



27 February 2025

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2025 Half Year Results Release

Please find attached for immediate release to the market the 2025 Half Year Results Release for Coles Group Limited.

This announcement is authorised for release by the Board.

Yours faithfully,

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

Daniella Pereira
Group Company Secretary

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Results Release

colesgroup

27 February 2025

2025 Half Year Results Release (27 WEEKS TO 5 JANUARY 2025)

Value focus and resilience in supply chain drives Supermarkets performance

Group Sales	Group EBITDA continuing ops, excl. SI ¹	Group EBIT continuing ops, excl. SI ¹	NPAT	Interim Dividend
\$23,035m +3.7%	Reported \$2,045m, +10.3% Underlying ² \$2,137m, +12.5%	Reported \$1,117m, +5.0% Underlying ² \$1,209m, +8.9%	Reported \$576m, (2.2%) Underlying & excl SI ^{1,2,3} \$666m, +6.4%	37 cps, +2.8% Fully franked

Key highlights:

- **Focus on execution and delivery of strategic priorities** underpin Group underlying EBIT² growth (excluding significant items) of 8.9%
- **Value campaigns and strong trade across key events** supported Supermarkets sales revenue growth of 4.3%
- **Responded at pace to industry supply chain disruption** delivering approximately \$120 million in Supermarkets sales and \$20 million in EBIT
- **Strong eCommerce sales growth** of 22.6% in Supermarkets and 9.2% in Liquor
- **Focus on costs continues to deliver results** with Simplify and Save to Invest benefits of \$157 million⁴ and 39 bps improvement in loss rate
- **Automated Distribution Centres (ADCs) demonstrated ability to successfully support periods of peak demand** with key operating metrics continuing to track in line with expectations; entered an agreement with Witron to build a third ADC
- **Customer Fulfilment Centres (CFCs) volumes fully transitioned** with positive customer metrics, including significant uplift in perfect order rates

¹ SI refers to Significant Items. Significant items of \$35 million (pre-tax) were recorded during the period relating to future closure and site reconfiguration costs following the announced development of a new Victorian ADC.

² Non-IFRS: Underlying excludes major project implementation, dual running and transition costs in relation to the two ADCs and two automated CFCs (1H25: \$92 million; 1H24: \$46 million). Calculated underlying NPAT applies the effective income tax rate of 29% in 1H25 (1H24: 30%).

³ Continuing operations.

⁴ Excludes benefits from ADC program.

Statement from Coles Group Chairman, James Graham

"An unrelenting focus by our team members to deliver against our strategic priorities has seen us report Group sales revenue of \$23 billion, underlying profit from continuing operations, excluding significant items, of \$666 million and the Board has declared a fully franked interim dividend of 37 cents per share. It was particularly pleasing to see benefits realised from our capital investments in automation, data and technology which allowed us to respond to the spikes in demand experienced during the half, in a way that would not have been possible previously."

Statement from Coles Group CEO, Leah Weckert

"We have had a strong focus on value, fresh quality and availability which has supported volume-led growth in Supermarkets during the half. Pleasingly, we saw improving customer experience metrics during the period, reinforcing the importance of delivering affordability and a great shopping experience whilst customers continue to face cost of living pressures. We made good progress on our Simplify and Save to Invest target, delivering \$157 million in cost savings, allowing us to offset continued cost inflation and invest in our customer proposition, whilst delivering returns for the many Australians who are shareholders.

I would particularly like to recognise the commitment and hard work of our team members in stores, distribution centres and customer fulfilment centres over a very busy Christmas period. Collectively, we have achieved a lot over the past six months in support of our strategy and our purpose of 'Helping Australians eat and live better every day'."

Strategic highlights



Destination for food and drink

- Continued price investment through seasonal 'Great Value, Hands Down' value campaigns
- Launched >530 Exclusive to Coles products with Coles Finest revenue growth of 10.2%; 139 Exclusive Liquor Brand products added to the liquor portfolio
- Increased Flybuys active members by 4.1% to 9.7 million
- Improved fresh quality experience in fresh produce and meat, and increased basket penetration of fresh produce
- Focused on promotional effectiveness and range and space optimisation through the use of advanced analytics and tech-enabled store-specific ranging
- Commenced Liquor banner simplification pilot with 14 stores converted

