



17 February 2021

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2021 Half Year Results Presentation

Please find attached for immediate release to the market the 2021 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

Value the
Australian way.



"Value the Australian Way" celebrates Coles' role in sustainably feeding all Australians to help them lead healthier and happier lives.

2021 First Half Results Presentation and eCommerce Strategic Update

17 February 2021



Disclaimer

This presentation contains summary information about Coles Group Limited (ACN 004 089 936) and its related bodies corporate (together, Coles) 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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The forward-looking statements are based on Coles' good faith assumptions as to the 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 and other important factors, many of which are beyond the control of Coles, that could cause the actual results, performance or achievements of Coles to be materially different to future results, performances or achievements expressed or implied by the statements.

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Non-IFRS financial information

- This Results Presentation contains non-IFRS financial information which in the ordinary course, is not subject to audit or review.
- IFRS or Statutory financial information is financial information that is presented in accordance with all relevant accounting standards.
- Any non-IFRS financial information is clearly labelled to differentiate it from the Statutory/IFRS financial information.
- The use of non-IFRS information in the 2021 First Half Results Presentation provides readers of these documents with meaningful insights into Coles' financial performance.

Balance sheet and cash flow information presented in this 2021 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.

HELPING LOWER
THE COST OF
CELEBRATIONS



Coles Camembert or Brie
125g

Serving suggestion only

Coles helped lower the cost of living for the many additional Australians celebrating Christmas at home this year.

1H21 summary

1H21 financial highlights

Continued strategic progress and strong balance sheet

Total sales revenue



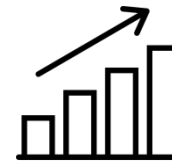
\$20.4bn
8.1% vs. pcp

EBIT



\$1,020m
12.1% vs. pcp

Net profit after tax



\$560m
14.5% vs. pcp

Smarter Selling



on track to
deliver cost
savings in excess
of \$250m in FY21

Gross operating capex



\$532m
on an accrued
basis

Operating cash flow



\$1,736m
120% cash
realisation

Dividend¹



**33 cents per
share fully-
franked**

Net debt



**Positive cash
\$38m**

Safety



19.7 TRIFR²
15%
improvement
vs. 2H20

¹ The Coles Board has declared a fully-franked interim dividend of 33 cents per share, a 10% increase on the interim dividend of the prior period with a record date of 1 March 2021 and a payment date of 26 March 2021. Coles retains its annual dividend target payout ratio of 80% to 90%.

² Total Recordable Injury Frequency Rate.



Progress against strategy: Inspire Customers

Supermarkets customer satisfaction improved by 3.9pp to 89.8% in H1



Coles Click & Collect at renewed Prahran, Victoria.



Coles celebrated 10 years of 'Down downs', a key part of Coles' commitment to deliver trusted value for customers.

- eCommerce B2C sales growth of 61% with significant improvement in Perfect Order Rate and customer satisfaction
- Led the industry in removing door-to-door paper catalogues and the launch of coles&co, with customers citing an improved experience and more relevant specials with the digital catalogue
- Provided a tailored offer for customers with more than 340 range changes completed during the half
- Delivered trusted value by more than doubling the number of stores ranging Coles Best Buys to almost 200
- Own Brand revenue growth of 10% with 11 Own Brand products winning Product of the Year awards
- MasterChef collectable stainless-steel knives proved popular with home cooks
- Embedded refreshed Liquor strategy including opening three eCommerce dark stores to increase capacity, streamline order fulfilment and improve speed of delivery for customers, supporting strong eCommerce growth of 90%
- Completed roll out of new self-serve award winning Coffee Culture machines to 99% of the Coles Express network



Progress against strategy: Smarter Selling

On track to deliver cost savings in excess of \$250 million in FY21



Customer packing benches have been rolled out to almost 300 stores.



Construction at the Melbourne Ocado online customer fulfilment centre progressed during the half.

- Smarter Selling cost savings during the period include:
 - Improved end-to-end flow of fresh goods to store with a more efficient supply chain providing greater shelf life for customers
 - Profit protection measures through dynamic markdowns and loss prevention
 - Data and technology enhancements in-store to reduce manual handling of cartons and improve availability for customers
- New Smarter Selling initiatives commenced during the half:
 - Customer packing benches rolled out to almost 300 stores
 - Paperless operations giving transport partners a frictionless experience as they enter and exit distribution centres
- Progress achieved on Ocado and Witron automation projects despite COVID-19 restrictions, with construction at the Melbourne Ocado customer fulfilment centre continuing and Sydney now underway, while structural work at Witron automated distribution centre in Queensland is continuing and approvals received on the New South Wales distribution centre
- Launched a new people and payroll system (myhub) through our strategic partnership with SAP, replacing 16 disparate people systems
- Transitioned Returnable Plastic Crates to CHEP to drive increased penetration of reusable crates for Coles' fresh suppliers
- Tailored store format strategy with 30 supermarket renewals completed including 7 Format A, 10 Format C and 2 Coles Local supermarkets



Progress against strategy: Win Together

Improvements in safety scores (TRIFR 15% improvement)



Coles, official supermarket of the AFL and AFLW, was delighted to see the finals take place despite COVID-19.



The Prime Minister's Christmas card recognised the hard working front line workers during the COVID-19 pandemic, including Coles team member Gerren Lowe (bottom left).

- Focused on the mental wellness of team members including support of RUOK? Day and GEM program
- More than \$580,000 raised for the Movember Foundation, the largest corporate contribution in Australia, to support mental health and cancer care
- Invested in safety including the launch of "Threatening Situations De-Escalation" training and delivery of company-wide Safety Week
- Entered into a 10-year agreement with CleanCo to source more than 90% of Queensland electricity requirements from renewable sources from July 2022
- Partnered with RED Group and Replas to pioneer and install a concrete slab carpark at Coles Horsham made partly out of recycled soft plastics recovered from the REDcycle program available in all Coles supermarkets
- Coles Local Chatswood opened with sustainability features including trolleys made from recycled plastic milk bottles and REDcycle plastics
- Extended Own Brand direct milk sourcing model by partnering with dairy farmers in WA
- Most successful Christmas fundraising campaign ever with almost \$3.2 million raised for charity partners SecondBite and Redkite
- Extended partnership with Rowing Australia to support community participation in rowing and fuel the national rowing team
- Continued support of Little Athletics with over \$520,000 in grants donated to more than 150 Little Athletics centres

