



21 February 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2023 Half Year Results Presentation

Please find attached for immediate release to the market the 2023 Half Year Results Presentation for Coles Group Limited.

This announcement is authorised for release by the Board.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Daniella Pereira".

Daniella Pereira
Company Secretary

2023 Half Year Results Presentation

21 February 2023

Steven Cain, Chief Executive Officer
Charlie Elias, Chief Financial Officer

coles

Value the Australian way



SecondBite
Ending Waste. Ending Hunger.

Through the purchase of \$2 donation cards, Coles and its customers raised more than \$1.8 million through the SecondBite Christmas appeal.

Disclaimer

This presentation contains summary information about Coles Group Limited (ACN 004 089 936) and its controlled entities (collectively, 'Coles', 'Coles Group' or 'the Group') and Coles' activities as at the date of this presentation. It is information given in summary form only and does not purport to be complete. It should be read in conjunction with Coles' other periodic corporate reports and continuous disclosure announcements filed with the Australian Securities Exchange (ASX), available at www.asx.com.au.

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Any forward-looking statements are based on Coles' current knowledge and assumptions, including with respect to financial, market, risk, regulatory and other relevant environments that will exist and affect Coles' business and operations in the future. Coles does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions that could cause the actual results, performance or achievements of Coles to be materially different from the relevant statements. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate.

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Non-IFRS financial information

- This presentation contains IFRS and non-IFRS financial information.
- IFRS financial information is financial information that is presented in accordance with all relevant accounting standards.
- Non-IFRS financial information is financial information that is presented other than in accordance with relevant accounting standards and may not be directly comparable with other companies' information.
- Any non-IFRS financial information is clearly labelled to differentiate it from the statutory or IFRS financial information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Operating metrics that are prepared on a non-IFRS basis have been included in the segment commentary to support an understanding of comparable business performance. Non-IFRS information is not subject to audit or review.

Balance sheet and cash flow information presented in this 2023 Half Year Results Presentation is consistent with the underlying information disclosed in the Appendix 4D Half Year Financial Report.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Coles wishes to acknowledge the Traditional Custodians of this land

We recognise their strength and resilience
and pay our respects to their Elders past
and present.

Coles extends that respect to all Aboriginal
and Torres Strait Islander people, and
recognises their rich cultures and their
continuing connection to land and waters.

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1H23 highlights



Trusted value was delivered during the half through the Coles 'LOCKED' and 'DROPPED & LOCKED' campaigns.



Coles was proud to support the residents of Lismore through food and essential product donations after devastating floods hit the community.

Group **sales revenue and EBIT growth** from continuing operations of **3.9%** and **9.9%** respectively with sales momentum strengthening through the half as we cycled out of COVID-19 lockdowns

We continue to face global and local **supply chain challenges** from COVID-19 and floods

Our **team responded at pace to support local communities** impacted by flooding through food and essential product donations

We remain one of Australia's most trusted brands, and delivered **trusted value for customers** through 'LOCKED' and 'DROPPED & LOCKED' campaigns and **won >350 awards** for our **Exclusive to Coles** and **Exclusive Liquor Brand** products

Our **Smarter Selling program delivered benefits of ~\$100 million** helping to offset inflationary cost pressures

We achieved a **key milestone** at our **Queensland automated distribution centre** with **handover complete in line with schedule**

We invested **capex of \$623 million**, achieved a **cash realisation ratio of 108%** and declared an interim **dividend of 36.0 cps**

We announced the **sale of Express fuel and convenience business** to Viva Energy for \$300 million, allowing us to focus on our omnichannel supermarket and liquor businesses

1H23 financial highlights

EBIT growth from continuing operations of 9.9% with Smarter Selling benefits and COVID-19 cost unwind supporting investments in value, digital and eCommerce, while helping to offset inflationary cost pressures

Total sales revenue – continuing operations

\$20.8bn

3.9% vs. pcg; 13.8% vs. 1H20

Smarter Selling

~\$100m

benefits delivered in 1H23

Interim dividend³

36.0c

per share fully-franked

EBIT – continuing operations¹

\$1,058m

9.9% vs. pcg; 20.0% vs. 1H20

Gross operating capex

\$623m

on an accrued basis

Net debt position

\$362m

pre-dividend payment

Net profit after tax – continuing operations

\$616m

11.4% vs. pcg

Operating cash flow²

\$2,044m

108% cash realisation

Safety

15.0 TRIFR⁴

8.0% improvement vs. 2H22

¹ Includes \$17 million of implementation operating expenditure in relation to major automation projects (1H22: \$22 million).

² Excluding interest and tax.

³ The Coles Board has declared a fully-franked interim dividend of 36.0 cents per share with a record date of 3 March 2023 and a payment date of 30 March 2023.

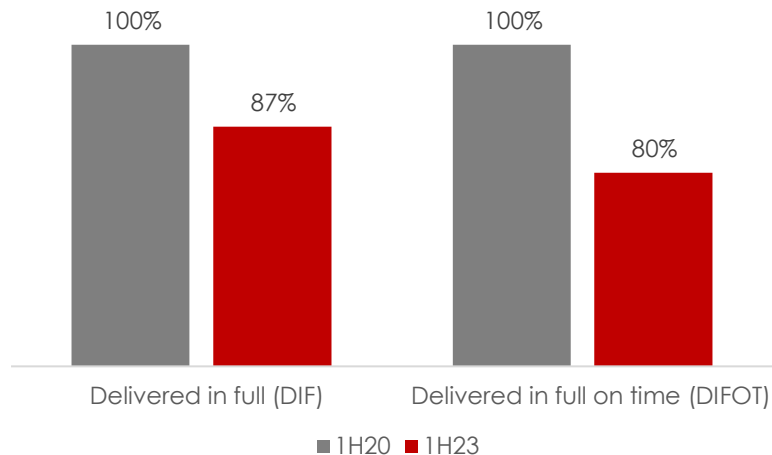
⁴ Total Recordable Injury Frequency Rate.

