



27 February 2024

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir or Madam

**Coles Group Limited – 2024 Half Year Results Release**

Please find attached for immediate release to the market the 2024 Half Year Results Release 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**  
Group Company Secretary

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# Results Release

colesgroup

27 February 2024

## 2024 Half Year Results Release

(27 WEEKS TO 31 DECEMBER 2023)

**Solid first half with investments in customer value underpinning volume growth in Supermarkets; action taken on stock loss delivering early results**

### Group EBITDA continuing operations

Reported  
**\$1,854m, +2.5%**

Underlying<sup>1</sup>  
**\$1,900m, +4.1%**

### Group EBIT continuing operations

Reported  
**\$1,064m, +0.6%**

Underlying<sup>1</sup>  
**\$1,110m, +3.3%**

### Group NPAT continuing operations

Reported  
**\$594m, (3.6)%**

Underlying<sup>1,2</sup>  
**\$626m, (0.3)%**

### Interim dividend

**36 cps**  
fully franked

#### First half key highlights:

- **Progress against immediate strategic priorities** delivering results with Underlying Group EBITDA and EBIT<sup>1</sup> growth from continuing operations of 4.1% and 3.3% respectively
- **Investments in value and improvements in availability underpin volume growth in Supermarkets**
- **Continued product innovation and growth in Exclusive to Coles and Exclusive Liquor Brands (ELB)** with sales revenue growth of 7.6% and 3.6% respectively
- **Strong growth in eCommerce, digital and loyalty** with eCommerce revenue growth of 29.2% in Supermarkets and 14.9% in Liquor, growth in Coles App active users of 42.3%, Coles 360 media income growth of 29.2% and Flybuys active membership growth of 9.5%
- **Technology and operational initiatives implemented to address loss** with Skip Scan in 305 stores and Smart Gates in 267 stores

<sup>1</sup> Non-IFRS: Underlying adjusted for major project implementation costs in relation to the ADCs and CFCs of \$46 million (1H23: \$17 million).

<sup>2</sup> Non-IFRS: Calculated underlying NPAT applies the effective tax rate of 30% in 1H24 (1H23: 29%).

## Statement from Coles Group Chairman, James Graham

"During the half year, we remained focused on delivering for all of our stakeholders. We are committed to continuing to invest in value for Australian households, supporting our suppliers and communities and delivering returns to our shareholders. This would not be possible without our dedicated team members and it was pleasing to achieve a two percentage point increase in our mysay 'Pulse' engagement survey in October, showing continued positive improvements in our work place culture.

Recognising the significant cost pressures within the business, it is pleasing to have delivered Net Profit after Tax on a reported basis of \$594 million and a stable fully franked interim dividend of 36 cents per share."

## Statement from Coles Group CEO, Leah Weckert

"We understand the cost of living pressures that many of our customers face, such as higher rent, mortgage, energy, and other household bills. That's why we are working hard to deliver value to our customers every day. Over the last six months, we lowered the prices of hundreds of products through our "Great Value, Hands Down" campaign and we delivered additional value through a wide range of Exclusive to Coles products, weekly specials, and our Flybuys loyalty program. We know that price matters to our customers, especially during the festive season. With this in mind, we worked with our suppliers to offer value in December, with quality Christmas products at a great price well received by our customers.

Our renewed strategy delivered some early wins in our immediate areas of focus, with availability metrics improving, Simplify and Save to Invest benefits of approximately \$90 million delivered and investments made in the customer experience through renewed stores across supermarkets and liquor, and enhancements to our eCommerce offering. We also worked at pace to take action against stock loss, with Skip Scan and Smart Gates operational in 305 and 267 stores respectively at the end of December.

I would like to thank our team members for the dedication they have shown to our renewed strategy and delivering for our customers in a challenging environment."

# Strategic highlights



## Destination for food and drink

- Invested in value through "Great Value, Hands Down"
- Improved quality controls in fresh and launched "Great Lengths for Quality"
- Launched "Coles Simply" brand
- Most awarded supermarket for Own Brand at 2024 Product of the Year awards
- >500 Exclusive to Coles and 199 Exclusive Liquor Brand products launched
- Flybuys active membership grew 9.5% and Flybuys received Canstar's "Most Satisfied Customer" award for reward programs

## Accelerated by digital

- Strong eCommerce performance supported by key event execution and network expansion
- Enhanced customer experience with significant uplifts in NPS
- Improved availability, check out speeds and delivery performance metrics
- On-demand channel driving growth in Liquor eCommerce
- Momentum building in Coles 360
- Completed grid build at both eCommerce Customer Fulfilment Centres (CFC), rectification at VIC CFC ahead of schedule