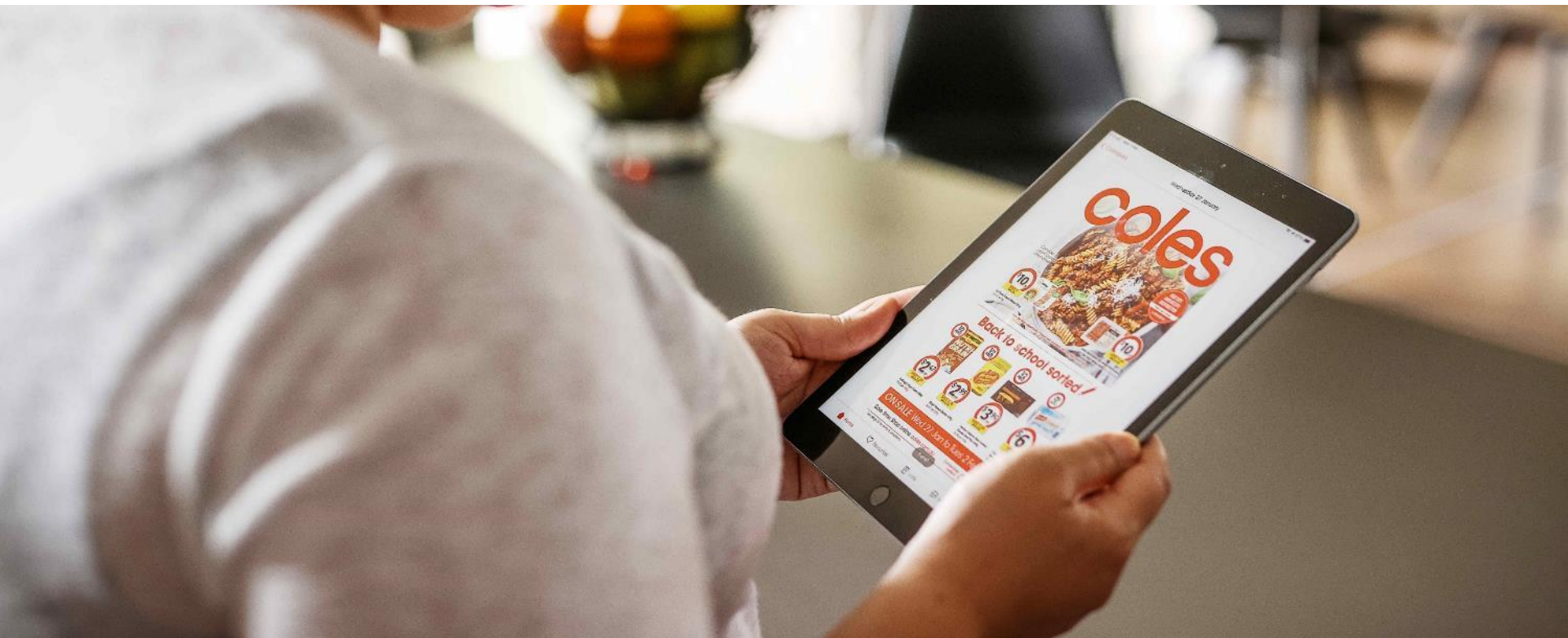
Coles' strategy tracker – significant progress in 18 months

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none">15% reduction in TRIFR compared to 2H20
Increased team member engagement	<ul style="list-style-type: none">Update to be provided at FY21 results announcement following annual mysay team engagement survey
Improved customer satisfaction	<ul style="list-style-type: none">Customer satisfaction¹ improved by 3.9pp to 89.8% in H1 compared to 85.9% in 2H20
Sales growth at least in line with the market	<ul style="list-style-type: none">Supermarkets headline sales revenue growth of 7.3%ABS total market growth of 10.6%²Supermarkets relative growth impacted by recent “local shopping” trends. Coles' share improving as COVID-19 restrictions ease
Increased sales density	<ul style="list-style-type: none">Supermarket sales density increased by 7.7% YoY to \$18,101/sqmLiquor sales density increased by 15.5% YoY to \$16,603/sqm
\$1bn cost-out by FY23	<ul style="list-style-type: none">On track to deliver cost savings in excess of \$250 million in FY21
EBIT growth	<ul style="list-style-type: none">Group EBIT growth of 12.1%
Cash realisation³ >100%	<ul style="list-style-type: none">Cash realisation of 120%, on track for >100% in FY21

¹ Supermarkets Customer satisfaction based on Tell Coles data.

² 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).

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



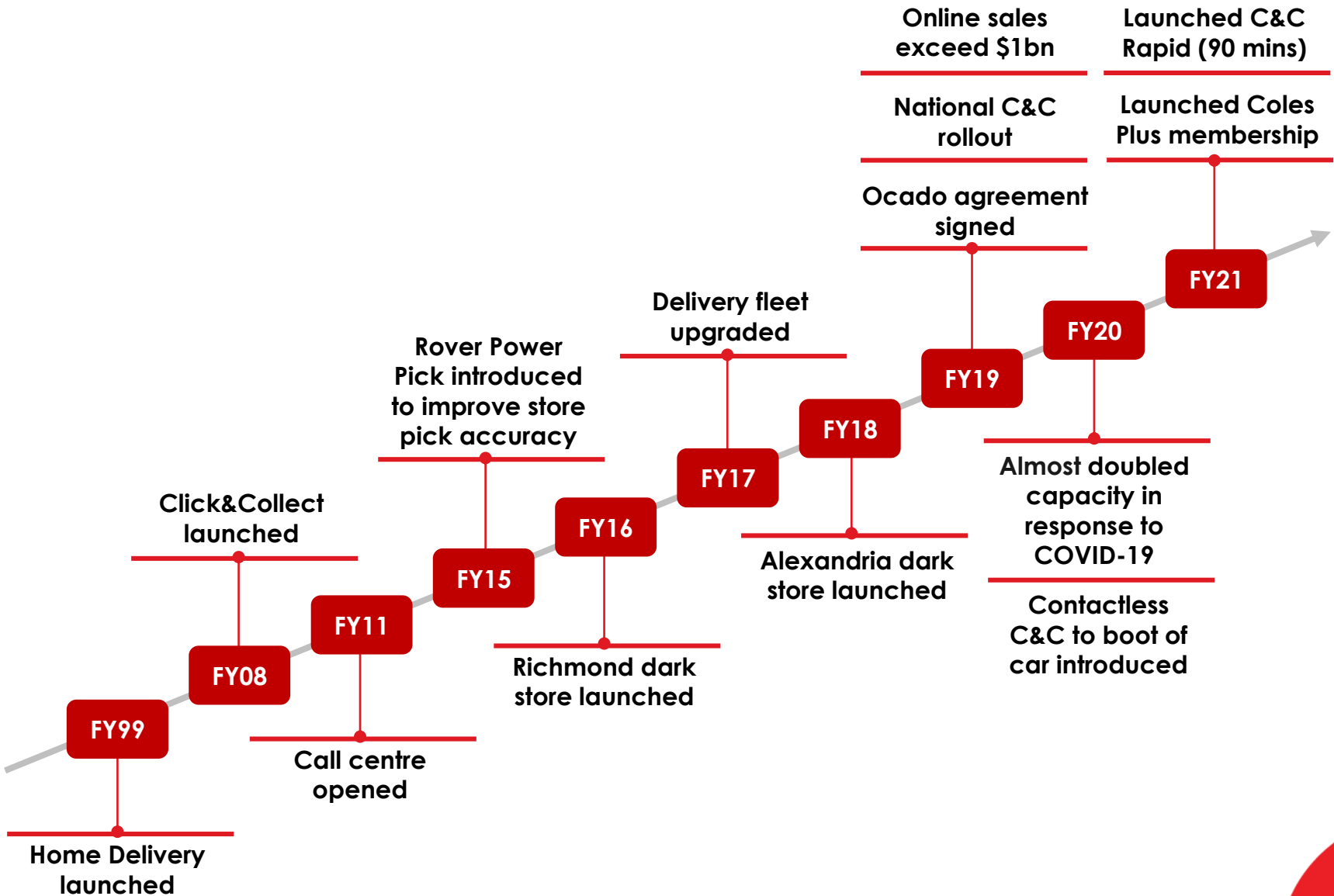
We have made significant improvements to the Coles app as part of our strategy to build a seamless omnichannel customer experience.

