



18 February 2020

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2020 Half Year Results Presentation

Please find attached for immediate release to the market the 2020 Half Year Results Presentation for Coles Group Limited.

Yours faithfully,

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

Daniella Pereira
Company Secretary



Coles team members delivering supplies to bushfire Emergency Services Control Centre in Yeppoon, Queensland.

2020 Half Year Results Presentation

18 February 2020

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

This presentation is for information purposes only and is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation to acquire Coles shares or other securities. It has been prepared without taking into account the investment objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, taxation, business and/or financial advice appropriate to their circumstances. Past performance is no guarantee of future performance.

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

The forward-looking statements are based on Coles' good faith assumptions as to the financial, market, 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, performances or achievements of Coles to be materially different to future results, performances or achievements expressed or implied by such statements.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as at the date of the presentation. Except as required by applicable laws or regulations, Coles does not undertake any obligation to publicly update any of the forward-looking statements or to advise of any change in the assumptions on which any such statement is based.

Non-IFRS financial information

To support an understanding of comparable business performance, this Results Release and the associated 2020 Half Year Results Presentation present results as follows:

- on a retail calendar basis – applied consistently for the current and comparative period;
- on a continuing operations basis – excluding the impact of Kmart, Target and Officeworks, which were transferred to Wesfarmers as part of the demerger in the half year ended 30 December 2018. The statutory results presented in Coles' Appendix 4D Half Year Financial Report include the results of discontinued operations;
- excluding the impacts of applying AASB 16 Leases; and
- excluding the results of the Queensland Venue Co. Hotels business (Australian Venue Co. manages the day to day operations, and receives the economic benefit, of this Hotels business).

Balance sheet and cash flow information presented in this Results Release and the associated 2020 Half Year Results Presentation is consistent with the information disclosed in the statutory presentation in the Appendix 4D Half Year Financial Report.

Retail calendar disclosures constitute non-IFRS information which has not been audited but is based on IFRS information where available. Coles' external auditors have performed agreed upon procedures relating to the adjustments between the statutory and retail calendar profit and loss disclosures for the prior corresponding period.

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.



Tenterfield, NSW Store Manager Kyle supporting drought affected local residents with drinking water donated by Coles (left); Kalgoorlie, WA team members flying food and essentials for over 200 truck drivers and holidaymakers stranded due to bushfires closing the Eyre Highway (right).

1H20 summary

1H20 financial highlights

Successful strategy execution inspires customers and drives Supermarkets growth, interim dividend of 30 cents per share declared

Total sales revenue¹



\$18.8bn
3.3% vs. pcg

EBIT¹



\$725m
0.4% vs. pcg

Supers comp sales growth of 2.0%²



49 quarters of consecutive growth

Smarter selling



\$95m
in cost-out initiatives

Gross operating capex



\$316m
on an accrued basis

Operating cash flow



\$607m
87% cash realisation

Dividend³



30 cents per share fully-franked

Net financial debt



\$566m
pre dividend payment

Safety



25.1 TRIFR⁴
10% improvement vs. 2H19

¹ Sales revenue excludes Fuel sales and Hotels in FY19. EBIT is pre-AASB 16 and excludes Hotels and significant items in 1H19 of \$146m relating to Supply Chain Modernisation.

² To better align the timing of comparable sales between the FY20 and FY19 financial periods, 1H19 is based on weeks 2 to 28 (2 July to 6 January 2019). 1Q19 is based on weeks 2 to 14 (2 July to 30 September 2018) and 2Q19 is based on weeks 15 to 28 (1 October to 6 January 2019).

³ The Coles Board has declared a fully-franked interim dividend of 30 cents per share.

⁴ Total Recordable Injury Frequency Rate.

Coles “Winning in our Second Century” Strategy



Our vision.

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



LEaD

Our LEaD behaviours



Look ahead



Energise everyone



Deliver with pride



Progress against strategy: Inspire customers

Through best value food and drink solutions to make lives easier.

coles

**Good things.
Great value.**



Pet treat bar at Coles Local in St Kilda, Victoria.

- Delivered trusted value through “Good things. Great value.” campaign which included ‘lowering the cost of breakfast, lunch, dinner and Christmas entertaining’
- Own Brand achieved >\$1 billion of sales in December, up 7%
- >3,000 new products introduced as part of tailored range review in Supermarkets
- Extended convenience meal range rolled out to 114 stores; Pet treat bar launched at Coles Local in St Kilda, Victoria
- Provided more alternatives for our vegan, vegetarian and flexitarian customers via Natures Kitchen range and introduction of products like our first plant-based Christmas roast
- Increased customer engagement through successful marketing campaigns including Little Shop 2 and Speigelaug glassware
- Improved customer satisfaction with investment in service driving better check-out experience
- Coles Online sales growth of 24%, ‘Delivery Plus’ introduced
- Tailored range change launch in Liquor
- 55 new Exclusive Liquor Brand lines and a total of 248 medals and awards received
- Export growth of 47%
- Active households in flybuys increased and the flybuys Shake ‘n’ Shop app game returned in December to allow members to win bonus offers



Good things. Great value.

