Half Yearly Report

Six months to 31 December 2002

Wesfarmers

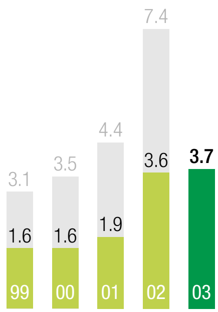
strength through diversity

Interim highlights

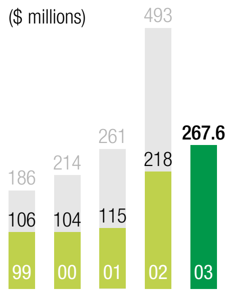
- Operating revenue up three per cent
- Net profit up 25 per cent
- Interim dividend up 24 per cent
- Earnings per share up 12 per cent

First Half   Full year to 30 June

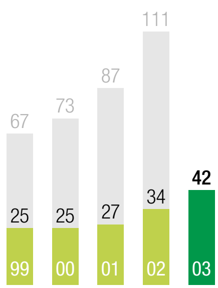
Operating revenue
($ billions)



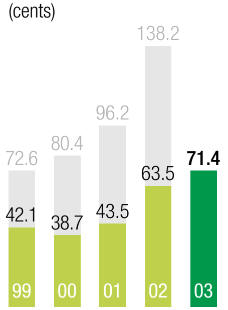
Net profit
after tax before goodwill amortisation
($ millions)



Interim dividend
(cents)



Earnings per share
before goodwill amortisation
(cents)



Trevor Eastwood
Chairman

Michael Chaney
Managing Director

A solid first half result

The directors of Wesfarmers Limited are pleased to present this interim report to shareholders covering the consolidated results of the company and its controlled entities for the six months ended 31 December 2002. The report also contains a brief overview of group business activities for the half year.

Wesfarmers reported a solid result for the half year ended 31 December 2002, with net profit increasing 25 per cent over the previous period to $224.9 million and dividends increasing by 24 per cent to 42 cents per share.

Net profit (before goodwill amortisation) was $267.6 million, an increase of 23 per cent on the $217.5 million earned in the corresponding period last year. The result was achieved on operating revenue of $3.7 billion which was three per cent higher than last year's $3.6 billion.

The result was attributable to increased earnings from the hardware, energy, industrial/safety and chemicals/fertilisers businesses, while the drought negatively impacted earnings in the rural services business and the 50 per cent-owned railroad business.

The 31 December 2002 half year result included a profit after tax of $2.2 million on the sale of non-current assets, compared with $7.7 million earned in the same period last year.

Earnings per share of 71.4 cents (before goodwill amortisation) for the half year were 12 per cent above the 63.5 cents in the corresponding six months last year. Cash flow per share of 98.4 cents was also higher than last year's 91.5 cents.

Finance

The group's ratio of net debt to equity as at 31 December 2002 was 35.2 per cent, down from 54.9 per cent at 31 December 2001. The rolling 12 month cash interest cover was 14 times, well above the group's minimum benchmark of four times and unchanged from last year.

The directors have decided to suspend the company's Dividend Investment Plan for the interim dividend and institute a buyback of up to five per cent of the shares in the company over the next year in line with the group's ongoing capital management strategy.

Interim dividend

A fully franked interim dividend of 42 cents per share (last year 34 cents per share) payable to shareholders on 28 March 2003 has been declared by the directors and the company expects to maintain its dividend policy of paying out 100 per cent of operating profits, fully franked, for the full year.

Outlook

The directors are pleased with the half year result given the difficult trading conditions existing in some sectors, particularly rural. As discussed in the commentary that follows, the severe drought is having a negative effect on earnings in the rural services, railroad and industrial and safety businesses. The directors' current expectations are that while they continue to anticipate an acceptable increase in profit, it will be difficult for the group to achieve its original full year budget result this year (before bringing to account the additional $56 million profit from the sale of the Girrah coal deposit). A number of external factors will affect the result, including the seasonal autumn weather break across southern Australia, coking and steaming coal shipments and prices beyond 1 April 2003 and trends in the Australian retail environment.

