Wesfarmers

HALF YEARLY REPORT

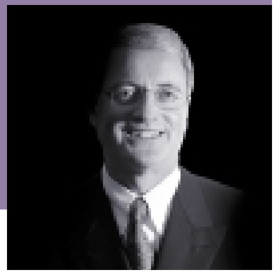
looking to the future

Six months to 31 December 2001

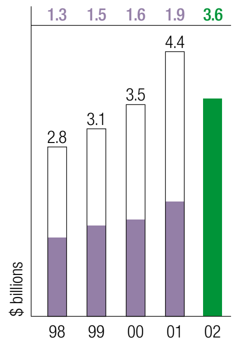
Operating revenue up 85 per cent
Operating profit after tax up 61 per cent
Interim dividend up 26 per cent
Earnings per share up 46 per cent

interim highlights

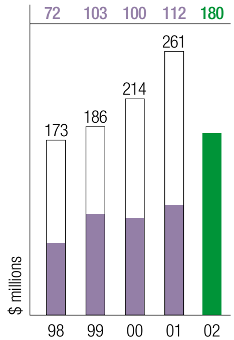
Harry Perkins, Chairman



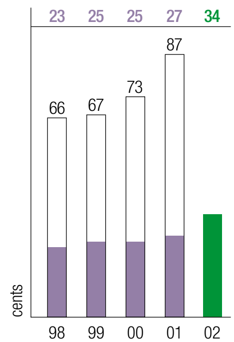
Michael Chaney, Managing Director



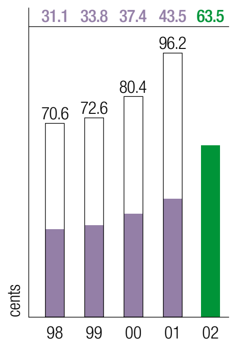
Operating revenue



Operating profit after tax
before goodwill amortisation



Interim dividend



Earnings per share
before goodwill amortisation

First Half   Full year to 30 June

a strong first half result

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 2001. The report also contains a brief overview of group business activities for the half year.

Wesfarmers recorded a strong result for the half year, with operating profit increasing 61 per cent over the previous period to $180.3 million. This result is slightly ahead of expectations following the completion of the Howard Smith acquisition in August 2001.

Operating profit before goodwill amortisation was $217.5 million, an increase of 89 per cent over the previous period. The result was achieved on operating revenue of $3.6 billion which was 85 per cent higher than last year's $1.9 billion.

The inclusion, from August, of results from Howard Smith's hardware and industrial and safety businesses was a strong factor in the earnings and revenue growth, as was the achievement by all business segments of first half results which exceeded the comparative period last year.

Included in the 31 December 2001 half year result is profit after tax on the sale of non-current assets of $7.7 million, which compares with $3.3 million earned in the same period last year.

The group's reported earnings per share (before goodwill amortisation) of 63.5 cents for the half year was 46 per cent above the 43.5 cents in the corresponding six months last year. Cash flow per share of 93.3 cents was also higher than last year's 71.6 cents.

Finance

The group's ratio of net debt to equity as at 31 December 2001 was 54.9 per cent, down from 84.3 per cent at 31 December 2000. The rolling 12 month cash interest cover was 11.3 times, well above the group's minimum benchmark of four times and unchanged from last year.

Net operating cash flows in the period were adversely impacted by several one-off factors. The most significant of these was a marked increase in working capital in the hardware operations as a result of integration related re-merchandising programmes. Higher taxation payments were also made in the period as a result of changes to the corporate taxation instalment payment regime and the additional taxation payments attributable to the newly acquired Howard Smith entities.

Outlook

The directors are pleased with the half year result and are confident about both the prospects of the group generally and the immediate outlook for the second half of the financial year. Integration work on recent major acquisitions is proceeding well and the key businesses of the Wesfarmers group continue to perform strongly.

In the bidder's statement dated 13 June 2001 issued for the Howard Smith takeover, directors forecast Wesfarmers' operating profit after tax for the 2001/2002 financial year at $379 million, based on the assumption that the acquisition occurred on 1 July 2001 and that a full year of synergy benefits was received. Despite the fact that some of the synergy benefits will only occur over part of this financial year and that the acquisition was effected on 1 August 2001, the directors currently expect the group's full year result to exceed the $379 million forecast. This improved outlook arises from better than anticipated performance from all businesses and higher than expected synergies from the Howard Smith acquisition.

