

HALF YEARLY REPORT TO SHAREHOLDERS • SIX MONTHS TO 31 DECEMBER 1998




Wesfarmers Limited

ACN 008 984 049

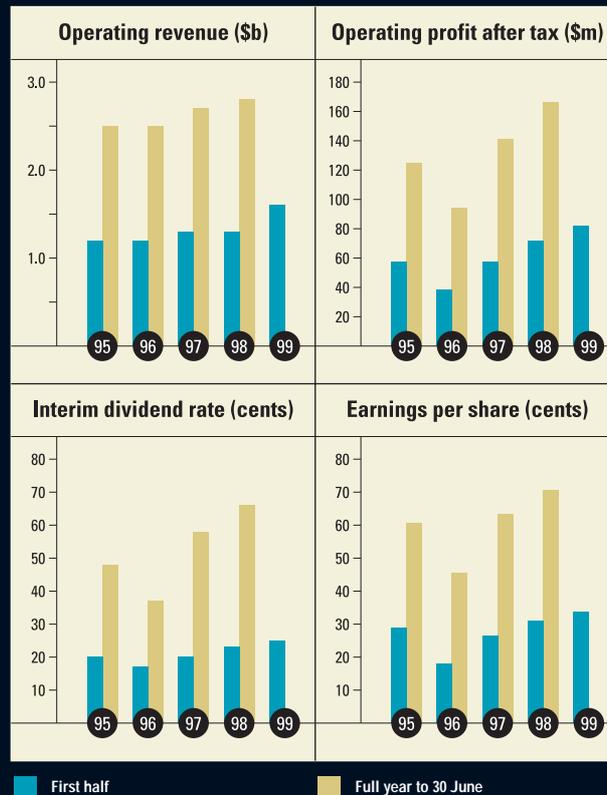
INTERIM HIGHLIGHTS

operating revenue up 17.4 per cent
to \$1.6 billion

operating profit after tax (before abnormal items)
up 14.7 per cent to \$82.1 million

interim dividend rate up 8.7 per cent
to 25 cents

earnings per share (before abnormal
items and goodwill amortisation)
up 8.7 per cent to 33.8 cents



Report to shareholders



The directors of Wesfarmers Limited have pleasure in presenting this interim report to shareholders covering consolidated results of the company and its controlled entities for the six months ended 31 December 1998. The report also contains a brief overview of group business activities for the half-year.

The group operating profit after tax (before abnormal items) was \$82.1 million for the half-year, an increase of 15 per cent on the previous half-year's result of \$71.6 million. Operating profit after tax before abnormal items and goodwill amortisation was \$85.7 million, 14 per cent higher than last year's \$75.1 million.

The record result arises from a significantly higher contribution from the Wesfarmers Bunnings hardware retailing business which more than offset lower earnings from the group's fertilisers/chemicals, energy and rural businesses.

During the first half, the group also recorded abnormal after-tax profits of \$11.8 million arising from the sale of retail properties to the Bunnings Warehouse Property Trust and \$9.0 million from the sale of shares in SGIO Insurance Limited. As a result of these two transactions, the group's operating profit after tax and abnormal items was \$102.9 million, an increase of 44 per cent on last year's figure.

The group's earnings per share (before abnormal items and goodwill amortisation) of 33.8 cents for the six months increased from 31.1 cents in the corresponding period last year. Cash flow per share of 54.8 cents (before abnormal items) was also higher than last year's 51.1 cents.

Operating revenue of \$1.6 billion for the period compared favourably with \$1.3 billion in the corresponding period in 1997/98. This year's result, however, included revenue of \$79 million from the sale of warehouses to the Bunnings Warehouse Property Trust and \$65 million from the sale of SGIO shares.

FINANCE

The group's cash flow was impacted by a higher capital investment programme and the payment of a 50 cents per share capital return during the period. As a result, interest expense of \$11.2 million was higher than last year's \$9.0 million.

The group's net debt to equity ratio of 55.2 per cent at 31 December 1998 compared with 36.0 per cent at the same time last year but remained within the target range between 40 per cent and 65 per cent.