Environment, health, safety & community report

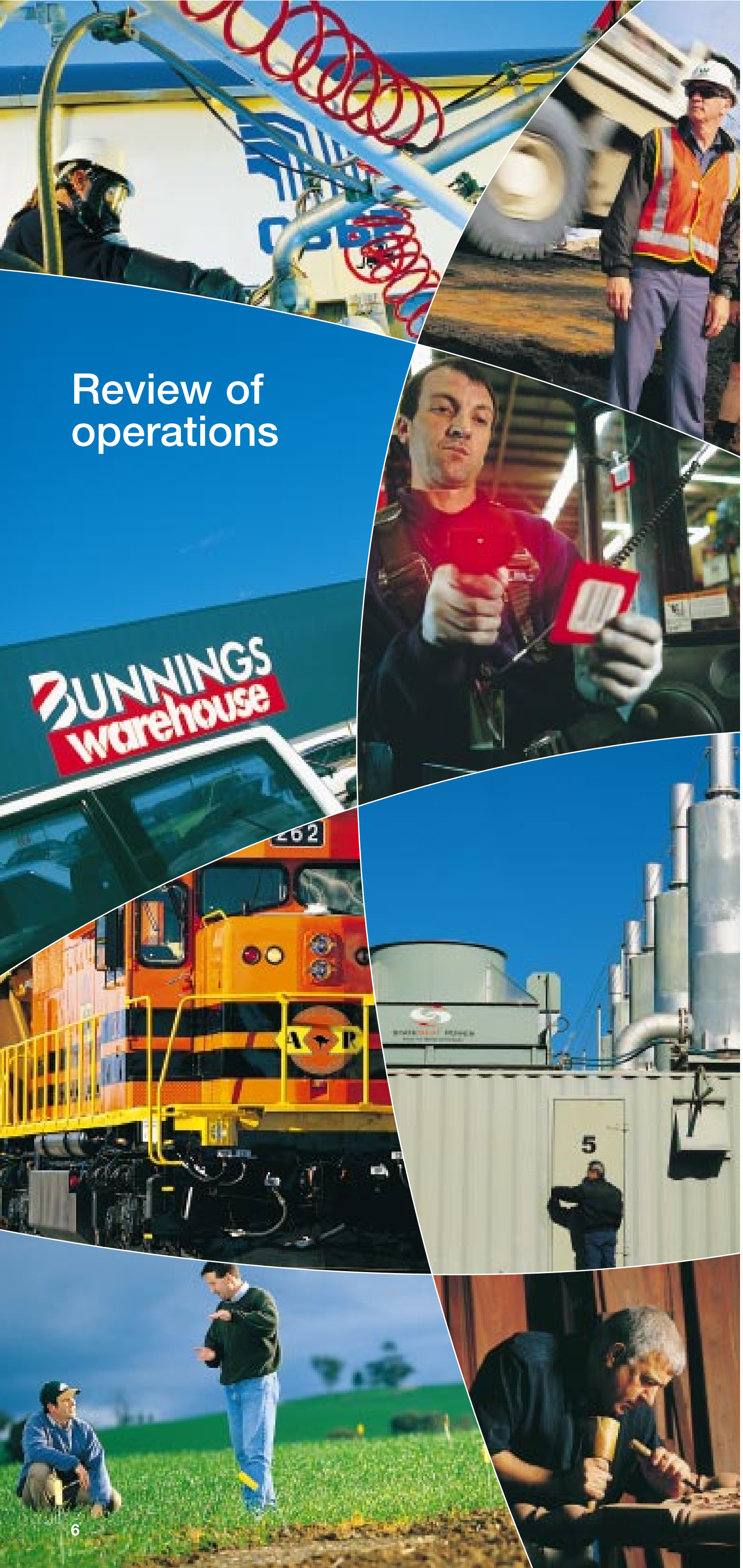
In December 2002 Wesfarmers published its fifth environment, health, safety and the community report. The report reviews the performance of the following operating businesses: coal; gas retailing and production; hardware retailing; chemicals and fertilisers; rural services and insurance; and forest products.