Interim dividend

A fully franked interim dividend of 34 cents per share (last year 27 cents per share) payable to shareholders on 28 March 2002 has been declared by the directors and the company expects to maintain its dividend policy of paying out 100 per cent of profits, fully franked, for the full year.

The directors also decided that new shares issued under the company's Dividend Investment Plan in respect of the interim dividend will issue at a discount of 2.5 per cent to market, the same rate as applied last year.

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.

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 2002 interim dividend, a completed form will need to be lodged with the company or its share registry prior to 5.00 pm on Friday, 8 March 2002.

Details of the plan are available from Computershare Investor Services Pty Limited (telephone (61 8) 9323 2077.

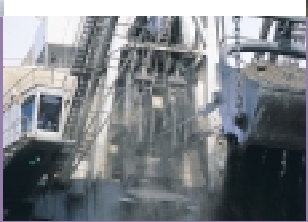
Environment, safety & health report

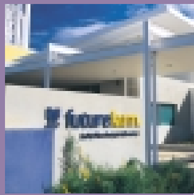
In February 2002 Wesfarmers published its fourth environment, safety & health progress report. The report reviews the performance of the following operating businesses: coal; gas retailing and production; hardware retailing; fertilisers and chemicals; rural services and insurance; and forest products.

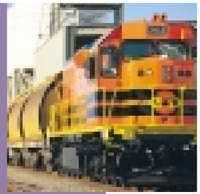
This report can be downloaded from the company's website at www.wesfarmers.com.au or is available to shareholders on request from the Public Affairs Co-ordinator, on (61 8) 9327 4211.

C H PERKINS
Chairman

M A CHANEY
Managing Director







review of operations

Hardware

Operating revenue for the Bunnings hardware merchandising business increased by 118 per cent to $1.5 billion in the first half. Earnings before goodwill amortisation of $146 million were 85 per cent higher than in the corresponding period last year.

The increased revenue and earnings were due to the inclusion of trading results from Howard Smith's BBC Hardware operations acquired in August 2001 and continuing strong growth in the underlying Bunnings business.

The underlying growth is gratifying given the management effort required in the period in regard to the Howard Smith acquisition. Good progress has been made in the integration into Bunnings of the BBC Hardware businesses – Hardwarehouse, BBC and Benchmark. A more detailed progress report on aspects of this integration work can be downloaded from the half year results announcement located in the 'news' section on the company's website at www.wesfarmers.com.au.

Increases in retail sales were enjoyed in all regions including Victoria, where unseasonal weather in the second quarter dampened demand. Store on store growth in Bunnings outlets, excluding stores not trading for the full period and excluding stores affected by Bunnings warehouse store openings, was 11.0 per cent. BBC/Hardwarehouse growth, on a comparable basis, was lower at 5.8 per cent although encouragingly, the low growth of the September quarter of 2.5 per cent increased to 8.5 per cent in the December quarter.

Gross margins were adversely impacted by several factors, including seasonal product mark-downs in Victoria related to the poor second quarter weather and the clearing of redundant lines and surplus stock in Hardwarehouse and BBC stores.

The growth in trade sector sales was slightly below budget reflecting ongoing insurance industry-related building approval delays. Trade sales represented 23 per cent of total sales in the first half.

The outlook for hardware in the second half is positive. Work to fully integrate the Bunnings and BBC Hardware businesses is ongoing and is now focusing on driving improved performance across the acquired store network.

Energy

Operating revenue of the energy industry segment increased by one per cent to $475 million in the first half. Earnings, before goodwill amortisation, of $107.0 million were 16 per cent higher than the $92.5 million recorded in the same period last year, due to strong growth in coal earnings.

Coal

Sales volumes from the Curragh mine in Queensland were on budget and 17 per cent above last year. Increased selling prices and higher export volumes resulted in earnings that were markedly above last year. The timing of export shipments in the period favoured the first quarter and production was reduced in the second quarter by planned major dragline maintenance works.