eCommerce strategic update

Ben Hassing, Chief Executive eCommerce



Coles Online is building from 20 years' experience



eCommerce supports how Coles inspires customers



1 Provide a seamless, unified customer experience

- Merge commerce and content
- Converge online and offline channels
- Improve the end-to-end online offer and experience

2 Continually develop differentiated services

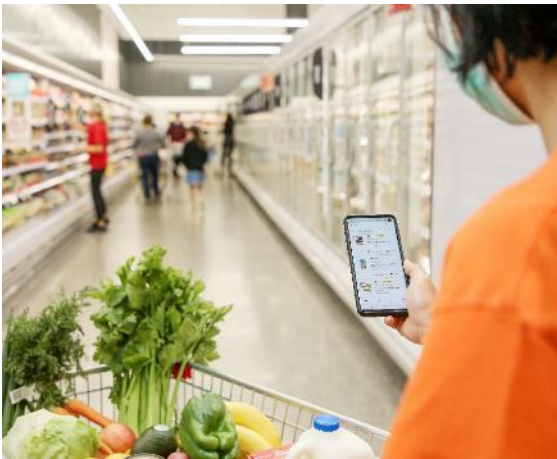
- Continually evolve customer offer (e.g. step-change subscription and immediacy offer)
- Lead on range and service via Ocado automated fulfilment
- Digitise the in-store experience

3 Deliver through team engagement and pace of execution

- Collaborate cross-functionally and with key partners
- Move fast, with test and learn experimentation
- Unlock capability through data and technology