## Delivered consistently for the future

- Skip Scan loss technology in 305 stores; Smart Gates in 267 stores
- Redbank Automated Distribution Centre (ADC) ramp up completed, Kemps Creek on track to receive inbound deliveries in March
- Delivered Simplify and Save to Invest benefits of ~\$90 million
- Rolled out certified compostable bags for fruit and vegetables in SA
- Partnered with Origin Energy to install solar panels on 100 supermarket and liquor stores

## Portfolio

- Received ACCC approval for acquisition of two automated milk processing facilities from Saputo Dairy Australia
- Entered into an agreement to acquire 20 Liquor retail stores in Tasmania (subject to ACCC approval and customary closing conditions)

## Win Together

- TRIFR improvement of 2% (compared to 2H23); two percentage point improvement in mysay "Pulse" engagement survey compared to May 2023 survey
- Relunched Coles values: Care, Courage, Customers and Create
- Ranked #4 among 48 food and agriculture companies assessed in the World Benchmarking Alliance's 2023 Gender Benchmark
- Expanded "Quiet Hour", our low-sensory shopping experience to five days a week, at a time that better suits many customers and working parents
- Ranked #1 in the 2023 GivingLarge Report for contributing the largest percentage of profit to the community among Australia's leading organisations
- Raised >\$1.5 million through the 2023 Coles SecondBite Christmas Appeal, >\$1.3 million for Movember, and provided \$150,000 in funding through the latest round of the Coles Little Athletics Community Fund
- Collaborated with Qld and NT Governments to support community through Cyclone Jasper
- Recognised 16 suppliers for their outstanding quality, value and commitment to sustainability at the 2023 Coles Supplier Awards

# Group performance overview

<b>GROUP SALES REVENUE (\$M)</b>	1H24	1H23	CHANGE
Supermarkets <sup>3</sup>	19,778	18,857	4.9%
Liquor	1,988	1,952	1.8%
Other	450	-	n/m
<b>Sales revenue – continuing operations</b>	<b>22,216</b>	<b>20,809</b>	<b>6.8%</b>
Express – discontinued operations	-	607	n/m
<b>Total Group sales revenue</b>	<b>22,216</b>	<b>21,416</b>	<b>3.7%</b>

n/m denotes not meaningful.

<b>GROUP EBITDA (\$M)</b>	1H24	1H23	CHANGE
Supermarkets – reported	1,730	1,676	3.2%
Supermarkets – underlying <sup>4</sup>	1,776	1,693	4.9%
Liquor	148	141	5.0%
Other	(24)	(8)	n/m
<b>EBITDA continuing operations – reported</b>	<b>1,854</b>	<b>1,809</b>	<b>2.5%</b>
<b>EBITDA continuing operations – underlying<sup>4</sup></b>	<b>1,900</b>	<b>1,826</b>	<b>4.1%</b>
Express – discontinued operations	(7)	91	n/m
<b>Total Group EBITDA</b>	<b>1,847</b>	<b>1,900</b>	<b>(2.8)%</b>

n/m denotes not meaningful.

<b>GROUP EBIT (\$M)</b>	1H24	1H23	CHANGE
Supermarkets – reported	1,007	991	1.6%
Supermarkets – underlying <sup>4</sup>	1,053	1,008	4.5%
Liquor	84	80	5.0%
Other	(27)	(13)	n/m
<b>EBIT continuing operations – reported</b>	<b>1,064</b>	<b>1,058</b>	<b>0.6%</b>
<b>EBIT continuing operations – underlying<sup>4</sup></b>	<b>1,110</b>	<b>1,075</b>	<b>3.3%</b>
Express – discontinued operations	(7)	56	n/m
<b>Total Group EBIT</b>	<b>1,057</b>	<b>1,114</b>	<b>(5.1)%</b>

n/m denotes not meaningful.

<b>NPAT (\$M)</b>	1H24	1H23	CHANGE
<b>EBIT continuing operations – reported</b>	<b>1,064</b>	<b>1,058</b>	<b>0.6%</b>
<b>EBIT continuing operations – underlying<sup>4</sup></b>	<b>1,110</b>	<b>1,075</b>	<b>3.3%</b>
Financing costs	(213)	(187)	13.9%
Income tax expense	(257)	(255)	0.8%
<b>Profit from continuing operations – reported</b>	<b>594</b>	<b>616</b>	<b>(3.6)%</b>
<b>Profit from continuing operations – underlying<sup>4</sup></b>	<b>626</b>	<b>628</b>	<b>(0.3)%</b>
Profit from discontinued operations, after tax	(5)	27	n/m
<b>Profit from continuing and discontinued operations</b>	<b>589</b>	<b>643</b>	<b>(8.4)%</b>

n/m denotes not meaningful.