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 Department on (61 8) 9327 4251.

T R Eastwood
Chairman

M A Chaney
Managing Director

Review of operations



Hardware

Bunnings Building Supplies Pty Ltd is Australia's leading specialist retailer of home and garden improvement products and building materials.

Operating revenue for the Bunnings hardware merchandising business increased by 16 per cent to $1.8 billion in the first half. Earnings before interest and tax (before goodwill amortisation) of $196 million were 35 per cent higher than in the corresponding period last year.

Increased sales and earnings were partially due to an extra one month's trading result from the Howard Smith hardware business, which was integrated from 1 August 2001. For the period 1 August to 31 December 2002, earnings before interest and tax (before goodwill amortisation) increased by 28 per cent over the same five month period last year.

For the first half as a whole, retail sales were above those recorded last year in all regions and in line with budget.

For the hardware network (excluding WA Salvage) raw sales growth for the second quarter was similar to that recorded in the period 1 August to 30 September 2002, although some softness occurred in December 2002 and this continued into the new year.

An overall trend in sales growth is difficult to determine because of a number of unusual factors which have prevailed. These included water restrictions which reduced sales of garden products and unseasonally hot weather in a number of regions on key weekends. Additionally, in December 2001 significant clearance activities took place involving inventories acquired in the Howard Smith takeover. These were at lower prices and their absence from the December 2002 figures resulted in an apparently lower sales growth rate, but with a beneficial effect on margins.

Trade sales, representing 23 per cent of total sales in the first half, were above those of the comparative six months last year.

Indicatively, normalised store-on-store growth has been around 10 per cent for the first half. There have been four new warehouse stores opened and 12 stores, including two warehouse stores, closed during the period.

Gross margins were in line with budget and ahead of those in the corresponding period last year as a result of buying benefits achieved. Expenses were also well controlled.

While the outlook for hardware in the second half is positive, some softening in growth in both the retail and trade sectors is expected. Growth in the housing construction market is expected to slow over the next six months after a strong performance in 2002. Notwithstanding the recent softness of sales, Bunnings is still expected to achieve its full year profit budget.

Energy

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

Operating revenue of $476 million from the group's energy businesses was slightly above the $475 million recorded in the corresponding period last year. Earnings before interest and tax (before goodwill amortisation) of $123.6 million were 16 per cent higher than the $107 million for the comparative period last year, due to growth in both coal and gas earnings.

Coal

Wesfarmers Energy's coal interests comprise the Premier mine at Collie in Western Australia's south-west, the Curragh mine in Queensland's Bowen Basin and a 40 per cent interest in the Bengalla mine in the Hunter Valley of New South Wales.

Sales volumes for the first half from the Curragh coal mine in Queensland were below expectations and those in the corresponding period last year, due mainly to the timing of export shipping schedules, a planned shutdown of the coal preparation plant during its upgrade and unscheduled maintenance of the draglines. Earnings for the period were higher than last year's due to increased selling prices.

The Bengalla coal mine in New South Wales, in which Wesfarmers holds a 40 per cent interest, produced sales volumes and revenue above last year's but marginally below budget. This was due to strong competition in international steaming coal markets together with weaker than expected demand and prices. Bengalla earnings were in line with budget but below those for the same period last year.

Coal deliveries from the Premier coal mine in Western Australia were lower than in the corresponding period last year due to the loss of a contract which was partially offset by higher deliveries to Western Power. As a result, earnings for the period were lower than last year's but in line with budget.

Development highlights during the six month period included the completion of the upgrade of the Curragh coal preparation plant and the commencement of mining at the Curragh East deposit.

As reported recently Wesfarmers has reached agreement to sell the Girrah coal deposit which will result in an after tax profit of $56 million being brought to account once the necessary approvals have been obtained, expected to be before the end of the financial year. The company also announced that it had won the right to develop the Pisces (now Curragh North) deposit.

The outlook for coal in the second half remains positive. Coking coal sales volumes are expected to be strong although production and logistics performance will be stretched. Also, earnings in the fourth quarter will be impacted by annual price re-negotiations. Export steaming coal sales volumes and prices appear to have stabilised, but competition for incremental sales opportunities remains strong.