Our digitally engaged customers drive growth & loyalty

**Shop offline,
be informed digitally**



**Shop online,
pick up at store
(may also shop in store)**



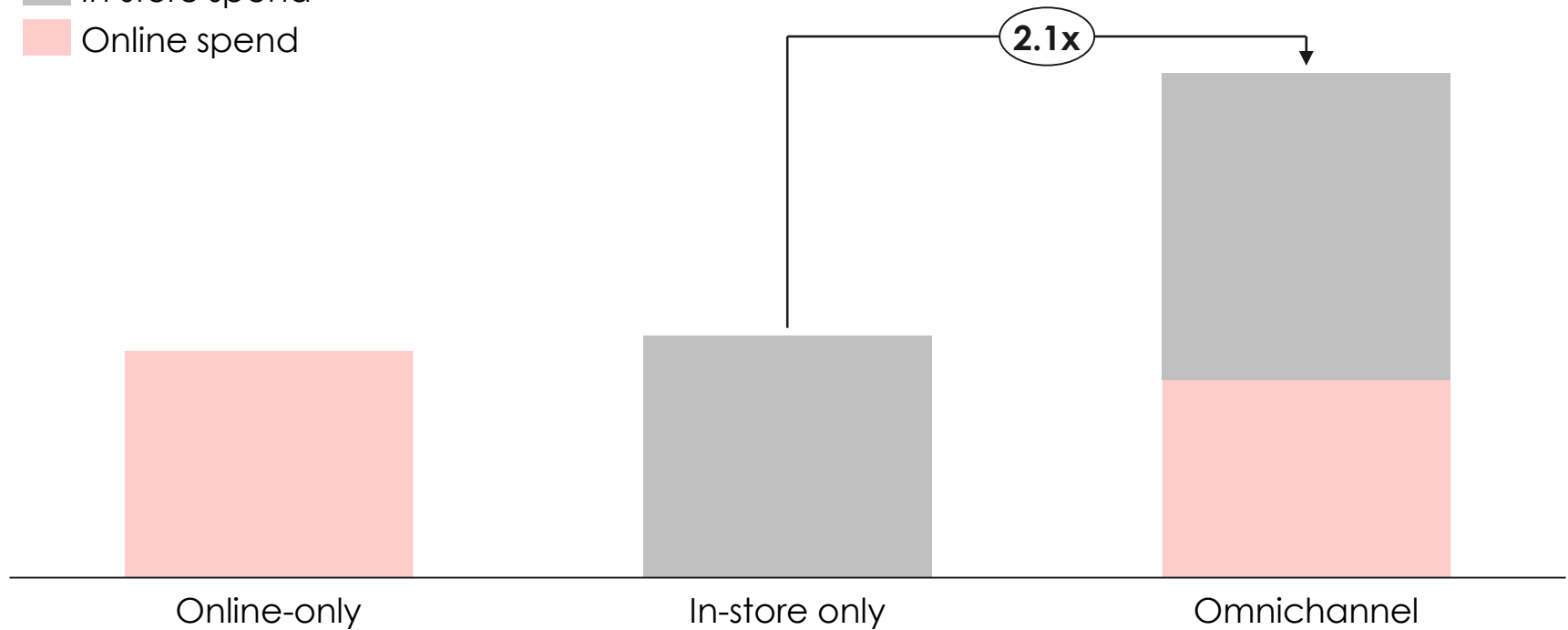
**Shop from home,
deliver to home**



Omnichannel customers are our most valuable

Omnichannel vs single-channel customer spend, Q2 FY21

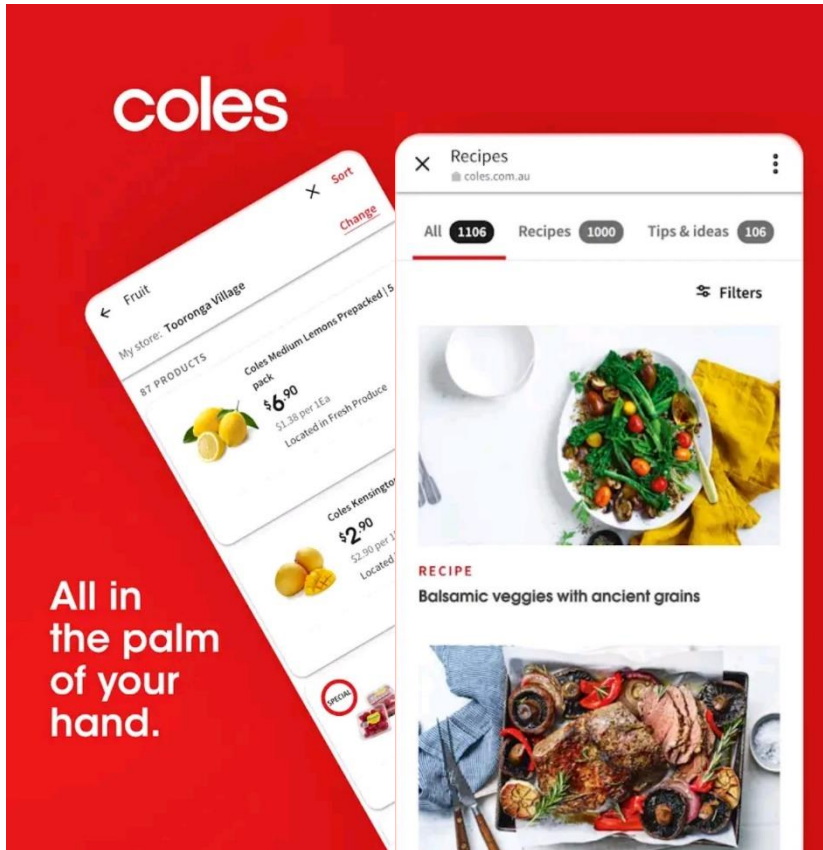
■ In-store spend
■ Online spend



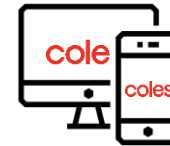
We are building customer-focused digital capabilities

Merging content and commerce...

...with enterprise capabilities providing a 360-view of customer, product and order



All in the palm of your hand.