<sup>3</sup> 1H23 Supermarkets sales revenue has been restated due to an understatement in the first three quarters of FY23. Refer Appendix 4 of FY23 Results Release for further information.

<sup>4</sup> Non-IFRS: Underlying adjusted for major project implementation costs in relation to the ADCs and CFCs of \$46 million (1H23: \$17 million). Calculated underlying NPAT applies the effective tax rate of 30% in 1H24 (1H23: 29%).

## 1H24 performance summary

Group sales revenue from continuing operations increased by 6.8% to \$22.2 billion with growth in Supermarkets sales revenue of 4.9% and Liquor sales revenue of 1.8%. The Other segment included \$450 million of revenue in relation to the Product Supply Arrangement (PSA) with Viva Energy Group Ltd (Viva Energy). Excluding the Other segment, sales revenue increased by 4.6%.

Reported Group EBITDA and EBIT from continuing operations increased by 2.5% and 0.6%, respectively. Major project implementation costs of \$46 million were incurred in relation to Coles' two ADCs and two automated CFCs, compared to \$17 million in the prior corresponding period. Underlying Group EBITDA and EBIT<sup>5</sup> from continuing operations increased by 4.1% and 3.3% respectively. In Supermarkets, underlying EBITDA<sup>5</sup> increased by 4.9% and underlying EBIT<sup>5</sup> increased by 4.5% with an EBIT margin of 5.3%.

Financing costs from continuing operations increased to \$213 million reflecting increased interest on lease liabilities associated with new leases and lease renewals. A \$600 million bond issuance during the period and higher interest rates on short term revolving debt facilities also contributed.

### Discontinued operations

On 1 May 2023, Coles completed the sale of its fuel and convenience retailing business to Viva Energy. In the first half, additional transaction costs (net of income tax) of \$5 million were recorded.

### Dividend

The Coles Board has declared a fully franked interim dividend of 36 cents per share, with a record date of 6 March 2024 and a payment date of 27 March 2024.

### Board Update

Mr Bowen has advised Coles that he has recently been appointed as a non-executive director of a US based e-commerce company (Rokt), rather than a senior executive as previously disclosed, as he was unable to relocate to the US due to personal reasons. As a result, Mr Bowen's retirement as a non-executive director of Coles Group Limited has been deferred.

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<sup>5</sup> Non-IFRS: Underlying adjusted for major project implementation costs in relation to the ADCs and CFCs of \$46 million (1H23: \$17 million).

# Segment performance overview

## Supermarkets

\$ MILLION (27 WEEKS TO 31 DECEMBER 2023)

	1H24	1H23	CHANGE
<b>Sales revenue</b>	<b>19,778</b>	<b>18,857</b>	<b>4.9%</b>
EBITDA – reported	1,730	1,676	3.2%
EBITDA – underlying <sup>1</sup>	1,776	1,693	4.9%
<b>EBIT – reported</b>	<b>1,007</b>	<b>991</b>	<b>1.6%</b>
<b>EBIT – underlying<sup>1</sup></b>	<b>1,053</b>	<b>1,008</b>	<b>4.5%</b>
Gross margin – reported	26.6	26.5	10bps
Gross margin – underlying <sup>1</sup> (%)	26.6	26.5	7bps
CODB – reported	(21.5)	(21.2)	27bps
CODB – underlying <sup>1</sup> (%)	(21.3)	(21.2)	10bps
EBIT margin – reported	5.1	5.3	(17bps)
EBIT margin – underlying <sup>1</sup> (%)	5.3	5.3	(2bps)

<sup>1</sup> Non-IFRS: Underlying adjusted for major project implementation costs in relation to the ADCs and CFCs of \$46 million (1H23: \$17 million).

## Operating metrics (non-IFRS)

	1H24	2Q24	1Q24	1H23
Gross retail sales <sup>1</sup> (\$ billions)	20.5	11.0	9.5	19.6
Gross retail sales growth (%)	5.0	4.3	5.7	5.3
Comparable sales growth (%)	4.0	3.6	4.6	4.9
eCommerce sales <sup>2</sup> (\$ billions)	1.8	0.9	0.9	1.4
eCommerce penetration <sup>2</sup> (%)	9.1	9.1	9.1	7.4
Sales density per square metre <sup>3</sup> (MAT \$/sqm)	19,618	19,618	19,377	18,651
Inflation / (deflation) (%)	3.0	3.0	3.1	7.4
Inflation / (deflation) excl. tobacco (%)	2.9	2.7	3.1	7.7
Inflation / (deflation) excl. tobacco and fresh (%)	4.8	4.0	5.7	7.6

<sup>1</sup> Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

<sup>2</sup> eCommerce gross retail sales and penetration include Liquor sold through coles.com.au and excludes gift cards sold online. eCommerce penetration is based on gross retail sales excluding gift cards.

