



6 February 2020

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

1H20 Trading Update

Please find attached for release to the market.

Yours faithfully,

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

Daniella Pereira
Company Secretary



ASX Release

6 February 2020

1H20 Trading Update - 27 Weeks from 1 July 2019 to 5 January 2020

Coles Group Limited (Coles, ASX: COL) is today providing a trading update ahead of its 2020 Half Year Results announcement. The trading update is a provisional result based on management accounts and is subject to finalisation and audit review. Coles has previously advised that it is transitioning to a retail reporting calendar reflecting 27 weeks in the first half which in the 2020 financial year ended on 5 January 2020, the prior corresponding period ended on 30 December 2018.

In its 2020 first quarter sales results on 29 October 2019, Coles reported that in the early part of the second quarter, Supermarkets comparable sales growth had trended towards the level achieved in the fourth quarter of the 2019 financial year. However, the success of the Christmas campaign exceeded expectations with Supermarkets delivering comparable sales growth of 3.6% in the second quarter¹ and 2.0% for the first half¹. Comparable sales growth in Liquor and Express (c-store) were 2.1% and 5.1% respectively for the second quarter and 1.5% and 2.9% respectively for the first half.

Coles' provisional first half FY20 Group EBIT (pre the application of AASB16, on a retail calendar basis) is expected to be between \$710 million and \$730 million. The first half provisional EBIT result was impacted by the following favourable timing and non-operating items to be reported in 'Other':

- A \$15 million self-insurance release of the workers compensation provision largely as a result of improved safety performance; and
- Earnings from property operations of \$33 million, including net gains from property disposals which represent the vast majority of the expected FY20 property earnings.

Supermarkets EBIT growth in the first half of FY20 benefited from incremental costs incurred in the first half of FY19 relating to the removal of plastic bags and increased flybuys promotions, which were not repeated in the first half of FY20. The cycling of these prior year incremental costs is not expected to reoccur in the second half of FY20.

Despite a satisfactory outcome on sales, Liquor EBIT in the first half of FY20 was down on the prior corresponding period as a result of margin pressure and was impacted by clearance and promotional activity following the commencement of strategic range reviews.

Further detail and trading outlook will be provided at Coles' interim results for the 2020 financial year on Tuesday, 18 February 2020.

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).

For more information:

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