Website



App



Customer

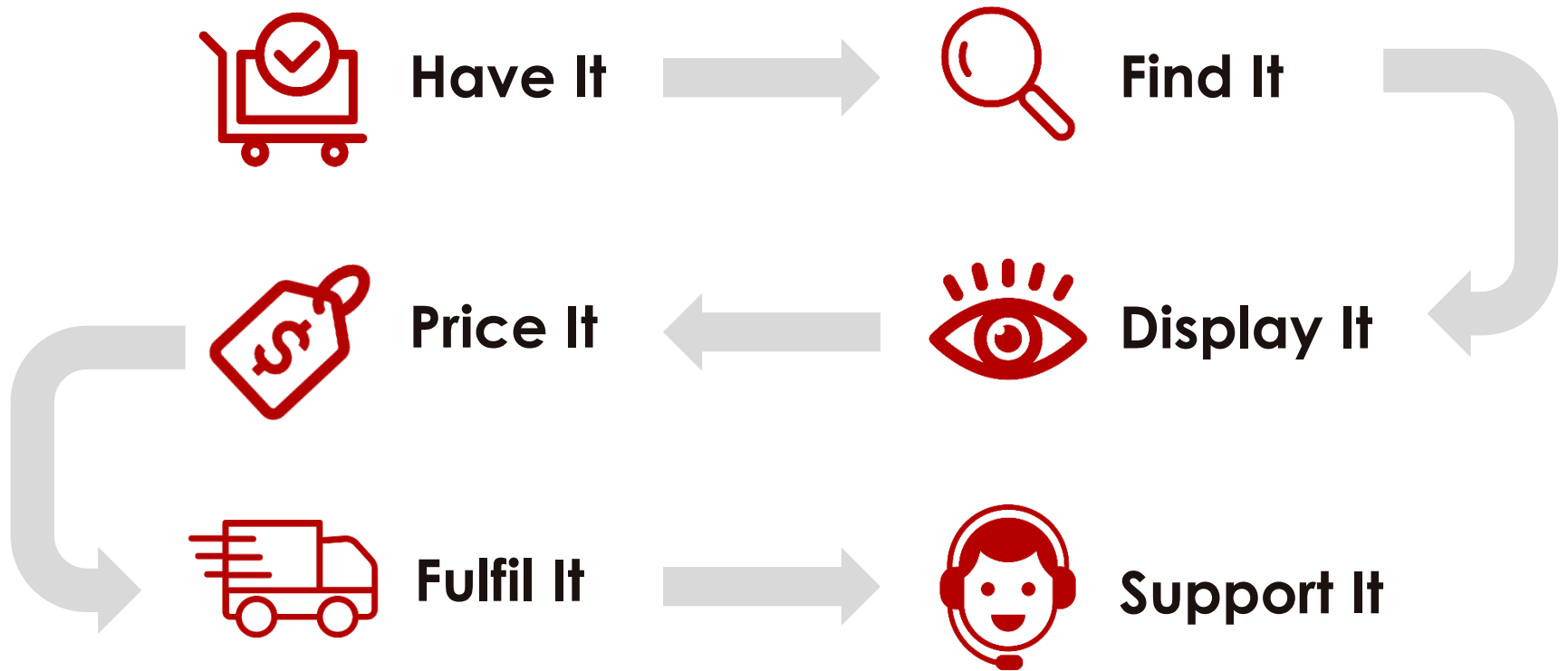


Product



Order

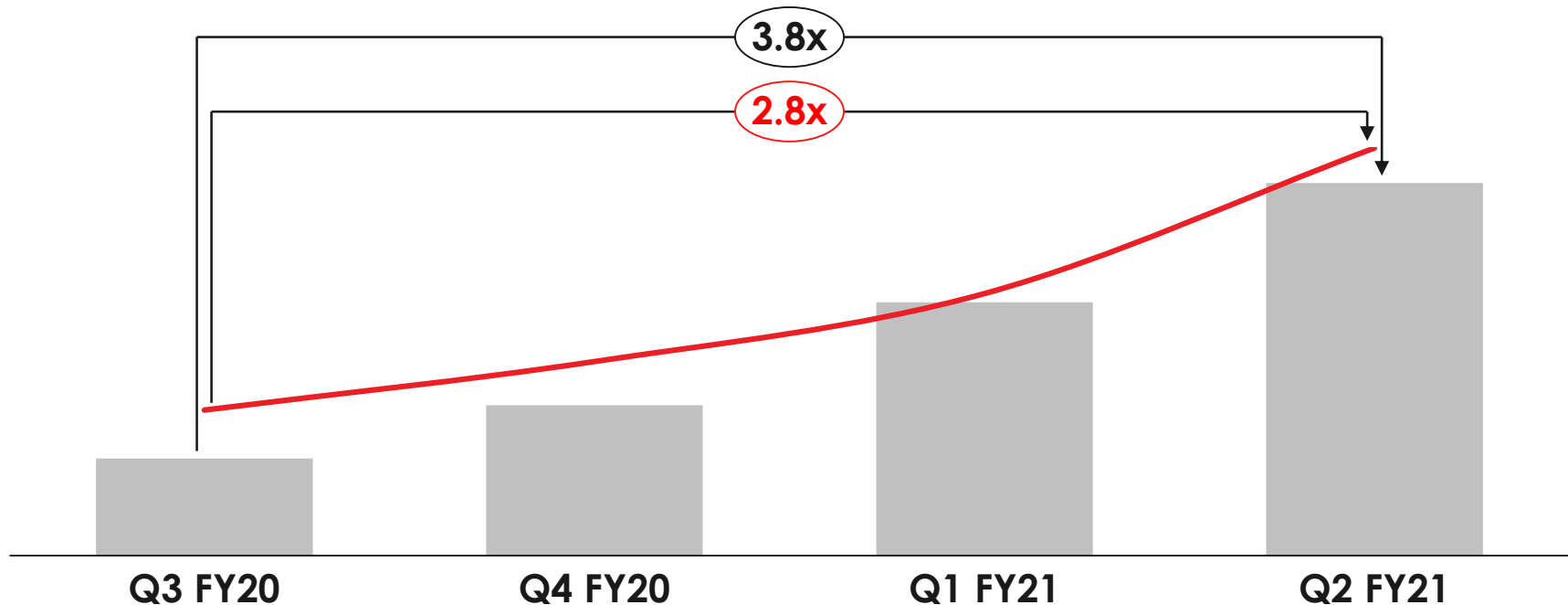
We are removing friction for customers



Customer satisfaction is improving

Perfect order rate¹ and Online NPS²

— Online NPS ■ Perfect Order Rate

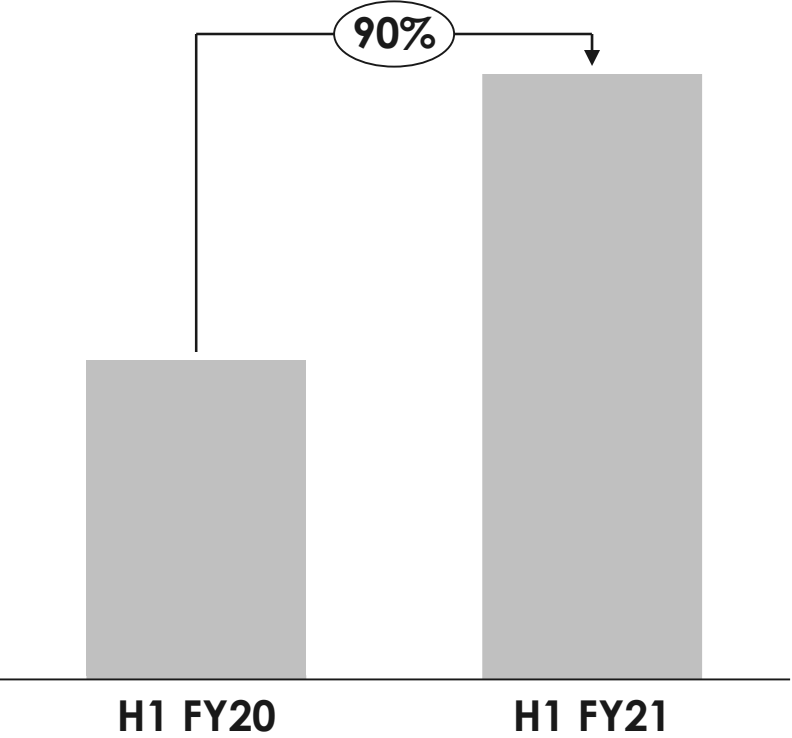


¹ Perfect Order Rate represents the percentage of total Home Delivery orders (excluding Click&Collect) that were fulfilled on time without any missing items or substitution.

² Online Net Promoter Score (NPS) is calculated as the percentage of customers that rate on a scale from 0 to 10 to their likelihood recommend Coles Online to a friend as 9 or 10 (promoters) minus the percentage of customers that provide a rating of 6 or less (detractors).

Online liquor has grown rapidly across all banners

Online liquor sales growth



Liquorland (Pahran)
5.0 ★ (160) • \$ • Alcohol
20-30 min • \$1.99 Fee

Restaurant info
303 Chapel St, Prahran, VIC 3181 [More info](#)

People say...
Fast & reliable (43)

Notes: Supermarkets eCommerce sales reporting excludes liquor sales.

Click&Collect Rapid: Order to pick-up in 90 minutes



Expanding to >400 locations across Australia

Coles Plus now available nationwide



Free delivery
for all Coles
online orders
over \$100



2x flybuys points
on all Coles online
purchases#



Free delivery
on one
Liquorland
online order
over \$50 per
month



Priority customer care



Access to 90-minute
Click&Collect

Terms and conditions apply

Ocado partnership to deliver differentiation

Range



- ~2x the range of in-store fulfilment

Customer experience



- Market-leading perfect order rate

Operational efficiency



- Inventory and network optimisation
- Reduced food waste and improved pick efficiency





Athletes Kelsey Lee-Barber, Sally Pearson, Matthew Denny and Jaryd Clifford with athletes from the Runaway Bay Little Athletics Centre in Queensland, one of the more than 150 sports clubs around Australia that received a grant from Coles to purchase brand new sports equipment.

