Wesfarmers Limited

ABN 28 008 984 049

NEWS

3 November 2003

Wesfarmers announces record first quarter result and $934 million capital return

The directors of Wesfarmers Limited today announced a profit of $379.0 million for the quarter ended 30 September 2003. The result includes an after-tax profit of $274.0 million from the sale of the rural services business (Landmark) in late August this year. Excluding the profit from the sale of Landmark, the net profit was $105.0 million which represents an increase of 3.6 per cent over the $101.4 million earned in the comparative period last year.

Underlying group profit continued to grow at a higher rate, with a number of timing differences and irregular factors reducing reported profit growth in this quarter. These are described in the divisional commentaries below.

The result was achieved on operating revenue of $2.5 billion made up of $1.8 billion from ordinary activities and $706 million from the sale of the rural services business.

The group's earnings per share and cashflow per share (before goodwill amortisation), excluding the profit from the sale of Landmark, were 33.4 cents and 46.3 cents respectively, both similar to last year's.

As mentioned later and detailed in a separately-released statement, the directors today also approved a return of capital of $2.50 per share, amounting to approximately $934 million.

Hardware

Operating revenue for the Bunnings hardware merchandising business was nine per cent above the same quarter last year. First quarter earnings before interest and tax (before goodwill amortisation) increased by three per cent over the same period last year as a result of lower profits on the sale of properties this year.

Trading revenue and trading earnings before interest, tax and goodwill amortisation have grown by 11 per cent and 10 per cent respectively, a pleasing result. This is despite lower margins, which were higher last year prior to the write-down of inventory in the second half of the year.

Store-on-store cash sales growth was strong at around 14 per cent with very good results achieved in Queensland, Western Australia, New South Wales and New Zealand.

Trade sales were three per cent lower than last year with performance affected by the restructuring of the BBC Hardware trade accounts resulting in the closure of some low volume accounts and a continuation of the competitive trading environment.

Store network development continued during the period with the opening of three new Bunnings warehouse stores, in Dural and Albury, New South Wales and Townsville, Queensland. In addition, significant work has been undertaken and will continue in upgrading existing stores.

The outlook for the hardware merchandising business is for continued solid retail sales growth whilst trade sales performance is expected to remain subdued. New warehouse development will continue strongly with a further five openings by the end of the calendar year.

Energy

Operating revenue from the group's energy businesses was in line with expectations and seven per cent above the corresponding period last year. Earnings before interest and tax (before goodwill amortisation) were seven per cent lower than last year's, due to a decline in coking coal prices and an unfavourable movement in coal stocks at Curragh of $9 million versus the previous period which is expected to be recovered through increased production by the end of the financial year .

Coal

Sales volumes from the Curragh mine in Queensland for the period were marginally below budget but well above last year's. Earnings were below budget and last year's due mainly to the inventory movement referred to above.

Sales and earnings from the Premier Coal mine in Western Australia were marginally ahead of last year's result due to higher sales volumes.

The Bengalla coal mine in New South Wales, in which Wesfarmers has a 40 per cent interest, produced sales volumes higher than in the comparative period last year, reflecting improved demand for steaming coal. Earnings were in line with expectations but behind last year's result due to lower Australian dollar export prices and a negative movement in coal stocks.

The earnings outlook for coal for 2003/04 continues to be for a result lower than last year due to lower prices and the dragline maintenance expense at Curragh. Offsetting these impacts to some extent are currency hedging positions and recent positive indications regarding the outlook for coking coal prices which would affect the last quarter.

Gas and power

Kleenheat gas sales volumes were in line with budget and last year's result. Earnings were above budget but below last year's due to lower net margins.

Wesfarmers LPG's export volumes were marginally below budget and last year's. Earnings were above expectation and last year's result due to higher international gas prices.

Earnings from StateWest Power and the 40 per cent-owned Air Liquide WA were higher than last year's.

The outlook for the group's gas activities for 2003/04 remains dependent on international LPG price movements and the impact of demand uncertainty as a result of proposed changes to excise regulations.

Industrial and safety

The industrial and safety businesses reported operating revenue 3.3 per cent behind that of the first quarter last year. Earnings before interest and tax (before goodwill amortisation) were 11.6 per cent behind those in the comparative period and slightly behind expectations.

Last year's first quarter results included the revenue, earnings and proceeds from the disposal of the Horan's Steel business, which was sold in August 2002. On a like-for-like basis (excluding the Horan's contribution), revenue was 4.8 per cent ahead of the first quarter last year.