Accelerated by digital

- Transitioned next day home delivery volumes to Melbourne and Sydney CFCs with positive impact on a number of key customer metrics
- Delivered Supermarkets eCommerce sales growth of 22.6% and Liquor eCommerce sales growth of 9.2%
- Achieved highest quarter in Online NPS and grew Coles App monthly active users by 55%
- Launched windowless Rapid Delivery nationally
- Coles 360 expanded into Liquor and grew income by 10.0%

Delivered consistently for the future

- Delivered Simplify and Save to Invest benefits of \$157 million and improved total loss rate by 39 bps
- Announced investment to develop a new ambient ADC in Truganina, Victoria
- Progressed ramp up of Kemps Creek ADC with both ADCs successfully supporting Christmas volumes and supplying both CFCs for the first time
- Rolled out Liquor Easy Ordering to more than 300 stores, reducing gaps in store and improving availability for customers
- Optimised store formats with 25 Supermarket and 67 Liquor renewals
- Submitted a Forest, Land and Agriculture (FLAG) emissions reduction target and no deforestation commitment to SBTi for validation

Win Together

- Improved team member engagement in the mysay "Pulse" survey, two percentage points higher compared to the May 2024 engagement survey
- Recognised as one of Australia's top corporate givers as a percentage of pre-tax profit, ranking #1 nationally in the 2024 GivingLarge Report for our contributions to the community
- Raised >\$3.1 million for the SecondBite Winter and Christmas Appeals and other ongoing contributions to help feed Australians in need, and >\$1.6 million through the Movember campaign to support men's health
- Partnered with Planet Ark in awarding 20 Australian schools a share in \$100,000 to help fund sustainability initiatives
- Awarded MAP WA Coles' Meat, Deli and Seafood Supplier of the Year, having collaborated with them to upgrade and increase the capacity of their Perth facility as part of our "WA for WA" meat strategy
- Renewed our long term partnership with Sundrop Farms, recognising their production of high quality vine vegetables through global best practice sustainable farming methods

Group performance overview

GROUP SALES REVENUE (\$m)	1H25	1H24	CHANGE
Supermarkets	20,629	19,778	4.3%
Liquor	2,004	1,988	0.8%
Other	402	450	(10.7%)
Total Group sales revenue	23,035	22,216	3.7%

GROUP EBITDA excluding significant items (\$m)	1H25	1H24	CHANGE
Supermarkets – reported	1,935	1,730	11.8%
Supermarkets – underlying ⁵	2,027	1,776	14.1%
Liquor	135	148	(8.8%)
Other	(25)	(24)	4.2%
EBITDA continuing operations – reported	2,045	1,854	10.3%
EBITDA continuing operations – underlying⁵	2,137	1,900	12.5%

GROUP EBIT excluding significant items (\$m)	1H25	1H24	CHANGE
Supermarkets – reported	1,077	1,007	7.0%
Supermarkets – underlying ⁵	1,169	1,053	11.0%
Liquor	67	84	(20.2%)
Other	(27)	(27)	-
EBIT continuing operations – reported	1,117	1,064	5.0%
EBIT continuing operations – underlying⁵	1,209	1,110	8.9%

NPAT (\$m)	1H25	1H24	CHANGE
EBIT continuing operations, excl. significant items – reported	1,117	1,064	5.0%
EBIT continuing operations, excl. significant items – underlying⁵	1,209	1,110	8.9%
Financing costs – lease	(210)	(178)	18.0%
Financing costs – non-lease	(61)	(35)	74.3%
Financing costs	(271)	(213)	27.2%
Income tax expense	(245)	(257)	(4.7%)
Profit from continuing operations, excl. significant items – reported	601	594	1.2%
Profit from continuing operations, excl. significant items – underlying⁵	666	626	6.4%
Significant items, after tax	(25)	-	n/m
Loss from discontinued operations, after tax	-	(5)	n/m
Profit from continuing and discontinued operations	576	589	(2.2%)

n/m denotes not meaningful.

⁵ Non-IFRS: Underlying excludes major project implementation, dual running and transition costs in relation to the two ADCs and two automated CFCs (1H25: \$92 million; 1H24: \$46 million). Calculated underlying NPAT applies the effective income tax rate of 29% in 1H25 (1H24: 30%).

1H25 performance summary

Group sales revenue increased by 3.7% with growth in Supermarkets sales revenue of 4.3% and Liquor sales revenue of 0.8%. The Other segment included \$402 million of revenue in relation to the Product Supply Arrangement (PSA) with Viva Energy Group Ltd (Viva Energy) which declined largely due to lower tobacco sales.

