21 February 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited (Coles) – Appendix 4D and Half Year Report for the period ended 1 January 2023

In accordance with ASX Listing Rule 4.2A and the *Corporations Act 2001* (Cth), I enclose the following for immediate release to the market:

1. Appendix 4D;
2. Half Year Directors' Report;
3. Half Year Financial Report; and
4. Independent Auditor's review report,

for the half year ended 1 January 2023.

Coles will conduct an analyst briefing on the half year results from 10.00am AEDT. This briefing will be webcast and is accessible via the Company's website at www.colesgroup.com.au.

This announcement is authorised by the Board.

Yours faithfully,

Daniella Pereira
Company Secretary

Coles Group Limited ABN 11 004 089 936
800 Toorak Road Hawthorn East Victoria 3123 Australia
PO Box 2000 Glen Iris Victoria 3146 Australia
Telephone +61 3 9829 5111
www.colesgroup.com.au

Appendix 4D and Half Year Financial Report

For the 27 weeks ended 1 January 2023

Coles Group Limited
ABN 11 004 089 936

APPENDIX 4D

Under ASX Listing Rule 4.2A.3

Current reporting period ('1H23')	27 June 2022 to 1 January 2023 (27 weeks)
Previous corresponding period ('1H22')	28 June 2021 to 2 January 2022 (27 weeks)

This Appendix 4D and Half Year Financial Report presents the results of Coles Group Limited ('the Company') and the entities it controlled at the end of or during the 27 weeks ended 1 January 2023 (collectively, 'the Group').

This information should be read in conjunction with the Coles Group Limited 2022 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	1H23 $m				1H22 $m
Revenue from ordinary activities	21,627	up	4.1%	from	20,785
Earnings before interest and income tax (EBIT)	1,114	up	14.3%	from	975
Profit from ordinary activities after tax attributable to members	643	up	17.1%	from	549
Profit attributable to members	643	up	17.1%	from	549
Revenue from continuing activities	20,869	up	4.0%	from	20,070
Profit from continuing activities after tax	616	up	11.4%	from	553

DIVIDENDS

NAME	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Current period		
Interim dividend	36.0 cents	36.0 cents
Previous corresponding period		
Interim dividend	33.0 cents	33.0 cents
Year end (26 June 2022)		
Final dividend	30.0 cents	30.0 cents

Conduit foreign income component:	Nil
Record date for determining entitlement to the interim dividend:	3 March 2023
Payment date of interim dividend:	30 March 2023

The Company operates a Dividend Reinvestment Plan (DRP) under which eligible holders of ordinary shares are able to reinvest all or part of their dividend payments into additional fully paid Coles Group Limited shares. The DRP will operate at nil discount. The last date to elect to participate in the DRP or to change DRP election preferences, in respect of the interim dividend is 6 March 2023. In accordance with the DRP Rules, the offer price will be calculated as the arithmetic average of the daily volume weighted average market price of the Company's shares during the 5 trading days commencing on 14 March 2023.

NET TANGIBLE ASSETS PER SHARE

	1H23	1H22
Net tangible assets per share ($)[1]	1.11	0.90

[1] Net tangible assets are calculated by deducting intangible assets from the net assets of the Group. Net assets include the right-of-use assets and corresponding lease liabilities recognised under AASB 16 Leases.

.

APPENDIX 4D (CONTINUED)

ENTITIES WHERE CONTROL WAS GAINED DURING THE PERIOD

NAME	DATE
CGBV1 Pty Ltd	Incorporated 21 December 2022
Coles Group Business Ventures Pty Ltd	Incorporated 21 December 2022
Coles Supply Services Pty Ltd	Incorporated 21 December 2022
Property Structures Pty Ltd	Incorporated 21 December 2022

DETAILS OF EQUITY ACCOUNTED INVESTMENTS

		OWNERSHIP INTEREST	
NAME	TYPE	1H23	1H22
Loyalty Pacific Pty Ltd	Joint venture	50%	50%
Queensland Venue Co. Pty Ltd	Associate	50%	50%

Additional Appendix 4D disclosure requirements can be found in the accompanying Half Year Financial Report. The Coles Group Limited 2023 Half Year Results Release also provides further information on the results of the Group.

COLES GROUP LIMITED AND CONTROLLED ENTITIES

ABN 11 004 089 936

HALF YEAR FINANCIAL REPORT
FOR THE 27 WEEKS ENDED
1 JANUARY 2023

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Coles Group Limited ('the Company') and the entities it controlled at the end of or during the 27 weeks ended 1 January 2023 (collectively, 'the Group').

DIRECTORS

The following persons were directors of the Company during the half year period and up to the date of this report, unless stated otherwise:

James Graham AM	Chairman and Non-executive Director
Steven Cain	Managing Director and Chief Executive Officer
Terry Bowen	Non-executive Director (appointment effective 1 October 2022)
David Cheesewright	Non-executive Director
Jacqueline Chow	Non-executive Director
Abigail Cleland	Non-executive Director
Richard Freudenstein	Non-executive Director
Paul O'Malley	Non-executive Director
Scott Price	Non-executive Director (appointment effective 1 October 2022)
Wendy Stops	Non-executive Director

NON-IFRS INFORMATION

This report contains 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.

