



22 February 2022

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2022 Half Year Results Presentation

Please find attached for immediate release to the market the 2022 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



Coles celebrated 10 years partnering with REDcycle and with our customers, reached the milestone of more than 2 billion pieces of soft plastic diverted from landfill to be recycled into furniture, children's playground equipment, car parks and "buddy benches" (right).

2022 Half Year Results Presentation

22 February 2022



Disclaimer

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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 reasonable control of Coles, 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 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 2022 Half Year Results Presentation provides readers of these documents with meaningful insights into Coles' financial performance.

Balance sheet and cash flow information presented in this 2022 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.

Flybuys Australia's largest coalition of partners and favourite loyalty program

Coles Group



Wesfarmers



Other partners



Continued significant strategic progress in the half with more benefits to come

Our vision.

'Become the most trusted retailer in Australia and grow long-term shareholder value.'



Our strategic differentiators

- ✓ Win in online food and drinks with an optimised store and supply chain network
- ✓ Be a great value Own Brand powerhouse and destination for health
- ✓ Achieve long-term structural cost advantage through automation and technology partnerships
- ✓ Create Australia's most sustainable supermarket
- ✓ Deliver through team engagement and pace of execution

1H22 financial highlights

Smarter Selling program and efficient management of COVID-19 disruption delivers solid Supermarkets EBIT

Total sales revenue



\$20.6bn
1.0% vs. pcp;
9.2% vs. 1H20

EBIT¹



\$975m
(4.4)% vs. pcp

Net profit after tax



\$549m
(2.0)% vs. pcp

Smarter Selling



Delivered benefits
in excess of
\$100m in 1H22

Gross operating capex



\$418m
on an accrued
basis

Operating cash flow²



\$2,064m
117% cash
realisation

Interim dividend³



**33.0 cents per
share fully-
franked**

Net cash position



\$54m
pre-dividend
payment

Safety



18.3 TRIFR⁴
4%
improvement
vs. 2H21

¹ Includes approximately \$20 million of implementation operating costs in relation to the Witron and Ocado transformation projects.

² Excluding interest and tax.

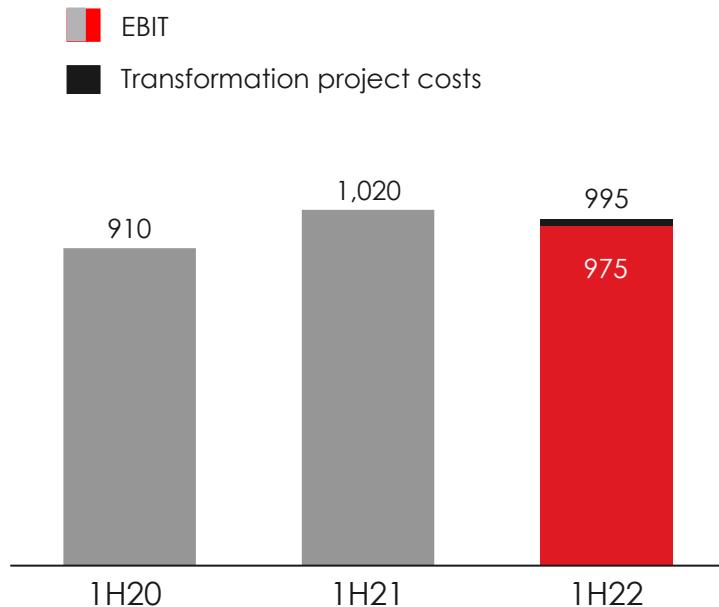
³ The Coles Board has declared a fully-franked interim dividend of 33.0 cents per share with a record date of 4 March 2022 and a payment date of 31 March 2022.

⁴ Total Recordable Injury Frequency Rate.