<sup>3</sup> Sales density per square metre is a moving annual total (MAT), calculated on a rolling 52-week basis.

## Key highlights

Supermarkets sales revenue of \$19.8 billion increased by 4.9% with sales revenue growth in the second quarter of 5.1%<sup>6</sup>. Excluding tobacco, sales revenue increased by 6.2% (6.5% in the second quarter). Comparable sales grew by 4.0% (3.6% in the second quarter).

Sales revenue growth was driven by the successful execution of key seasonal events including Christmas, Halloween and Father's Day and a positive customer response to the Curtis Stone BBQ continuity campaign. Sales revenue was also supported by improvements in availability with Delivered in Full (DIF) and Delivered in Full on Time (DIFOT) availability metrics increasing to 96% (90% in 2H23) and 92% (84% in 2H23) of pre-COVID-19 levels, respectively<sup>7</sup>.

With increases in the cost of living continuing to put pressure on many Australian households, investing in value for our customers has been a major focus. During the period, Coles launched the "Great Value, Hands Down" campaign with the prices on more than 500 products dropped, including many essential staples. More than 1,300 products were placed on everyday low prices and we continued to invest in thousands of weekly specials and promotions.

<sup>6</sup> Adjusted for the differences in the retail calendar which included New Years Day in the prior corresponding period, sales revenue increased by 4.7% for the first half and 4.6% in the second quarter.

<sup>7</sup> Compared to 1H20 DIF and DIFOT rebased to 100%.

As customers seek to maximise value across their shop, we have also seen record levels of customer engagement and participation in our Flybuys loyalty program with increased personalisation of offers and ease of points redemption with many members now able to access an instant \$10 off at checkout. Active Flybuys membership grew by 9.5% compared to the prior corresponding period and the number of customers redeeming points more than doubled. Flybuys also received Canstar's "Most Satisfied Customers" award for reward programs as voted by Australian consumers.

Sales revenue growth across our Exclusive to Coles portfolio increased by 7.6% to \$6.8 billion with volume growth of 4.6%. Growth was supported by new product innovation with more than 500 products added to the portfolio. The "Coles Simply" brand was also launched with packaging redesigned on a number of Coles Own Brand products to enable customers to easily identify key Own Brand value items in supermarket aisles and online. In Packaged<sup>8</sup>, Exclusive to Coles sales revenue increased by 13.8% as customers increasingly focus on value for money.

Coles' sustainable packaging program was independently recognised with Coles awarded the "Industry Education" award at the APCO Awards for our Supplier Enablement Program. Coles also completed the transition of the final two Own Brand products to sustainably sourced cocoa, achieving our target for 100% of Coles Own Brand coffee, tea and cocoa ingredients to be independently certified.

eCommerce sales increased by 29.2% to \$1.8 billion (33.5% in the second quarter) with penetration at 9.1% driven by a strong performance in seasonal events, particularly Christmas and Black Friday, improvements in availability, enhancements to the customer experience and continued network expansion. Rapid Click & Collect is now available in 621 stores (15 stores added) and Home Delivery Rapid is now available in 487 stores (7 stores added). Online NPS increased by 3.5 points with improvements across both Home Delivery and Click & Collect consistent with the enhancements in availability and customer interface. A range of artificial intelligence and technology automation initiatives were also successfully implemented in customer call centres while pick optimisation initiatives improved efficiency.

Coles 360 continued to build momentum with media income increasing 29.2% over the prior corresponding period.

In the second quarter, total Supermarkets price inflation of 3.0% moderated slightly compared to 3.1% in the first quarter. Inflation excluding tobacco and fresh was 4.0% in the second quarter (5.7% in the first quarter) and was largely driven by dairy as a result of higher farmgate milk prices and higher commodity prices including cheese and eggs. Fresh inflation was 0.4% in the second quarter compared to deflation of 2.3% in the first quarter. Within the fresh category (which includes fresh produce, meat, deli & seafood, and bakery), fresh produce and meat were in deflation across the half, reflecting cycling of seasonal events in the prior corresponding period, and falling livestock prices. This was offset by continued inflation in bakery where wheat commodity prices and labour input costs continue to generate cost price increase requests from suppliers.

Coles completed 11 store renewals, including five Format A and one Coles Local store. Coles also opened five new stores and closed one store, taking the total network to 850 supermarkets across Australia.