A slower than expected commencement of a number of infrastructure projects has had some effect on sales in the industrial and safety businesses. Performance from the Protector Alsafe business was disappointing with revenue and profits below expectations. A number of initiatives have been implemented to correct this situation.

Completion of the rationalisation of the Australian safety business and the integration of the recently acquired Paykels business in New Zealand should deliver revenue and earnings growth for the remainder of the financial year.

Chemicals and fertilisers

Operating revenue from CSBP's chemicals and fertilisers businesses was in line with budget and higher than in the corresponding period last year. Earnings contribution (before goodwill amortisation) of $6.9 million was 15 per cent above last year's.

CSBP's chemicals activities performed slightly below expectations due to continued short term softness in contracted ammonia demand associated with customer production difficulties. Overall sales tonnages were in line with last year's but earnings contribution was slightly lower than in the corresponding period last year.

Production performance from the chemicals operations, including the Queensland ammonium nitrate joint venture, was steady.

Fertiliser sales revenue and tonnages were ahead of budget and above last year on the back of good seasonal conditions and a strong market focus. Earnings contribution from the fertiliser business was above last year's.

The anticipated record harvest in Western Australia will create storage and handling pressures that may adversely impact the despatch of fertilisers in the second quarter. If this eventuates, the performance of CSBP's fertiliser business will become comparably higher in the second half of the financial year than in prior years.

The outlook for CSBP is for an improved performance over last year's result.

Rural services and insurance

As previously announced, Wesfarmers sold the Landmark rural services business to AWB Limited on 29 August 2003. The first quarter results include earnings of $7 million from Landmark from trading in July and August compared to $11 million earned in the first quarter last year.

Wesfarmers Federation Insurance reported another excellent result with both premium income and earnings above budget and the same period last year.

The purchase of Lumley's Australian and New Zealand insurance business was completed on 14 October 2003. Lumley Australia, Lumley New Zealand and Lumley Technology join Wesfarmers Federation Insurance to form the new Wesfarmers Insurance division. The sale of Lumley Life to Capital Alliance Holdings (Australia) Pty Ltd, announced last month, is expected to be finalised in December 2003. As a consequence no earnings will be brought to account from the life business.

Other operations

Revenues from the 50 per cent-owned Australian Railroad Group were five per cent below last year's but four per cent above budget due to higher iron ore and grain volumes.

Earnings were below last year's due largely to lower tonnages under grain and Alice Springs to Darwin contracts and timing of maintenance programmes. The outlook for ARG is positive with a large harvest and new contracts expected to boost revenue.

Operating revenue from the forest products business, Sotico, was in line with budget but significantly below the corresponding period last year due to divestments and the voluntary reduction of hardwood log intake. Earnings for the year were above budget and in line with last year's due to improved margins from the hardwood business and continuing strong performance of the pine sawn timber business, Wespine Industries, in which Wesfarmers has a 50 per cent interest.

Steady progress continues to be made in the orderly rationalisation of the forest products business with the sale in October 2003 of the pine log treatment plant.

Increased earnings are anticipated over the remainder of the year from the company's investment in the Gresham Private Equity Fund, as the Fund moves into its investment realisation phase.

Capital management

As more fully described in a separate announcement, the directors have today approved a return of capital of $2.50 per share (approximately $934 million). After consideration of a number of alternatives, this was considered to be the most effective way of restoring an appropriate level of gearing and rewarding shareholders without adversely affecting the company's growth prospects.

At 31 October 2003, the company had bought back approximately seven million (1.8 per cent) of its shares at an average price of $25.43 through the on-market buyback since it was announced in February 2003.

Outlook

The group is operating well overall and the directors continue to forecast a continuation of underlying profit growth, at a higher level than in the first quarter, over the full year.

The return of capital, expected to be made in December, will reduce the group's 2003/04 after-tax profit by around $20 million due to higher interest costs.

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Quarterly Report

for the three months to 30 September 2003

Name of entity

WESFARMERS LIMITED

ABN 28 008 984 049

Equity accounted results for announcement to the market

				$A'000
Revenues from ordinary activities	up	38.8%	to	2,519,181*
Profit (loss) from ordinary activities after tax attributable to members)	up	273.8%	to	379,098
Net profit (loss) for the period attributable to members	up	273.8%	to	379,098**
* Consists of:				
Revenues from ordinary activities				1,813,557
Revenues from sale of rural services business				705,624
				2,519,181
** (a) Consists of:				
Net profit before goodwill amortisation and sale of rural services business	up	2.4%	to	125,651
Goodwill amortisation				(20,614)
Net profit after goodwill amortisation and before sale of rural services business	up	3.6%	to	105,037
(b) Includes net profit on sale of rural services business				274,061