REVIEW AND RESULTS OF OPERATIONS

The Group results for the half year ended 1 January 2023, and the comparative half year ended 2 January 2022, are presented below:

Group sales revenue ($m)	1H23	1H22	CHANGE
Supermarkets	18,853	18,016	4.6%
Liquor	1,952	1,999	(2.4)%
Sales revenue – continuing operations	**20,805**	**20,015**	**3.9%**
Express - discontinued operations	607	578	5.0%
Total Group sales revenue	21,412	20,593	4.0%

Group EBIT ($m)	1H23	1H22	CHANGE
Supermarkets[1]	991	896	10.6%
Liquor	80	99	(19.2)%
Other	(13)	(32)	59.4%
EBIT – continuing operations	**1,058**	**963**	**9.9%**
Express – discontinued operations	56	12	n/m
Total Group EBIT	1,114	975	n/m

n/m denotes not meaningful.
[1] 1H23 includes $17 million of implementation operating expenditure in relation to major automation projects (1H22: $22 million).

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

On 21 September 2022, the Group entered into a binding agreement to sell Coles Express fuel and convenience business to Viva Energy Group Limited for $300 million, which resulted in Express being classified as a disposal group held for sale and a discontinued operation at this date. The agreement allows the Group to focus on growing its omnichannel supermarket and liquor businesses. The business being disposed of was previously presented as the Express operating segment.

The transaction is expected to conclude in the fourth quarter of FY23.

RESULTS OF CONTINUING OPERATIONS

The Group's reportable segments from continuing operations are set out below:

SUPERMARKETS	Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
LIQUOR	Liquor retailing, including online services

The Group results from continuing operations for the half year ended 1 January 2023, and the comparative half year ended 2 January 2022, are presented below:

	1H23	1H22	CHANGE
Sales revenue ($ millions)	20,805	20,015	3.9%
EBIT[1] ($ millions)	1,058	963	9.9%
Net profit after tax ($ millions)	616	553	11.4%
Basic earnings per share (cents)	46.3	41.5	11.6%

[1] 1H23 includes $17 million of implementation operating expenditure in relation to major automation projects (1H22: $22 million).

Sales revenue from continuing operations increased by 3.9% to $20,805 million despite elevated COVID-19 demand in the prior corresponding period and availability challenges as a result of floods and major rail outages.

EBIT from continuing operations increased by 9.9% to $1,058 million, impacted by Smarter Selling benefits of approximately $100 million and a net reduction in direct COVID-19 costs (1H23: approximately $20 million; 1H22: approximately $150 million). This helped to partially offset underlying cost inflation and impacts from availability and supply chain challenges, whilst also reinvesting in the business.

BALANCE SHEET

The key balance sheet highlights for the half year ended 1 January 2023 are as follows:

Cash and cash equivalents increased by 18.5% to $698 million largely driven by strong operating activities associated with the peak Christmas trading period falling at the end of the half year period.

Inventories increased by 15.4% to $2,825 million primarily due to the impact of cost price increases on the cost of inventory and increased stock holdings to provide additional support for Christmas and New Year in light of supply chain disruptions.

Trade and other payables increased by 14.8% to $4,978 million consistent with seasonal Christmas and New Year trading activity falling at the end of the half year period.

Assets held for sale and associated liabilities includes properties held for sale and the Express segment assets and liabilities to be transferred to Viva Energy Group Limited upon completion of the transaction which is expected to conclude in the fourth quarter of FY23.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

AWARD COVERED SALARIED TEAM MEMBER REVIEW

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 (GRIA). The review assessed the remuneration paid to 15,011 team members against GRIA. Coles conducted a remediation program, and to date Coles has incurred $13 million of remediation costs with a further $12 million provisioned at the date of this report.

Following the announcement in February 2020, the Fair Work Ombudsman (FWO) commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA. FWO alleged that Coles is obligated to pay a further $108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in the Coles' remediation. Separately, in May 2020, a class action proceeding was filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets.

Coles has lodged its defence in these proceedings and is due to file its evidence in both proceedings in March 2023. The matters have been listed for a joint trial commencing 5 June 2023. The trial will include consideration of threshold issues, including interpretation of the GRIA provisions. Coles will continue to assess matters being raised in both these proceedings as they move closer to trial. Given the status of proceedings, it is not possible to provide an estimate of any further remediation, if any, that may be necessary, or costs or penalties associated with this matter at the date of this report.

SUPERMARKETS

Segment Overview

The Supermarkets results for the half year ended 1 January 2023, and the comparative half year ended 2 January 2022, are presented below:

	1H23 $m	1H22 $m	CHANGE
Sales revenue	18,853	18,016	4.6%
EBIT[1]	991	896	10.6%
Gross margin (%)	26.5	26.1	43bps
Cost of doing business (CODB)(%)	(21.2)	(21.1)	(15bps)
EBIT margin (%)	5.3	5.0	28bps

[1] 1H23 includes $17 million of implementation operating expenditure in relation to major automation projects (1H22: $22 million).

Operating metrics (non-IFRS)

	1H23	2Q23	1Q23	1H22
Gross retail sales[1] ($ billions)	19.6	10.6	9.0	18.6
Gross retail sales growth[1] (%)	5.3	8.0	2.3	2.0
Comparable sales growth (%)	4.9	7.4	2.1	1.5
eCommerce sales[2] ($ billions)	1.4	0.7	0.7	1.5
eCommerce penetration (%)	7.2	6.9	7.6	8.2
Sales density per square metre[3] (MAT $/sqm)	18,651	18,651	18,295	17,919
Net promoter score (point increase/(decrease))	(5.7)	(4.3)	(7.0)	0.2
Inflation / (deflation) (%)	7.4	7.7	7.1	(0.2)
Inflation / (deflation) excl. tobacco and fresh (%)	7.6	8.4	6.7	(0.2)

[1] Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.
[2] eCommerce sales include Liquor sold through coles.com.au.
[3] Sales density per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

SUPERMARKETS (CONTINUED)

HIGHLIGHTS

Sales revenue for Supermarkets increased by 4.6% to $18,853 million.