Improving supply chain resilience is a key focus

Supplier DIFOT below pre-COVID-19 levels due to worker, pallet and raw materials shortages, inflationary pressures and flood related impacts

Availability metrics

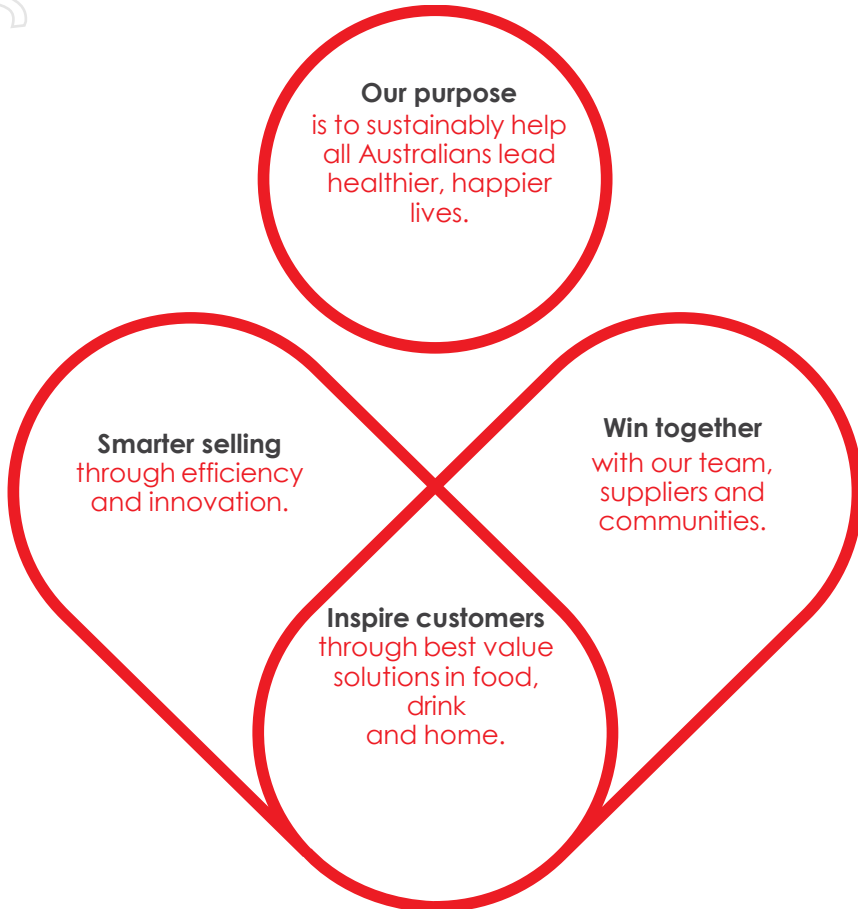
(Rebased to 100 in 1H20)



Driver	Impact	Detail
COVID-19	• Pet food (dry)	– Pallet, transport and packaging challenges in addition to Australian worker shortages in rural areas
	• Bottled water	– International packaging delays and pallets
Floods	• Fresh produce	– Growing areas in NSW, Victoria and Queensland
	• Frozen vegetables	– Lower yields in potatoes, peas and corn from rainfall, flooding and cooler temperatures
	• WA rail	– 4 closures, total outage 66 days ¹
	• Far North Queensland rail	– 8 closures, total outage 30 days ¹
Other	• Chicken	– Productivity and fertility challenges exacerbated by increasing consumer demand
	• Eggs	– Productivity challenges and increasing consumer demand ahead of industry capacity

Sustainable Strategy

Our vision is to become the most trusted retailer in Australia and grow long term shareholder value



Our values



Customer obsession



Passion and pace



Responsibility



Health and happiness

Our behaviours



Look ahead



Energise everyone



Deliver with pride



Inspire customers

- Trusted value through personalisation
- Exclusive brands powerhouse
- Leading anytime, anywhere, anyhow shopping
- Destination for health, sustainability and convenience
- Expanded offer through new markets and services



Smarter selling

- Technology and digitally empowered organisation
- Strategic and sustainable sourcing
- Optimised network and formats
- Agile Store Support Centre using data driven insights



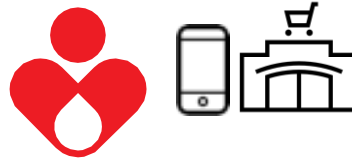
Win together

- Safer choices together
- Great place to work
- Better Together through diversity and community
- Together to Zero to drive generational sustainability
- Growth through partnership

Sustainable Strategy

Strategic differentiators

Win in food and drink with a **unique omnichannel offering**



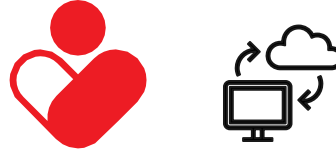
- Unified customer experience through website and app enhancements and continued investment in automated CFCs
- Target net new space growth of ~1.5% p.a.

Be a great value **exclusive** brands powerhouse and destination for health **and convenience**



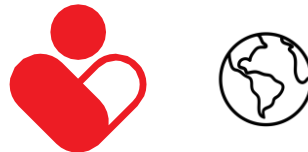
- Expand Exclusive to Coles range to ~40% of sales
- Focus on Coles Kitchen and I'm Free From brands

Achieve long-term structural cost advantage through **Smarter Selling programs, including data, automation and technology partnerships**



- Enhance supply chain and operational efficiency through automation (Witron)
- Accelerate self-service transformation in store
- Smarter Selling 2 investments in digital, data and technology

Be Australia's most sustainable supermarket group together with our **partnerships and communities**



- Secured transition to 100% renewable energy by FY25
- Work towards 100% recyclable, reusable or compostable Coles Own Brand and Coles Liquor Own Brand packaging in Australia by 2025
- Focusing on plastics, food waste and animal husbandry credentials

Deliver **at pace** through our **engaged team**



- Invest in L&D and careers of our team members
- Expansion of Agile ways of working
- Greater focus on safety leading indicators and mental health

Strategic progress: Inspire Customers

Delivering trusted value and enhanced customer experience



Value campaigns during the half focused on lowering the cost of living for customers.