Smarter Selling benefits support solid Supermarkets EBIT

Excluding transformation project costs, Supermarkets EBIT increased by 1.3%

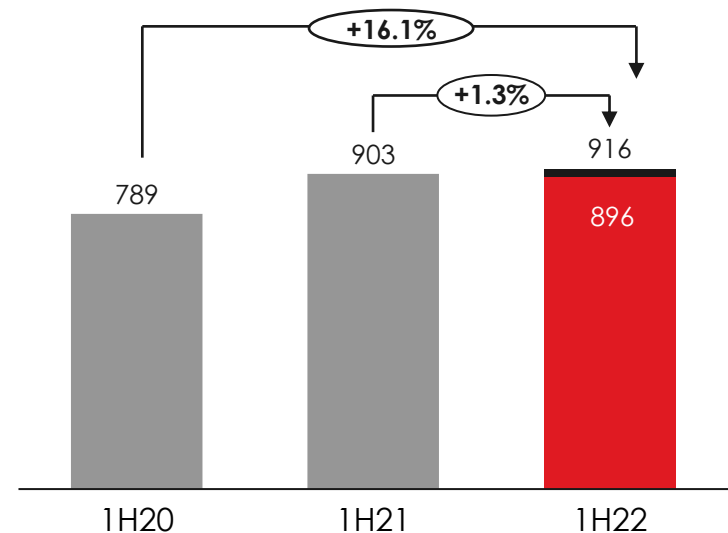
Group EBIT (\$m)



1H22 Group EBIT impacted by:

- Incremental COVID-19 costs (~\$45m)
- Impact of traffic flows in Express earnings (\$20m)
- Higher net costs in 'Other' (\$13m)
- Transformation project costs (~\$20m)

Supermarkets EBIT (\$m)



1H22 Supermarkets EBIT impacted by:

- Incremental COVID-19 costs (~\$45m)
- Transformation project costs (~\$20m)

Supermarkets eCommerce key metrics

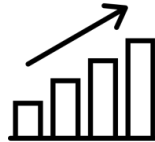
Growth driven by expanded customer offer and investment in capacity

Sales growth¹



+46%
vs. 1H21
+116%
vs. 1H20

eCommerce penetration¹



8.2% in 1H22
vs. 5.7% in 1H21

Omnichannel customers spend



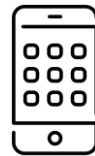
2.1x
vs. in-store only shoppers in Q2

Coles Plus



Expanded benefits
inc. double Flybuys points for in-store and online shops

Unified shoppable App



Launched during the half

Monthly active shoppers



+44%
vs. 1H21

Same-day home delivery



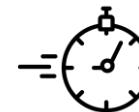
available in ~500 stores

Click & Collect (to the boot of car)



>640 sites

Click & Collect Rapid



available in ~430 stores

¹ eCommerce sales include Liquor sold through coles.com.au. 1H21 eCommerce sales and penetration have been restated to reflect a reclassification of fulfilment income (delivery fees) to Sales revenue (previously reported within Other Income).

Update on Ocado transformation project

Over the past 18 months, Coles has invested significantly in its digital platforms



The Melbourne Ocado customer fulfilment centre is expected to open in FY24.



The Sydney Ocado customer fulfilment centre is expected to open in early FY24.

- As a result of these investments and the rapid acceleration of eCommerce:
 - Coles and Ocado have agreed to update arrangements regarding how the OSP will integrate with Coles digital platforms
 - Coles will now manage the online store and web presence for the intake of orders
 - Ocado will provide OSP automated fulfilment functionality through the CFCs and store pick channels, as well as last-mile solutions
- The Delta variant of COVID-19 has also caused significant disruption upon the construction industry:
 - Construction delays in Sydney have largely been mitigated, with the Sydney CFC expected to open in early FY24 as planned
 - Construction delays have had a greater impact on the Melbourne CFC, which is now expected to open in FY24 (previously FY23)



Progress against strategy: Inspire Customers

New Flybuys partners build scale for future customer rewards and personalisation



With a focus on convenience and health, Exclusive to Coles launched over 840 new products during the half.