Reported gross margin increased by 10 bps to 26.6%. Underlying gross margin<sup>9</sup> increased by 7 bps to 26.6%, supported by growth in Coles 360 and lower tobacco sales. While total loss remained an overall headwind, negatively impacting gross margin by approximately 50 bps relative to the prior corresponding period, this was offset by benefits from range and promotional optimisation initiatives coupled with Simplify and Save to Invest benefits. Pleasingly, loss improved throughout the second quarter, particularly as stores where stock loss technology solutions were rolled out delivered positive results. At the end of December, Skip Scan and Smart Gates were operational in 305 and 267 stores respectively.

Reported Cost of doing business (CODB) as a percentage of sales increased by 27 bps to 21.5%. Underlying CODB<sup>9</sup> as a percentage of sales increased by 10 bps to 21.3% with Simplify and Save to Invest benefits and increased operating leverage largely offsetting wage inflation and investments in new stores. Excluding depreciation and amortisation, as well as major project implementation costs, CODB as a percentage of sales remained broadly flat.

Reported Supermarkets EBITDA and EBIT increased by 3.2% and 1.6%, respectively. Underlying Supermarkets EBITDA and EBIT<sup>9</sup> increased by 4.9% and 4.5%, respectively with an underlying EBIT margin<sup>9</sup> of 5.3%.

During the half, ramp up was completed at the Redbank ADC with the ADC now servicing more than 200 supermarkets across Queensland and northern New South Wales and improving availability across the network.

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<sup>8</sup> Excludes gift cards.

<sup>9</sup> Non-IFRS: Underlying adjusted for major project implementation costs in relation to the ADCs and CFCs of \$46 million (1H23: \$17 million).



The New South Wales CFC program completed the grid build, underwent commissioning and progressed end to end systems and business process testing. We are working to obtain final regulatory approvals for the occupancy certificate in order for the incremental ramp up to commence in line with our previously announced schedule. The Victorian CFC site has now commenced commissioning with both the grid build and rectification works having been completed ahead of schedule.

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## Liquor

\$ MILLION (27 WEEKS TO 31 DECEMBER 2023)	1H24	1H23	CHANGE
<b>Sales revenue</b>	<b>1,988</b>	<b>1,952</b>	<b>1.8%</b>
EBITDA	148	141	5.0%
<b>EBIT</b>	<b>84</b>	<b>80</b>	<b>5.0%</b>
Gross margin (%)	22.9	22.6	27bps
CODB (%)	(18.6)	(18.5)	13bps
EBIT margin (%)	4.2	4.1	13bps

## Operating metrics (non-IFRS)

	1H24	2Q24	1Q24	1H23
Gross retail sales <sup>1</sup> (\$ billions)	2.0	1.1	0.9	2.0
Gross retail sales growth (%)	1.8	1.9	1.7	(2.5)
Comparable sales growth (%)	0.2	0.4	0.1	(2.3)
eCommerce sales <sup>2</sup> (\$ millions)	124	70	54	108
eCommerce penetration <sup>2</sup> (%)	6.4	6.3	6.5	5.6
eCommerce penetration (inc. COL) <sup>3</sup> (%)	7.6	7.5	7.7	6.8
Sales density per square metre <sup>4</sup> (MAT \$/sqm)	16,134	16,134	16,137	16,029

<sup>1</sup> Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

<sup>2</sup> eCommerce gross retail sales and penetration excludes liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales. eCommerce penetration is based on gross retail sales.

<sup>3</sup> eCommerce penetration including Liquor sold through coles.com.au.

<sup>4</sup> Sales density per square metre is a moving annual total (MAT), calculated on a rolling 52-week basis.

## Key highlights

Liquor sales revenue of \$2.0 billion for the half increased by 1.8% with sales revenue growth in the second quarter of 1.9%<sup>10</sup>. Excluding bulk sales, sales revenue increased by 2.4% for the half and 2.6% in the second quarter. Comparable sales grew by 0.2% in the half and 0.4% in the second quarter.

During the half, customers were increasingly seeking value and managing their overall spend. Transactions continued to grow with modest growth in spend per basket whilst average units per basket were down. Product innovation was a strong driver of growth, particularly in the Ready-to-Drink (RTD) category with several first to market products introduced such as "Major Major" and the "Barry" range of RTDs which were exclusive to Coles Liquor. Supply side inflation remained elevated, driven by supplier cost price increases together with the August excise in beer, spirits and RTDs.