Rapid Click & Collect (order to pick up in under 60 mins) is now available in almost 400 stores.

- Ranked as one of Australia's most trusted brands in the Dec. 2022 Roy Morgan 'Net Trust' rankings
- Value campaigns focused on lowering the cost of living
 - 'LOCKED' and 'DROPPED & LOCKED' campaign with >1,500 prices locked and prices reduced on a further 500 products
- Innovative Exclusive to Coles and Exclusive Liquor Brand ranges
 - 83 Exclusive to Coles product awards, including 11 Product of the Year 2023 awards, and 289 Exclusive Liquor Brand awards received during the half
 - Expanded Coles Finest certified carbon neutral beef range to customers in NSW, TAS and SA
- Flybuys
 - Launched Exclusive member pricing, digitised Coles Express fuel dockets and offered greater personalised value through individually tailored offers
 - Flybuys membership¹ up by 9% and redemptions up by 14%
- Expanded eCommerce offerings
 - In Supermarkets, Rapid Click & Collect (order to pick up in under 60 minutes) available in almost 400 stores, launch of unified website, finalised a fully native unified App experience and achieved 22% growth in Monthly Active Customers²
 - In Liquor, immediacy offer launched and now available in >560 stores
- Retail media – "Coles 360"
 - Accelerated investment in Coles' retail media platform focusing on product innovation, technology and talent, and re-branded as Coles 360

Strategic progress: Smarter Selling

On track to deliver \$1 billion of cumulative benefits by the end of FY23 across our four year program



Plastic free fresh garden herbs at the renewed Coles, Southland.



Service transformation included the roll out of TACOs to >100 stores during the half.

- Delivered Smarter Selling benefits of ~\$100 million during the half (~33% GP, ~67% CODB). Key initiatives included:
 - Continued roll out of trolley assisted check outs (TACOs) in >100 stores
 - Energy reductions through the implementation of demand based heating, ventilation and cooling in 120 stores
 - Profit protection measures to tackle theft in store
 - Dynamic markdown in bakery following successful deployment in fresh produce, meat and dairy
- Planning for Smarter Selling 2 program well advanced
- Rolled out Fresh Produce Easy Ordering to almost 300 stores, enabling improved availability and freshness for customers through AI technology
- Optimised store formats as part of our portfolio expansion and renewal program
 - 10 new supermarkets, including first WA Coles Local, and 16 new liquor stores
 - 15 supermarket and 128 liquor store renewals

Strategic progress: Win Together

Introduced safety index and 8% reduction in TRIFR compared to 2H22



Safer choices together

We are committed to providing a safe working and shopping environment while focusing on the health and wellbeing of our team members

Introduced a Safety index to capture both lead and lag safety indicators

8.0% reduction in TRIFR supported by a continued focus on risks and an improved Safety index performance



Great place to work

We are passionate about being a great place to work and fostering an inclusive and supportive environment

Launched **First Nations Team Member Network Committee** to help shape Indigenous Engagement at Coles; delivered five **Indigenous cultural immersion programs** across NT and Broome for Coles managers

Highest **mysay employee engagement** score recorded in October 2022 Pulse survey, with 1pp improvement vs. the full survey conducted in May 2022



Together to Zero

We have set ambitions and targets across key sustainability areas including climate change, waste and hunger

Expanded Coles Finest certified **carbon neutral beef range** to customers in New South Wales, Tasmania and South Australia, providing customers with more sustainable options¹

Contributed >\$1.8 million through the Coles SecondBite Christmas Appeal



Better Together

We seek to work together with all our stakeholders to bring about positive change

Ranked #1 in the GivingLarge Report for contributing the largest % of profit to the community among Australia's leading organisations in FY22

Ranked #5 in the World Benchmarking Alliance's 2022 Corporate Human Rights Benchmark² (#1 supermarket globally)

¹ Product is certified carbon neutral from paddock to shelf under Climate Active's Carbon Neutral Standard.

² Benchmark ranked 127 companies in the food and agriculture, ICT and automotive manufacturing sectors with Coles ranking #5 behind Unilever, Wilmar International, PepsiCo and Hewlett Packard Enterprise.

Major projects – Two Automated Distribution Centres

Redbank (QLD) handover complete and Kemps Creek (NSW) progressing well in line with schedule

Progress update

- Redbank facility (Qld)
 - Construction and fit out completed
 - Successful recruitment of leadership team and initial team members
 - First inbound deliveries received in mid-January and outbound store deliveries scheduled to commence in 4Q FY23
- Kemps Creek (NSW)
 - External building works complete
 - Witron installation activities have commenced
 - On track for completion in 3Q FY24



Top: Internal racking at Redbank, Qld ADC; Bottom (left): External view of Kemps Creek, NSW and (right): Redbank, Qld ADC.

Recap of structural supply chain benefits



Safer working environment



Reduced lead time improving availability



Consolidation of five sites to two



Double the volume on half the footprint of a standard DC



Two-thirds of the operating cost

Major projects – Two Automated CFCs

Front end systems and integration with Ocado Smart Platform progressing well, external building works complete at both sites and some delays to fit out



Progress update

- Ocado Smart Platform integration with Coles' eCommerce systems and digital customer experience and fulfilment progressing to plan
- External building works completed at both sites for handover to Ocado
- The fit out of these facilities, especially the hive and grid, are unique in Australia, requiring complex construction management work systems to be developed and implemented.
- As advised at the 2022 AGM, there had been a construction delay at the New South Wales site. An assessment is ongoing to determine what further impact there may be on scheduled commissioning. However, based on information from Ocado we are working towards the Victorian CFC being commissioned ahead of the New South Wales CFC with an incremental ramp up period commencing mid-FY24 in Victoria and 2H FY24 in New South Wales.
- The revised timeline is not currently expected to have a material impact on Coles' estimated total capital expenditure for the project.
- Truganina automated CFC (VIC)
 - Site recruitment underway with key leadership roles now in place
 - First Spoke site identified in Dandenong. Construction commenced
- Wetherill Park automated CFC (NSW)
 - Management team in place and training plan underway
 - First Spoke site identified in Alexandria and agreements in place

Recap of customer and network benefits



Market leading
DIFOT



Guaranteed days of
freshness



Extended
range



Operating
efficiency



New
catchments

Top: Construction of the hive at Truganina CFC, VIC; Bottom (left): External view of Wetherill Park CFC, NSW and (right): Truganina CFC, VIC.