Sales growth was driven by successful trade plans across the half with the 'LOCKED' and 'DROPPED & LOCKED' value campaigns and Flybuys member pricing. The Harry Potter "Magical Builders" collectibles and the Schott Zwiesel glasswar e customer continuity program supported sales in the half.

The Exclusive to Coles range was expanded to more than 6,000 SKUs with 770 new product launches during the half. Exclusive to Coles sales of $6.3 billion were recorded in the first half, an increase of 7.1% on the prior corresponding period.

Total Supermarkets price inflation of 7.7% was recorded for the second quarter. This compared to 7.1% in the first quarter driven by packaged inflation including dairy, as a result of increases in the farmgate milk price, and an elevated level of supplier input cost price increase requests, particularly in homecare and pantry. Freight and utilities were the main drivers of the supplier input cost price increase requests. Fresh inflation moderated to 7.1% in the second quarter (8.8% in the first quarter) with reductions in fresh produce inflation reflecting improvements in growing conditions, with several lines in deflation including tomatoes, capsicums and broccoli. This was partially offset by inflation in meat which was driven by white meat due to higher feed prices, and bakery, reflecting higher wheat prices.

eCommerce sales of $1.4 billion in the half declined by 6.6% with penetration of 7.2%, compared to 8.2% in the prior corresponding period, as COVID-19 behaviours normalised and some customers returned to shopping in store.

Coles Online network was expanded through the addition of 30 same day home delivery stores and 42 Click & Collect (to the boot of car) stores added during the half.

During the half, Coles completed 15 renewals, opened ten new stores and closed three stores, taking the total network to 842 Supermarkets.

Gross margin of 26.5% increased by 43 bps period-on-period largely a result of reduced COVID costs, strategic sourcing, product mix and Smarter Selling benefits. These factors were partially offset by investment in pricing and increasing headwinds in markdowns and stock loss as a result of increasing theft.

During the half, significant progress was made in the commissioning of Coles' automated distribution centre (ADC) in Queensland where installation of the Witron automation equipment was completed, recruitment of the site leadership team and initial team members were finalised, and successful handover of the facility was achieved post period end, on schedule.

In partnership with Ocado, Coles is making progress in the development of both the New South Wales and Victorian Customer Fulfilment Centres (CFCs). The fit out of these facilities, especially the hive and grid, are unique in Australia, requiring complex construction management work systems to be developed and implemented. As advised at the 2022 AGM, there had been a construction delay at the New South Wales site. An assessment is ongoing to determine what further impact there may be on scheduled commissioning. However, based on information from Ocado, Coles is working towards the Victorian CFC being commissioned ahead of the New South Wales CFC with an incremental ramp up period commencing mid-FY24 in Victoria and 2H FY24 in New South Wales.

Cost of doing business (CODB) as a percentage of sales increased by 15 bps to 21.2% due to underlying cost inflation and continued investment in digital and eCommerce, offset by Smarter Selling benefits and lower direct COVID-19 costs.

Supermarkets EBIT of $991 million increased by 10.6% with an EBIT margin of 5.3%.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

LIQUOR

Segment Overview

The Liquor results for the half year ended 1 January 2023, and the comparative half year ended 2 January 2022, are presented below:

	1H23 $m	1H22 $m	CHANGE
Sales revenue	1,952	1,999	(2.4)%
EBIT	80	99	(19.2)%
Gross margin (%)	22.6	21.8	83bps
Cost of doing business (CODB)(%)	(18.5)	(16.8)	(169bps)
EBIT margin (%)	4.1	4.9	(86bps)

Operating metrics (non-IFRS)

	1H23	2Q23	1Q23	1H22
Gross retail sales[1] ($ billions)	2.0	1.2	0.8	2.0
Gross retail sales growth[1] (%)	(2.5)	(1.1)	(4.3)	2.6
Comparable sales growth (%)	(2.3)	(0.9)	(4.1)	1.8
eCommerce sales[2] ($m)	108	67	41	95
eCommerce penetration[2] (%)	5.6	6.1	5.0	4.8
eCommerce penetration (inc. COL)[3] (%)	6.8	7.3	6.0	5.6
Net Promoter Score[4] (point increase/(decrease))	(2.5)	(1.1)	(4.6)	1.2
Sales density per square metre[5] (MAT $/sqm)	16,029	16,029	16,123	16,315

[1] Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.
[2] eCommerce sales and penetration exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales.
[3] eCommerce penetration including Liquor sold through coles.com.au.
[4] Net Promoter Score is based on Liquorland NPS results.
[5] Sales density per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

HIGHLIGHTS

Sales revenue for Liquor decreased by 2.4% to $1,952 million as the business cycled approximately 15 weeks of COVID-19 related on-premise closures and restrictions in the prior corresponding period across Victoria, New South Wales and the Australian Capital Territory. For the second quarter, comparable sales growth decreased by 0.9% relative to a decrease of 4.1% in the first quarter reflecting a reduction in on-premise restrictions from the prior year throughout the quarter, and the impact on sales revenue of supplier led cost price increases for a full quarter across the beer, sprits and Ready-to-Drink (RTD) categories. In the first half, sales revenue growth was positive, excluding the lockdown states of Victoria, New South Wales and the Australian Capital Territory.

eCommerce sales continued to grow with revenue growth of 13.7% period on period and penetration of 5.6% in the first half (6.8% including Coles Online) compared to 4.8% in the prior period (5.6% including Coles Online). Express delivery was expanded and is now available in more than 560 stores. Capacity increased through the roll out of Click & Collect (to the boot of car) in more than 70 First Choice Liquor Market stores.