Consolidated statement of financial performance

	Current period - $A'000	Previous corresponding period - $A'000
Revenues from - ordinary activities	1,813,557	1,814,775
- sale of rural services business	705,624	-
Total revenue	2,519,181	1,814,775
Expenses from ordinary activities	1,952,941	1,651,767
Borrowing costs	12,005	19,758
Share of net profit (loss) of associates and joint venture entities	7,282	9,155
Profit (loss) from ordinary activities before tax	561,517	152,405
Income tax on ordinary activities	182,738	51,109
Profit (loss) from ordinary activities after tax	378,779	101,296
Profit (loss) from extraordinary items after tax	-	-
Net profit (loss)	378,779	101,296
Net profit (loss) attributable to outside equity interests	(319)	(115)
Net profit (loss) for the period attributable to members*	379,098	101,411

* (a) Consists of:		
Net profit before goodwill amortisation and sale of rural services business	125,651	122,761
Goodwill amortisation	(20,614)	(21,350)
Net profit after goodwill amortisation and before sale of rural services business	105,037	101,411
(b) Includes net profit from the sale of rural services	274,061	-

Earnings per security (EPS)	Current period	Previous corresponding period
Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
(a) Basic and Diluted EPS		
- before goodwill amortisation	106.3c	33.0c
- after goodwill amortisation	100.8c	27.2c
- before goodwill amortisation and net profit from sale of rural services business	33.4c	33.0c
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	376,155,031	372,472,829

3. Supplementary Information 'Cash Flow Per Share'

In accordance with general principles used by financial analysts, "cashflow per share" has been calculated by adding all forms of depreciation and amortisation to net profit after tax and dividing by the weighted average number of ordinary shares on issue during the year.

	Current period	Previous corresponding period
Before sale of rural services business	46.3c	46.1c

4. Segment Information – three months ending 30 September 2003

(a) Segment Earnings	Earnings before goodwill amortisation		Goodwill amortisation		Earnings after goodwill amortisation	
	2003 $000	2002 $000	**2003 $000**	2002 $000	**2003 $000**	2002 $000
Hardware	80,483	78,146	12,518	12,545	67,965	65,601
Energy	58,211	62,348	149	117	58,062	62,231
Industrial and safety	28,143	31,823	6,315	6,285	21,828	25,538
Rural services and insurance	16,645	19,735	1,566	2,337	15,079	17,398
Chemicals and fertilisers	6,888	6,003	66	66	6,822	5,937
Other	417,912*	9,874	-	-	417,912*	9,874
	608,282	207,929	20,614	21,350	587,668	186,579
Consolidation adjustments	(2,289)	(2,072)	-	-	(2,289)	(2,072)
Interest paid and corporate overheads	(23,862)	(32,102)	-	-	(23,862)	(32,102)
Operating profit before income tax	582,131	173,755	20,614	21,350	561,517	152,405
Income tax expense	(182,738)	(51,109)	-	-	(182,738)	(51,109)
	399,393	122,646	20,614	21,350	378,779	101,296

* Includes $405,166 from the sale of rural services business

(b) Segment Revenue	Operating Revenue	
	2003 $000	2002 $000
Hardware	888,071	814,571
Energy	257,139	239,492
Industrial and safety	300,537	310,782
Rural services and insurance	278,883	363,912
Chemicals and fertilisers	73,051	67,680
Other	723,851*	20,463
	2,521,532	1,816,900
Consolidation adjustments	(2,351)	(2,125)
	2,519,181	1,814,775

* Includes $705,624 from the sale of rural services business

Comments by Directors

Material factors affecting the revenues and expenses of the economic entity for the current period.

Refer to the press release dated 3 November 2003 accompanying this statement.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible).

The acquisition of Edward Lumley Holdings Limited and the Lumley Insurance Group's Australian and New Zealand operations was completed on 14 October 2003.

The purchase price is expected to be approximately $320 million, plus the assumption of external debt of some $55 million.

The final price is subject to adjustment for profits earned since 1 July 2003 and the impact of the sale of Lumley Life which is expected to be completed by the end of December 2003.

On 3 November 2003 the company announced a capital return to shareholders of $2.50 per share amounting to about $934 million subject to final approval by the Australian Taxation Office and the company's shareholders.

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.

2 This report gives a true and fair view of the matters disclosed.

3 This report is based on accounts which have not been audited.

4 The entity has a formally constituted audit committee.

Sign here: Company Secretary

Date: 3 November 2003

Print name: L J Kenyon