Coles' strategy tracker

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none"> 8.0% reduction in TRIFR compared to 2H22
Increased team member engagement	<ul style="list-style-type: none"> Continued to record increased team member engagement in our mysay employee engagement Pulse Survey in October 2022, with next full survey to be conducted in May 2023
Improved customer satisfaction	<ul style="list-style-type: none"> Supermarkets and Liquor NPS declined by 5.7 points and 2.5 points respectively. Both impacted by supplier availability challenges. Supermarkets was also impacted by supplier cost price increases during the half
Sales growth at least in line with market	<ul style="list-style-type: none"> Coles Gross Retail Sales growth in-line with 1H23 ABS total market growth of 5.6%^{1,2} despite availability challenges
Increased sales density	<ul style="list-style-type: none"> Supermarkets sales density increased by 4.1% to \$18,651/sqm Liquor sales density decreased by 1.8% to \$16,029/sqm
\$1bn cost-out by FY23	<ul style="list-style-type: none"> Delivered Smarter Selling benefits of ~\$100 million in 1H23, on track to deliver cumulative benefits of ~\$1 billion by end of FY23 across the four year program
EBIT growth	<ul style="list-style-type: none"> Group EBIT growth from continuing operations of 9.9%
Cash realisation³ >100%	<ul style="list-style-type: none"> Cash realisation of 108%

¹ Source: ABS Retail Trade Figures, Table 11. Retail Turnover, State by Industry Subgroup, Original. Total Food Retail excl. Liquor (Smkt & Grocery plus Other Specialised Food Retailing).

² Coles Gross Retail Sales growth adjusted to align retail weeks to ABS calendar months and inclusion of GST, for comparison with ABS data.

³ Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA.

Group financial overview

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| Value the Australian way



Coles is proud to raise money through our supermarkets and Express stores for children's cancer support organisation, Redkite.

1H23 results – Group

Sales revenue growth from continuing operations of 3.9% and NPAT growth of 11.4%

\$m	1H23	1H22	Change
Continuing operations			
Sales revenue	20,805	20,015	3.9%
EBITDA ¹	1,809	1,681	7.6%
EBIT¹	1,058	963	9.9%
EBIT margin %	5.1%	4.8%	27bps
Net profit after tax	616	553	11.4%
Basic earnings per share (cents)	46.3	41.5	11.6%
Total operations – continuing and discontinued operations²			
Net profit after tax	643	549	17.1%
Basic earnings per share (cents)	48.3	41.2	17.2%
Interim dividend per share (cents)	36.0	33.0	9.1%

¹ 1H23 includes \$17 million of implementation operating expenditure in relation to major automation projects (1H22: \$22 million).

² Includes Express which is subject to a sale agreement that is expected to close in the fourth quarter of FY23.

1H23 results – segment financials

Sales revenue and earnings driven by Supermarkets performance

\$m	1H23	1H22	Change	3-yr change ¹
Sales revenue				
Supermarkets	18,853	18,016	4.6%	13.6%
Liquor	1,952	1,999	(2.4)%	15.4%
Sales revenue – continuing operations	20,805	20,015	3.9%	13.8%
Express – discontinued operations	607	578	5.0%	6.0%
Total Group sales revenue	21,412	20,593	4.0%	13.6%
Gross retail sales²				
Supermarkets	19,569	18,582	5.3%	15.4%
Liquor	1,957	2,007	(2.5)%	15.4%
Sales revenue – continuing operations	21,526	20,589	4.6%	15.4%
Express – discontinued operations	643	615	4.6%	5.8%
Total Group gross retail sales revenue	22,169	21,204	4.6%	15.1%
EBITDA				
Supermarkets ³	1,676	1,552	8.0%	17.9%
Liquor	141	156	(9.6)%	11.0%
Other	(8)	(27)	70.4%	n/m
EBITDA – continuing operations	1,809	1,681	7.6%	15.2%
Express – discontinued operations	91	81	n/m	n/m
Total Group EBITDA	1,900	1,762	n/m	n/m
- EBITDA margin (%)	8.9	8.6	n/m	
EBIT				
Supermarkets ³	991	896	10.6%	25.6%
Liquor	80	99	(19.2)%	5.3%
Other	(13)	(32)	59.4%	n/m
EBIT – continuing operations	1,058	963	9.9%	20.0%
Express – discontinued operations	56	12	n/m	n/m
Total Group EBIT	1,114	975	n/m	n/m
- EBIT margin (%)	5.2	4.7	n/m	

Other was positively impacted by an increase in net property sales during the period

Coles agreed to divest the Express business to Viva Energy on 21 September 2022

Underlying **Express EBIT** was \$25 million. Statutory EBIT was \$56 million as a result of ceasing depreciation and amortisation of \$36 million following the agreement to sell offset by ~\$5 million in transactions costs

Refer to Slide 30 for further detail

¹ 3-year growth is calculated as growth between 1H23 and 1H20.

² Gross retail sales comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points. Fuel concession sales are excluded from Express Gross retail sales on the basis Coles does not control retail pricing.