- Strengthened Flybuys loyalty program with the addition of Bunnings and Officeworks, providing members new opportunities to earn and redeem points
- Supermarkets eCommerce sales growth of 46% with investments made in customer experience, expanded benefits for Coles Plus members
- Launched 30 new Click & Collect Rapid stores (order to pickup in 90 minutes) and expanded same day home delivery stores to ~500
- Liquor eCommerce sales growth of 60% supported by the opening of a fourth eCommerce dark store in New South Wales
- Increased Exclusive to Coles sales by 5% with nine Coles Own Brand products winning 2022 Product of the Year awards
- Provided more customers with access to Best Buys range with the launch of an online platform; in-store offer available at >400 stores

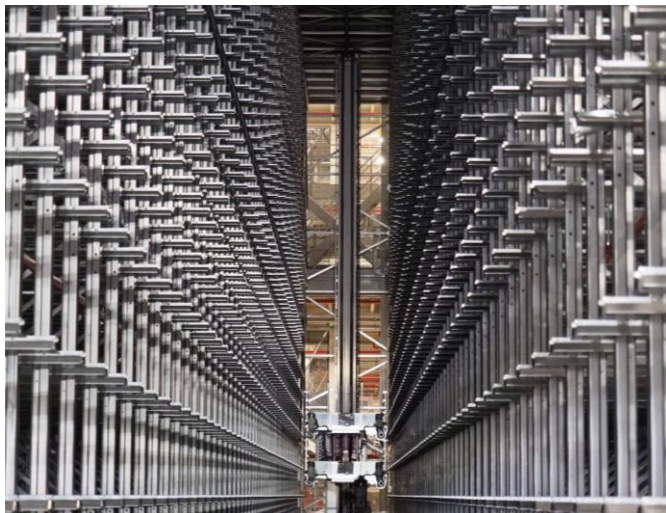


Progress against strategy: Smarter Selling

Delivered Smarter Selling benefits in excess of \$100 million in 1H22



Phase one of the Fresh Produce Easy Ordering program was completed during the half.



An internal view of the Witron Queensland automated distribution centre which is on track to be commissioned in 2023.

- The following key initiatives were delivered in 1H22:
 - Measures to reduce loss in store
 - Alignment of meat operating models
 - Service transformation in store e.g. trolley assisted check outs and customer bagging benches
 - eCommerce efficiency benefits
- Provided transport solutions and other value add services to suppliers through Coles Collect with revenue growth of 20% in 1H22
- Completed phase one of Fresh Produce Easy Ordering program with the successful rollout of a core range driving growth in emerging fresh categories e.g. organics
- Witron Queensland automated distribution centre (ADC) and Ocado Sydney eCommerce customer fulfilment centre (CFC) on track to be commissioned in 2023
- Witron Sydney ADC to be commissioned in FY24 as originally planned, Melbourne eCommerce CFC delayed to FY24
- Renewed 21 stores including six Format A, seven Format C and four Coles Local stores



Progress against strategy: Win Together

Improved safety with 4% reduction in TRIFR compared to 2H21



Coles ambassador Eddie Betts at a Coles Healthy Kicks program, inspiring young Australians to enjoy healthy and happy lifestyles.



Coles celebrated its 10-year partnership with SecondBite during the half.

- Invested in team member mental health and wellbeing
- Ranked #2 food retailer globally (Tesco #1) for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark¹
- Secured path to 100% renewable electricity by end of FY25
- Celebrated 10 years partnering with REDcycle and with our customers reached the milestone of more than 2bn pieces of soft plastic diverted from landfill since the partnership began
- Ranked #1 in the 2021 GivingLarge Report for the largest percentage contribution of profit (on a rolling three-year basis) to the community among Australia's leading organisations
- Significant contributions from Coles, its customers, team members and suppliers to community organisations for the half including almost \$2.2 million as part of the SecondBite Christmas campaign, helping Australians in need of food relief at Christmas, more than \$680,000 for Movember to support men's health and more than \$2.1 million for Redkite to support children and families affected by cancer
- Strengthened ELT with the appointment of John Cox as Chief Technology Officer in 1H22. Charlie Elias appointed as Chief Financial Officer (CFO) with Leah Weckert, current CFO, to move to the role of Chief Executive, Commercial and Express in 2H22