OUTLOOK

Hardware retailing is expected to maintain its strong growth in the remainder of 1998/99 and the group result for the second half will also reflect higher earnings in the energy and rural businesses. The impact of low wool prices and the depressed mining sector is expected to affect the fertilisers and chemicals business for the remainder of the financial year. Overall, the group revenues and profits in 1998/99 are expected to be higher than the results achieved last year.

INTERIM DIVIDEND

The directors have declared an interim dividend of 25 cents per share (last year 23 cents per share) which will be paid to shareholders on 19 April 1999. The company will maintain its dividend policy of paying out 100 per cent of profits for the full year for the foreseeable future.

DIVIDEND INVESTMENT PLAN

Wesfarmers Limited operates a dividend investment plan which provides shareholders with a convenient method of reinvesting dividends in new Wesfarmers Limited fully-paid shares.

Shares are issued under this plan at a discount to the market price (2.5 per cent for this dividend) and without brokerage fees or stamp duty.

Shareholders already registered under the plan will automatically receive new shares unless they notify the company's share registry that they wish to withdraw.

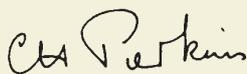
For other members wishing to register in time to participate in the plan for the 1999 interim dividend, a completed form will need to be lodged with the company or its share registry prior to 5.00 pm on Friday 26 March 1999.

Details of the plan are available from Computershare Registry Services Pty Limited (telephone (08) 9323 2000).

ENVIRONMENTAL, HEALTH & SAFETY REPORT

Wesfarmers has recently published its inaugural environmental, health & safety report. The report reviews performance from a number of the company's operating businesses: coal; gas retailing; forestry and timber; fertilisers and chemicals; and transport. Other company businesses will be included in future reports.

A copy of this report is available to shareholders on request.



C H PERKINS

Chairman



M A CHANEY

Managing Director

Review of operations

ENERGY

Wesfarmers Energy Limited incorporates the group's gas and coal operations.

Operating revenue for the six months to 31 December 1998 declined by two per cent to \$236.3 million due to lower coal deliveries.

Earnings before interest and tax of \$49.9 million were 11 per cent below the \$56.0 million recorded last year with all of the shortfall in the coal operations.

Gas

The gas business comprises three operating segments: Wesfarmers Kleenheat Gas Pty Ltd (retailing), Wesfarmers LPG Pty Ltd (production and export) and Air Liquide WA Pty Ltd (industrial gases).

Kleenheat performed in line with budget expectations and ahead of last year despite a mild winter across most of eastern Australia which impacted both bulk and cylinder sales.

Margins in most market sectors improved on last year and this, together with lower operating and distribution costs, impacted positively on the overall result.

The gas crisis caused by the explosion at Esso's plant at Longford in Victoria severely affected liquefied petroleum gas (LPG) availability from Bass Strait. Kleenheat was able to draw on its national transport fleet, however, and source product throughout eastern Australia to meet customer demand.

The Kleenheat business is expected to exceed last year's sales and earnings on a full year basis.

Wesfarmers LPG benefited from a high level of plant availability from its extraction facility at Kwinana in Western Australia with strong flow rates and LPG content. Production for the six months was five per cent higher than the comparative period last year.

The volume of LPG exports to Japan was 17 per cent higher than last year, but revenue was impacted by lower selling prices in the period. Export volumes in the second half are expected to be lower than the corresponding period.

Air Liquide is a 40 per cent owned company which produces and markets a range of industrial and medical gases. In September 1998, Air Liquide commissioned its new liquid oxygen expansion unit at Kwinana in Western Australia resulting in higher sales and earnings in the six months compared to last year.

Coal

The volume of coal deliveries by Wesfarmers Coal in the first half was 11 per cent below the corresponding period last year, mainly due to unexpected delays in the commissioning by Western Power of its new overland conveyor from the "Premier" mine site at Collie in Western Australia to the Muja power station.

This shortfall in sales is expected to be recovered during the remainder of the 1998/99 financial year, with second half earnings correspondingly higher.

Overburden removal of nine million bank cubic metres in the six months was 10 per cent below last year due to industrial stoppages, plant availability and excessive wet weather, but this shortfall is expected to be recovered by 30 June 1999.

The Premier mine infrastructure including administration offices, workshops, store and highway diversion has now been completed.

In July 1999 Wesfarmers Coal will commence the supply of coal to Western Power's new Collie power station.