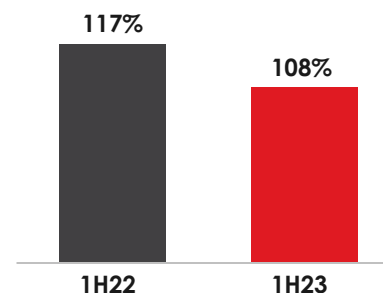
³ 1H23 includes \$17 million of implementation operating expenditure in relation to major automation projects (1H22: \$22 million).

Operating cash flow

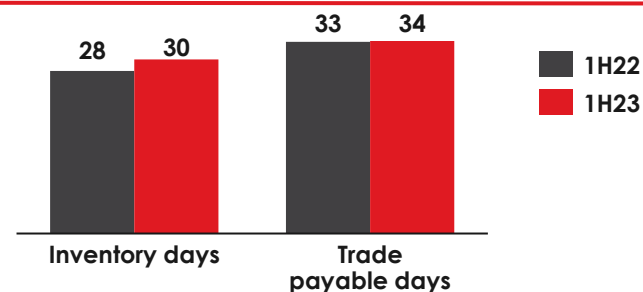
Cash realisation of 108%

Cash flow		
\$m	1H23	1H22
EBIT	1,114	975
Depreciation and amortisation	786	787
EBITDA	1,900	1,762
Change in working capital	195	372
Change in provisions and other	(51)	(70)
Operating cash flow (excl. interest and tax)	2,044	2,064

Cash realisation¹



Inventory and trade payable days²



Comments

- Working capital movement reflects higher payables consistent with seasonal Christmas and New Year trading activity and timing of year end payments
- This was partially offset by increased inventory largely as a result of cost price increases and increased stock holdings to provide additional support for Christmas and New Year in light of supply chain disruptions
- Average inventory days returned to pre-COVID-19 levels, reflecting a partial rebuild of inventory following abnormally low levels over the last few years during COVID-19. Trade payable days increased in line with inventories
- Lower cash flow from provisions predominantly reflecting a reduction in employee entitlement provisions

¹ Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA.

² Inventory days are calculated as average inventory, divided by cost of goods sold, multiplied by 365 days. Trade payable days are calculated as average trade payables, divided by cost of goods sold, multiplied by 365 days. Inventory and trade payable days for the current period have been calculated on a continuing operations basis, excluding Express which has been classified as a discontinued operation.

Capital expenditure

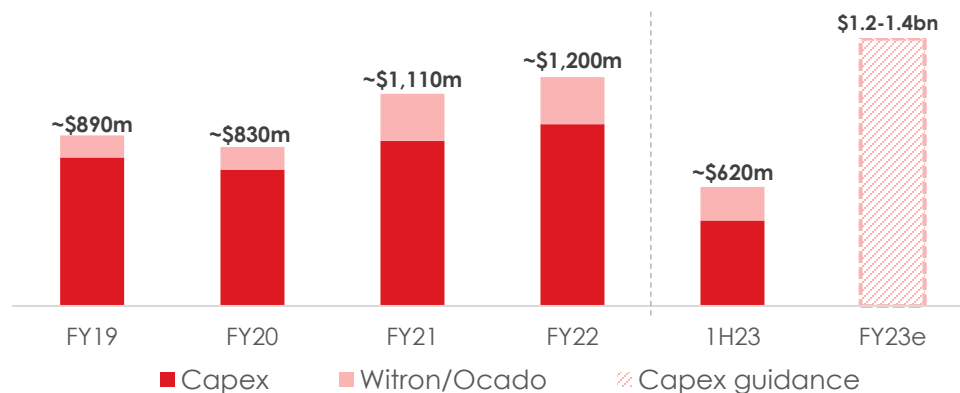
Continued focus on growth and efficiency initiatives

Capital expenditure

\$m	1H23	1H22
Store renewals	93	98
Growth initiatives	166	120
Efficiency initiatives	232	85
Maintenance	132	115
Operating capital expenditure	623	418
Property acquisitions and development	35	47
Property divestments	(104)	(81)
Net Property capital expenditure	(69)	(34)
Net capital expenditure	554	384

Key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> Store renewals across Supermarkets (15) and Liquor (128)
Growth initiatives	<ul style="list-style-type: none"> New stores across Supermarkets (10) and Liquor (16) Investment in Ocado and other eCommerce initiatives
Efficiency initiatives	<ul style="list-style-type: none"> Investment in Witron, Fresh Produce Easy Ordering Program and TACOs
Maintenance	<ul style="list-style-type: none"> Lifecycle maintenance of stores and technology
Property	<ul style="list-style-type: none"> H1 net property investment (\$69 million) with divestment activity weighted to the first half



Value the Australian way



Balance sheet

Balance sheet continues to provide flexibility for future growth

Balance sheet summary

\$m	1 Jan 2023	26 Jun 2022	2 Jan 2022
Inventories	2,825	2,448	2,387
Trade and other receivables	473	470	336
Trade and other payables	(4,978)	(4,335)	(4,282)
Working capital	(1,680)	(1,417)	(1,559)
PP&E and equity investments	4,981	5,026	4,653
Assets held for sale	1,209	82	57
Right-of-use assets	6,434	7,199	7,162
Intangibles	1,887	1,864	1,806
Provisions	(1,190)	(1,278)	(1,293)
Other assets / (liabilities)	(129)	(29)	(77)
Capital employed	11,512	11,447	10,749
Net cash / (debt)	(362)	(506)	54
Lease liabilities	(7,759)	(8,681)	(8,635)
Liabilities associated with assets held for sale	(792)	-	-
Net tax balances	780	864	841
Total net assets	3,379	3,124	3,009

Comments

- Inventories increased largely due to cost price increases and increased stock holdings to provide additional support for Christmas and New Year in light of supply chain disruptions
- Property, plant and equipment increased consistent with increased capital expenditure
- Trade payables increased due to peak Christmas trading and timing of year end payments
- Assets held for sale and associated liabilities reflect the Express discontinued operations and property assets
- Net debt of \$362 million and balance sheet leverage ratio of 2.7x¹