In addition to cycling the COVID-19 on-premise restrictions in the prior period, sales were impacted by weather events, including store closures from flooding in New South Wales, Victoria and Queensland (impacting 7 stores) and a relatively wet and cool spring and start to summer on the Eastern seaboard. Despite this, Liquor delivered its strongest ever Christmas and New Year trade period successfully executing its trade plans, including Liquorland's '50 Days of Deals' campaign.

Liquorland continued to be the strongest performing banner with more than 370 Black and White Liquorland stores now completed. RTD was the strongest performing category.

Liquor completed 128 store renewals during the half, including 112 Black and White renewals, opened 16 new stores and closed nine stores. At the end of the period the portfolio comprised 940 stores.

Gross margin of 22.6% increased by 83 bps largely due to the strong performance in Exclusive Liquor Brands and local.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

LIQUOR (CONTINUED)

CODB as a percentage of sales increased by 169 bps to 18.5% largely driven by lower sales revenue across the fixed cost base of the business, increases in store team member remuneration relative to the prior year following the Fair Work Commission annual wage increase, coupled with this increase being paid earlier to team members compared to in prior years. Transformation costs increased year on year as the "Differentiate and Grow" horizon of Liquor's strategy commenced, which includes the renewal and format development program, as well as investments in eCommerce and core IT systems. These transformational investments impacted depreciation and amortisation which grew as a percentage of sales by 24 bps. Liquor also continued to incur some residual COVID-19 costs in the early part of the half.

Liquor EBIT decreased by 19.2% to $80 million with an EBIT margin of 4.1%.

OTHER

Other includes corporate costs, 50% share of Flybuys' net result, and the net gain or loss generated by Coles' property portfolio. Corporate costs of $42 million were incurred for the half, largely in line with the prior corresponding period of $43 million. Coles' 50% share of Flybuys' net result was a $5m loss, while earnings from property operations were $34 million for the period compared to $15 million in the prior corresponding period. Net costs of $13 million were recognised during the period.

EXPRESS - DISCONTINUED OPERATIONS

Segment Overview

The Express results for the half year ended 1 January 2023, and the comparative half year ended 2 January 2022, are presented below:

	1H23 $m	1H22 $m	CHANGE
Sales revenue	607	578	5.0%
Expenses	(662)	(634)	4.4%
Depreciation and amortisation[1]	(35)	(69)	(49.3)%
Transaction costs	(5)	-	n/m
EBIT	56	12	n/m
Profit/(Loss) for the half year from discontinued operations	27	(4)	n/m

n/m denotes not meaningful.
[1] Depreciation and amortisation ceased from the date the assets were held for sale, including the depreciation on right of use assets. Depreciation and amortisation not recognised in 1H23 was $36m of which $27m relates to right of use assets.

Operating metrics (non-IFRS)

	1H23	2Q23	1Q23	1H22
C-store gross retail sales[1] ($ millions)	643	342	301	615
C-store gross retail sales growth[1] (%)	4.6	1.8	7.9	(8.1)
Comparable c-store sales growth (%)	5.6	2.7	9.0	(7.4)
Weekly fuel volumes (mL)	58.4	58.8	58.0	52.6
Fuel volume growth (%)	11.0	4.1	19.8	(5.2)
Comparable fuel volume growth (%)	12.4	5.1	21.5	(4.4)

[1] Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points. Fuel concession sales are excluded from Express gross retail sales on the basis Coles does not control retail pricing.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

EXPRESS - DISCONTINUED OPERATIONS (CONTINUED)

HIGHLIGHTS

Sales revenue for Express increased by 5.0% to $607 million as the business cycled lower fuel volumes and c-store sales in the prior corresponding period as a result of COVID-19 lockdowns.

C-store sales growth was driven by the food-to-go category, particularly hot fast food and coffee, while participation in the Magical Builders collectible program in the first quarter, and the Shell Motorsport Collection program in the second quarter also supported sales. This was partly offset by the continued decline in tobacco sales. Underlying sales (ex-tobacco) increased by 13.0%.

Fuel volumes recovered during the half with the prior period being impacted by COVID-19 lockdowns and as fuel prices moderated during the period. Average weekly volumes for the half were 58.4mL per week, up 11.0% on the prior corresponding period, with comparable fuel volumes increasing by 12.4%.

During the half, five sites were closed, taking the total network to 706 sites.

EBIT for the half increased to $56 million, with depreciation and amortisation having ceased during the period as a result of the business being recognised as held for sale.

DIVIDENDS

On 21 February 2023, the directors declared an interim dividend of 36.0 cents per fully paid ordinary share with a payment date of 30 March 2023, fully franked at the corporate tax rate of 30%. The aggregate amount of the interim dividend to be paid out of profits, but not recognised as a liability as at 1 January 2023 is $482 million[1].

ROUNDING OF AMOUNTS

The amounts shown in the Half Year Financial Report have been rounded, except where otherwise stated, to the nearest one million dollars, with the Company being in a class specified in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out on page 12.

This report is made in accordance with a resolution of the directors of the Company on 21 February 2023.

James Graham AM
Chairman

Steven Cain
Managing Director and Chief Executive Officer

[1] Estimated interim dividend payable, subject to variations in the number of shares up to the record date.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Coles Group Limited

As lead auditor for the review of the half-year financial report of Coles Group Limited for the half-year ended 1 January 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Coles Group Limited and the entities it controlled during the financial period.