Delivering quality and value to customers through our Exclusive Liquor Brand (ELB) portfolio continued to be a key focus. 199 ELB lines were added to the portfolio and more than 300 ELB awards were received. In addition to our ELB portfolio, investments in value were made with an increase in penetration of "Lower for Longer" price mechanics, also supported by campaigns including the "Price Match" promise in First Choice Liquor Market and "50 Days of Deals" in Liquorland.

Customer satisfaction drivers improved in the half with customer and service experience metrics strong and improving compared to the prior corresponding period. First Choice Liquor Market was also recognised by Canstar as the "Liquor Retailer of the Year" with a five-star rating across all categories, including checkout experience, customer service, store layout and presentation, deals and specials available and overall satisfaction.

eCommerce revenue grew by 14.9% with penetration at 6.4% (7.6% including Coles Online). Growth was underpinned by the continued strength in the on-demand channel. eCommerce revenue growth in the second quarter moderated to 4.3% as the business reviewed its promotional mix across channels.

During the half, 71 store renewals were completed, ten new stores were opened and three stores closed across the Liquorland, Vintage Cellars and First Choice banners. At the end of the period the portfolio comprised 964 stores.

<sup>10</sup> Adjusted for the timing of the AFL Grand Final and differences in the retail calendar which included New Years Day in the prior corresponding period, sales revenue increased by 1.7% in the half and 1.0% in the second quarter.

Gross margin of 22.9% increased by 27 bps driven by strong performances in ELB and local lines coupled with mix benefits partially offset by increased cost of on-demand third-party commissions.

CODB as a percentage of sales increased by 13 bps to 18.6%, driven by increases in store team member remuneration, new stores and renewals and investments in eCommerce and core IT systems, offset by improved operating leverage across the business.

Liquor EBITDA of \$148 million increased by 5.0% and EBIT of \$84 million increased by 5.0% with an EBIT margin of 4.2% (up 13 bps).

## Other

\$ MILLION (27 WEEKS TO 31 DECEMBER 2023)

	1H24	1H23	CHANGE
<b>Sales revenue</b>	<b>450</b>	-	<b>n/m</b>
EBITDA	(24)	(8)	n/m
<b>EBIT</b>	<b>(27)</b>	<b>(13)</b>	<b>n/m</b>

n/m denotes not meaningful.

Other includes corporate costs, the PSA with Viva Energy that was established as part of the divestment of the Coles Express fuel and convenience retailing business, Coles' 50% share of Flybuys' net result and the net gain or loss generated by Coles' property portfolio.

In Other, Coles reported sales revenue of \$450 million in relation to the PSA with Viva Energy. Negative EBIT of \$27 million was reported with corporate costs of \$42 million, consistent with the prior corresponding period, and a net loss of \$6 million from Coles' 50% share of Flybuys partially offset by positive earnings contributions of \$4 million relating to the PSA and \$17 million in property earnings.

## Cash flow, balance sheet and capital expenditure

\$ MILLION	31 DEC 2023	1 JAN 2023
<b>Cash flows<sup>1</sup></b>		
Net cashflow from operating activities before interest and tax	1,886	2,044
Net cashflow before financing activities	806	1,015
Cash realisation ratio <sup>2</sup> (%)	102	108

<sup>1</sup> Cash flows includes both continuing and discontinued operations.

<sup>2</sup> Calculated as operating cash flow excluding interest and tax, divided by EBITDA.

### Cash flow

Net cash from operating activities excluding interest and tax was \$1,886 million with cash realisation of 102%. Net cashflow before financing activities of \$806 million decreased by \$209 million compared to the prior corresponding period, largely as a result of the timing of period end payments impacting operating cashflow, coupled with higher capital expenditure.

\$ MILLION	31 DEC 2023	25 JUN 2023	1 JAN 2023
<b>Balance sheet</b>			
Cash and cash equivalents	1,092	597	698
Working capital	(1,599)	(1,506)	(1,680)
Property, plant and equipment	5,252	4,985	4,755
Capital employed	11,159	10,982	11,512
Gross debt	(1,666)	(1,118)	(1,060)
Net debt (including lease liabilities)	(8,890)	(8,881)	(8,752)
Net debt (excluding lease liabilities)	(1,165)	(1,032)	(993)
Net assets	3,537	3,356	3,379
Lease-adjusted leverage ratio <sup>1</sup>	2.6x	2.6x	2.6x
Return on Capital (%)	16.4	16.5	17.2
<b>Capital expenditure</b>			
Gross operating capital expenditure	(753)	(1,356)	(623)
Net capital expenditure	(682)	(1,284)	(554)

<sup>1</sup> Leverage ratio (continuing operations) calculated as gross debt less cash at bank and on deposit add lease liabilities, divided by EBITDA from continuing operations for the preceding 12 month period.