Capital management

Coles has extended its debt maturity profile and has a strong and flexible balance sheet

Dividend

- Fully-franked 1H23 interim dividend of 36.0 cents per share
- Coles retains its industry-leading annual target dividend payout ratio of 80% to 90%

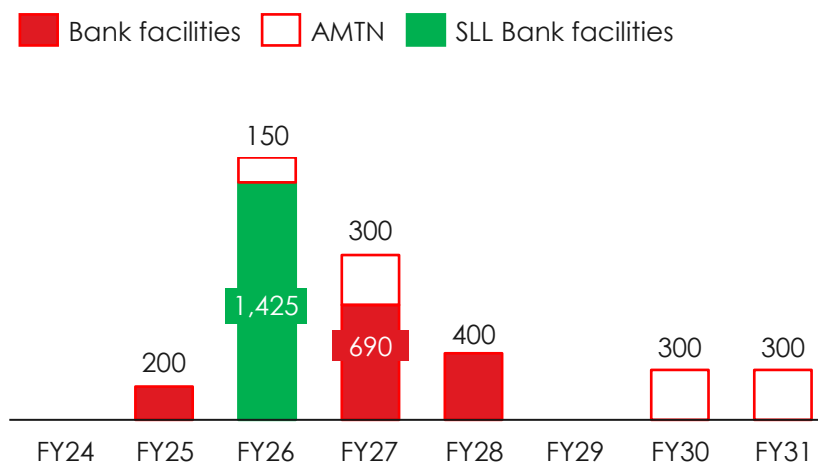
Funding and liquidity

- Weighted average drawn down debt maturity of 5.6 years, providing funding stability
- Undrawn facilities of \$2.4 billion¹, providing significant headroom
- Diversified funding sources, including sustainability linked loans
- Extended debt maturity profile
- Coles continues to maintain access to diversified funding sources and has no debt maturing until FY25

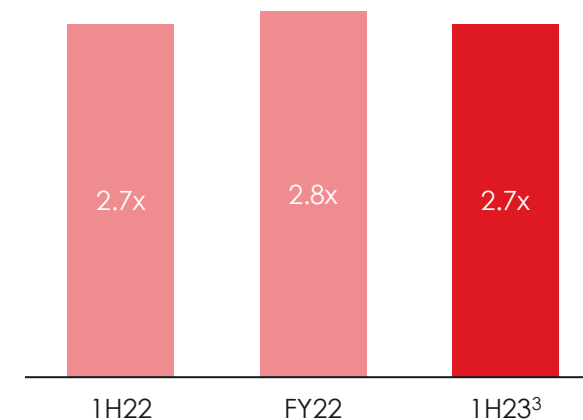
Credit ratings

- Investment grade credit ratings with S&P and Moody's maintained

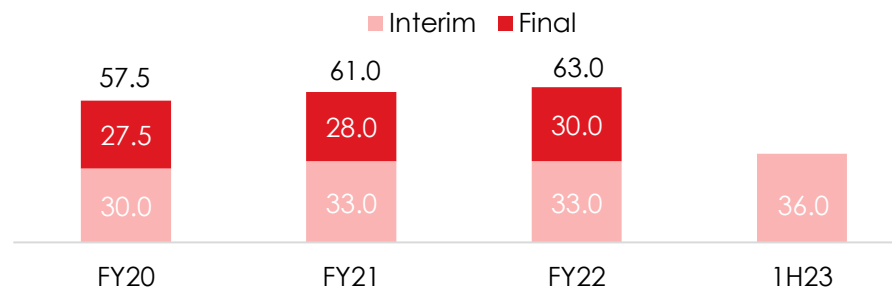
Debt facility maturity profile (\$m)



Leverage ratio²



Dividends per share (cents)



Credit ratings



¹ Drawn debt includes bank guarantees.

² Includes discontinued operations.

³ 1H23 leverage ratio calculated as gross debt (\$1,060 million) less cash at bank and on deposit (\$67 million) add lease liabilities (\$8,521 million), divided by EBITDA for the 12 months ended 1 January 2023 (\$3,578 million).

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Supermarkets

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The first Coles Local in Western Australia was opened during the half.

Supermarkets key metrics

EBIT growth of 10.6% driven by sales growth and gross margin improvement

Total sales revenue

\$18.9bn

4.6% vs. pcp

3-year sales growth

13.6%

vs. 1H20

Sales per sqm

\$18,651

4.1% vs. pcp

Exclusive to Coles

770 new products

Range expanded to
6,000+ SKUs

Comparable sales growth

4.9%

341bps improvement
vs. pcp

EBIT

\$991m

10.6% vs. pcp; 25.6% vs 1H20

Supermarkets 1H23 results

Sales growth of 4.6% despite COVID-19 cycling with sales momentum improving throughout the period

1H23 results

\$m	1H23	1H22	Change
Key P&L items			
Sales revenue¹	18,853	18,016	4.6%
EBITDA ¹	1,676	1,552	8.0%
EBIT¹	991	896	10.6%
Key metrics			
Gross retail sales growth (%)	5.3	2.0	328bps
Comparable sales growth (%)	4.9	1.5	341bps
Gross margin (%)	26.5	26.1	43bps
CODB (%)	(21.2)	(21.1)	(15)bps
EBIT margin (%)	5.3	5.0	28bps
eCommerce penetration (%)	7.2	8.2	(92)bps
Sales per square metre ² (\$/m ²)	18,651	17,919	4.1%
Price in/(de)flation (%)	7.4	(0.2)	n/m
Price in/(de)flation excl. tobacco and fresh (%)	7.6	(0.2)	n/m

n/m denotes not meaningful.