Group EBITDA and EBIT from continuing operations (excluding significant items) increased by 10.3% and 5.0% respectively underpinned by strong growth in Supermarkets earnings. During the half, major project implementation, dual running and transition costs of \$92 million were incurred in relation to the Kemps Creek ADC and two automated CFCs in Supermarkets (1H24: \$46 million). Excluding these costs, underlying Group EBITDA and EBIT increased by 12.5% and 8.9% respectively. In Supermarkets, underlying EBITDA and EBIT increased by 14.1% and 11.0% respectively, with Supermarkets underlying EBIT margin increasing by 34 bps.

Financing costs increased by \$58 million to \$271 million with financing costs related to leases increasing by \$32 million, reflecting higher interest on lease liabilities largely associated with the Kemps Creek ADC and two CFCs as well as increased interest rates on existing lease resets. Non-lease financing costs increased by \$26 million with higher weighted average debt and interest rate compared to the prior corresponding period primarily reflecting Coles' \$600 million bond issuance in November 2023 and interest on debt associated with our Kemps Creek ADC which is no longer capitalised.

Update on supply chain modernisation

In October 2024, Coles announced an agreement with WITRON Australia Pty Ltd (Witron) to invest \$880 million to develop a new ambient ADC in Truganina, Victoria. The Victorian facility will have approximately 15% more capacity than Coles' New South Wales (Kemps Creek) and Queensland (Redbank) ADCs with the ability to process 4.6 million cartons per week. Together with the New South Wales and Queensland ADCs, this project will deliver full automation of Coles' ambient distribution centre network across the eastern seaboard of Australia. The project is expected to commence in FY25 and take up to five years to complete.

Significant items of \$35 million (\$25 million after tax) were recorded this half relating to future closure and site reconfiguration costs associated with the project.

Dividend

The Coles Board has declared a fully franked interim dividend of 37.0 cents per share, with a record date of 6 March 2025 and a payment date of 27 March 2025.

Segment performance overview

Supermarkets

\$ MILLION (27 WEEKS TO 5 JAN 2025)	1H25	1H24	CHANGE
Sales revenue	20,629	19,778	4.3%
EBITDA – reported	1,935	1,730	11.8%
EBITDA – underlying ¹	2,027	1,776	14.1%
EBIT – reported	1,077	1,007	7.0%
EBIT – underlying¹	1,169	1,053	11.0%
Gross margin – reported (%)	27.4	26.6	77bps
Gross margin – underlying ¹ (%)	27.5	26.6	88bps
CODB – reported (%)	(22.2)	(21.5)	64bps
CODB – underlying ¹ (%)	(21.8)	(21.3)	53bps
EBIT margin – reported (%)	5.2	5.1	13bps
EBIT margin – underlying ¹ (%)	5.7	5.3	34bps

¹ Non-IFRS: Underlying excludes major project implementation, dual running and transition costs in relation to the two ADCs and two automated CFCs (1H25: \$92 million; 1H24: \$46 million).

Operating metrics (non-IFRS)

	1H25	2Q25	1Q25	1H24
eCommerce sales ¹ (\$ billions)	2.2	1.2	1.0	1.8
eCommerce penetration ¹ (%)	10.7	10.6	10.9	9.1
Sales growth excl. tobacco (%)	5.6	6.2	4.9	6.2
Comparable sales growth ² (%)	3.4	4.2	2.4	4.0
Sales density per square metre ³ (MAT \$/sqm)	20,050	20,050	19,861	19,618
Inflation / (deflation) (%)	1.4	1.4	1.5	3.0
Inflation / (deflation) excl. tobacco (%)	1.0	1.0	1.0	2.9
Inflation / (deflation) excl. tobacco and fresh ⁴ (%)	0.1	0.1	0.1	5.2

¹ eCommerce sales and penetration are now based on IFRS sales revenue and include liquor sold through coles.com.au (previously based on gross retail sales, comparatives have been restated).

² Comparable sales for 1H25 are based on the period from 3 July 2023 to 7 January 2024 (weeks 2 to 28 of FY24) to more closely align the dates of the reporting period in FY25 to the prior corresponding period in FY24.

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

⁴ In line with changes to Coles' internal management reporting, from 1Q25, Fresh inflation includes fresh produce, meat, deli, seafood and convenience. Bakery which was previously part of the Fresh category is now included within the Dairy and Frozen category. Convenience was previously included in the Dairy and Frozen category. Historical periods have been restated.