Helping
lower the cost
of entertaining

coles | Good things. Great value.

\$1⁸⁰
ea

WAS \$2.00
October 2019



Coles Rosemary Crackers 170g



\$5⁵⁰
ea

WAS \$7.90
October 2019

Mersey Valley Cheese 235g

Helping
lower the cost
of dinner

coles | Good things. Great value.



Coles RSPCA Approved Whole Chicken
From the Meat department. Was \$4.50/kg Sept 2019. Product sold uncooked. Serving suggestion

Helping
lower the cost
of breakfast

coles | Good things. Great value.



6 Coles Crumpets
6 Pack. Was \$1.35 Sept 2019. Serving suggestion

75¢
ea

EVERY DAY

Coles Kids Squeezie Yoghurt 70g
\$1.07 per 100g

Helping
lower the cost
of school
lunchboxes

Good things. Great value.



\$5⁵⁰
kg

Australian White Seedless Grapes
Offer ends 04/02/20



Progress against strategy: Smarter selling

Through efficiency and pace of change.



- Delivered \$95 million in cost-out as a result of efficiencies in the Store Support Centre and supply chain
- Decision making and work environment in Store Support Centre adapted to support increased pace and agility
- SAP Ariba implemented enabling procurement savings and streamlining processes
- >1,000 stores now connected to high-speed broadband improving productivity
- New store formats resonating with customers with two Format A, 13 Format C and a second Coles Local store opened
- Solar power now rolled out to 42 Supermarkets (30 at 30 June 2019)
- Work underway on Supply Chain Modernisation Project with Witron Queensland distribution centre build commencing
- Sites identified for two Ocado CFCs

Backhaul operations are optimising road mileage and facilitating logistics costs savings for our suppliers. Picture shown at Fresh Select in Werribee South, Victoria (top); Coles team members inspect solar panels on the roof of Coles' supermarket at Drysdale, Victoria (bottom).



Progress against strategy: Win together

With our team members, suppliers and communities.



Team members with four new SecondBite delivery vans in Queensland funded by Coles (top); An increase in Coles Brand milk prices has delivered more money to dairy farmers like Jane from Taree, NSW, to help them deal with the impact of drought. Pictured here with Steven Cain, CEO (bottom).

- 10% reduction in safety TRIFR compared to 2H19
- Initiatives to support health and wellbeing of team members including 3,000 leaders trained in mental health resilience; >\$200k raised for Movember, including team member fundraising and 50c contribution from sale of ELB wine Choosy Beggars
- Increased Indigenous team member employment to 4,464 (4,102 at 30 June 2019)
- Direct sourcing of milk from farms in Victoria and southern and central New South Wales for Coles Brand 2L and 3L milk, providing certainty of future income for dairy farmers
- Support of communities with \$430,000 Coles Nurture Fund grant to REDcycle to increase plastic recycling, >\$1 million provided in sports equipment grants to Little Athletics centres, 100 million meals provided to SecondBite since 2011 and >\$9 million raised and donated for the Country Women's Association drought relief appeal since July 2018
- Sale of 'Mum's Sause' raised >\$300,000 for children in hospitals around Australia
- Power Purchase Agreement to source equivalent of 10% of national electricity demand from three new solar plants to be built in NSW



Progress against strategy: Win together

Supporting our communities through drought and bushfires.



- Varied product specifications to maintain supply for customers and income for farmers dealing with impact of drought and bushfires
- >\$6 million contributed to bushfire relief including \$3 million in gift card donations to rural fire brigades, over \$3 million to Red Cross Disaster Relief and Recovery Fund through generous customer donations and Coles \$ for \$ matching
- Donated over 170 pallets of food, water and essentials directly to communities and via Foodbank
- Donated thousands of items including meals and essentials to emergency crews and community services
- Diesel fuel reserved at Coles Express sites for emergency services vehicles
- Offered external counselling to affected team members and suppliers
- Donated animal feed, fresh fruit and vegetables to wildlife organisations across Australia including Mogo Zoo, NSW

Members of the NSW Rural Fire Service following gift card donation (top); Injured joey with feed donated by Coles at Mogo Zoo, NSW (bottom).