Coles' strategy tracker

Coles has continued to make progress on “Winning in our Second Century” strategy

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none"> 4% reduction in TRIFR compared to 2H21
Increased team member engagement	<ul style="list-style-type: none"> Update to be provided at FY22 results announcement following annual mysay team engagement survey in May
Improved customer satisfaction	<ul style="list-style-type: none"> NPS remained stable across Supermarkets and increased in Liquor vs the pcp, though both softened late in the half due to availability challenges
Sales growth at least in line with the market	<ul style="list-style-type: none"> ABS total market growth of 1.8%¹ Improving share at H1 exit as local shopping unwinds
Increased sales density	<ul style="list-style-type: none"> Supermarkets sales density decreased by (1.0)% YoY to \$17,919/sqm Liquor sales density decreased by (1.7)% YoY to \$16,315/sqm Supermarkets and Liquor sales densities were impacted by cycling significant COVID-19 pantry stocking in March 2020
\$1bn cost-out by FY23	<ul style="list-style-type: none"> Delivered Smarter Selling benefits in excess of \$100 million in 1H22 By the end of FY22, total cumulative benefits are expected to be over \$750 million since commencement of program
EBIT growth	<ul style="list-style-type: none"> Group EBIT decline of 4.4% impacted by higher COVID-19 disruption costs, related travel restrictions on Express' earnings and transformation project costs
Cash realisation² >100%	<ul style="list-style-type: none"> Cash realisation of 117%

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



Coles customers opted for premium products at Christmas with best-selling items including rock lobster, croissants, macarons and premium cheese.

Group financial overview



1H22 results – Group

EBIT impacted by higher COVID-19 costs, lower Express earnings as well as transformation project costs

\$m	1H22	1H21	Change
Sales revenue ¹	20,593	20,390	1.0%
EBITDA ²	1,762	1,802	(2.2)%
EBIT ²	975	1,020	(4.4)%
EBIT margin %	4.7	5.0	(27)bps
Net profit after tax	549	560	(2.0)%
Basic earnings per share (cents)	41.2	42.0	(1.9)%
Interim dividend per share ³ (cents)	33.0	33.0	-

¹ 1H21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

² 1H22 includes approximately \$20 million of implementation operating costs in relation to the Witron and Ocado transformation projects.

³ Dividends announced.

1H22 results – segment financials

Sales revenue growth in Supermarkets and Liquor

\$m	1H22	1H21	Change	2-yr change ¹
Sales revenue				
Supermarkets ²	18,016	17,812	1.1%	8.6%
Liquor	1,999	1,946	2.7%	18.2%
Express	578	632	(8.5)%	1.1%
Group sales revenue	20,593	20,390	1.0%	9.2%
EBITDA				
Supermarkets ³	1,552	1,555	(0.2)%	
Liquor	156	159	(1.9)%	
Express	81	103	(21.4)%	
Other ⁴	(27)	(15)	(80.0)%	
Group EBITDA	1,762	1,802	(2.2)%	
- EBITDA margin (%)	8.6	8.8	(28)bps	
EBIT				
Supermarkets ³	896	903	(0.8)%	
Liquor	99	104	(4.8)%	
Express	12	32	(62.5)%	
Other ⁴	(32)	(19)	(68.4)%	
Group EBIT	975	1,020	(4.4)%	
- EBIT margin (%)	4.7	5.0	(27)bps	

¹ Headline 2-year growth is calculated as growth between 1H22 and 1H20 (retail calendar basis).

² 1H21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

³ 1H22 includes approximately \$20 million of implementation operating costs in relation to the Witron and Ocado transformation projects.

⁴ Includes corporate costs, Coles' 50% share of flybys' net result, the net gain or loss generated by Coles' property portfolio and self-insurance provisions.

Operating cash flow

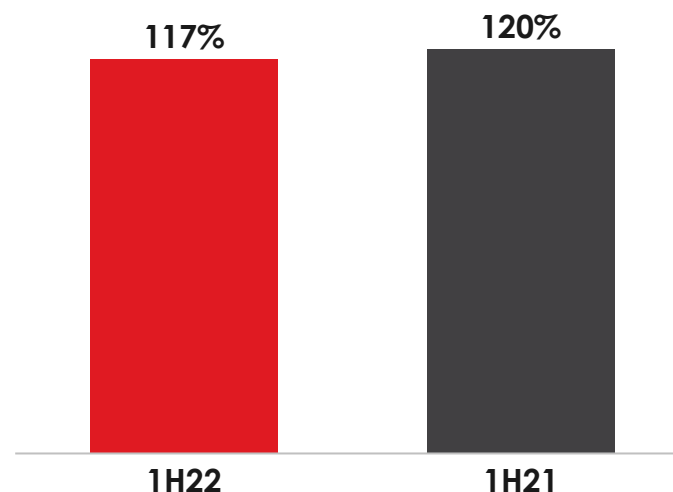
Strong cash realisation of 117%

Cash flow		
\$m	1H22	1H21
EBIT	975	1,020
Depreciation and amortisation	787	782
EBITDA	1,762	1,802
Change in working capital	372	221
Change in provisions and other	(70)	134
Operating cash flow (excl. interest and tax)	2,064	2,157