Ernst & Young

David Shewring
Partner
21 February 2023

INCOME STATEMENT

FOR THE 27 WEEKS ENDED 1 JANUARY 2023

	NOTES	CONSOLIDATED 1H23 $m	1H22 $m
Continuing operations			
Sales revenue	2	20,805	20,015
Other operating revenue		64	55
Total operating revenue		**20,869**	**20,070**
Cost of sales		(15,423)	(14,930)
Gross profit		**5,446**	**5,140**
Other income		72	37
Administration expenses		(4,455)	(4,210)
Share of net loss of equity accounted investments		(5)	(4)
Earnings before interest and tax (EBIT)		**1,058**	**963**
Financing costs		(187)	(180)
Profit before income tax		**871**	**783**
Income tax expense	4	(255)	(230)
Profit for the half year from continuing operations		**616**	**553**
Discontinued operations			
Profit/(Loss) for the half year from discontinued operations, after tax	11	**27**	**(4)**
Profit for the half year		**643**	**549**
Profit attributable to:			
Equity holders of the parent entity		**643**	**549**
Earnings per share (EPS) attributable to equity holders of the Company:			
Basic EPS (cents)	3	48.3	41.2
Diluted EPS (cents)	3	48.1	41.1
EPS attributable to equity holders of the Company from continuing operations:			
Basic EPS (cents)	3	46.3	41.5
Diluted EPS (cents)	3	46.1	41.4
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net movement in the fair value of cash flow hedges		7	8
Income tax effect	4	(2)	(3)
Other comprehensive income which may be reclassified to profit or loss in subsequent periods		**5**	**5**
Total comprehensive income attributable to:			
Equity holders of the parent entity		648	554

The accompanying notes form part of the Half Year Financial Report.

BALANCE SHEET

AS AT 1 JANUARY 2023

		CONSOLIDATED		
		1 JANUARY 2023	26 JUNE 2022	2 JANUARY 2022
	NOTES	$m	$m	$m
Assets				
Current assets				
Cash and cash equivalents	5	698	589	1,098
Trade and other receivables		473	470	336
Inventories		2,825	2,448	2,387
Income tax receivable		55	42	-
Assets held for sale	10	1,209	82	57
Other assets		122	120	97
Total current assets		**5,382**	**3,751**	**3,975**
Non-current assets				
Property, plant and equipment		4,755	4,807	4,432
Right-of-use assets		6,434	7,199	7,162
Intangible assets		1,887	1,864	1,806
Deferred tax assets		725	822	852
Equity accounted investments		226	219	221
Other assets		59	174	144
Total non-current assets		**14,086**	**15,085**	**14,617**
Total assets		**19,468**	**18,836**	**18,592**
Liabilities				
Current liabilities				
Trade and other payables		4,978	4,335	4,282
Provisions		821	854	834
Income tax payable		-	-	11
Lease liabilities		795	914	905
Other		309	312	313
Liabilities associated with assets held for sale	10	792	-	-
Total current liabilities		**7,695**	**6,415**	**6,345**
Non-current liabilities				
Interest-bearing liabilities		1,060	1,095	1,044
Provisions		369	424	459
Lease liabilities		6,964	7,767	7,730
Other		1	11	5
Total non-current liabilities		**8,394**	**9,297**	**9,238**
Total liabilities		**16,089**	**15,712**	**15,583**
Net assets		**3,379**	**3,124**	**3,009**
Equity				
Contributed equity		1,651	1,636	1,602
Reserves		93	95	72
Retained earnings		1,635	1,393	1,335
Total equity		**3,379**	**3,124**	**3,009**

The accompanying notes form part of the Half Year Financial Report.

STATEMENT OF CHANGES IN EQUITY

FOR THE 27 WEEKS ENDED 1 JANUARY 2023

	SHARE CAPITAL	SHARES HELD IN TRUST	SHARE-BASED PAYMENTS RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL
	$m	$m	$m	$m	$m	$m
1H23						
Balance at beginning of half year	1,695	(59)	92	3	1,393	3,124
Profit for the half year	-	-	-	-	643	643
Other comprehensive income	-	-	-	5	-	5
Total comprehensive income for the half year	**-**	**-**	**-**	**5**	**643**	**648**
Dividends paid	-	-	-	-	(401)	(401)
Issue of shares to satisfy the dividend reinvestment plan	18	-	-	-	-	18
Issue of shares to Trust	18	(18)	-	-	-	-
Issue of shares to satisfy the employee share purchase plan	2	-	-	-	-	2
Transfer of shares to employees under the employee equity incentive plan	-	22	(22)	-	-	-
Purchase of shares to satisfy the employee equity incentive plan	-	(27)	-	-	-	(27)
Share-based payments expense	-	-	15	-	-	15
Balance at end of half year	**1,733**	**(82)**	**85**	**8**	**1,635**	**3,379**
1H22						
Balance at beginning of half year	1,655	(70)	88	(19)	1,159	2,813
Profit for the half year	-	-	-	-	549	549
Other comprehensive loss	-	-	-	5	-	5
Total comprehensive income for the half year	**-**	**-**	**-**	**5**	**549**	**554**
Dividends paid	-	-	-	-	(373)	(373)
Issue of shares to Trust	24	(24)	-	-	-	-
Transfer of shares to employees under the employee equity incentive plan	-	21	(21)	-	-	-
Share-based payments expense	-	-	15	-	-	15
Transfer of shares to employees under the employee equity incentive plan	-	-	-	-	-	-
Transfers	-	(4)	4	-	-	-
Balance at end of half year	**1,679**	**(77)**	**86**	**(14)**	**1,335**	**3,009**

The accompanying notes form part of the Half Year Financial Report.