Coles' strategy tracker – making progress

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none"> 10% reduction in TRIFR compared to 2H19
Increased team member engagement	<ul style="list-style-type: none"> Update to be provided at FY20 results announcement following annual MySay team engagement survey
Improved customer satisfaction	<ul style="list-style-type: none"> Customer satisfaction¹ improved to 88.5% (4Q19: 87.8%)
Sales growth at least in line with the market	<ul style="list-style-type: none"> Supermarkets headline sales revenue growth of 3.3% in 1H20, and 4.8% in 2Q20. Cycling launch of Little Shop in 1Q20. Nielsen Total Store (excl. non-food) Market Growth of 6.0%; ABS Total Market Growth of 3.3%². The average of the two indices is 4.7%
Increased sales density	<ul style="list-style-type: none"> Supermarket sales density increased by 1.6% YoY to \$16,800/sqm Liquor sales density increased by 1.5% YoY to \$14,370/sqm
\$1bn cost-out by FY23	<ul style="list-style-type: none"> \$95m of cost-out achieved in 1H20 driven by efficiencies in the Store Support Centre and supply chain
EBIT growth	<ul style="list-style-type: none"> Continued momentum in Supermarkets offset by Liquor and Express. Strong investor demand for Coles properties increased divestment profits
Cash realisation³ >100%	<ul style="list-style-type: none"> Cash realisation of 87% (92% post-AASB 16) in 1H20; on track for >100% for FY20

¹ 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 (\$mkt & Grocery plus Other Specialised Food Retailing)

³ Cash conversion is calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding significant items).



The sale of 'Mum's Sausage' has raised over \$300,000 for children in hospitals around Australia.

Group financial overview

1H20 results – Group

EBIT (pre-AASB 16 and significant items) increased by 0.4% driven by strong investor demand for Coles' property divestments

\$m	Retail result		
	1H20	1H19	Change
Sales revenue ¹	18,846	18,237	3.3%
EBIT (post-AASB 16, pre-significant items) ²	910	722	N/M
EBIT (pre-AASB 16, pre-significant items) ²	725	722	0.4%
EBIT margin (pre-AASB 16, pre-significant items) ²	3.8%	4.0%	(11)bps
Net profit after tax (pre-AASB 16, pre-significant items) ²	498	489	1.7%
Earnings per share ³ (cents)	37.3	36.7	1.7%
Dividend per share (cents)	30.0	N/A	N/M

EBIT includes a provision of \$20 million for estimated salary related payments, interest and on costs covering the prior six years, impacting less than 1% of our total team members, associated with the ongoing Award covered salaried team member review⁴

¹ Fuel sales have been excluded from Retail result as Express no longer records fuel sales as sales revenue under the New Alliance Agreement with Viva Energy. Retail sales revenue also excludes Hotels in FY19.

² EBIT excludes Hotels and significant items in 1H19 of \$146m relating to Supply Chain Modernisation.

³ Basic and diluted earnings per share attributable to equity holders of the Company from continuing operations.

⁴ For further information, please visit www.colesgroup.com.au/news

N/M denotes not meaningful.

1H20 results – segment financials

Satisfactory sales revenue growth across all segments and continued profit growth in Supermarkets

\$m	Retail basis, pre-significant items		
	1H20	1H19	Change
Sales revenue			
Supermarkets	16,583	16,053	3.3%
Liquor	1,691	1,637	3.3%
Express	572	547	4.6%
Group sales revenue (excl. Fuel sales and Hotels)	18,846	18,237	3.3%

\$m	1H20 reported	AASB 16 impact	1H20 pre-AASB 16	1H19	Change
EBIT					
Supermarkets	789	(152)	637	602	5.7%
Liquor	76	(9)	67	74	(9.9)%
Express	28	(24)	4	51	(92.0)%
Other ¹	17	-	17	(5)	N/M
Group EBIT (excl. Hotels and significant items)	910	(185)	725	722	0.4%

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

Normalised cash flow

Cash realisation of 87%, expect >100% cash realisation for FY20

Normalised cash flow¹

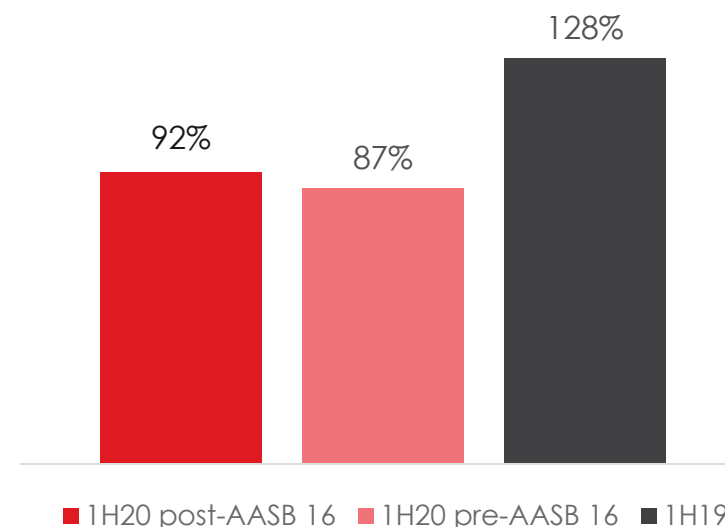
\$m	(non-IFRS)		1H19
	1H20 Reported	1H20 pre-AASB 16	
EBIT pre-significant items	910	725	713
Depreciation and amortisation	755	329	321
EBITDA pre-significant items	1,665	1,054	1,033
Change in working capital	(220)	(220)	153
Change in provisions and other	91	86	141
Operating cash flow (excl. interest and tax)	1,536	920	1,327