Group financial overview



1H21 results – Group

Strong Group EBIT and NPAT growth

\$m	1H21	1H20	Change
Sales revenue	20,378	18,846	8.1%
EBIT	1,020	910	12.1%
EBIT margin %	5.0	4.8	18bps
Net profit after tax	560	489	14.5%
Basic earnings per share ¹ (cents)	42.0	36.7	14.5%
Interim dividend per share ² (cents)	33.0	30.0	10.0%

¹ Basic earnings per share attributable to equity holders of the Company from continuing operations.

² Dividends announced.

1H21 results – segment financials

Sales revenue and EBIT growth across all segments

\$m	1H21	1H20	Change
Sales revenue			
Supermarkets	17,800	16,583	7.3%
Liquor	1,946	1,691	15.1%
Express	632	572	10.5%
Group sales revenue	20,378	18,846	8.1%

\$m	1H21	1H20	Change
EBIT			
Supermarkets	903	789	14.4%
- EBIT margin (%)	5.1	4.8	31bps
Liquor	104	76	36.8%
- EBIT margin (%)	5.3	4.5	88bps
Express	32	28	14.3%
- EBIT margin (%)	5.0	4.9	9bps
Other ¹	(19)	17	N/M
Group EBIT	1,020	910	12.1%
- EBIT margin (%)	5.0	4.8	18bps

¹ Includes corporate costs, Coles' 50% share of flybuys' net result, the net gain or loss generated by Coles' property portfolio and self-insurance provisions. N/M denotes not meaningful.

Operating cash flow

Cash realisation of 120%, on track for >100% in FY21

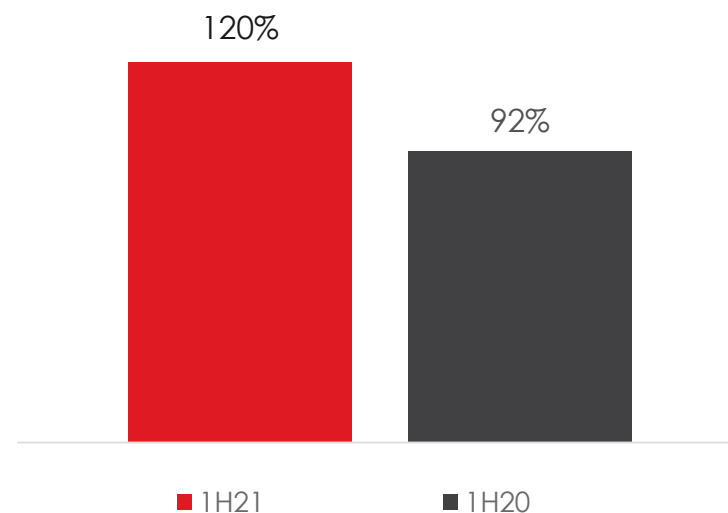
Cash flow

\$m	1H21	1H20
EBIT	1,020	910
Depreciation and amortisation	782	755
EBITDA	1,802	1,665
Change in working capital	221	(220)
Change in provisions and other	134	91
Operating cash flow (excl. interest and tax)	2,157	1,536

Comments

- Working capital impacted by timing of the half year end resulting in fewer payments in 1H21 compared to 1H20, expected to reverse in 2H21
- Change in provisions as a result of higher employee entitlement provisions with fewer team members taking leave during COVID-19

Cash realisation¹



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

Capital expenditure

Increased investment in renewals, growth and efficiency initiatives

Capital expenditure breakdown

\$m	1H21	1H20
Store renewals	141	76
Growth initiatives	134	64
Efficiency initiatives	167	88
Maintenance	90	87
Operating capital expenditure	532	316
Property acquisitions	55	35
Property divestments	(79)	(209)
Net property capital expenditure	(24)	(174)
Net capital expenditure	509	142

1H21 key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> Store renewals across Supermarkets (30) and Liquor (26)
Growth initiatives	<ul style="list-style-type: none"> New stores in Supermarkets (11) and Liquor (20) Investment in Ocado CFC construction Convenience offering roll out
Efficiency initiatives	<ul style="list-style-type: none"> Supply Chain Modernisation Project Investment in loss prevention and in-store initiatives
Maintenance	<ul style="list-style-type: none"> Refrigeration and electrical Lifecycle maintenance of stores and technology
Property	<ul style="list-style-type: none"> H1 net property inflow of \$24m

Balance sheet

Investment grade credit metrics with flexibility for future growth

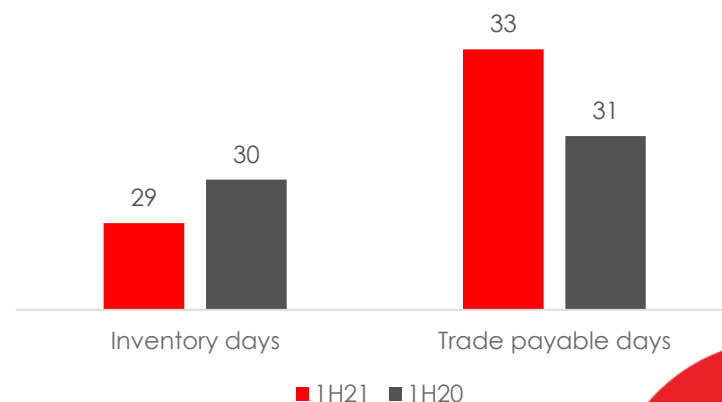
Balance sheet summary

\$m	3 Jan 2021	28 Jun 2020	5 Jan 2020
Inventories	2,423	2,166	2,473
Trade and other receivables	415	434	353
Trade and other payables	(4,173)	(3,737)	(3,665)
Working capital	(1,335)	(1,137)	(839)
PP&E and equity investments	4,496	4,344	4,139
Right-of-use assets	7,703	7,660	7,347
Intangibles	1,620	1,597	1,553
Provisions	(1,358)	(1,333)	(1,218)
Other	(64)	38	39
Capital employed	11,062	11,169	11,021
Net cash / (debt)	38	(362)	(566)
Lease liabilities	(9,168)	(9,083)	(8,761)
Net tax balances	860	891	825
Total net assets	2,792	2,615	2,519

Comments

- Right-of-use assets of \$7,703 million with lease additions and lease options becoming reasonably certain to be exercised partially offset by depreciation
- Net cash of \$38 million and balance sheet leverage ratio of 2.9x¹
- Inventory days impacted by change in recognition of duties and taxes on tobacco inventory and removal of fuel inventory, more than offset by Coles being able to manage inventory through the periods of heightened demand as a result of COVID-19
- Trade payable days impacted by the above as well as the timing of month end payments

Inventory and trade payable days



¹ Calculated as gross debt less cash at bank and on deposit (\$617m) add lease liabilities (\$9,168m), divided by EBITDA for the 12 months ended 3 Jan 2021 (\$3,394m).