CASH FLOW STATEMENT

FOR THE 27 WEEKS ENDED 1 JANUARY 2023

	NOTES	CONSOLIDATED 1H23 $m	1H22 $m
Cash flows from operating activities			
Receipts from customers		22,858	21,956
Payments to suppliers and employees		(20,814)	(19,892)
Interest paid		(27)	(21)
Interest component of lease payments		(184)	(181)
Interest received		1	-
Income tax paid		(241)	(259)
Net cash flows from operating activities		**1,593**	**1,603**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangibles		(667)	(451)
Proceeds from sale of property, plant and equipment		101	77
Investments in joint venture		(12)	(3)
Net cash flows used in investing activities		**(578)**	**(377)**
Cash flows used in financing activities			
Proceeds from borrowings		5,020	2,158
Repayment of borrowings		(5,054)	(2,256)
Payment of principal elements of lease payments		(458)	(444)
Dividends paid		(382)	(373)
Purchase of shares under Equity Incentive Plan		(27)	-
Net cash flows used in financing activities		**(901)**	**(915)**
Net increase in cash and cash equivalents		**114**	**311**
Cash at the beginning of the half year		589	787
Cash at the end of the half year		**703**	**1,098**
Represented in the following balances:			
Cash and cash equivalents	5	698	1,098
Assets held for sale – discontinued operations	11	5	-

The Consolidated Statement of Cash Flows includes both continuing and discontinued operations.
The accompanying notes form part of the Half Year Financial Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Half Year Financial Report of Coles Group Limited ('the Company') in respect of the Company and its controlled entities (collectively, 'the Group') for the 27 weeks ended 1 January 2023 were authorised for issue in accordance with a resolution of the directors of Coles Group Limited on 21 February 2023.

References in this report to 'half year' are to the 27 week period from 27 June 2022 to 1 January 2023 (1H22: 27 weeks 28 June 2021 to 2 January 2022) unless otherwise stated.

REPORTING ENTITY

Coles Group Limited is a for-profit company limited by shares which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of the Group are described in Note 2 Segment reporting from continuing operations.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Half Year Financial Report for 27 weeks ended 1 January 2023 has been prepared in accordance with AASB 134 *Interim Financial Reporting* ('AASB 134') and the *Corporations Act 2001*.

In accordance with AASB 134, the Half Year Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the 2022 Financial Report and any public announcements made by the Group during the half year reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half year reporting period.

The Half Year Financial Report is presented in Australian dollars and all values are rounded to the nearest million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

This Half Year Financial Report presents reclassified comparative information where required for consistency with the current half year's presentation. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group has presented the profit or loss from discontinued operations separately from its continuing operations in its Consolidated Statement of Profit or Loss in the current period and with the prior period restated. Refer to Note 11 Discontinued Operations for further details.

KEY JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires judgement and the use of estimates and assumptions in applying the Group's accounting policies, which affect amounts reported for assets, liabilities, income and expenses. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and assumptions applied in the Half Year Financial Report, including the key sources of estimation uncertainty are the same as those applied in the 2022 Financial Report.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED FROM 27 JUNE 2022

A number of other amendments and interpretations apply for the first time in this half year reporting period but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS ON ISSUE BUT NOT YET EFFECTIVE

There are no other standards, amendments or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

SEASONALITY OF OPERATIONS

The financial performance of the Group is affected by seasonality whereby earnings are typically greater in the half year due to Christmas trading.

2. SEGMENT REPORTING FROM CONTINUING OPERATIONS

The Group has identified its operating segments based on internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision maker). The Managing Director and Chief Executive Officer regularly reviews the Group's internal reporting to assess performance and allocate resources across the operating segments. The segments identified offer different products and services and are managed separately.

The Group's reportable segments are set out below:

SUPERMARKETS	Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
LIQUOR	Liquor retailing, including online services

Other business operations that are not separately reportable (such as Property), as well as costs associated with enterprise functions (such as Treasury) are included in 'Other'.

As a result of Express being classified as a discontinued operation, it is no longer presented in the segment disclosures from continuing operations for the current and prior period.

There are varying levels of integration between operating segments. This includes the common usage of property, services, and administration functions. Financing costs and income tax are managed on a Group basis and are not allocated to operating segments.

EBIT is the key financial measure by which management monitors the performance of the segments.

The Group does not have material operations in other geographic areas or economic exposure to any individual customer that is in excess of 10% of sales revenue.

	SUPERMARKETS	LIQUOR	OTHER	TOTAL CONTINUING OPERATIONS
	$m	$m	$m	$m
1H23				
Sales revenue	18,853	1,952	-	20,805
Segment EBIT	**991**	**80**	**(13)**	**1,058**
Financing costs				(187)
Profit before income tax				**871**
Income tax expense				(255)
Profit for the half year from continuing operations				**616**
Share of net loss of equity accounted investments included in EBIT				(5)
1H22				
Sales revenue	18,016	1,999	-	20,015
Segment EBIT	**896**	**99**	**(32)**	**963**
Financing costs				(180)
Profit before income tax				**783**
Income tax expense				(230)
Profit for the half year from continuing operations				**553**
Share of net loss of equity accounted investments included in EBIT				(4)

3. EARNINGS PER SHARE (EPS)

	1H23	1H22
EPS attributable to equity holders of the Company:		
Basic EPS (cents)	48.3	41.2
Diluted EPS (cents)	48.1	41.1
EPS attributable to equity holders of the Company from continuing operations:		
Basic EPS (cents)	46.3	41.5
Diluted EPS (cents)	46.1	41.4
Profit/(Loss) for the half year ($m)		
Continuing operations	616	553
Discontinued operations	27	(4)
Weighted average number of ordinary shares for basic EPS (shares, million)	1,332	1,335
Weighted average number of ordinary shares for diluted EPS (shares, million)	1,336	1,335

CALCULATION METHODOLOGY

EPS is the profit after tax attributable to ordinary equity holders of Coles Group Limited, divided by the weighted average number of ordinary shares during the half year.