Comments

- Working capital movement reflects higher closing trade and other payables position primarily from strong Christmas trade as well as reduced inventory holdings due to heightened COVID-19 demand towards the end of the half
- Lower cash flow from provisions largely as a result of utilisation of Witron transformation project provision

Cash realisation¹



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

Capital expenditure

Capital expenditure impacted by COVID-19 construction delays

Capital expenditure breakdown

\$m	1H22	1H21
Store renewals	98	141
Growth initiatives	120	134
Efficiency initiatives	85	167
Maintenance	115	90
Operating capital expenditure	418	532
Property acquisitions and development	47	55
Property divestments	(81)	(79)
Net property capital expenditure	(34)	(24)
Net capital expenditure	384	508

1H22 key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> • Store renewals across Supermarkets (21) • First Choice Liquor Market (6) and B&W Liquorland renewals (90)
Growth initiatives	<ul style="list-style-type: none"> • New stores in Supermarkets (4) and Liquor (7) • Continued investment in Ocado and eCommerce
Efficiency initiatives	<ul style="list-style-type: none"> • Supply Chain Modernisation • Investment in Fresh Produce Easy Ordering and front end customer service initiatives
Maintenance	<ul style="list-style-type: none"> • Refrigeration and electrical • Lifecycle maintenance of stores and technology
Property	<ul style="list-style-type: none"> • 1H22 net property inflow of \$34m

Balance sheet

Significant balance sheet capacity provides flexibility for future growth

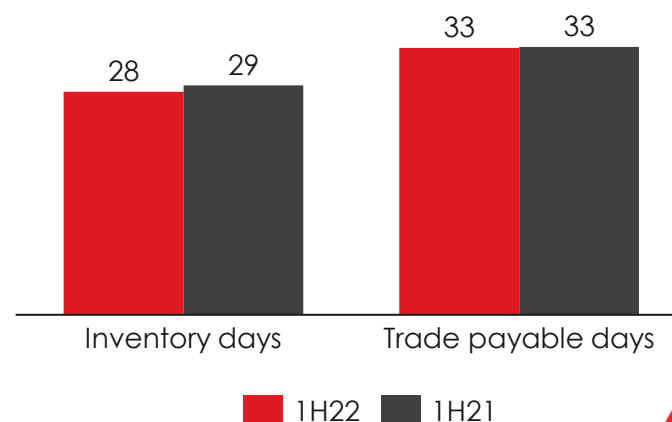
Balance sheet summary

\$m	2 Jan 2022	27 Jun 2021	3 Jan 2021
Inventories	2,387	2,107	2,423
Trade and other receivables	336	368	415
Trade and other payables	(4,282)	(3,660)	(4,173)
Working capital	(1,559)	(1,185)	(1,335)
PP&E and equity investments	4,653	4,683	4,496
Right-of-use assets	7,162	7,288	7,703
Intangibles	1,806	1,698	1,620
Provisions	(1,293)	(1,408)	(1,358)
Other assets / (liabilities)	(20)	35	(64)
Capital employed	10,749	11,111	11,062
Net cash / (debt)	54	(355)	38
Lease liabilities	(8,635)	(8,756)	(9,168)
Net tax balances	841	813	860
Total net assets	3,009	2,813	2,792

Comments

- Net cash of \$54 million and balance sheet leverage ratio of 2.7x¹
- Working capital improved relative to the pcp with higher trade payables from strong Christmas trade as well as reduced inventory holdings
- Trade and other receivables reduced following the settlement of a property development loan (vs the pcp)
- Provisions decreased due to the utilisation of Witron transformation program provision and a moderate reduction in employee entitlements as COVID-19 restrictions eased

Inventory and trade payable days



¹ Calculated as gross debt less cash at bank and on deposit (\$520m) add lease liabilities (\$8,635m), divided by EBITDA for the 12 months ended 2 Jan 2022 (\$3,392m).

