pleadings which were filed in August and September 2021. The parties exchanged lay evidence between February and May 2022. Two separate mediations occurred in June and October 2022 respectively, without resolution of the proceeding.

The trial of Gall's claim was held before Justice Murphy in Melbourne over 12 days in November 2022. Judgment is currently reserved and is not expected to be delivered before mid-2023.

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

OTHER (CONTINUED)

The statement of claim does not quantify any loss by Gall or the alleged group. The expert evidence at trial concerned the quantum of Gall's claim and no other group members. As a result, at this stage of the proceeding it is not possible for the Company to determine with accuracy or reliability any potential obligation or financial impact arising from the alleged damages claimed by group members in the proceeding. The total alleged group member loss will be dealt with by the Court at a later hearing if Gall is successful at trial and on any final appeal.

GENERAL CONTINGENCIES

As a global business, from time to time DPE is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of DPE have considered such matters which are or may be subject to claims or litigation at the period ended 01 January 2023 and unless specific provisions have been made are of the opinion that no material contingent liability for such claims of litigation exist. The Group had no other material contingent assets or liabilities.

11 SUBSEQUENT EVENTS

DIVIDENDS

On 21 February 2023 the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the year ended 02 July 2023. The total dividend amount is estimated to be $60.0 million, which represents a partially franked at 60% dividend of 67.4 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 01 January 2023.

12 FINANCIAL INSTRUMENTS

This note provides information about how the consolidated entity determines the fair values of various financial assets and financial liabilities.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the Group's assets and liabilities measured and recognised as at fair value at 01 January 2023.

01 January 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Foreign exchange contracts	-	239	-	239
Interest rate swaps	-	5,754	-	5,754
Total financial assets	-	5,993	-	5,993
Financial liabilities				
Interest rate swaps	-	(755)	-	(755)
Foreign exchange contracts	-	(337)	-	(337)
Contingent consideration	-	-	(49,452)	(49,452)
Put/call option over non-controlling interest	-	-	(122,661)	(122,661)
Total financial liabilities	-	(1,092)	(172,113)	(173,205)

03 July 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Interest rate swaps	-	1,319	-	1,319
Foreign exchange contracts	-	10,099	-	10,099
Total financial assets	-	11,418	-	11,418
Financial liabilities				
Put/call option over non-controlling interest	-	-	(127,355)	(127,355)
Interest rate swaps	-	(220)	-	(220)
Total financial liabilities	-	(220)	(127,355)	(127,575)

There have been no transfers between Level 1 and Level 2.

12 FINANCIAL INSTRUMENTS (CONTINUED)

The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent the fair value of the put option and market access right relating to the acquisition of Domino's Pizza Germany as well as contingent consideration relating to previous acquisitions.

The opening balance for the put/call option liabilities was $127.4 million and has a closing balance of $122.6 million.

No gain or loss for the half-year relating to level 3 liabilities have been recognised in profit or loss.

VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 AND 3 FAIR VALUES

The fair values of the financial assets and financial liabilities included in the level 2 and 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and long term revenue and profit growth rates.

The level 2 financial instruments have been valued using the discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Specific valuation techniques used to value level 3 financial instruments include:

PUT/CALL OPTION OVER NON-CONTROLLING INTEREST

The valuation technique is specified in the related joint venture agreement and is based on the unlevered earnings multiple of the German operations which requires future earnings to be estimated. The significant unobservable inputs therefore include the unlevered earnings multiple.

On 10 December 2022, the Group received an option exercise notice from Domino's Pizza Group plc ("DPG") requiring the purchase of all of DPG's shares in its joint venture with the Group in Germany. The related financial liability has been classified as current. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry.

CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. The significant unobservable inputs include the expected EBITDA for FY23 to FY25 based on management's experience and knowledge of market and industry conditions. Significant increase/(decrease) in the EBITDA would result in a higher/(lower) fair value of the contingent consideration liability.