Key highlights

Supermarkets sales revenue of \$20.6 billion increased by 4.3% compared to the prior corresponding period⁶. Excluding tobacco, sales revenue increased by 5.6%. In the second quarter, sales revenue increased by 4.9%⁶ and sales revenue excluding tobacco increased by 6.2%. Comparable sales growth for the second quarter was 4.2%.

Sales growth was underpinned by the successful delivery of seasonal events including Christmas, Halloween and Black Friday, trade events including the SMEG and 'Christmas Instant Win' campaigns, and a positive customer response to, and continued investment in, our 'Great Value, Hands Down' value campaigns. Customer experience metrics also improved across the half, driven by better availability, consistent fresh quality, and a positive store and checkout experience.

From late November, in response to competitor supply chain industrial action in Victoria and New South Wales, we invested significant resources and worked with our suppliers to rapidly increase supply of products to our Victorian and impacted New South Wales stores, and our Victorian CFC. We also significantly increased team member resources within stores. Pleasingly, during this period both our Queensland and New South Wales ADCs demonstrated their ability to ramp

⁶ Adjusted for the differences in the retail calendar which did not include New Years Day in the prior corresponding period, sales revenue increased by 4.5% for the first half and 5.2% in the second quarter.

up quickly to support our Victorian DCs to maintain availability in store and online. These actions enabled the supermarkets network to generate approximately \$120 million in incremental sales.

Value remained a consistent focus throughout the period. In addition to the seasonal value campaigns, including the Spring value and Christmas campaigns, more than 4,200 products were on every day low prices. Our Exclusive to Coles portfolio grew sales revenue by 5.1% compared to the prior corresponding period (12.7% on a two-year stack basis) and launched more than 530 new products. We saw strong volume growth across the portfolio, particularly over the Christmas period, with Coles Finest being our strongest performing tier with sales revenue growth of 10.2% as customers entertained more at home.

Flybuys active members increased by 4.1% to 9.7 million with a notable increase in December as we saw an uplift in new customers entering our Victorian stores or shopping online. Swipe rates also grew by 7.2%. During the half, we continued to enhance the Flybuys experience, including through the integration of Flybuys into the Coles App, enabling customers to seamlessly activate offers prior to shopping, and providing more personalised value to customers.

eCommerce sales penetration increased to 10.7% with eCommerce sales growth of 22.6%. Sales growth was driven by strong trade plans across Black Friday, Christmas and New Year, coupled with incremental sales in Victoria following competitor supply chain industrial action. Growth was supported by operational initiatives including improved personalisation in the Coles App, the introduction of a Coles Plus annual subscription and the national launch of a windowless Rapid Delivery offer, allowing customers to select an "as soon as possible" option and receiving an estimated time of arrival, calculated and personalised for the customer.

By the end of November, next day home delivery volumes in our Melbourne and Sydney CFC catchments were fully transitioned to our CFCs. We have seen a positive impact on a number of key customer metrics with significant improvements in fulfilment rates and on time deliveries. The Dandenong and temporary Alexandria spokes commenced operations during the period, servicing orders in extended catchment areas, and the Victorian CFC provided flexibility to ramp volumes quickly in November and December to cater for incremental demand which would not have been possible to the same extent through our store fulfilled network. In addition, the CFCs have facilitated further growth in same day, immediacy and Click & Collect orders fulfilled from stores by opening up capacity in store. Online NPS across the network continued to improve with strong gains across most metrics including delivery time, ease of check out and quality, while store level NPS in the CFC catchment areas also experienced gains, particularly around the store look and feel metric, with congestion reducing in stores.

Coles 360 income increased by 10.0% in the half⁷ with growth most pronounced in our onsite media assets which include online digital assets, such as the Coles App and website. At a category level, growth was particularly strong in grocery, driven by strong trade activity across Halloween, Black Friday and Christmas.

In the second quarter, total Supermarkets price inflation moderated slightly to 1.4% (first quarter: 1.5%). Inflation excluding tobacco and fresh remained at 0.1% (first quarter: 0.1%). In the Fresh⁸ category, fresh produce inflation eased, largely driven by fruit, including mangoes and bananas, due to improved supply. This was slightly offset by increased inflation in meat resulting from higher livestock costs across core meat categories including beef, lamb and poultry. Overall Packaged inflation also eased; however, inflationary pressure remains in certain categories, such as confectionery and biscuits driven by elevated cocoa prices which have increased in excess of 180% over the last 12 months.