Gas

Wesfarmers Energy's gas activities comprise Wesfarmers Kleenheat Gas Pty Ltd (distribution and marketing), Wesfarmers LPG Pty Ltd (production and export) and a 40 per cent interest in Air Liquide W.A. Pty Ltd (industrial gases).

Domestic LPG sales volumes and revenue were marginally below the comparative period last year due mainly to weak autogas demand. Kleenheat's earnings were well above budget and last year's, despite higher international LPG prices, due to improved margin management and continued strong focus on cost control and asset productivity.

Wesfarmers LPG's export volumes were above last year's but below budget due to a delayed export shipment budgeted for late December and a number of unscheduled plant shutdowns. The lower volumes resulted in earnings being below budget and those of the comparative period last year.

Overall the gas activities recorded an above budget result for the half year and the results were considerably above those for the comparative period last year. Full year earnings, although dependent on international price trends and shipment timing, are expected to be ahead of last year's result.

Industrial and safety

Wesfarmers' industrial and safety businesses, acquired as part of the Howard Smith acquisition, are Australasia's leader in the supply of maintenance, repair and operating (MRO) products and safety products.

Operating revenue of $578 million from the industrial and safety businesses was 19 per cent above the $485 million recorded in the first half of last year. Earnings before interest and tax (before goodwill amortisation) of $55.5 million were 42 per cent above the $39.2 million recorded in the comparative period last year and marginally below budget.

Last year's first half comparative results for this division included only five months of trading from its 1 August 2001 acquisition date by Wesfarmers. For the period 1 August to 31 December 2002 (and excluding earnings from the metals business sold in August 2002), earnings before interest and tax (before goodwill amortisation) increased by 15 per cent over the same five month period last year.

The continuing drought in eastern Australia has constrained sales in regional locations. However, it is expected that the commencement of a number of larger infrastructure projects across Australia and the continued strong performance of the New Zealand economy will underpin an improved revenue and earnings outlook for the business.

Rural services and insurance

The rural businesses comprise Wesfarmers Landmark Limited and Wesfarmers Federation Insurance Limited. Wesfarmers Landmark is now Australia's largest supplier of farm inputs to every major agricultural sector. Wesfarmers Federation Insurance is a specialist insurer in rural and regional Australia.

As a result of the impact of one of the worst national droughts ever experienced, the first half operating revenue of $694 million for the group's rural services and insurance business was 14 per cent below the comparative figure last year. Earnings before interest and tax (before goodwill amortisation) of $33.9 million were two per cent below the $34.6 million recorded last year.

Rural services

Wesfarmers Landmark experienced reduced merchandise sales and livestock revenue as a result of the severe drought conditions. However, gross profit from wool broking, rural property, fertiliser sales, finance and the insurance agency business all increased compared to the same period last year. The North Queensland-based Johnstone River Transport made a positive earnings contribution of $2.7 million in the first half. Results from this operation were not included in last year's figures.

The result reflects the advantages of the diversified activities and geographical spread of the rural services business, together with a strong focus on cost control and capital but earnings in recent months have been impacted by the drought more significantly than previously expected. The drought is expected to reduce the division's full year budgeted results by $15 to $20 million at the EBIT level.

The short-term outlook for rural Australia is subject to the arrival of widespread autumn rains sufficient to break the drought and ensure the planting of winter crops and the rebuilding of the cattle herd and sheep flock. Commodity prices remain at reasonable levels.

Insurance

Wesfarmers Federation Insurance reported an excellent result which was higher than budget and the comparative period last year despite lower crop insurance business due to reduced plantings and poorer crops. Total premium income increased by eight per cent, reflecting increased new business and above-budget retention of existing business. Claims were below budget.

The strong performance of Wesfarmers Federation Insurance is expected to continue, assuming a normal claims pattern in the second half.

Chemicals and fertilisers

Wesfarmers CSBP Limited is a major supplier of chemicals, fertilisers and services to the agricultural, mining and processing industries.