Capital management

Fully-franked dividend up 10% and extended debt maturity profile at favourable rates

Dividend

- The Coles Board has declared a fully-franked interim dividend of 33 cents per share, a 10% increase on the interim dividend of the prior period with a record date of 1 March 2021 and a payment date of 26 March 2021
- Coles retains its annual target dividend payout ratio of 80% to 90%

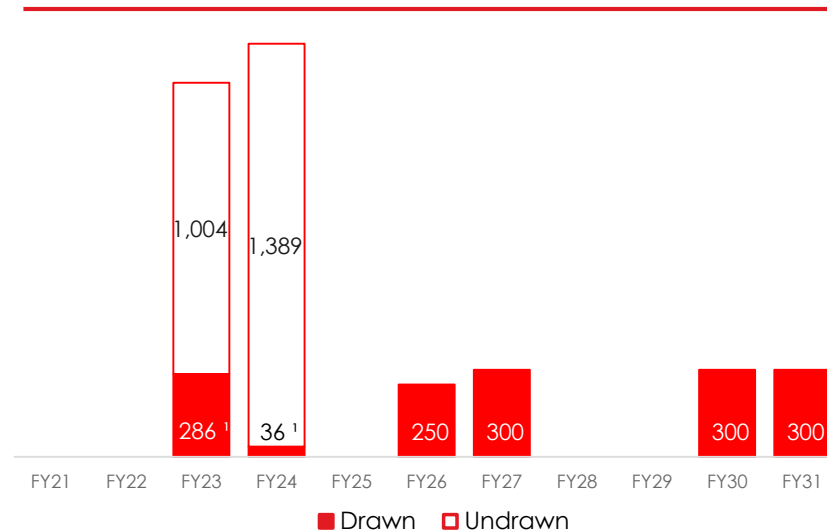
Funding and liquidity

- Weighted average drawn down debt maturity of 7.4 years provides funding stability
 - Undrawn facilities of \$2.4bn, providing appropriate headroom
 - Cash at bank and on deposit of \$0.5bn
- Coles issued \$150m five-year senior unsecured floating rate note and \$300m 10-year senior unsecured fixed-rate medium-term note in August
- Coles is committed to retaining diversified funding sources and to extending the debt maturity profile over time

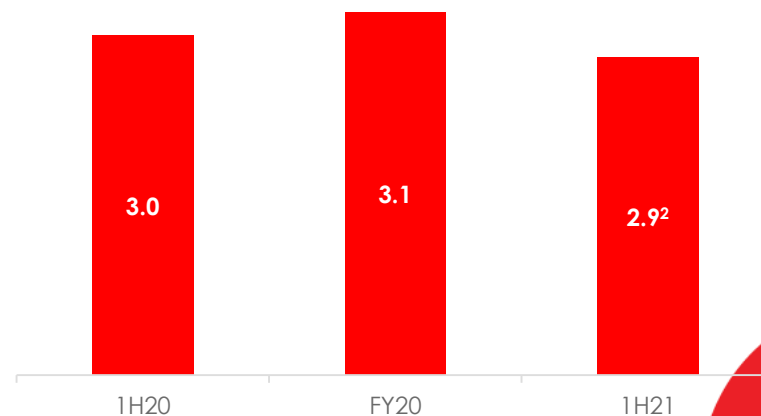
Credit ratings

- Coles is committed to solid investment grade credit ratings with S&P and Moody's

Debt facility maturity profile (\$m)



Leverage ratio



¹ Includes bank guarantees.

² Leverage ratio calculated as net financial debt (\$617m), add lease liabilities (\$9,168m), divided by EBITDA \$3,394m.



Construction at the Queensland Witron automated distribution centre progressed during the half.

Supermarkets



Supermarkets key metrics

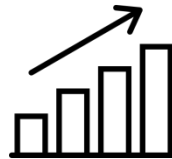
Successful execution of Christmas campaign, range changes and eCommerce

Total sales revenue



\$17.8bn
+7.3% vs. pcp

Comp sales growth



7.2%
vs. pcp

Sales per sqm



\$18,101
+7.7% vs. pcp

Own Brand sales



+9.8%
vs. pcp

eCommerce sales



+48.3%
vs. pcp

Customer satisfaction



89.8% (1H21)
+3.9pp on 2H20

Gross margin



25.8%
+71bps vs. pcp

EBIT



\$903m
+14.4% vs. pcp

EBIT margin



5.1%
+31bps vs. pcp

Supermarkets 1H21 results

EBIT margin expansion in the first half

1H21 results

\$m	Retail basis		
	1H21	1H20	Change
Key P&L items			
Sales revenue	17,800	16,583	7.3%
EBITDA	1,555	1,421	9.4%
EBIT	903	789	14.4%
Key metrics			
Comparable sales growth (%)	7.2	2.0	520bps
Gross margin (%)	25.8	25.1	71bps
CODB (%)	(20.7)	(20.3)	(40)bps
EBIT margin (%)	5.1	4.8	31bps
Sales per square metre (\$/m ²)	18,101	16,800	7.7%
Price inflation (%)	2.3	1.7	63bps
Price in/(de)flation excl. tobacco and fresh (%)	0.7	0.4	25bps

Key commentary

- Sales growth driven by the successful execution of the Christmas campaign, range changes and strong growth in eCommerce sales
- Ongoing benefits from increased in-home consumption associated with COVID-19 also contributed positively to sales in the half
- eCommerce contributed \$1 billion of sales revenue for the half, growing by 48% following investments in user experience and capacity
- Gross margin increased by 71bps driven by improved shelf margin from strategic sourcing initiatives as well as a more efficient supply chain due to the Smarter Selling program, despite additional business continuity costs as a result of industrial action at the Smeaton Grange distribution centre and COVID-19 costs
- CODB increased by 40bps largely due to cost inflation, strategic investments in digital and technology initiatives, and approximately \$70 million of COVID-19 costs, partially offset by Smarter Selling benefits



Premium categories such as gin, champagne, craft beer and seltzers continued to perform well, particularly over the Christmas period.