Comments

Movement in working capital

- Timing of half year end relative to the prior year has impacted working capital

Cash realisation²



Coles continues to target >100% cash realisation for full year

¹ FY19 based on statutory reporting, cash flows have been normalised for demerger items relating to self-insurance provisions and intercompany balances.

² Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding significant items).

Capital expenditure

Strong property market divestments contributed to reduced net capex in 1H20

Capital expenditure breakdown

\$m	Statutory basis	
	1H20	1H19
Store renewals	76	71
Growth initiatives	64	115
Efficiency initiatives	88	69
Maintenance	87	104
Gross operating capital expenditure	316	360
Property acquisitions	35	108
Property divestments	(209)	(77)
Net property capital expenditure	(174)	31
Net capital expenditure	142	391

Key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> 32 supermarket and 23 liquor renewals Second Coles Local in St Kilda, Victoria
Growth initiatives	<ul style="list-style-type: none"> New stores in Supermarkets (5) and Liquor (13) Convenience roll-out to 114 stores
Efficiency initiatives	<ul style="list-style-type: none"> Supply Chain Modernisation Investments in profit protection measures
Maintenance	<ul style="list-style-type: none"> Store technology investments – lifecycle maintenance
Property	<ul style="list-style-type: none"> FY20 net property inflow (i.e. divestments to exceed purchases) is expected to be between \$130 million to \$180 million, (noting +/- \$100 million previously communicated)

Balance sheet

Strong balance sheet with investment grade credit metrics

Balance sheet summary

\$m	(non-IFRS)	
	5 Jan 2020 post-AASB 16	30 Jun 2019
Inventories	2,473	1,965
Trade and other receivables	353	360
Trade and other payables	(3,665)	(3,380)
Working capital	(839)	(1,055)
Capital employed	3,674	3,512
Right-of-use assets	7,347	-
Lease liabilities	(8,761)	-
Lease balances	(1,414)	-
Net debt	(566)	(520)
Net tax balances	825	365
Total net assets	2,519	3,357

Comments

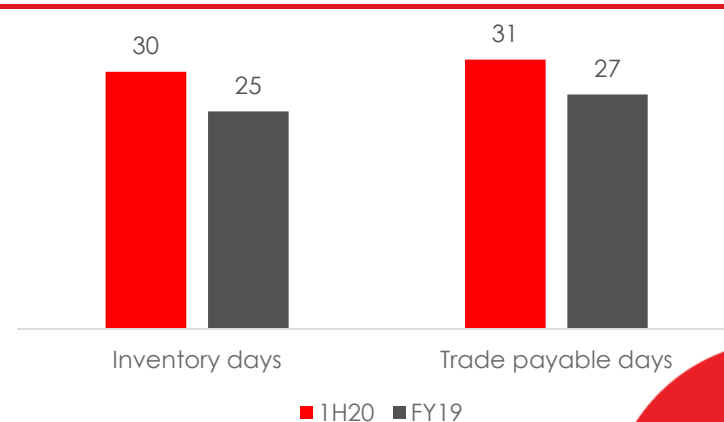
Inventory and creditor days

- Coles no longer holding fuel inventory under the New Alliance Agreement and change in tobacco excise treatment impacting inventory and creditor days

Financial debt

- Net debt of \$566m and balance sheet leverage ratio of 0.6x¹
- Gross debt reduced to \$1.4bn due to change in debt profile with \$700m of external debt repaid and converted into a longer dated \$600m bond issuance with favourable coupon