The Bengalla coal mine in New South Wales, in which Wesfarmers has a 40 per cent interest, produced sales volumes and revenue above last year but below budget due to increased competition in international steaming coal markets together with weaker demand and prices. Bengalla earnings were also above last year but below budget.

Coal deliveries from the Premier mine in Western Australia were slightly ahead of the corresponding period last year and earnings were in line with last year. An in-principle agreement has recently been reached with Premier's main customer which satisfactorily resolves the coal volume dispute.

Development highlights included satisfactory progress on preliminary works at the Curragh East deposit in preparation for mining commencement in mid 2002. Plans and approvals have also been finalised to complete an upgrade to the Curragh coal preparation plant in the last quarter of this financial year. Senior management positions within Wesfarmers' coal operations have been reorganised to support continuous improvements in all operations and to position the business for further growth.

The outlook for coal in the second half is positive. Export steaming coal sales volumes and prices, which were under pressure in the first half, have stabilised and are now showing signs of a modest recovery. The coking coal market remains firm with positive prospects from annual price and volume renegotiations.

Gas

Domestic LP gas sales volumes and revenue were below last year, with autogas demand in particular weaker than anticipated.

Export sales volumes were also below budget and last year due to a delayed export shipment budgeted for December and plant shutdowns while expansion works were undertaken. The lower volumes and weaker international LP gas prices resulted in earnings below budget and last year.

Growth highlights included the completion of de-bottlenecking work at the recently expanded LP gas plant in Kwinana that has lifted production capacity by a further 10 per cent to at least 330,000 tonnes per annum. Trading from the 55 per cent owned Bangladesh LP gas business commenced in the second quarter after the successful completion of the development phase of this project.

In September, Kleenheat secured a controlling stake in StateWest Power, an independent power producer specialising in electricity supply to mining operations and regional towns. Kleenheat now holds a 73 per cent stake in StateWest Power and this business made a small contribution to earnings in the period.

The overall first half profit contribution from the group's gas activities was below budget and below the comparative period last year. Full year earnings are dependent on both local demand recovery and international price trends, but are expected to remain below budget and last year.

Fertilisers and chemicals

Operating revenue of $156 million from the group's fertilisers and chemicals business for the six months was three per cent lower than for the comparative period last year. Stronger volumes in chemicals resulted in earnings, before goodwill amortisation, increasing by 30 per cent to $9.9 million compared with last year's $7.6 million. Historically, over 70 per cent of fertiliser sales occur in the second half of the financial year. This is reflected in the low absolute level of the first half earnings figures.

Total fertiliser despatches were 29 per cent below those in the corresponding trading period last year, mainly due to a carryover of 1999/2000 seasonal demand into the July and August 2000 comparative trading period. Development work to replace the existing core cropping fertiliser range is close to completion and the new range of products will be launched into the 2002 season.

Stronger than anticipated harvest conditions and commodity prices will place cropping and mixed farming enterprises in a better financial position for the 2002 season than earlier predicted. Wesfarmers CSBP currently estimates that it will sell just over one million tonnes of fertiliser in the full year, an uplift of about 75,000 tonnes from last year. This is, however, around 50,000 tonnes below the original budgeted level.

Overall sales volumes of the company's chemical products were 20 per cent higher than in the corresponding period last year. Ammonia volumes increased by 13 per cent and ammonium nitrate sales increased by 23 per cent. Sales revenues for all chemical activities were above budget.

The Kwinana ammonia plant was shut down for an unplanned 27 days in November following a secondary reformer failure. Prior to and after that event, the plant operated at nameplate capacity. The unplanned shutdown, however, necessitated an import cargo in January, which will adversely impact earnings in the second half.The development of a solid sodium cyanide plant by the 75 per cent owned Australian Gold Reagents has now commenced, with the plant scheduled to begin operations in the first quarter of 2002/2003. This plant will convert sodium cyanide solution into solid form for sale in international markets, addressing the flat forecast Australian demand for cyanide and increasing utilisation of the existing liquids plant.

Operations at the Queensland ammonium nitrate joint venture were below expectations in the period. Despite good demand, achieving continuous production over prolonged periods remains a challenge.

Full year earnings for chemicals are expected to be above budget and last year.