Liquor



Liquor key metrics

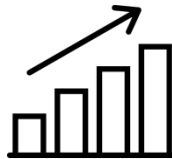
Sales growth driven by strong performance across all banners, channels and categories, particularly eCommerce and larger format stores

Total sales revenue



\$1.9bn
+15.1% vs. pcp

Comp sales growth



15.1%
vs. pcp

Online sales



+89.6%
vs. pcp

Local range



126
local lines
launched

FCLM¹ renewals



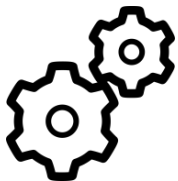
70%
of the fleet
renewed

Number of stores



925
+15 vs. FY20

Gross margin



21.5%
(34)bps vs. pcp

EBIT



\$104m
+36.8% vs. pcp

EBIT margin



5.3%
+88bps vs. pcp

¹ First Choice Liquor Market.

Liquor 1H21 results

EBIT grew strongly as a result of operating leverage partly offset by margin pressure from mix

1H21 results

Sm	Retail basis		
	1H21	1H20	Change
Key P&L items			
Sales revenue	1,946	1,691	15.1%
EBITDA	159	127	25.2%
EBIT	104	76	36.8%
Key metrics			
Comparable sales growth (%)	15.1	1.5	1,365bps
Gross margin (%)	21.5	21.9	(34)bps
CODB (%)	(16.2)	(17.4)	122bps
EBIT margin (%)	5.3	4.5	88bps

Key commentary

- Progress made under the “Simplify and refocus” horizon of Liquor’s refreshed strategy
- Range changes implemented at Liquorland across key growth categories such as gin, rose, craft beer and ready-to-drink
- Local product contribution continued to grow with 126 local lines launched during the half
- Gross margin decreased by 34bps largely due to ongoing changes in mix as a result of COVID-19, with customers shifting towards more larger pack sizes
- CODB improved by 122bps largely driven by the volume growth from higher sales fractionalising Liquor’s fixed cost base



The Coles Express team in Alexandria, New South Wales. Coles customers and team members raised more than \$580,000 for the Movember Foundation, the largest corporate contribution in Australia, to support mental health and cancer care.



Express key metrics

Strong c-store sales driven by local shopping

Total sales revenue



\$632m
+10.5% vs. pcp

C-store comp sales growth



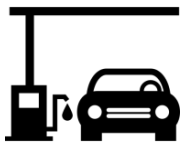
9.9%
vs. pcp

EBIT



\$32m
+14.3% vs. pcp

1H21 weekly fuel volumes



55.5mL/wk
(13.8)% vs. pcp

Comp fuel volume growth



(14.9)%
vs. pcp

Number of sites



723
+10 vs. FY20

Express 1H21 results

Strong c-store sales and favourable mix supported an increase in Express EBIT

1H21 results

§m	Retail basis		
	1H21	1H20	Change
Key P&L items			
C-store sale revenue	632	572	10.5%
EBITDA	103	95	8.4%
EBIT	32	28	14.3%
Key metrics			
Comp c-store sales growth (%)	9.9	2.9	695bps
Weekly fuel volumes (mL)	55.5	64.4	(13.8)%
Fuel volume growth (%)	(13.8)	3.3	N/M
Comp fuel volume growth (%)	(14.9)	4.2	N/M
Gross margin (%)	50.9	56.2	(532)bps
CODB (%)	(45.8)	(51.2)	541bps
EBIT margin (%)	5.0	4.9	9bps

N/M denotes not meaningful.

Key commentary

- Sales growth driven by the drinks category, supported by recent investments in fridges and targeted range reviews in healthier drink alternatives
- Improved momentum in Victoria following the easing of Government imposed COVID-19 restrictions also supported sales growth
- Average weekly fuel volumes of 55.5mL per week were recorded during the half with volumes improving in the second quarter
- CODB improved by 541bps as a result of a strong focus on cost control throughout the half
- Gross margin decreased by 532bps largely due to declining fuel volumes and lower fuel margin income

**Aussie
Farms First.
That's the
Australian way.**



coles | Value the Australian way

Coles Supermarkets has an Australian-first sourcing policy to provide customers with quality fresh produce supporting Australian farmers.

Outlook



Outlook for remainder of FY21

- Depending on COVID-19, vaccine roll out and efficacy, and other factors, sales in the supermarket sector may moderate significantly or even decline in the second half of FY21 and into FY22.
- Coles will be cycling elevated sales from COVID-19 in Supermarkets late in the third quarter, for the remainder of the second half, and most of FY22 associated with:
 - Pantry stocking
 - People working and eating from home
 - Customers shopping online to avoid physically shopping in-store
 - More Australians in Australia due to border closures
- While the outlook remains uncertain, the following trends are likely:
 - Some reversal of the local shopping trend as customers become more confident in shopping in larger centres resulting in stronger performance of shopping centre stores
 - Increased movement as COVID-19 restrictions ease which will help restoration of fuel volumes closer to pre-COVID-19 levels
 - Reduced immigration which has underpinned population growth, an important sales growth driver, in prior years
 - Furthermore, the benefits of recent improvements in both employment numbers and consumer confidence may be partly offset by a reduction in fiscal stimulus measures introduced during the height of the pandemic
- Supermarkets comparable sales growth has continued to moderate and in the first six weeks of the third quarter was 3.3%. However, there continues to be significant variation in sales performance between states, store locations and from week-to-week as a result of customer shopping trends as well as any short-term outbreaks that have occurred around the country. In Online, sales growth has moderated to 37%. As the business begins to cycle the COVID-19 impacts in the second half of FY21, Supermarkets sales and EBIT growth are expected to face challenges relative to the prior corresponding period.
- Based on the current operating environment, Coles expects to incur COVID-19 costs of up to \$10 million per month with the majority of costs to be related to store remuneration and cleaning and hygiene.
- In Liquor, sales remained elevated for the first six weeks of the third quarter with comparable sales growth of 12.5% cycling the impact of the bushfires in the prior corresponding period. Consistent with Supermarkets, Liquor will also be cycling the elevated sales due to COVID-19 which will present challenges given the fixed cost nature of the Liquor business. Investments in service and capability as part of Liquor's refreshed strategy will continue in the second half.
- In Other, as outlined in FY20 results, net earnings from property operations are expected to be weighted to the first half.
- Gross operating capital expenditure for the full year is now expected to be approximately \$1.1 billion (revising previous guidance of approximately \$1 billion). The additional funds will be used to invest in opportunities that have arisen out of COVID-19 including Coles Local acceleration, eCommerce and operational efficiencies in stores such as the customer packing benches.
- Coles' store network and format renewal program for FY21 remains unchanged with plans to renew approximately 65 stores and to open in the range of 15 to 20 new stores over the course of the year.



The Australian women's rowing team after Coles extended its partnership with Rowing Australia to fuel the women and men with healthy food and beverages.

Q&A