Diluted EPS is calculated on the same basis except that it includes the impact of any potential commitments the Group has to issue shares in the future.

Between the half year reporting date and the issue date of this Half Year Financial Report, there have been no transactions involving ordinary shares or potential ordinary shares that would impact the calculation of EPS disclosed in the table above.

4. INCOME TAX

The major components of income tax expense in the Income Statement are set out below:

		CONSOLIDATED	
	NOTE	1H23 $m	1H22 $m
Current income tax expense		237	210
Adjustment in respect of current income tax of previous periods		(9)	-
Deferred income tax relating to origination and reversal of temporary differences		32	18
Adjustment in respect of deferred income tax of previous periods		7	-
		267	**228**
Income tax expense/(benefit) is attributable to:			
Profit from continuing operations		255	230
Profit/(loss) from discontinued operations	11	12	(2)
		267	**228**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX (CONTINUED)

The major components of income tax expense recognised in other comprehensive income (OCI) are set out below:

	CONSOLIDATED	
	1H23 $m	1H22 $m
Deferred tax related to items recognised in OCI during the year:		
Net income on revaluation of cash flow hedges	(2)	(3)
Deferred tax charged to OCI	**(2)**	**(3)**

Reconciliation of the Group's applicable tax rate to the effective tax rate

	NOTE	CONSOLIDATED	
		1H23 $m	1H22 $m
Profit before tax from continuing operations		871	783
Profit/(Loss) before tax from discontinued operations	11	39	(6)
Profit before income tax		**910**	**777**
At Australia's corporate tax rate of 30% (2 January 2022: 30%)		273	233
Adjustments in respect of income tax of previous periods		(2)	-
Share of results of joint venture		2	1
Non-deductible expenses for tax purposes		1	-
Non-assessable income for tax purposes		(7)	(6)
Income tax expense[1]		**267**	**228**

[1]At an effective income tax rate of 29.3% (2 January 2022: 29.3%).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	CONSOLIDATED	
	1 JANUARY 2023 $m	26 JUNE 2022 $m
Cash on hand and in transit	631	559
Cash at bank and on deposit	67	30
Total cash and cash equivalents	**698**	**589**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in transit, at bank and on deposit, net of outstanding bank overdrafts which are repayable on demand.

6. DIVIDENDS PAID AND PROPOSED

	CENTS PER SHARE		TOTAL $m	
	1H23	1H22	1H23	1H22
Fully franked dividends determined and paid during the period				
Prior year final dividend	30.0	28.0	401	373
	30.0	**28.0**	**401**	**373**
Fully franked dividends proposed and unrecognised at reporting date				
Interim dividend proposed and unrecognised at reporting date	36.0	33.0	482[1]	441
	36.0	**33.0**	**482**	**441**

[1]Estimated interim dividend payable, subject to variations in the number of shares up to the record date.

The Company operates a Dividend Reinvestment Plan (DRP) under which eligible holders of ordinary shares are able to reinvest all or part of their dividend payments into additional fully paid Coles Group Limited shares.

7. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table sets out the fair value measurement hierarchy of the Group's derivative financial instruments:

	FAIR VALUE HIERARCHY	1 JANUARY 2023		26 JUNE 2022	
		ASSET $m	LIABILITY $m	ASSET $m	LIABILITY $m
Cash flow hedges					
Forward exchange contracts	Level 2	6	(3)	4	(11)
Interest rates swaps	Level 2	7	-	7	-
Electricity swaps	Level 2	3	(2)	15	(13)
Power Purchase Agreement	Level 3	38	(28)	48	(38)
Total		**54**	**(33)**	**74**	**(62)**

The Group measures certain financial instruments, such as derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

LEVEL 1	Fair value is calculated using quoted prices in active markets for identical assets or liabilities
LEVEL 2	Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
LEVEL 3	Fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels during the period.

7. FINANCIAL INSTRUMENTS (CONTINUED)

DERIVATIVES

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts and power purchase agreements are valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and electricity futures. In addition, the valuation of the power purchase arrangement includes an unobservable input relating to forward electricity price assumptions.

CARRYING AMOUNTS VERSUS FAIR VALUES

The carrying amount and fair value of financial assets and liabilities recognised in the financial statements are materially the same unless stated below:

	CARRYING AMOUNT		FAIR VALUE	
	1 JANUARY 2023 $m	26 JUNE 2022 $m	1 JANUARY 2023 $m	26 JUNE 2022 $m
Financial liabilities				
Capital market debt	1,045	1,045	889	892

8. RELATED PARTY DISCLOSURES

Parent entity

The ultimate parent entity within the Group is the Company, which is domiciled and incorporated in Australia.

Transactions with subsidiaries

Intercompany transactions, assets and liabilities between entities within the Group have been eliminated in the consolidated financial statements.

Transactions with joint venture and associates

Various transactions occurred between the Group and Loyalty Pacific Pty Ltd (operator of Flybuys) during the half year ended 1 January 2023, including:

- sale of goods to members of Flybuys
- payments for loyalty program
- reimbursement of costs incurred

Transactions remain materially the same as disclosed in the Financial Report for the period ended 26 June 2022.