Capital management

Sustainability Linked Loans established to support our ambition to be Australia's most sustainable supermarket

Dividend

- Fully-franked 1H22 interim dividend of 33.0 cents per share
- Coles retains its industry-leading annual target dividend payout ratio of 80% to 90%

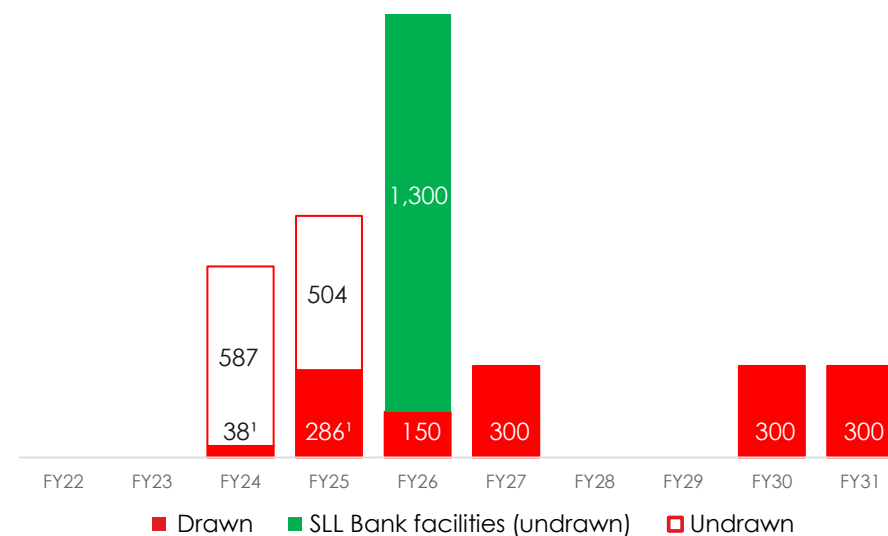
Funding and liquidity

- Weighted average drawn down debt maturity of 6.6 years provides funding stability
 - Undrawn facilities of \$2.4bn, providing appropriate headroom
 - Cash at bank and on deposit of \$0.5bn
- Established a total of \$1.3 billion, four-year Sustainability Linked Loans in August 2021, drawing a direct line between Coles' sustainability performance and cost of capital
- Strong access to bank and debt capital markets throughout the pandemic
- Well diversified funding sources and a staggered debt maturity profile

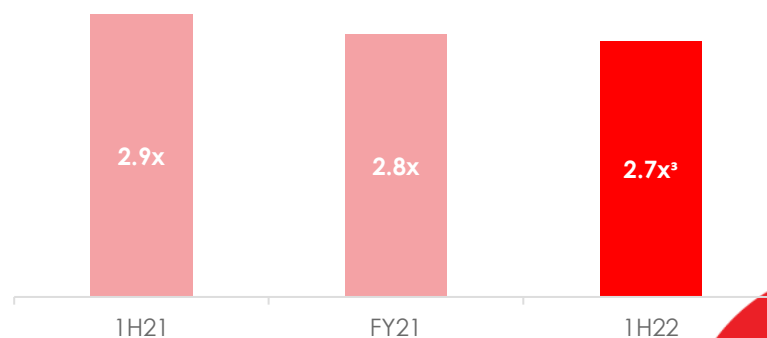
Credit ratings

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

Debt facility maturity profile (\$m)



Leverage ratio²



¹ Includes bank guarantees.

² Leverage ratio post-AASB 16.

³ 1H22 leverage ratio calculated as gross debt less cash at bank and on deposit (\$520m) add lease liabilities (\$8,635m), divided by EBITDA for the 12 months ended 2 Jan 2022 (\$3,392m).



The 13th Coles Local was opened in Brighton. Local's feature food entertaining and healthier options including Aussie frozen fruit scoop and weigh, and an extended range of vegetarian.