Rural services and insurance

First half operating revenue of the group's rural services and insurance business of $806 million was 90 per cent above the comparative figure of $425 million last year. Earnings, before goodwill amortisation, of $34.6 million were 32 per cent above last year's $26.1 million. The performance uplift is a result of generally positive trading conditions across the underlying activities and contributions from the IAMA business acquired in February 2001.

Merchandise and fertiliser sales rose by 118 per cent, with this result strongly influenced by the IAMA acquisition. Revenue and gross profit increases were achieved in all other underlying activities, with the exception of wool.

The integration of the IAMA business is now largely complete with synergy benefits being realised in line with expectations.

Prospects in the near term for most rural commodities, other than cotton, are reasonable. Subject to seasonal conditions, the outlook for Wesfarmers Landmark is positive.

Premium income for Wesfarmers Federation Insurance grew by 17 per cent in the first half as a result of higher new business levels and retention of existing business at above-budget levels. Despite significantly higher than anticipated crop insurance claims, the business performed to expectations overall. Assuming normal conditions in the second half, Wesfarmers Federation Insurance is expected to record a result in line with budget.

Industrial and safety

Businesses within the industrial and safety industry segment - Blackwoods, Alsafe and NZ Safety - were acquired as part of the Howard Smith takeover. Also included in this segment is the Atkins Carlyle business which was acquired by Blackwoods in May 2001 and the Protector Safety Supply business which was acquired by Alsafe and NZ Safety in July 2001.

In the period from August to December 2001, the industrial and safety businesses reported operating revenue of $485 million and earnings, before goodwill amortisation, of $39 million. These results were consistent with expectations and pleasing in light of difficult trading conditions in the Australian industrial sector over this period.

Post August 2001, the industrial and safety businesses have been drawn together under one management team. This has accelerated a number of business improvement initiatives aimed at leveraging the scale of the combined business operations and improving earnings. Integration work on the Atkins Carlyle and Protector Safety Supply acquisitions is also well advanced with synergy benefits being extracted in line with expectations.

The outlook for the industrial and safety businesses is positive, with improving trading conditions anticipated.

Other operations

Operating revenue of the forest products business in the first half was above budget but below the level of last year due to divestments. Earnings were also above budget but 20 per cent below last year. The orderly rationalisation of these business activities continues to progress well and earnings for the full year, although expected to be above budget, will be below last year.

Revenues from the 50 per cent owned Australian Railroad Group - which comprises the South Australian and Western Australian rail freight businesses acquired in December 2000 – were above budget. Retrenchment payments made or provided for in respect of announced employee number reductions resulted in below budget earnings in the period. The outlook for Australian Railroad Group is positive, with the second half boosted by the prospect of stronger than expected grain harvests in South Australia and Western Australia.

The divestment of Wesfarmers Transport's freight services and logistics operations was completed in December 2001 which, together with the June 2001 disposal of the Niteroad Express business, represented the major component of the rationalisation of the group's road transport interests. The remaining road transport operations have now also been disposed of with the exception of the North Queensland based Johnston River Transport business. Profits from the divestments led to above budget road transport earnings in the period.

Gresham Partners, the company's partly owned investment house associate, performed strongly during the first half.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE HALF YEAR ENDED 31 DECEMBER 2001
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 2001 $000	December 2000 $000
Revenues from ordinary activities	**3,612,747**	1,950,896
Expenses from ordinary activities	**(3,321,203)**	(1,758,615)
Borrowing expenses	**(48,071)**	(30,652)
Share of net profits of associates	**18,503**	6,680
Profit from ordinary activities before income tax expense	**261,976**	168,309
Income tax expense relating to ordinary activities	**81,208**	56,028
Profit from ordinary activities after income tax expense	**180,768**	112,281
Net profit attributable to outside equity interests	**483**	460
Net profit attributable to members of the parent entity	**180,285**	111,821
Net exchange difference on translation of financial report of foreign controlled entities	**(2,307)**	(251)
Total changes in equity other than those resulting from transactions with owners as owners	**177,978**	111,570
Net profit attributable to members of the parent entity consists of:		
Net profit before goodwill amortisation	**217,532**	115,368
Goodwill amortisation	**(37,247)**	(3,547)
Net profit after goodwill amortisation	**180,285**	111,821
Basic earnings per share (cents per share)		
- before goodwill amortisation	**63.5¢**	43.5¢
- after goodwill amortisation	**52.6¢**	42.2¢
Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	**342,586,667**	265,110,702