Inventory and creditor days

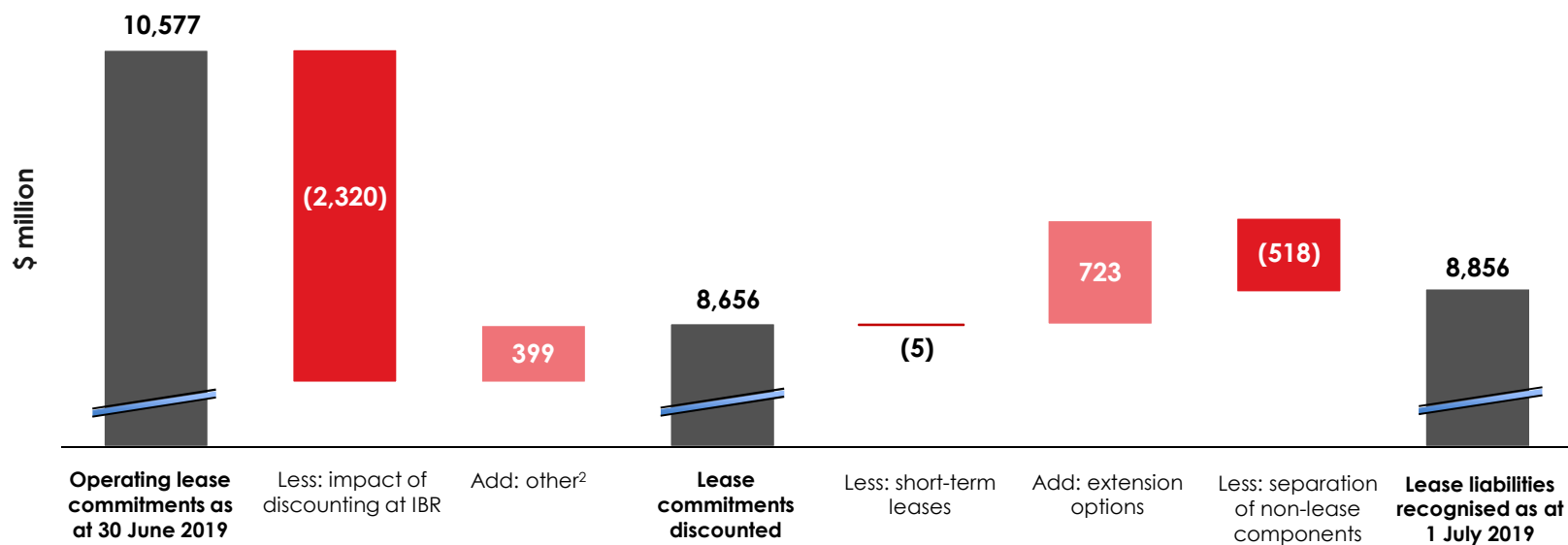


¹ Calculated as gross debt less cash at bank and on deposit (\$1,121m), divided by EBITDA (pre-AASB 16) for the 12 months ended 5 January 2020 pre-significant items (\$2,022m).

Impact of AASB 16

Impact of new lease accounting standard AASB 16

Balance Sheet		1-Jul-19	5-Jan-20	Income Statement (1H20 impact)	
Right-of-use assets	↑	\$7.5bn	\$7.3bn	EBITDA	↑ \$611m
Lease liabilities	↑	\$8.9bn	\$8.8bn	Depreciation	↑ \$426m
Provisions ¹	↓	\$188m	-	EBIT	↑ \$185m
Deferred tax assets	↑	\$356m	\$382m	Finance costs	↑ \$198m
Retained earnings	↓	\$831m	-	Profit/(loss) before tax	↓ (\$13m)
				Profit/(loss) after tax	↓ (\$9m)



¹ Reversal of lease related provisions under previous lease accounting standard.

² Other reflects adjustments previously made to remove base rent escalations that were considered contingent at lease inception.

Capital management

Disciplined approach with attractive fully-franked dividend

Dividend and Dividend Reinvestment Plan

- Fully-franked FY20 interim dividend of 30 cents per share
- Dividend Reinvestment Plan activated, no discount offered, will be neutralised with on-market purchases

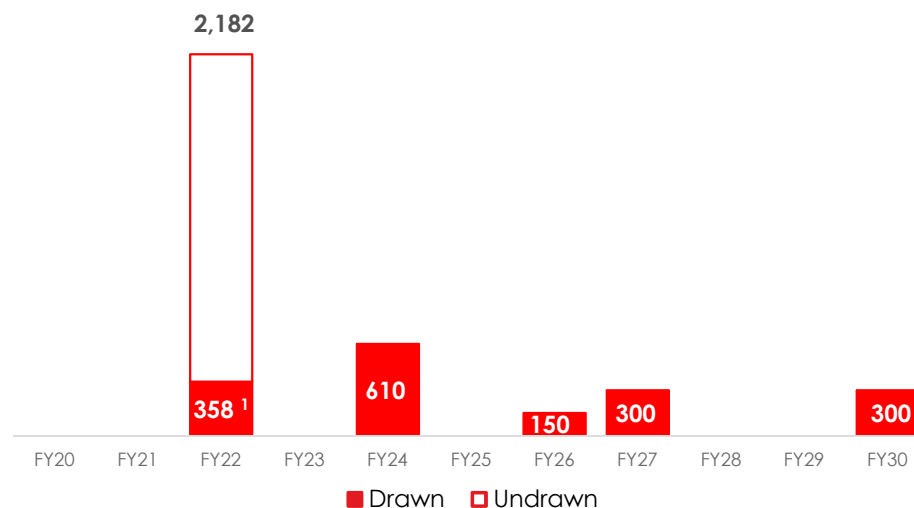
Funding and liquidity

- Weighted average drawn down debt maturity of 5.2 years provides funding stability
 - Undrawn facilities of \$2.2bn, providing appropriate headroom
 - Cash at bank and on deposit of \$0.2bn
- Coles issued \$300m seven-year and \$300m 10-year senior unsecured fixed-rate medium-term notes in October
- Coles is committed to diversify funding sources and extend maturity profile over time