Operating revenue of $158 million from the group's chemicals and fertilisers businesses for the six months was one per cent higher than the $156 million for the comparative period last year. Improved operations in both chemicals and fertilisers resulted in earnings before interest and tax (before goodwill amortisation), increasing by 59 per cent to $15.7 million compared with last year's $9.9 million. The low absolute level of the first half earnings figures is a result of the seasonal timing of fertiliser sales, with historically over 70 per cent of these sales occurring in the second half of the financial year.

Chemicals

Overall sales volumes of the company's chemical products were nine per cent lower than in the corresponding period last year, with volumes lower in all chemicals activities due to short term softness in demand. An improved operational performance from the Kwinana ammonia plant, however, resulted in the earnings contribution from chemicals activities exceeding last year's.

The sodium cyanide solids plant constructed by the 75 per cent-owned Australian Gold Reagents joint venture has been operating since August 2002. Sales of solid sodium cyanide have commenced, although the plant is still to perform in line with expectations.

Operations at the Queensland Nitrates joint venture were markedly improved with the plant operating at or above nameplate capacity throughout the period.

Fertilisers

Despite difficult seasonal conditions, fertiliser sales volumes and revenue were above budget and ahead of last year's volumes and revenue.

Notwithstanding the difficult cropping season experienced last year, with reasonable commodity prices and on the assumption of a return to normal seasonal conditions in autumn and winter, CSBP currently estimates that its sales volumes in Western Australia will exceed last year's. No fertiliser sales to producers in other States are anticipated as a result of the severe drought conditions experienced across eastern Australia. Last year 88,000 tonnes were sold to these producers at wholesale prices.

The full year outlook for the group's chemicals and fertilisers businesses is for an improved profit result compared with last year's.

Other operations

Revenues from the 50 per cent-owned Australian Railroad Group Pty Ltd, comprising the Western Australian and South Australian rail freight businesses acquired in December 2000, were below budget as a result of lower than forecast grain and iron ore volumes, the former arising from the severe drought conditions. Earnings during the period were well below budget as a result of the reduced revenue, restructuring costs and a high level of derailment incidents. The reduced grain volumes in both Western Australia and South Australia are expected to have a further significant adverse impact on second half revenue and earnings.

Operating revenue for the forest products business, Sotico Pty Ltd, in the first half was above budget but below those in the corresponding period last year due to divestments and voluntary reductions of log intake. Earnings were in line with last year's due mainly to the strong performance from Wespine Industries Pty Ltd in which Wesfarmers has a 50 per cent interest. Steady progress continues to be made in the orderly rationalisation of the forest products business in response to changes in the Western Australian government's forest management policy.

Earnings from Gresham Partners, the company's partly owned investment house associate, were significantly lower than the previous year's due to reduced corporate activity. The underlying investment in the Gresham Private Equity Fund, to which Wesfarmers has $100 million committed, grew in value. However, the Fund's earnings are only recognised when its investments are realised and profits returned to investors.

Condensed Statement of Financial Performance

for the half year ended 31 December 2002
- Wesfarmers Limited and its controlled entities

	CONSOLIDATED DEC 2002 $000	DEC 2001 $000
Revenues from ordinary activities	**3,728,111**	3,612,747
Expenses from ordinary activities	**(3,372,286)**	(3,321,203)
Borrowing expenses	**(42,944)**	(48,071)
Share of net profits of associates	**15,875**	18,503
Profit from ordinary activities before income tax expense	**328,756**	261,976
Income tax expense relating to ordinary activities	**104,188**	81,208
Profit from ordinary activities after income tax expense	**224,568**	180,768
Net (loss) profit attributable to outside equity interests	**(332)**	483
Net profit attributable to members of the parent entity	**224,900**	180,285
Net increase in asset revaluation reserve	**2,020**	-
Net exchange difference on translation of financial report of foreign controlled entities	**(566)**	(2,307)
Total changes in equity other than those resulting from transactions with owners as owners	**226,354**	177,978
Net profit attributable to members of the parent entity consists of:		
Net profit before goodwill amortisation	**267,612**	217,532
Goodwill amortisation	**(42,712)**	(37,247)
Net profit after goodwill amortisation	**224,900**	180,285
Basic and diluted earnings per share (cents per share)		
- before goodwill amortisation	**71.4¢**	63.5¢
- after goodwill amortisation	**60.0¢**	52.6¢
Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic and diluted EPS	**374,570,347**	342,586,667