Supermarkets



Supermarkets key metrics

Successful Christmas campaign and strength in eCommerce

Total sales revenue¹



\$18.0bn
+1.1% vs. pcp

2-year² comp sales
growth



8.7%
vs. 1H20

Sales per sqm



\$17,919
(1.0)% vs. pcp

Exclusive to Coles
sales



+4.7%
vs. pcp

eCommerce sales^{1,3}



+46.1%
vs. pcp

Customer satisfaction
(NPS)



+0.2 point
improvement on
pcp

Gross margin



26.1%
+20bps vs. pcp

EBIT⁴



\$896m
(0.8)% vs. pcp

EBIT margin



5.0%
(10)bps vs. pcp

¹ 1H21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

² Comparable 2-year growth is calculated as the aggregate of 1H22 and 1H21 growth rates.

³ eCommerce sales include Liquor sold through coles.com.au.

⁴ Includes approximately \$20 million of implementation operating costs in relation to the Witron and Ocado transformation projects.

Supermarkets 1H22 results

Solid EBIT despite increased COVID-19 and transformation project costs

1H22 results

\$m	1H22	1H21	Change
Key P&L items			
Sales revenue ¹	18,016	17,812	1.1%
EBITDA ²	1,552	1,555	(0.2)%
EBIT ²	896	903	(0.8)%
Key metrics			
Gross retail sales growth (%)	2.0	7.4	(539)bps
Comparable sales growth (%)	1.5	7.2	(566)bps
Gross margin (%)	26.1	25.9	20bps
CODB (%)	(21.1)	(20.8)	(30)bps
EBIT margin (%)	5.0	5.1	(10)bps
eCommerce penetration (%)	8.2	5.7	246bps
Sales per square metre (\$/m ²)	17,919	18,101	(1.0)%
Price in/(de)flation (%)	(0.2)	2.3	(250)bps
Price in/(de)flation excl. tobacco and fresh (%)	(0.2)	0.7	(89)bps

Key commentary

- Sales growth delivered as a result of strong trade over the Christmas period and growth in eCommerce sales
- eCommerce sales of \$1.5 billion grew by 46% with penetration of 8.2% in the first half
- Gross margin increased by 20 bps with strategic sourcing and Smarter Selling benefits partially offset by COVID-19 costs
- CODB as a percentage of sales increased by 30 bps due to higher COVID-19 costs and implementation operating costs in relation to the Witron and Ocado transformation projects. Strategic investments in IT and eCommerce also continued

¹ 1H21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

² Includes approximately \$20 million of implementation operating costs in relation to the Witron and Ocado transformation projects.



Renewal activity continued across all three Liquor banners during the half, including the new Black & White Liquorland format.



Liquor key metrics

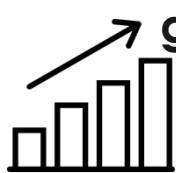
Sales growth driven by eCommerce and Liquorland

Total sales revenue



\$2.0bn
+2.7% vs. pcp

2-year comp sales



growth¹
16.9%
vs. 1H20

eCommerce sales²



+60.4%
vs. pcp

Exclusive Liquor Brand



More than 230
awards received
in 1H22

Liquor renewals



97
completed in
1H22

Number of stores



931
+2 vs. 2H21

Gross margin



21.8%
23bps vs. pcp

EBIT



\$99m
(4.8)% vs. pcp

EBIT margin



4.9%
(39)bps vs. pcp

¹ Comparable 2-year growth is calculated as the aggregate of 1H22 and 1H21 growth rates.

² eCommerce sales exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales.

Liquor 1H22 results

Progress made against Liquor's strategy, underpinned by investments in team, systems, eCommerce, and formats

1H22 results

\$m	1H22	1H21	Change
Key P&L items			
Sales revenue	1,999	1,946	2.7%
EBITDA	156	159	(1.9)%
EBIT	99	104	(4.8)%
Key metrics			
Gross retail sales growth (%)	2.6	15.3	N/M
Comparable sales growth (%)	1.8	15.1	N/M
Gross margin (%)	21.8	21.5	23bps
CODB (%)	(16.8)	(16.2)	(62)bps
EBIT margin (%)	4.9	5.3	(39)bps
eCommerce penetration (%)	4.8	3.0	174bps

N/M denotes not meaningful.