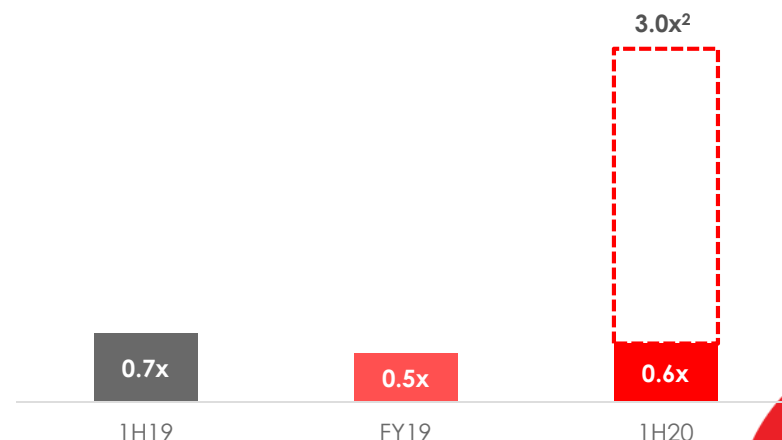
Credit ratings

- Coles is committed to solid investment grade credit ratings with S&P and Moody's
- No expected impact on rating outcomes from the introduction of AASB 16

Debt facility maturity profile (\$m)



Leverage ratio

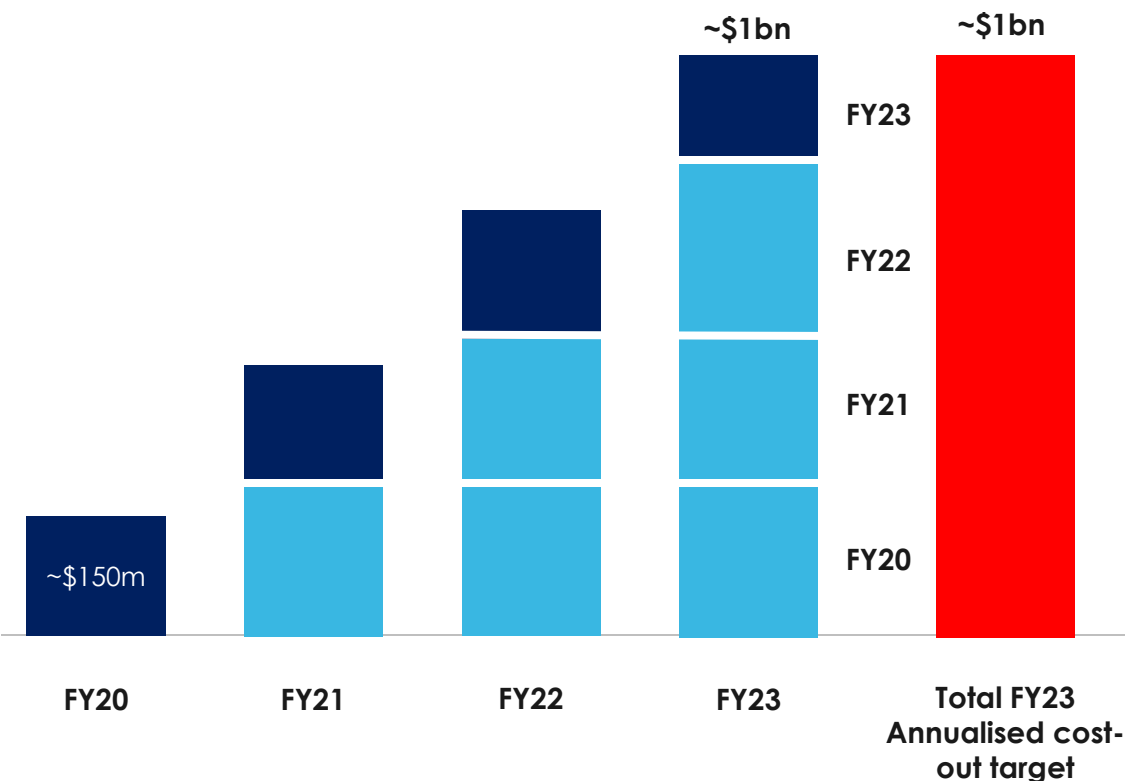


¹ Includes bank guarantees.