During the half, Coles completed 25 store renewals, opened three new stores and closed one store, taking the total network to 858 supermarkets.

Reported gross margin increased by 77 bps and underlying gross margin⁹ increased by 88 bps. Gross margin benefitted from a 39 basis point improvement in total loss compared to the prior corresponding period, as a result of loss technology and process initiatives coupled with further improvements in waste and markdowns. Gross margin was also supported by lower tobacco sales, which contributed 22 bps, Simplify and Save to Invest and Redbank ADC benefits and growth in Coles 360 retail media income. These benefits enabled us to continue investing in value at the same time as delivering margin improvement.

Reported cost of doing business (CODB) as a percentage of sales increased by 64 bps and underlying CODB⁹ as a percentage of sales increased by 53 bps, primarily reflecting a step up in depreciation attributable to our capital investment program, the commencement of operations at our Kemps Creek ADC and our two CFCs and additional right

⁷ Includes Coles 360 income in Supermarkets and Liquor.

⁸ Fresh includes fresh produce, meat, deli, seafood and convenience.

⁹ Non-IFRS: Underlying excludes major project implementation, dual running and transition costs in relation to the two ADCs and two automated CFCs (1H25: \$92 million; 1H24: \$46 million).

of use lease depreciation. Wage and inflationary cost impacts were offset by Simplify and Save to Invest benefits and increased operating leverage.

Reported EBIT increased by 7.0% to \$1,077 million. Excluding major project implementation, dual running and transition costs in relation to the two ADCs and two automated CFCs (1H25: \$92 million, 1H24: \$46 million), underlying EBIT increased by 11.0% to \$1,169 million. It is estimated that the EBIT impact from the incremental sales in Victoria, and the impacted New South Wales stores, following competitor supply chain industrial action was approximately \$20 million (from approximately \$120 million in sales).

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Liquor

\$ MILLION (27 WEEKS TO 5 JAN 2025)	1H25	1H24	CHANGE
Sales revenue	2,004	1,988	0.8%
EBITDA	135	148	(8.8%)
EBIT	67	84	(20.2%)
Gross margin (%)	23.1	22.9	22bps
CODB (%)	(19.7)	(18.6)	110bps
EBIT margin (%)	3.3	4.2	(88bps)

Operating metrics (non-IFRS)

	1H25	2Q25	1Q25	1H24
eCommerce sales ¹ (\$ millions)	136	82	53	124
eCommerce penetration ¹ (%)	6.9	7.3	6.4	6.4
eCommerce penetration (inc. COL) ² (%)	8.2	8.5	7.6	7.6
Comparable sales growth ³ (%)	(1.3)	1.2	(4.4)	0.2
Sales density per square metre ⁴ (MAT \$/sqm)	15,735	15,735	15,665	16,134

¹ eCommerce sales and penetration are now based on IFRS sales revenue and exclude liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales (previously based on gross retail sales, comparatives have been restated).

² eCommerce penetration including liquor sold through coles.com.au.

³ Comparable sales for 1H25 are based on the period from 3 July 2023 to 7 January 2024 (weeks 2 to 28 of FY24) to more closely align the dates of the reporting period in FY25 to the prior corresponding period in FY24.

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

Key highlights

Liquor sales revenue of \$2.0 billion increased by 0.8% compared to the prior corresponding period¹⁰ and sales growth excluding bulk and affiliate sales increased by 1.8%. Performance improved across the half with sales growth in the second quarter of 1.5%¹⁰ and sales growth excluding bulk and affiliates of 2.0%. Comparable sales in the second quarter grew by 1.2% compared to a decline in comparable sales of 4.4% in the first quarter.

The market continues to be subdued as economic pressures impact discretionary spending, however we saw a slight recovery in November and December. Sales were supported by strong trading across key events including Cyber Week, Spring Racing and Christmas, coupled with improved availability following the roll out of Liquor Easy Ordering to more than 300 stores during the period. Our 'Summer of Flybuys' campaign also resonated with customers, offering additional Flybuys points for selected products across November and December, increasing swipe rates across all banners.

In December we saw a moderate increase in demand in Victoria, particularly in the Ready-to-Drink (RTD) and beer categories, following competitor supply chain disruption in Victoria equating to approximately \$8 million in sales. However, the incremental increase in sales and earnings from the event were broadly offset by the impact of the CrowdStrike outage in the first quarter.

eCommerce sales revenue increased by 9.2% with penetration increasing to 6.9% (8.2% including liquor sold through Coles Online) reflecting continued growth in the on-demand channel, particularly across Cyber Week.