Key commentary

- Improving customer metrics in service, value, range, and store experience were supported by investments in customer service
- Strategic investments in eCommerce capacity with the launch of a fourth eCommerce dark store in NSW which supported eCommerce sales growth of 60%
- Gross margin increased by 23bps largely due to improved shelf margin, despite the investment in pricing during the half
- CODB as a percentage of sales increased by 62 bps largely due to investments in customer service and team capability, as well as transformation costs in relation to core IT systems and eCommerce



Coles Express was proud to support the Redkite campaign to support children and families affected by cancer.



Express key metrics

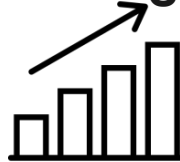
C-store sales and EBIT negatively impacted by reduced mobility as a result of lockdowns

Total sales revenue



\$578m
(8.5)% vs. pcp

2-year comp sales growth¹



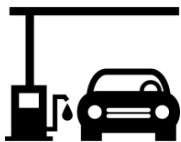
2.4%
vs. pcp

EBIT



\$12m
(62.5)% vs. pcp

1H22 weekly fuel volumes



52.6mL/wk
(5.2)% vs. pcp

Comp fuel volume growth



(4.4)%
vs. pcp

Number of sites



711
-6 vs. 2H21

¹ Comparable 2-year growth is calculated as the aggregate of 1H22 and 1H21 growth rates.

Express 1H22 results

C-store sales (ex-tobacco) flat despite reduced traffic flows

1H22 results

\$m	1H22	1H21	Change
Key P&L items			
C-store sale revenue	578	632	(8.5)%
EBITDA	81	103	(21.4)%
EBIT	12	32	(62.5)%
Key metrics			
C-store gross retail sales growth ¹ (%)	(8.1)	10.0	N/M
Comp c-store sales growth (%)	(7.4)	9.9	N/M
Weekly fuel volumes (mL)	52.6	55.5	(5.2)%
Fuel volume growth (%)	(5.2)	(13.8)	(866)bps
Comp fuel volume growth (%)	(4.4)	(14.9)	N/M
Gross margin (%)	51.5	50.9	67bps
CODB (%)	(49.5)	(45.8)	(363)bps
EBIT margin (%)	2.1	5.0	(295)bps

N/M denotes not meaningful.

¹ Fuel concession sales are excluded from Express gross retail sales on the basis that Coles does not control retail pricing.

Key commentary

- Sales growth negatively impacted by lower forecourt traffic due to lockdowns, as well as cycling strong tobacco sales in the pcp
- Ex-tobacco, c-store sales were flat in Q2 with strong growth in food-to-go, including coffee, indicating an improving trajectory as restrictions eased during the half
- Average weekly fuel volumes of 52.6mL per week
- CODB as a percentage of sales increased by 363 bps due to lower sales across Express' fixed cost base.
- Gross margin increased by 67 bps largely due to favourable mix driven by strong growth in food-to-go and declining tobacco volumes



As the COVID-19 pandemic continued, Coles set up pop-up vaccination clinics in our distribution centres (left). More than 120,000 team members have had at least two doses of a COVID-19 vaccine with many sharing their stories as part of the #GetTheJob campaign (right).



Outlook

- As Omicron spread through the community in the early part of January, Supermarkets sales were elevated before moderating later in the month
- There has been significant variation in sales performance between states, store locations and on a week-to-week basis as a result of COVID-19 and floods in South Australia which have had an impact on sales, particularly in Western Australia
- Coles will continue to focus on providing trusted value for customers, including through Exclusive to Coles products, despite increasing cost pressures
- While the current operating environment remains uncertain, COVID-19 costs of approximately \$30 million were incurred in January, primarily due to the large number of COVID-19 related isolations, which have now moderated in February
- As foreshadowed at the first quarter sales results, COVID-19, including construction delays, has impacted Coles' capital expenditure program. As such, Coles now expects capital expenditure in FY22 to be between \$1.0 billion to \$1.2 billion (previously \$1.2 billion to \$1.4 billion)



World Champion javelin thrower Kelsey-Lee Barber with Little Athletics participants. Coles is proud to support grass roots athletics through Little Athletics to help kids live healthier, happier lives.

Q&A