² Leverage ratio post-AASB 16.

Reaching the Smarter Selling target (illustrative only)

Indicative annualised cost-out opportunity to FY23



- Annual cost-out opportunity
- Prior year sustainable cost savings and annualisation benefits

Comments

- \$95 million in cost-out achieved in 1H20 driven by efficiencies in supply chain and the Store Support Centre:
 - Good progress made on streamlining Store Support Centre with reduction of 450 roles
 - VIC & WA transport hubs fully operational facilitating improved utilisation of fleet through increased backhaul
 - Improved operational alignment between store and distribution teams facilitating delivery frequency and cartons per pallet optimisation
- New initiatives commenced each year will form part of that year's target and the following year will annualise to provide sustainable long-term benefits



The expanded Convenience range at The Glen, Victoria.

Supermarkets

Supermarkets key metrics

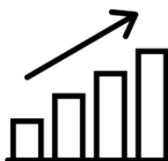
49 consecutive quarters of comparable sales growth

Total sales revenue



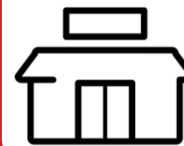
\$16.6bn
+3.3% vs. pcg

Comp sales growth¹



2.0%
vs. pcg

Sales per sqm



\$16,800
+1.6% vs. pcg

Own Brand sales



+6.0%
vs. pcg

Coles Online sales



+23.8%
vs. pcg

Customer satisfaction



88.5% (2Q19)
+0.7pp on 4Q19

Gross margin



24.7%
+31bps vs. pcg

EBIT



\$637m
+5.7% vs. pcg

EBIT margin



3.8%
+9bps vs. pcg

¹ To better align the timing of comparable sales between the FY20 and FY19 financial periods, 1H19 is based on weeks 2 to 28 (2 July 2018 to 6 January 2019). 1Q19 is based on weeks 2 to 14 (2 July 2018 to 30 September 2018) and 2Q19 is based on weeks 15 to 28 (1 October 2018 to 6 January 2019).

Supermarkets 1H20 results

Second half of improving profitability

1H20 results

\$m	Retail basis (27 weeks)		
	1H20	1H19	Change
Key P&L items			
Sales revenue	16,583	16,053	3.3%
EBITDA	932	887	5.1%
EBIT	637	602	5.7%
Key metrics			
Comparable sales growth (%)	2.0	3.0	(109)bps
Gross margin (%)	24.7	24.4	31bps
CODB (%)	(20.8)	(20.6)	(22)bps
EBIT margin (%)	3.8	3.8	9bps
Sales per square metre (\$)	16,800	16,533	1.6%
Price in/(de)flation (%)	1.7	0.5	120bps
Price in/(de)flation excl. tobacco and fresh (%)	0.4	(1.2)	162bps

Key commentary

- Comparable sales growth of 2.0% driven by new value campaign and tailored range change
- Improvement in basket size and transaction growth in 2Q20
- Little Shop 2 and Spiegelau glassware collectibles increased customer engagement
- Inflation excluding tobacco and fresh of 0.4% driven by dairy following milk price increases
- Gross margin increased by 31bps largely a result of a more efficient supply chain and strategic sourcing
- Provision for estimated salary related payments, interest and on costs of \$16 million
- EBIT increased by 5.7% partially driven by higher sales, and cycling of incremental costs incurred in the first half of FY19 relating to the removal of plastic bags and increased flybuys investment



First Choice Liquor Market Tooronga, Victoria team members following the opening of the renewal in October 2019.

Liquor key metrics

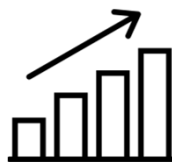
Sales growth driven by First Choice Liquor Market and online sales

Total sales revenue



\$1.7bn
+3.3% vs. pcg

Comp sales growth¹



1.5%
vs. pcg

Online sales



+28.2%
vs. pcg

Award winning quality



248
ELB medals and awards in 1H20

FCLM renewals



47%
of the fleet renewed

Number of stores¹



917
+7 vs. FY19

Gross margin



21.9%
(41)bps vs. pcg

EBIT



\$67m
(9.9)% vs. pcg

EBIT margin



3.9%
(58)bps vs. pcg

¹ Excludes Hotels.

Liquor 1H20 results

EBIT impacted by clearance and promotional activity following the commencement of tailored range change

1H20 results

\$m	Retail basis (27 weeks)		
	1H20	1H19	Change
Key P&L items			
Sales revenue	1,691	1,637	3.3%
EBITDA	81	91	(10.4)%
EBIT	67	74	(9.9)%
Key metrics			
Comparable sales growth (%)	1.5	(0.1)	152bps
Gross margin (%)	21.9	22.3	(41)bps
CODB (%)	(17.9)	(17.8)	(16)bps
EBIT margin (%)	3.9	4.5	(58)bps

Note: Excludes Hotels.