The Premier coal handling plant is now connected by overland conveyor to the new power station and deliveries of coal have commenced for testing and commissioning.

The Bengalla coal project in the Hunter Valley in New South Wales is progressing on budget and on time. First coal deliveries are expected to occur in the last quarter of 1998/99.

HARDWARE AND FOREST PRODUCTS

Wesfarmers Bunnings Limited has interests in hardware retailing and in the production and marketing of timber and forest products.

Operating revenue for the six months to 31 December 1998 totalled \$610.6 million, an increase of 33 per cent compared to the comparative period last year with most of the growth attributable to the rapidly expanding national chain of warehouse hardware stores.

Earnings before interest and tax of \$58.1 million for the half-year were 55 per cent higher than the \$37.5 million earned in the corresponding period last year.

Home and hardware products

The driving force behind the sales growth in the Bunnings hardware retailing business was the rollout of 10 new warehouse outlets during the six months, increasing the number of operating warehouses in the group's national chain to 27. Warehouse stores now in their second or third year of operation also recorded solid growth in the first half. In addition, strong store-on-store growth was recorded by traditional hardware stores in Western Australia and South Australia.

Bunnings now operates in all mainland States and Territories of Australia and its warehouse rollout programme is on target to achieve up to 50 stores trading by 30 June 2000 and between 65 and 70 stores trading by the end of 2001.

The outlook for the hardware retailing business in the second half is positive with good results expected from warehouse and traditional stores.

The WA Salvage bargain hardware and variety business achieved a significant sales and profit turnaround during the six months. WA Salvage recently opened a new store in

Mandurah, south of Perth, and now operates 17 branches in metropolitan and country Western Australia.

Forest products

Bunnings Forest Products is a producer and supplier of Western Australian timber and forest products to Australian and international markets. The business also produces woodchips for the export market from sawmill and forest residues and is involved in the development and management of eucalypt and pine plantations in the south-west of Western Australia.

The business recorded improved results in the first six months mainly due to higher timber sales to interstate and international markets. There has been an improvement in the Western Australian housing market, but margins have been affected by strong competition in this sector. Results from the woodchip export business were above expectations in the first half.

Results for the full 1998/99 financial year for the Forest Products business are expected to be above last year.

FERTILISERS AND CHEMICALS

Wesfarmers CSBP Limited is the major supplier of fertilisers and chemicals to Western Australia's agricultural, mining and industrial sectors.

Operating revenue for the six months to 31 December 1998 totalled \$140.0 million, an increase of three per cent compared to the comparative period last year.

Earnings before interest and tax of \$14.1 million were 14 per cent below last year's \$16.4 million, impacted by lower margins in fertilisers and in the sodium cyanide business.

Fertilisers

Total fertiliser despatches were three per cent below the corresponding six months last year, with most of the shortfall in superphosphate and associated products. The continuing weakness of the wool price has reduced demand for these products, a trend which is expected to continue over the full 1998/99 financial year.

Sales of cropping fertilisers in the period were satisfactory.

The weakness of the Australian dollar, particularly in the early part of the six month period, together with firm international prices for phosphates, adversely impacted costs and margins.

Chemicals

Sales of chemical products were, in total, above the corresponding period but lower activity in the gold mining industry constrained sales of sodium cyanide to levels just below last year and affected prices.

Sales of ammonia increased as a result of higher demand from the nickel sector, and despatches of ammonium nitrate also improved.

Construction of the new ammonia plant at Kwinana in Western Australia and the joint venture Queensland ammonium nitrate plant both progressed satisfactorily in the period.

RURAL SERVICES AND INSURANCE

Wesfarmers Dalgety Limited - also encompassing Wesfarmers Federation Insurance - is one of Australia's largest suppliers of primary industry services.

Operating revenue for the six months to 31 December 1998 declined marginally to \$342.0 million compared to the comparative six months last year.

Earnings before interest and tax of \$13.9 million were seven per cent lower than the corresponding six months last year.

Rural services

The rural business continued to be impacted by lower wool prices in the six months, partly offset by firmer cattle prices and merchandising sales which were eight per cent higher. Real estate activity also increased during the six months.

Seasonal conditions in most parts of Australia were much improved on the first half last year, with good rains in Queensland and New South Wales boosting grazing and cropping prospects.