Our Exclusive Liquor Brand (ELB) portfolio added 139 new lines across key growth categories including craft beer and RTDs, and offered value across all price points. The ELB portfolio received 302 awards during the half, including a trophy from the Royal Hobart Wine Show 2024 for Lowestoff 'La Maison' Pinot Noir.

Coles 360 expanded its retail media offer in Liquor with digital screens rolled out to more than 80 stores. We also partnered with Qsic, an audio retail media platform, to roll out AI-driven in-store audio to our Liquor stores nationally, offering suppliers a way to connect with customers at the point of purchase.

¹⁰ Adjusted for the differences in the retail calendar which did not include New Years Day in the prior corresponding period, sales revenue increased by 1.0% for the first half and 1.9% in the second quarter.

67 store renewals were completed, six new stores opened and three stores closed across the Liquorland, Vintage Cellars and First Choice banners. At the end of the period the portfolio comprised 995 stores.

Gross margin increased by 22 bps driven by promotional optimisation and the transition away from less profitable bulk and affiliate sales, partly offset by the increased cost of on-demand third party commissions.

CODB as a percentage of sales increased by 110 bps reflecting cost inflation exceeding sales growth, particularly wages and tenancy, and ongoing investments in core IT systems.

During the half, Coles Liquor commenced its banner simplification pilot with 14 stores converted to Liquorland, Liquorland Cellars or Liquorland Warehouse. One-off costs of \$1.5 million were incurred in relation to the simplification of our above store operating model as well as investments in the banner simplification pilot. Excluding these one-off costs, EBIT declined by 18.5%.

Other

Other includes corporate costs, Coles' 50% share of Flybuys' net result, the net gain or loss generated by Coles' property portfolio and the PSA with Viva Energy, which is expected to conclude in April 2026.

\$ MILLION (27 WEEKS TO 5 JAN 2025)	1H25	1H24	CHANGE
Sales revenue	402	450	(10.7%)
EBITDA	(25)	(24)	4.2%
EBIT	(27)	(27)	-

In Other, Coles reported sales revenue from the PSA of \$402 million, a decline on the prior corresponding period largely due to lower tobacco sales.

The EBIT result reflects corporate costs of \$41 million, broadly in line with the prior corresponding period, and a net loss of \$2 million from Coles' 50% share of Flybuys, lower than the prior corresponding period due to cost savings following simplification of the Flybuys operating model that was undertaken at the end of FY24. Corporate costs and the Flybuys net result were partly offset by positive earnings contributions of \$5 million relating to the PSA and \$11 million in property earnings. Consistent with the second half of FY24, it is expected that the negative EBIT result will increase in the second half of FY25, with Flybuys net loss expected to be higher and property expected to contribute a net loss.

Cash flow, balance sheet and capital expenditure

With the half year ending on 5 January 2025, an additional payment run occurred in the final week of the half compared to the prior corresponding period resulting in an additional cash outflow of approximately \$520 million. This has impacted several cash flow and balance sheet metrics, including cash realisation, working capital and net debt. We expect these metrics to normalise in the second half.

Cash flow

\$ MILLION	5 JAN 2025	31 DEC 2023
Cash flows¹		
Net cash flow from operating activities before interest and tax	1,392	1,886
Net cash flow before financing activities	240	806
Cash realisation ratio ² (%)	69%	102%
Adjusted cash realisation ratio ³ (%)	95%	n/a

¹ Cash flows includes both continuing and discontinued operations.

² Calculated as net cashflow from operating activities before interest and tax, divided by EBITDA.

³ Adjusted to remove the impact of the additional payment run.

Net cashflow from operating activities before interest and tax was \$1,392 million. The cash realisation ratio was 69%. Excluding the impact of the additional payment, the cash realisation ratio was 95%. A cash realisation ratio of approximately 100% is forecast for the full year.

Net cashflow before financing activities of \$240 million was impacted by the additional payment run and higher interest and tax payments, partially offset by lower capital expenditure compared to the prior corresponding period.