Key commentary

- Headline sales growth delivered despite cycling COVID-19 lockdowns in 1H22 and continued supply chain challenges and availability constraints with momentum building through the half (1.6% in 1Q23, 7.4% in 2Q23)
- Inflation was 7.4% in 1H23, with fresh inflation of 8.8% in 1Q23 moderating to 7.1% in 2Q23 offset by packaged inflation increasing from 1Q23 to 2Q23
- Volumes improved in the half with customers responding to value campaigns and increased trade over the Christmas period
- eCommerce sales were \$1.4 billion with penetration of 7.2%, as COVID-19 behaviours normalised and some customers returned to shopping in store
- Gross margin of 26.5% increased by 43 bps largely a result of reduced COVID-19 costs, strategic sourcing, product mix and Smarter Selling benefits, partially offset by investment in pricing and increasing headwinds in markdowns and stock loss as a result increasing theft
- CODB as a percentage of sales increased by 15 bps due to wage increases, investments in digital and eCommerce and underlying cost inflation offset by Smarter Selling benefits and ~\$130 million decline in direct COVID-19 costs compared to 1H22

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Liquor

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Coles Liquor team members outside a renewed Black and White Liquorland store in Southland, Victoria. 112 Black and White Liquorland renewals were completed during the half.

Liquor key metrics

Liquor EBIT impacted due to cycling of on-premise closures and restrictions in 1H22 and investment in transformation and team members during the period

Total sales revenue

\$2.0bn

(2.4)% vs. pcp

3-year sales growth

15.4%

vs. 1H20

eCommerce sales growth¹

13.7%

vs. pcp

Exclusive Liquor Brand

289

awards received in 1H23

Liquor renewals

128

completed in 1H23

EBIT

\$80m

(19.2)% vs. pcp; 5.3% vs 1H20

Liquor 1H23 results

Strong Christmas and New Year trading period

1H23 results

\$m	1H23	1H22	Change
Key P&L items			
Sales revenue	1,952	1,999	(2.4)%
EBITDA	141	156	(9.6)%
EBIT	80	99	(19.2)%
Key metrics			
Gross retail sales growth (%)	(2.5)	2.6	n/m
Comparable sales growth (%)	(2.3)	1.8	n/m
Gross margin (%)	22.6	21.8	83bps
CODB (%)	(18.5)	(16.8)	(169)bps
EBIT margin (%)	4.1	4.9	(86)bps
eCommerce penetration (%)	5.6	4.8	86bps

n/m denotes not meaningful.

Key commentary

- Sales impacted by cycling of on-premise closures and restrictions in 1H22. Growth was positive excluding lockdown impacted states (Victoria, New South Wales and the Australian Capital Territory)
- Weather events also had an impact on sales with cooler conditions on the Eastern Seaboard during the Spring and Summer months and store closures from flooding in New South Wales, Victoria and Queensland
- eCommerce sales continued to increase with revenue growth of 13.7% and penetration of 5.6% (6.8% inc. COL), as express delivery was expanded to more than 560 stores
- Gross margin increased by 83 bps largely due to strong performance in ELB and local
- CODB as a percentage of sales increased by 169 bps largely driven by lower sales revenue across the fixed cost base of the business, increased team member wages as a result of the annual Fair Work Commission wage increase coupled with the increase being paid earlier to team members compared to prior years, and investment in our transformation agenda, including our Black and White renewal program and technology investments

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Express

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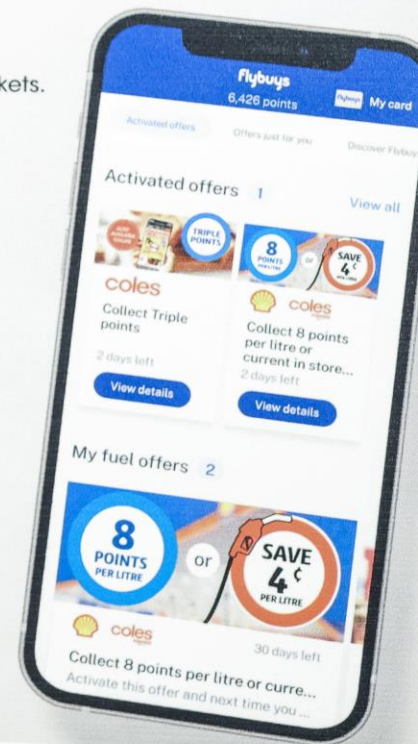
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FUEL DOCKETS ARE NOW DIGITAL IN THE FLYBUYS APP

Just spend \$30 in one transaction at Coles supermarkets.

- 1 Open your Flybuys app**
View any earned Digital Fuel Dockets. Look under 'My Fuel Offers.'
- 2 Open your offer**
To set or change your fuel preference, toggle between 4c off per litre or 8 Flybuys points per litre.
You can also view the current in-store product offer here (no fuel purchase required to redeem this one!)
- 3 Hit 'Activate'**
- 4 Scan before you pay**
Simply scan your Flybuys and choose your fuel discount or the in-store product offer.



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Exclusions, limits, terms and conditions apply. For new product offer details and further information please refer to the Flybuys app.

Express key metrics – Discontinued operations

Cycling lower volumes and sales during COVID-19 lockdowns

Total sales revenue

\$607m

5.0% vs. pcip

3-year sales growth

6.0%

vs. 1H20

EBIT – underlying¹

\$25m

(\$2m on a pre-AASB 16 basis²)

1H23 weekly fuel volumes

58.4mL/wk

11.0% vs. pcip

Comp fuel volume growth

12.4%

vs. pcip

EBITDA – underlying

\$96m

18.5% vs. pcip

Express 1H23 results – Discontinued operations

Sales increased as business cycled lower fuel volumes and foot traffic in 1H22 as a result of COVID-19 lockdowns

1H23 results

\$m	1H23	1H22	Change
Key P&L items			
C-store sales revenue	607	578	5.0%
EBITDA – underlying	96	81	18.5%
EBIT – underlying	25	12	108.3%
Divestment impacts		-	n/m
- Notional depreciation and amortisation ¹	36	-	n/m
- Transaction costs	(5)	-	n/m
EBITDA – statutory	91	81	n/m
EBIT – statutory	56	12	n/m
Key metrics			
C-store gross retail sales growth ² (%)	4.6	(8.1)	n/m
Comp c-store sales growth (%)	5.6	(7.4)	n/m
Weekly fuel volumes (mL)	58.4	52.6	11.0%
Fuel volume growth (%)	11.0	(5.2)	n/m
Comp fuel volume growth (%)	12.4	(4.4)	n/m
Gross margin (%)	53.9	51.5	234bps
CODB – underlying (%)	(49.7)	(49.5)	(26)bps
EBIT margin – underlying (%)	4.2	2.1	208bps

n/m denotes not meaningful.