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2001
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 2001 $000	December 2000 $000
Current assets		
Cash assets	**91,262**	63,203
Receivables	**936,601**	485,590
Inventories	**1,324,863**	653,789
Total current assets	**2,352,726**	1,202,582
Non-current assets		
Receivables	**299,368**	114,157
Investments accounted for using the equity method	**344,289**	236,008
Other financial assets	**29,126**	103,135
Property, plant and equipment	**1,865,462**	1,480,624
Deferred tax assets	**178,903**	29,897
Intangible assets	**1,670,320**	132,655
Other	**483**	7,112
Total non-current assets	**4,387,951**	2,103,588
Total assets	**6,740,677**	3,306,170
Current liabilities		
Interest bearing liabilities	**825,957**	303,698
Payables	**719,373**	398,144
Current tax liabilities	**18,850**	43,331
Provisions	**398,666**	125,803
Other	**156,408**	139,418
Total current liabilities	**2,119,254**	1,010,394
Non-current liabilities		
Interest bearing liabilities	**1,074,732**	830,404
Payables	**3,194**	2,165
Deferred tax liabilities	**94,527**	88,511
Provisions	**90,462**	75,493
Other	**40,810**	25,167
Total non-current liabilities	**1,303,725**	1,021,740
Total liabilities	**3,422,979**	2,032,134
Net assets	**3,317,698**	1,274,036
Shareholders' equity		
Contributed equity	**2,963,859**	945,951
Reserves	**105,024**	62,714
Retained profits	**238,047**	263,778
Shareholders' equity attributable to members of Wesfarmers Limited	**3,306,930**	1,272,443
Outside equity interests in controlled entities	**10,768**	1,593
Total shareholders' equity	**3,317,698**	1,274,036

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2001
WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	December 2001 $000	December 2000 $000
Cash flows from operating activities:		
Receipts from customers	**3,347,462**	2,050,988
Payments to suppliers and employees	**(3,019,815)**	(1,852,218)
Dividends received from associates	**2,686**	5,009
Dividends received other	**1,195**	426
Interest received	**10,436**	4,766
Borrowing costs	**(55,841)**	(29,322)
Net GST paid	**(64,865)**	(45,493)
Income tax paid	**(103,356)**	(59,738)
Net cash provided by operating activities	**117,902**	74,418
Cash flows from investing activities:		
Acquisition of property, plant and equipment	**(134,685)**	(137,356)
Acquisition of other equity investments	**-**	(37,658)
Acquisition of controlled entities	**(563,382)**	-
Acquisition of associated entities	**(8,437)**	(119,108)
Disposal of entities	**-**	59,105
Loans repaid by associated entities	**1,032**	-
Proceeds from sale of non-current assets	**81,572**	14,582
Other items	**599**	(3,648)
Net cash used in investing activities	**(623,301)**	(224,083)
Cash flows from financing activities:		
Proceeds from issue of shares – Wesfarmers Limited	**25,439**	-
Proceeds from borrowings	**630,851**	195,687
Repayment of employee share plan loans	**35,504**	25,990
Repayment of securitised receivable facility	**(100,000)**	-
Dividends paid		
- Ordinary shareholders	**(105,886)**	(66,174)
- Outside shareholders	**-**	(634)
Net cash provided by financing activities	**485,908**	154,869
Net (decrease) increase in cash held	**(19,491)**	5,204
Cash at the beginning of the half year	**110,753**	57,999
Cash at the end of the half year	**91,262**	63,203

Wesfarmers

REGISTERED OFFICE

11th Floor, Wesfarmers House
40 The Esplanade
Perth, Western Australia 6000

Telephone (61 8) 9327 4211
Facsimile (61 8) 9327 4216
Website www.wesfarmers.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

Telephone (61 8) 9323 2077
Facsimile (61 8) 9323 2033

mindfield - creative business partners
WESF-5799