### Balance sheet

Net assets of \$3,537 million increased by \$181 million compared to 25 June 2023.

Working capital of (\$1,599) million decreased by \$93 million compared to 25 June 2023 with higher inventory balances, largely driven by the seasonal build of inventory more than offset by higher trade payables which were also impacted by the seasonal Christmas and New Year trading activity falling at the end of the half year period. Property, plant and equipment of \$5,252 million increased by \$267 million, in line with the increase in capital expenditure.

Cash and cash equivalents increased to \$1,092 million and total debt to \$1,666 million, largely a result of the issuance of \$600 million of Australian dollar medium term notes, comprising \$350 million 7-year fixed rate notes and \$250 million 10-year fixed rate notes.

Net debt (excluding lease liabilities) of \$1,165 million increased by \$133 million compared to 25 June 2023, consistent with increases in capital expenditure. Coles' average maturity of drawn debt was 6.1 years, with undrawn facilities of \$2.4 billion.

Coles maintains access to diversified funding sources and no debt is maturing until FY26. The lease-adjusted leverage ratio at the end of December was 2.6x on a continuing operations basis, with current published credit ratings of BBB+ with Standard & Poor's and Baa1 with Moody's. Coles retains headroom within its rating agency credit metrics and a strong balance sheet to support growth initiatives.

## Capital expenditure

Gross operating capital expenditure on an accrued basis of \$753 million increased by \$130 million compared to the prior corresponding period.

Within Supermarkets, capital expenditure increased largely due to investments in new stores and renewals, with five new supermarkets and 11 renewals completed, and further investment in our CFCs. Efficiency initiatives also contributed to the increase with our investments in the ADCs, as well as stock loss initiatives. In Liquor, capital expenditure was driven by new store openings and renewals, with ten new liquor stores and 71 renewals completed, as well as investments in core IT systems.

Net property capital expenditure reduced by \$2 million compared to the prior corresponding period with net property divestments of \$71 million.

# Outlook

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Delivering value for customers will continue to be a key focus for Coles. With an extensive range of Own Brand products, our "Great Value, Hands Down" price drop campaign, thousands of products on everyday low prices and with our customers engaging more than ever with our Flybuys loyalty program, we are well positioned in the current economic environment.

In the first eight weeks of the third quarter, Supermarkets sales revenue grew by 4.9%<sup>11</sup> underpinned by volume growth from strong execution of our value campaigns and improvements in availability compared to this time last year. Pleasingly for customers, we are also seeing deflation in fresh produce and meat, and continued moderation in packaged inflation.

Operational and process initiatives together with our loss technology solutions have started to deliver positive results this quarter with our total loss rate having improved compared to this time last year and we expect progressive improvement across the half. Underlying cost inflation, particularly wage inflation, remains and we will continue to work to offset this through our Simplify and Save to Invest program.

In Liquor, in the first eight weeks of the third quarter, Liquor sales revenue declined by 2.2%<sup>11</sup> due to customers' reduced discretionary spending. Our focus for the half will be on ensuring we have a strong value proposition and leveraging our integrated food and liquor business to deliver long term benefits for the Group.

In Other, the second half is expected to be impacted by a net loss on property of approximately \$10 million with lower proceeds from property divestments to offset the upfront cost of investing in future growth opportunities.

Financing costs will increase in the second half reflecting a higher level of gross debt coupled with an increase in borrowing costs relating to our ADCs that were previously capitalised. Major project implementation costs in relation to our ADCs and CFCs for the full year are likely to be approximately \$130 million (lower than previous guidance by \$20 million) with the balance to be incurred in FY25 reflecting the expected timing of year end payments.

Coles Group CEO, Leah Weckert, said: "This is an exciting period for Coles with key milestones in our major infrastructure projects to be delivered within the next twelve months. These projects, along with the investments we are making in our digital assets and our stores, will improve efficiency and help to create a differentiated service offering for our customers, establishing the foundations for long term sustainable growth."

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<sup>11</sup> Adjusted for the differences in the retail calendar which did not include New Years Day in the prior corresponding period, Supermarkets sales revenue increased by 5.8% and Liquor sales revenue declined by 1.5%.