¹ Reflects the depreciation and amortisation that would have been incurred if the agreement to sell the Express business had not been entered into.

² Fuel concession sales are excluded from Express gross retail sales on the basis that Coles does not control retail pricing.

Key commentary

- Average weekly fuel volumes of 58.4mL per week with c-store sales revenue up 5.0% vs pcp (6.0% on a three-year basis)
- Gross margin increased by 234 bps mainly due to increased fuel volumes as well as mix impacts, including a decline in tobacco sales
- Underlying CODB as a percentage of sales increased by 26 bps reflecting higher charge card costs in line with higher fuel volumes
- Underlying EBIT was \$25 million (\$2 million on a pre-AASB 16 basis) excluding divestment impacts

Divestment impacts

- On 21 September 2022, Coles entered into an agreement to sell the Express business to Viva Energy. Upon completion, Coles will receive proceeds of \$300 million and will assign the leases relating to the Express business to Viva Energy. These leases accounted for \$816 million of the lease liabilities on Coles' 2022 full year balance sheet.
- The Express business has been recognised on balance sheet as an asset held for sale from 21 September and depreciation and amortisation of its assets ceased from that date.
- Statutory EBIT for the period was \$56 million, an increase of \$31 million on Underlying EBIT, as a result of ceasing depreciation and amortisation of \$36 million offset by ~\$5 million of transaction costs.

Current market environment

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Coles managers attend an Indigenous cultural immersion program in the Northern Territory.

Coles well positioned to navigate the macro environment

Actions in place to respond to cost of living pressures, cost inflation and COVID-19

Environment	Coles response
Rising cost of living pressures <ul style="list-style-type: none">• High inflation – food moderating, mortgages / energy increasing• Some customers shifting to more value oriented choices• Potential for shift from hospitality to in home dining	<ul style="list-style-type: none">• Investing in trusted value for customers through:<ul style="list-style-type: none">– Extensive Exclusive to Coles range (~6,000 products)– Value campaigns ('DROPPED & LOCKED', Flybuys member pricing)– Lowering prices for longer in Liquor and increasing ELB range (~1,700 products)– 'Coles Finest' offers an affordable alternative to eating out (e.g. Coles Finest ready meals range, Laurent Bakery products)– Established processes to address supplier requests
Coles' cost to serve <ul style="list-style-type: none">• Higher wage inflation• Increased construction costs• Rising fuel and energy prices• Increase in theft• Increased competition for technology and digital talent	<ul style="list-style-type: none">• Smarter Selling program continuing to help offset cost increases and reinvest in the business. Smarter Selling 2 planning well advanced• Renewable energy agreements and hedging program in place to offset rising energy costs• Further investment in profit protection measures to tackle theft in store• Investing to attract talent and adapting to future workforce requirements (e.g. digital enablement, cross skilling)
COVID-19 <ul style="list-style-type: none">• Cycling elevated sales and costs from COVID-19 lockdowns• Absenteeism yet to fully recover• Immigration improving	<ul style="list-style-type: none">• Continued focus on managing absenteeism through flexible rostering and team mix optimisation• Well positioned to benefit from increased population growth from immigration

Outlook

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colesgroup
proud partner

 **SYDNEY
WORLDPRIDE
2023**

Coles is proud to be the presenting partner of Sydney WorldPride 2023 and Sydney Gay and Lesbian Mardi Gras.

Outlook

We are expecting more customers will be value conscious as increasing cost of living pressures, such as rising mortgage payments and energy prices, continue to impact their budgets.

With the largest Own Brand portfolio in Australia, 'DROPPED & LOCKED' prices, and Australia's favourite loyalty program, Flybuys, Coles is well positioned to meet the increasingly diverse requirements of our customer base.

We are well positioned to navigate the current macro environment and as we look to the future, we expect improving availability, population growth and moderation in out of home dining, which has been elevated post-COVID-19, to positively impact the business and provide further opportunities for growth.

Supermarkets	<ul style="list-style-type: none">• Supermarkets volume growth returned to modestly positive from mid-January• Supplier input cost pressures remain. However, inflation is expected to moderate from peak levels• Smarter Selling program will continue to help partially offset inflationary cost pressures, headwinds in mark downs and stock loss, as a result of increasing theft, and allow us to reinvest in the business
Liquor	<ul style="list-style-type: none">• Expect earnings to return to growth in 2H FY23 as we exit COVID-19 cycling and focus on building sales momentum, partially assisted by the February excise increase, and continuing to drive ELB growth
Express	<ul style="list-style-type: none">• The Express fuel and convenience divestment is expected to complete in 4Q FY23
Other	<ul style="list-style-type: none">• Expect net increase of \$10 million for FY23, inclusive of corporate costs and property sales
Capex and related items	<ul style="list-style-type: none">• Full year capital expenditure is expected to be in the range of \$1.2 billion to \$1.4 billion, inclusive of major automation projects• Full year implementation opex for our major automation projects is expected to be approximately \$120 million• Full year depreciation and amortisation is expected to be approximately \$1.55 billion for continuing operations and \$35 million for the Express discontinued operations (previous ~\$1.7 billion assumed no Express divestment)¹

¹ Depreciation and amortisation for the Express business ceased at date of announced sale on 21 September 2022.

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Q&A