Various transactions occurred between the Group and Queensland Venue Co Pty Ltd (QVC) during the half year ended 1 January 2023, including:

- service fees paid
- sales of inventory to QVC

Transactions remain materially the same as disclosed in the Financial Report for the period ended 26 June 2022.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the reporting date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

As at 1 January 2023, the Group has not recognised a provision for expected credit losses relating to amounts owed by related parties (26 June 2022: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. COMMITMENTS

Capital expenditure commitments of the Group are set out below:

	CONSOLIDATED	
	1 JANUARY 2023 $m	26 JUNE 2022 $m
Within one year	266	233
Between one and five years	58	121
More than five years	2	-
Total capital commitments for expenditure	**326**	**354**

10. ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

The assets and liabilities held for sale are summarised below:

	1 JANUARY 2023 $m	26 JUNE 2022 $m
Properties	141	82
Discontinued operations	1,068	-
Total assets held for sale	**1,209**	**82**
Discontinued operations	792	-
Total liabilities associated with assets held for sale	**792**	**-**

11. DISCONTINUED OPERATIONS

The Group presents as discontinued operations any component of the Group that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; and
- is part of a single coordinated plan to dispose of a separate major line of business, or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Express discontinued operation

On 21 September 2022, the Group entered into a binding agreement to sell its fuel and convenience retailing business to Viva Energy Group Limited for $300 million, which resulted in Express being classified as a disposal group held for sale and a discontinued operation at this date. The agreement allows the Group to focus on growing its omnichannel supermarket and liquor businesses. The business being disposed of was previously presented as the Express reportable segment.

The transaction is expected to conclude in the fourth quarter of FY23.

11. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of profit/loss from discontinued operations

The profit/loss from the Express business for the reporting period are set out below:

	1H23 $ m	1H22 $m
Sales revenue	607	578
Other operating revenue	151	137
Total operating revenue	**758**	**715**
Expenses	(662)	(634)
Depreciation and Amortisation[1]	(35)	(69)
Transaction costs	(5)	-
Earnings before interest and tax (EBIT)	**56**	**12**
Financing costs	(17)	(18)
Profit/(Loss) before income tax	**39**	**(6)**
Income tax (expense)/benefit	(12)	2
Profit/(Loss) for the half year from discontinued operations	**27**	**(4)**
EPS attributable to equity holders of the Company from discontinued operations:		
Basic EPS (cents)	2.0	(0.3)
Diluted EPS (cents)	2.0	(0.3)

[1] Depreciation and amortisation ceased from the date the assets were held for sale, including the depreciation on right of use assets. Depreciation and amortisation not recognised in 1H23 was $36m of which $27m relates to right of use assets.

Assets held for sale and transferring liabilities from discontinued operations

The assets and liabilities relating to the discontinued Express business are summarised below:

	1 JANUARY 2023 $m
Assets	
Cash and cash equivalents	5
Inventories	89
Other assets	103
Property, plant and equipment	112
Right-of-use assets	631
Intangible assets	71
Deferred tax assets	57
Assets held for sale	**1,068**
Liabilities	
Provisions	30
Lease liabilities	762
Liabilities associated with assets held for sale	**792**

11. DISCONTINUED OPERATIONS (CONTINUED)

Cash flows from/(used in) discontinued operations

The condensed cash flows from/(used in) discontinued operations during the period are set out below:

	1H23 $m	1H22 $m
Net cash inflow from operating activities	59	57
Net cash outflow from investing activities	(7)	(5)
Net cash inflow from financing activities	(56)	(47)
Net (decrease)/increase in cash and cash equivalents from discontinued operations	**(4)**	**5**

12. CONTINGENCIES

In February 2020, Coles announced it was conducting a review into the pay arrangements for all team members who received a salary and were covered by the General Retail Industry Award 2010 (GRIA). The review assessed the remuneration paid to 15,011 team members against GRIA. Coles conducted a remediation program, and to date Coles has incurred $13 million of remediation costs with a further $12 million provisioned at the date of this report.

Following the announcement in February 2020, the Fair Work Ombudsman (FWO) commenced an investigation into Coles' pay arrangements for a group of the affected salaried team members covered by the GRIA.

In December 2021, the FWO filed proceedings in the Federal Court of Australia which include issues relating to the interpretation and application of various provisions of the GRIA. FWO alleged that Coles is obligated to pay a further $108 million in remediation payments to 7,687 team members for the period 1 January 2017 to 31 March 2020. This group is a subset of the award covered salaried employees which were assessed as part of the 2020 review by Coles. Additionally, the period of time covered in the proceedings is a lesser period than the period covered in the Coles' remediation. Separately, in May 2020, a class action proceeding was filed in the Federal Court of Australia in relation to payment of Coles managers employed in supermarkets.

Coles has lodged its defence in these proceedings and is due to file its evidence in both proceedings in March 2023. The matters have been listed for a joint trial commencing 5 June 2023. The trial will include consideration of threshold issues, including interpretation of the GRIA provisions. Coles will continue to assess matters being raised in both these proceedings as they move closer to trial. Given the status of proceedings, it is not possible to provide an estimate of any further remediation, if any, that may be necessary, or costs or penalties associated with this matter at the date of this report.

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it is expected that the resolution of these contingencies will not have a material impact on the financial position of the Group or are not at a stage to support a reasonable evaluation of the likely outcome.

13. EVENTS AFTER THE HALF YEAR REPORTING PERIOD

Other than events disclosed elsewhere in this report, the Group is not aware of any matter or circumstance that has occurred since the end of the half year reporting date that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in subsequent reporting periods.

DIRECTORS' DECLARATION

The directors of Coles Group Limited (the Company) declare that, in their opinion:

a) the financial statements and notes of the Group for the half year ended 1 January 2023 are in accordance with the *Corporations Act 2001*, including:

   I. giving a true and fair view of the financial position as at 1 January 2023 and the performance for the half year ending on that date of the Group; and

   II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Coles Group Limited.

James Graham AM
Chairman
21 February 2023

Steven Cain
Managing Director and Chief Executive Officer
21 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Review Report to the Members of Coles Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Coles Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Balance Sheet as at 1 January 2023, the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 1 January 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Building a better working world

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 1 January 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

David Shewring
Partner
Melbourne
21 February 2023