Condensed Statement of Financial Position

at 31 December 2002
- Wesfarmers Limited and its controlled entities

	CONSOLIDATED DEC 2002 $000	DEC 2001 $000
Current assets		
Cash assets	**117,559**	91,262
Receivables	**802,962**	936,601
Inventories	**1,440,326**	1,324,863
Total current assets	**2,360,847**	2,352,726
Non-current assets		
Receivables	**358,698**	299,368
Investments accounted for using the equity method	**369,406**	344,289
Other financial assets	**28,446**	29,126
Property, plant and equipment	**1,788,714**	1,865,462
Deferred tax assets	**102,598**	178,903
Intangible assets	**1,558,902**	1,670,320
Other	**5**	483
Total non-current assets	**4,206,769**	4,387,951
Total assets	**6,567,616**	6,740,677
Current liabilities		
Interest bearing liabilities	**451,361**	825,957
Payables	**731,845**	719,373
Current tax liabilities	**6,224**	18,850
Provisions	**218,777**	398,666
Other	**176,000**	156,408
Total current liabilities	**1,584,207**	2,119,254
Non-current liabilities		
Interest bearing liabilities	**969,545**	1,074,732
Payables	**3,865**	3,194
Deferred tax liabilities	**108,662**	94,527
Provisions	**140,141**	90,462
Other	**37,150**	40,810
Total non-current liabilities	**1,259,363**	1,303,725
Total liabilities	**2,843,570**	3,422,979
Net assets	**3,724,046**	3,317,698
Shareholders' equity		
Contributed equity	**3,258,226**	2,963,859
Reserves	**39,970**	105,024
Retained profits	**415,731**	238,047
Shareholders' equity attributable to members of Wesfarmers Limited	**3,713,927**	3,306,930
Outside equity interests in controlled entities	**10,119**	10,768
Total shareholders' equity	**3,724,046**	3,317,698

Condensed Statement of Cash Flows

for the half year ended 31 December 2002
- Wesfarmers Limited and its controlled entities

	CONSOLIDATED	
	DEC 2002 $000	DEC 2001 $000
Cash flows from operating activities:		
Receipts from customers	**3,935,517**	3,687,623
Payments to suppliers and employees	**(3,516,597)**	(3,424,841)
Dividends received from associates	**18,336**	2,686
Dividends received other	**1,131**	1,195
Interest received	**5,617**	10,436
Borrowing costs	**(43,877)**	(55,841)
Income tax paid	**(113,710)**	(103,356)
Net cash provided by operating activities	**286,417**	117,902
Cash flows from investing activities:		
Acquisition of property, plant and equipment	**(120,190)**	(134,685)
Acquisition of controlled entities	**-**	(563,382)
Acquisition of associated entities	**(25,037)**	(8,437)
Loans repaid by associated entities	**-**	1,032
Proceeds from sale of non-current assets	**36,604**	81,572
Other items	**207**	599
Net cash used in investing activities	**(108,416)**	(623,301)
Cash flows from financing activities:		
Proceeds from issue of shares - Wesfarmers Limited	**-**	25,439
(Repayment of) proceeds from borrowings	**(68,291)**	630,851
Repayment of employee share plan loans	**16,737**	35,504
Repayment of securitised receivable facility	**-**	(100,000)
Dividends paid		
- Ordinary shareholders	**(180,825)**	(105,886)
Net cash (used in) provided by financing activities	**(232,379)**	485,908
Net decrease in cash held	**(54,378)**	(19,491)
Cash at the beginning of the half year	**171,937**	110,753
Cash at the end of the half year	**117,559**	91,262

Registered Office

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

Telephone: (61 8) 9327 4211
Facsimile: (61 8) 9327 4216

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

www.wesfarmers.com.au

Wesfarmers

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