No significant improvement in wool prices is forecast for the remainder of 1998/99, but results in this business sector are expected to improve in the second half as a result of the merger with Elders Limited of national wool handling activities into the Australian Wool Handlers joint venture.

The continued expansion of Wesfarmers Dalgety's merchandise business into new areas of activity such as horticulture is generating higher levels of sales and earnings.

Insurance

The Wesfarmers Federation Insurance business was affected by lower than expected premium income and higher weather-related claims in the first six months.

Competition continues to be intense in the insurance industry, and the full-year results for this business are expected to be below last year.

TRANSPORT

Operating revenue of the group's transport business increased by 26 per cent in the first half and earnings before interest and tax were 61 per cent higher.

The improved performance is the result of the acquisition of the JRT2 sugar cane cartage business in Queensland and the Key Transport business in Western Australia.

The outlook for the full year is positive despite intense competition in the transport industry.

PROFIT AND LOSS ACCOUNT

FOR THE HALF-YEAR ENDED 31 DECEMBER 1998
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 1998 \$000	December 1997 \$000
Operating revenue	1,551,967	1,321,864
Operating profit before abnormal items and income tax	122,347	113,840
Abnormal items before income tax	30,851	-
	153,198	113,840
Income tax attributable to:		
Operating profit before abnormal items	39,877	41,908
Abnormal items	10,036	-
	49,913	41,908
Operating profit after income tax	103,285	71,932
Outside equity interests in operating profit after income tax	390	372
Operating profit after income tax attributable to members of Wesfarmers Limited	102,895	71,560
Retained profits at the beginning of the half-year	209,794	205,921
Adjustment on introduction of new accounting standard	-	2,246
Total available for appropriation	312,689	279,727
Dividends provided for or paid	65,060	57,068
Retained profits at the end of the half-year	247,629	222,659
Operating profit after income tax attributable to members of Wesfarmers Limited consists of:		
Profit before abnormal items and goodwill amortisation	85,672	75,118
Goodwill amortisation	(3,592)	(3,558)
Profit before abnormal items	82,080	71,560
Abnormal items	20,815	-
	102,895	71,560