Key commentary

- Exclusive Liquor Brand (ELB) sales continued to grow, particularly in the wine category
- Tailored range change commenced during the half across the spirits, white and sparkling wine and craft beer categories
- Provision for estimated salary related payments, interest and on costs of \$4 million
- Promotional activity and clearance costs associated with tailored range change negatively impacted gross margin and EBIT



Coles Express supporting the Rural Fire Service fuel replenishment during recent bushfires in Moss Vale, New South Wales.

Express

Express key metrics

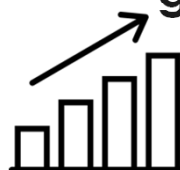
C-store sales growth driven by introduction of Little Shop 2 campaign and improving fuel volumes

Total sales revenue¹



\$572m
+4.6% vs. pcp

C-store comp sales growth



2.9%
vs. pcp

EBIT



\$4m
under New Alliance Agreement

1H20 weekly fuel volumes



64.4mL/wk
+3.3% vs. pcp

Comp fuel volume growth



4.2%
vs. pcp

Number of sites



713
-1 vs. FY19

¹ Fuel sales have been excluded as Express no longer records fuel sales as sales revenue under the New Alliance Agreement with Viva Energy.

Express 1H20 results

First consecutive quarters of positive fuel volume growth in six years driven by Alliance partner investment in fuel pricing

1H20 results

\$m	Retail basis (27 weeks)		
	1H20	1H19	Change
Key P&L items			
C-store sale revenue¹	572	547	4.6%
EBITDA	19	64	(70.3)%
EBIT	4	51	(92.0)%
Key metrics			
Comp c-store sales growth (%)	2.9	1.5	145bps
Weekly fuel volumes (mL)	64.4	62.3	3.3%
Fuel volume growth (%)	3.3	(15.8)	N/M
Comp fuel volume growth (%)	4.2	(16.7)	N/M
Gross margin (%)	56.2	12.2	N/M
CODB (%)	(55.5)	(10.5)	N/M
EBIT margin (%)	0.7	1.7	N/M

Key commentary

- Comparable c-store sales growth of 2.9% driven by the successful Little Shop 2 campaign and improving fuel volumes
- Food-to-go growth of 10.8%
- Average weekly fuel volumes of 64.4mL were recorded in the half, weekly volumes peaked at 70mL in early December
- EBIT of \$4m under the New Alliance Agreement announced in March 2019

¹ Fuel sales have been excluded as Express no longer records fuel sales as sales revenue under the New Alliance Agreement with Viva Energy. N/M denotes not meaningful as 1H19 includes fuel sales and has not been adjusted for the change in classification of the cost of flybuys points from cost of sales to sales revenue (as disclosed at the full year results announcement).



Coles ambassador Sally Pearson with kids from Reynella East and District Little Athletics Centre, SA who received a grant of \$3,600 for new sports equipment from Coles.

Outlook

Outlook for the remainder of FY20

- In the early part of the third quarter, comparable Supermarkets sales have remained broadly consistent with the levels achieved in the second quarter
- Incremental costs associated with the removal of plastic bags and increased flybuys promotions which were a benefit to Supermarkets EBIT growth in the first half of FY20 will not occur in the second half of FY20. However, Supermarkets EBIT growth in the second half of FY20 will benefit from a Smarter Selling provision of \$19 million which impacted Supermarkets EBIT in the second half of FY19 which is not expected to reoccur
- In Liquor, it is expected that earnings will remain under pressure in the second half as a result of tailored range reviews and clearance activity which commenced in the first half. The bushfires have also had an impact on volumes in Q3. The new leadership team, under Darren Blackhurst who joined in January 2020, is undertaking a review of operations and an update will be provided at the full year results announcement
- In Other, as previously communicated, the first half FY20 earnings from property operations are expected to represent the vast majority of the full year FY20 property earnings. Corporate costs are expected to be broadly in line with the \$66 million annualised costs noted in the Demerger Scheme Booklet, offset by the \$15 million in workers compensation due to an improved safety performance
- Gross operating capex continues to be on track for \$700 million to \$900 million full year spend although coronavirus is delaying renewal refrigeration equipment being shipped out of China. Some impact is expected on the renewal program and export sales
- Due to supermarket property conditions, a net property inflow (i.e. divestments to exceed purchases) is expected to be between \$130 million to \$180 million, noting +/- \$100 million previously communicated



Coles ambassador Curtis Stone serving lunch at the launch of Coles' Christmas range.

Q&A