Balance sheet

\$ MILLION	5 JAN 2025	30 JUN 2024	31 DEC 2023
Balance sheet			
Cash and cash equivalents	625	675	1,092
Working capital	(751)	(1,385)	(1,599)
Property, plant and equipment	5,562	5,619	5,252
Right-of-use assets	7,041	7,048	6,363
Capital employed	13,175	12,367	11,159
Interest bearing liabilities	(2,276)	(1,652)	(1,666)
Lease liabilities	(8,439)	(8,417)	(7,725)
Net debt (including lease liabilities)	(10,669)	(9,918)	(8,890)
Net debt (excluding lease liabilities)	(2,230)	(1,501)	(1,165)
Net assets	3,764	3,617	3,537
Lease-adjusted leverage ratio ¹	2.8x	2.7x	2.6x
Return on Capital (%)	16.4 ²	17.4 ²	16.4
Gross operating capital expenditure	(542)	(1,399)	(753)
Net capital expenditure	(511)	(1,418)	(682)

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

² 1H25 and FY24 Return on Capital are on a reported (53 week) basis. On a normalised (52 week) basis and excluding significant items, 1H25 Return on Capital was 15.9% and FY24 Return on Capital was 16.6%.

Net assets were \$3,764 million as at 5 January 2025, an increase of \$147 million compared to 30 June 2024.

Working capital of \$(751) million increased by \$634 million compared to 30 June 2024, largely driven by an increase in inventories to support availability and the impact from inflation on the cost of goods, combined with lower payables following the additional payment run. This increase in working capital also impacted the level of capital employed and net debt as at 5 January 2025.

The lease-adjusted leverage ratio at the half year was 2.8x with current published credit ratings of BBB+ with Standard & Poor's and Baa1 with Moody's. Coles retains headroom within its rating agency credit metrics and a strong balance sheet to support growth initiatives. At the end of the half year, Coles' average maturity of drawn debt was 4.3 years with undrawn facilities of \$1.8 billion.

Capital expenditure

Gross operating capital expenditure on an accrued basis of \$542 million decreased by \$211 million compared to the prior corresponding period, largely a result of a reduction in capital investment relating to the ADCs, CFCs and loss technology during the period.

Within Supermarkets, capital expenditure was focused on store renewals and new stores, in addition to a milestone payment in relation to the new Victorian ADC announced during the half. Investments in loss technology continued, albeit at a lower level than the prior corresponding period. In Liquor, capital expenditure was driven by new stores and renewals and investments in core IT systems.

Net property capital expenditure increased by \$40 million compared to the prior corresponding period primarily due to the timing of property divestments.

Outlook

In Supermarkets, in the first seven weeks of the third quarter sales revenue grew by 3.4%¹¹ as we cycle a very strong third quarter in FY24. On a two-year stack, the growth rate was 8.3%¹². Customers remain value conscious with our exclusive brand portfolio continuing to grow and our value offering, including Flybuys, seeing strong participation rates. We also continue to focus on ensuring we provide our customers with inspiration to help them create delicious, easy and affordable meals at home through our Coles magazine, digital platforms, convenience offering and Coles Finest range.

In Liquor, whilst discretionary spending remains subdued, we have continued to see positive momentum in the third quarter, with sales revenue growth in the first seven weeks of 3.8%¹¹.

Coles Group CEO, Leah Weckert, said "Our focus in the second half remains on providing a compelling customer value proposition, making further progress on improving our fresh offer and continuing to tailor our ranges to make sure we have the right products in the right stores to cater for local customer preferences. We also remain focused on delivering the benefits from our major transformation investments, including optimising our ADCs and providing a best in class experience for our CFC customers."

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¹¹ Adjusted for the differences in the retail calendar which included New Years Day in the prior corresponding period, Supermarkets sales revenue increased by 2.8% and Liquor sales revenue increased by 2.9%.

¹² Two-year stack based on first eight weeks of 3Q24 and first seven weeks of 3Q25.

Appendices

Appendix 1

Number of retail stores

	OPEN AS AT 30 JUN 2024	OPENED	CLOSED	OPEN AS AT 5 JAN 2025
NSW & ACT	266	-	(1)	265
QLD	185	-	-	185
VIC & TAS	243	2	-	245
SA & NT	61	-	-	61
WA	101	1	-	102
Supermarkets	856	3	(1)	858
Liquor	992	6	(3)	995
Group store numbers	1,848	9	(4)	1,853