# Appendices

## Appendix 1

### Number of retail stores

	OPEN AS AT 26 JUN 2023	OPENED	CLOSED	OPEN AS AT 31 DEC 2023
NSW & ACT	263	1	-	264
QLD	183	-	-	183
VIC & TAS	239	3	(1)	241
SA & NT	61	-	-	61
WA	100	1	-	101
<b>Supermarkets</b>	<b>846</b>	<b>5</b>	<b>(1)</b>	<b>850</b>
<b>Liquor</b>	<b>957</b>	<b>10</b>	<b>(3)</b>	<b>964</b>
<b>Group store numbers</b>	<b>1,803</b>	<b>15</b>	<b>(4)</b>	<b>1,814</b>

## Appendix 2

### Reporting calendars for FY23, FY24 and FY25

FY23	1Q23	2Q23	3Q23	4Q23
Reporting period	27 Jun 2022 - 25 Sep 2022	26 Sep 2022 - 1 Jan 2023	2 Jan 2023 - 26 Mar 2023	27 Mar 2023 - 25 Jun 2023
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks
FY24	1Q24	2Q24	3Q24	4Q24
Reporting period	26 Jun 2023 - 24 Sep 2023	25 Sep 2023 - 31 Dec 2023	1 Jan 2024 - 24 Mar 2024	25 Mar 2024 - 30 Jun 2024
Number of days	91 days	98 days	84 days	98 days
Number of weeks	13 weeks	14 weeks	12 weeks	14 weeks
FY25	1Q25	2Q25	3Q25	4Q25
Reporting period	1 July 2024 - 29 Sep 2024	30 Sep 2024 - 5 Jan 2025	6 Jan 2025 - 30 Mar 2025	31 Mar 2025 - 29 Jun 2025
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks

## Appendix 3

### Forward-looking statements

This release contains forward-looking statements in relation to Coles, including statements regarding Coles' intent, belief, goals, objectives, opinions, initiatives, commitments or current expectations with respect to Coles' business and operations, market conditions, results of operations and financial conditions, and risk management practices. This release may also include forward-looking statements regarding climate change and other environmental and energy transition scenarios. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook', 'guidance' and other similar expressions.

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.

Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by applicable laws or regulations, Coles does not undertake to publicly update, review or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide for future performance.

## Appendix 4

### Non-IFRS financial information

- This release contains International Financial Reporting Standards (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 release is consistent with underlying information disclosed in the Appendix 4D Half Year Financial Report.

## Appendix 5

### Glossary of terms

**ADC** – Automated Distribution Centre

**bps** – Basis points. One basis point is equivalent to 0.01%

**Capital employed** – Total net assets excluding net tax balances, net debt and lease liabilities

**Cash realisation** – Calculated as operating cash flow excluding interest and tax, divided by EBITDA

**CFC** – Customer Fulfilment Centre

**CODB** – Costs of doing business. These are expenses which relate to the operation of the business below gross profit and above EBIT

**Coles Own Brand** – refers to the portfolio of product brands owned by Coles. It includes grocery, fresh produce, meat and non-food products that are available in Coles supermarkets under Coles Brands (e.g. Coles Finest, Coles Nature's Kitchen) and Exclusive Own Brands (e.g. Koi, Daley St)

**Comparable sales** – A measure which excludes stores that have been opened or closed in the last 12 months and excludes demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings

**EBIT** – Earnings before interest and tax

**EBITDA** – Earnings before interest, tax, depreciation and amortisation

**EPS** – Earnings per share

**Exclusive to Coles** – refers to the portfolio of product brands that are exclusively available at Coles, and includes Coles Own Brand and Exclusive Proprietary Brand products

**Exclusive Liquor Brands (ELB)** – refers to the portfolio of product brands exclusively available in Coles Liquor stores, including brands that are owned by Coles (e.g. James Busby, Mr Finch) and brands that are owned by suppliers but exclusive to Coles Liquor (e.g. Coal Pit, Abbey Vale)

**Exclusive Proprietary Brand** – refers to the portfolio of products where the brands are owned by suppliers but are exclusively available in Coles supermarkets (e.g. La Espanola, Great Ocean Road)

**Gross margin** – The residual income remaining after deducting cost of goods sold, total loss and logistics from sales, divided by sales revenue

**Group sales revenue or Group EBIT** – Total sales revenue or EBIT generated by Group for the period



**IFRS** – International Financial Reporting Standards

**Leverage ratio** – Calculated as gross debt, less cash at bank and on deposit, add lease liabilities, divided by EBITDA

**MAT** – Moving annual total

**pp** – Percentage point

**Sales density** - Sales density is calculated as sales divided by net selling area. Both sales and net selling area are on a MAT basis, calculated on a rolling 52-week basis

**SKU** – Stock Keeping Unit

**TRIFR** – Total Recordable Injury Frequency Rate. The number of lost time injuries, medically treated injuries and restricted duties injuries per million hours worked, calculated on a rolling 12-month basis. TRIFR includes all injury types including musculoskeletal injuries

**Working capital** – Includes all current assets and liabilities that form part of the day-to-day operations of the business (inventories, receivables and payables)