BALANCE SHEET

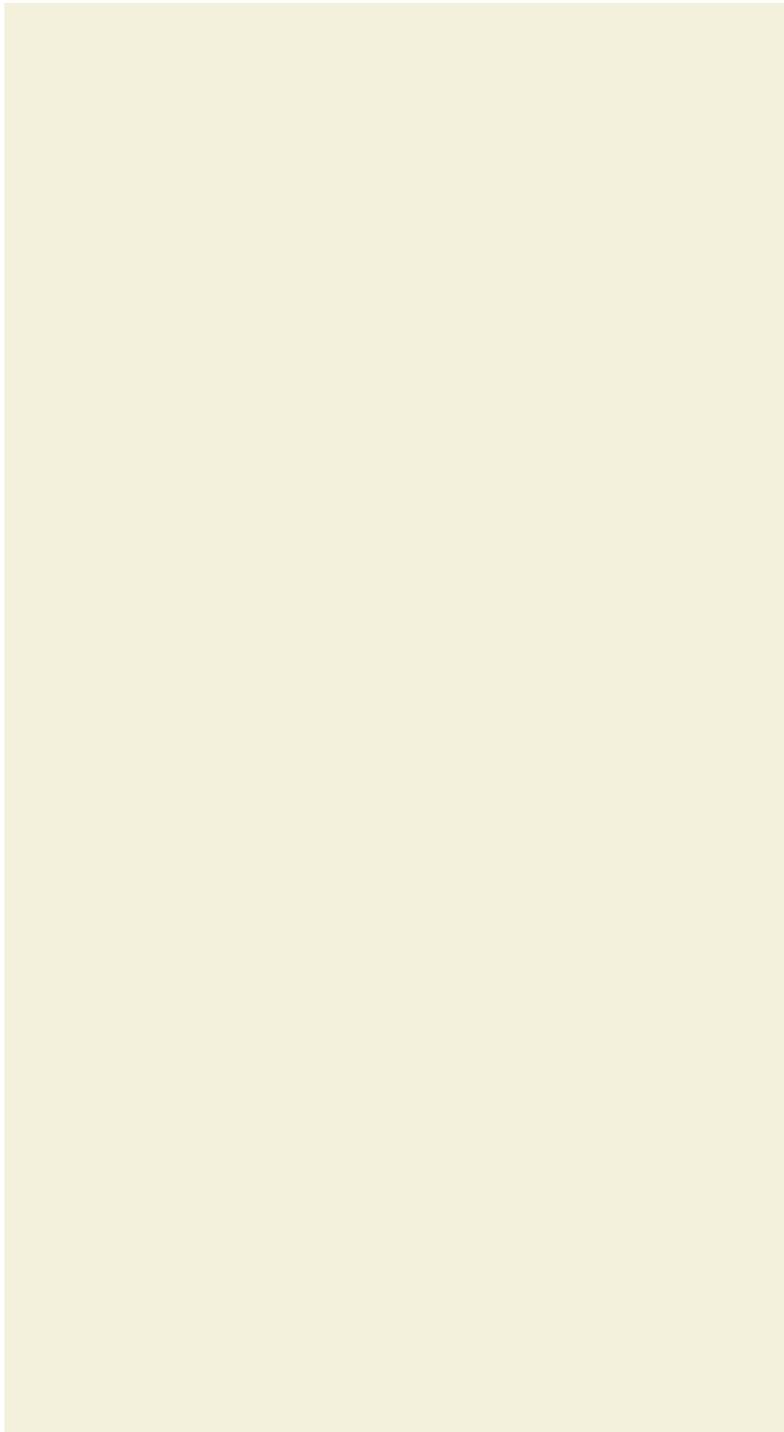
AT 31 DECEMBER 1998
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 1998 \$000	June 1998 \$000
Current assets		
Cash	39,038	66,878
Receivables	350,624	367,613
Inventories	489,888	379,444
Total current assets	879,550	813,935
Non-current assets		
Receivables	117,866	80,901
Investments	97,633	66,685
Property, plant and equipment	1,292,017	1,249,927
Intangibles	145,359	148,883
Other	17,382	13,314
Total non-current assets	1,670,257	1,559,710
Total assets	2,549,807	2,373,645
Current liabilities		
Borrowings	250,789	195,776
Accounts payable	297,108	389,436
Provisions	149,668	160,386
Other	116,374	111,875
Total current liabilities	813,939	857,473
Non-current liabilities		
Borrowings	432,513	220,192
Accounts payable	2,693	2,521
Provisions	107,897	101,202
Other	22,719	22,719
Total non-current liabilities	565,822	346,634
Total liabilities	1,379,761	1,204,107
Net assets	1,170,046	1,169,538
Shareholders' equity		
Share capital	845,489	125,549
Reserves	74,428	832,355
Retained profits	247,629	209,794
Shareholders' equity attributable to members of Wesfarmers Limited	1,167,546	1,167,698
Outside equity interests in controlled entities	2,500	1,840
Total shareholders' equity	1,170,046	1,169,538

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 1998
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 1998 \$000	December 1997 \$000
Cash flows from operating activities:		
Receipts from customers	1,360,410	1,350,896
Payments to suppliers and employees	(1,373,061)	(1,271,473)
Dividends received	2,921	3,010
Interest received	3,792	6,107
Interest paid	(9,698)	(7,902)
Income tax paid	(33,905)	(56,958)
Net cash (used in) provided by operating activities	(49,541)	23,680
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(239,408)	(169,478)
Acquisition of investments	(83,641)	(9,013)
Proceeds from sale of non-current assets	242,597	14,408
Loans to other entities	(3,381)	(573)
Loans repaid by other entities	-	20
Net cash used in investing activities	(83,833)	(164,636)
Cash flows from financing activities:		
Proceeds from issue of shares - Wesfarmers Limited	6,318	53
Net proceeds of borrowings	266,805	169,434
Dividends paid	(53,779)	(24,172)
Repayment of employee share plan loans	6,008	9,035
Payment of capital return	(119,818)	-
Net cash provided by financing activities	105,534	154,350
Net (decrease) increase in cash held	(27,840)	13,394
Cash at the beginning of the half-year	66,878	30,051
Cash at the end of the half-year	39,038	43,445





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