Appendix 2

Reporting calendars for FY24, FY25 and FY26

FY24	1Q24	2Q24	3Q24	4Q24
Reporting period	26 Jun 2023 - 24 Sep 2023	25 Sep 2023 - 31 Dec 2023	1 Jan 2024 - 24 Mar 2024	25 Mar 2024 - 30 Jun 2024
Number of days	91 days	98 days	84 days	98 days
Number of weeks	13 weeks	14 weeks	12 weeks	14 weeks
FY25	1Q25	2Q25	3Q25	4Q25
Reporting period	1 July 2024 - 29 Sep 2024	30 Sep 2024 - 5 Jan 2025	6 Jan 2025 - 30 Mar 2025	31 Mar 2025 - 29 Jun 2025
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks
FY26	1Q26	2Q26	3Q26	4Q26
Reporting period	30 June 2025 - 28 Sep 2025	29 Sep 2025 - 4 Jan 2026	5 Jan 2026 - 29 Mar 2026	30 Mar 2026 - 28 Jun 2026
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks

Appendix 3

Forward-looking statements

This report contains forward-looking statements in relation to Coles Group Limited ('the Company') and its controlled entities (together, 'Coles', 'Coles Group', or 'the Group'), including statements regarding the Group's intent, belief, goals, objectives, opinions, initiatives, commitments or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial conditions, and risk management practices. This report may also include forward-looking statements regarding climate change and other environmental and energy transition scenarios. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook', 'guidance', 'likely', 'aim', 'aspire' and other similar expressions. Similarly, statements that describe objectives, plans, goals, or expectations of the Group are forward-looking statements.

Any forward-looking statements are based on the Group's current knowledge and assumptions, including with respect to financial, market, risk, regulatory and other relevant environments that will exist and affect the Group's business and operations in the future. The Group 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, many of which are beyond the control of the Group, that could cause the actual results, performance or achievements of the Group to be materially different from the relevant statements.

Readers are cautioned not to place undue reliance on forward-looking statements and such statements should be considered in conjunction with the risks, uncertainties and assumptions associated with the relevant statements. All forward looking statements contained in this report reflect the Group's views held as at the date of this report, and except as required by applicable laws or regulations, the Group does not undertake to publicly update, review or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide for future performance.

Appendix 4

Non-IFRS financial information

This report contains International Financial Reporting Standards ('IFRS') and non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is presented other than in accordance with relevant accounting standards and may not be directly comparable with other companies' information.

Any non-IFRS financial information included in this report has been labelled to differentiate it from statutory or IFRS financial information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Operating metrics that are prepared on a non-IFRS basis have been included in the segment commentary to support an understanding of comparable business performance. Non-IFRS information is not subject to audit or review.

Balance Sheet and Cash Flow information presented in this release is consistent with underlying information disclosed in the Appendix 4D Half Year Financial Report.

Appendix 5

Glossary of terms

ADC – Automated Distribution Centre

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

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

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

CFC – Customer Fulfilment Centre

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

Coles Liquor Own Brand – refers to the portfolio of product brands owned by Coles and available in Coles Liquor stores. It includes liquor products that are available under Coles Liquor brands (e.g. Vintage Cellars Collaborations) and private label brands (e.g. Pensilva, James Busby, Mr Finch)

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

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

EBIT – Earnings before interest and tax

EBITDA – Earnings before interest, tax, depreciation and amortisation

EPS – Earnings per share

Exclusive brands – refers to the portfolio of product brands consisting of Exclusive to Coles in Coles supermarkets and Exclusive Liquor Brands in Coles Liquor stores

Exclusive Liquor Brands (ELB) – refers to the portfolio of product brands exclusively available in Coles Liquor stores, including Coles Liquor Own Brand liquor products and brands that are owned by or licensed to suppliers and exclusive to Coles Liquor (e.g. Coal Pit, Abbey Vale)

Exclusive Proprietary Brands – refers to the portfolio of product brands owned by or licensed to suppliers and exclusively available in Coles supermarkets (e.g. La Espanola, Great Ocean Road)

Exclusive to Coles – refers to the portfolio of product brands exclusively available in Coles supermarkets, and consists of Coles Own Brand and Exclusive Proprietary Brand products

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

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

IFRS – International Financial Reporting Standards

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

MAT – Moving annual total

Net Promoter Score – Metric used to measure customer advocacy, derived from an externally facilitated survey with a nationally representative sample. The point movement reported represents the NPS measured over the relevant period relative to the prior corresponding period. Liquor NPS is based on Liquorland NPS results

NPAT – Net profit after tax

pp – Percentage point

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

Significant items – large gains, losses, income, expenditures or events that are not in the ordinary course of business. They typically arise from events that are not considered part of the core operations of the Group

SKU – Stock Keeping Unit

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