

16 February 2009

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

HALF-YEAR REPORT TO 31 DECEMBER 2008

In accordance with ASX Listing Rule 4.2A, the following documents are attached for release to the market:

- Appendix 4D – Half-Year Report; and
- Half-year results announcement.

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Wesfarmers Limited as at 30 June 2008 together with any public announcements made by Wesfarmers Limited in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

An analyst briefing will be held following the release of this announcement. This briefing will be webcast and can be accessed at:

Analyst Briefing 11:00 am (WST)

http://www.multimediaservices.com.au/wesfarmers/2009_HYR/welcome.htm

Yours faithfully,



L J KENYON
COMPANY SECRETARY

Enc.

Appendix 4D - Half Year Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

ABN 28 008 984 049

RESULTS FOR ANNOUNCEMENT TO THE MARKET		\$m
Revenue from ordinary activities	up 169%	26,363
Profit from ordinary activities after tax attributable to members	up 46% to	879
Net profit for the full year attributable to members	up 46% to	879
DIVIDENDS		Amount per security Franked amount per security
Interim dividend	50 cents	50 cents
Previous corresponding period interim dividend	65 cents	65 cents
Record date for determining entitlements to the dividend	2 March 2009	
Last date for receipt of election notice for Dividend Investment Plan	2 March 2009	
Date the final dividend is payable	31 March 2009	
The company operates a Dividend Investment Plan which allows eligible shareholders to elect to invest dividends in new shares.		
Wesfarmers Limited has commenced an accelerated pro-rata non-renounceable entitlement offer ("Entitlement Offer"). Further details are included within this report. New shares issued under the Entitlement Offer will not be entitled to the interim dividend for the 2009 financial year.		

NET TANGIBLE ASSET BACKING

Net tangible asset backing per ordinary share (excluding employee reserved shares): -\$2.01 (2007: -\$5.66).

OPERATING CASH FLOW PER SHARE

Operating cash flow per share: \$2.20 (2007: \$2.75). This has been calculated by dividing the net cash flow from operating activities by the weighted average number of ordinary shares (including employee reserved shares) on issue during the half year.

PREVIOUS CORRESPONDING PERIOD

The previous corresponding period is the half year ended 31 December 2007.

COMMENTARY ON RESULTS FOR THE PERIOD

A commentary on the results for the period is contained in the press release dated 16 February 2009 accompanying this statement.

NET CURRENT ASSETS

At 31 December 2008 there was a net current asset deficiency of \$946.0 million largely due to debt raised to fund the acquisition of the Coles Group. The net current asset deficiency should be eliminated following settlement of the entitlement offer expected in February 2009.

Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		2008 \$m	2007 \$m
Revenue			
Sale of goods		25,282	8,903
Rendering of services		907	795
Interest		79	47
Dividends		-	32
Other		95	31
		26,363	9,808
Expenses			
Raw materials and inventory purchased		(17,434)	(5,890)
Employee benefits expenses	5	(3,355)	(1,293)
Insurance expenses		(584)	(531)
Freight and other related expenses		(424)	(118)
Occupancy-related expenses	5	(972)	(313)
Depreciation and amortisation	5	(477)	(220)
Other expenses	5	(1,473)	(458)
		(24,719)	(8,823)
Other income	5	113	14
Finance costs	5	(488)	(250)
Share of profits and losses of associates		2	47
		1,271	796
Profit before income tax		1,271	796
Income tax expense		(392)	(195)
Profit attributable to members of the parent		879	601
Earnings per share (cents per share)	3		
– basic for profit for the period attributable to ordinary equity holders of the parent		106.4	127.3
– diluted for profit for the period attributable to ordinary equity holders of the parent		106.1	126.4

Dilution to earnings per share arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options.

Balance Sheet

AS AT 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		December 2008 \$m	June 2008 \$m
ASSETS			
Current Assets			
Cash and cash equivalents		913	725
Trade and other receivables		2,129	2,093
Inventories		5,300	4,638
Derivatives		151	138
Investments backing insurance contracts		982	871
Other		330	211
Total Current Assets		9,805	8,676
Non-current Assets			
Receivables		134	135
Available-for-sale investments		19	36
Investment in associates		418	465
Deferred tax assets		801	489
Property, plant and equipment		6,906	6,561
Identifiable intangible assets		4,390	4,408
Goodwill		16,285	16,269
Derivatives		-	149
Other		28	61
Total Non-current Assets		28,981	28,573
TOTAL ASSETS		38,786	37,249
LIABILITIES			
Current Liabilities			
Trade and other payables		4,880	3,967
Interest-bearing loans and borrowings		2,929	1,261
Income tax payable		76	109
Provisions		1,035	1,083
Insurance liabilities		1,161	1,137
Derivatives		266	53
Other		404	277
Total Current Liabilities		10,751	7,887
Non-current Liabilities			
Payables		2	25
Interest-bearing loans and borrowings		6,943	8,256
Provisions		1,071	922
Insurance liabilities		370	340
Derivatives		417	89
Other		183	126
Total Non-current Liabilities		8,986	9,758
TOTAL LIABILITIES		19,737	17,645
NET ASSETS		19,049	19,604
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	18,601	18,173
Employee reserved shares	9	(58)	(76)
Retained earnings	7	911	1,182
Reserves		(405)	325
TOTAL EQUITY		19,049	19,604

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	Note	CONSOLIDATED	
		2008 \$m	2007 \$m
Cash flows from operating activities			
Receipts from customers		27,176	10,619
Payments to suppliers and employees		(24,666)	(9,050)
Dividends and distributions received from associates		44	15
Dividends received from others		-	32
Interest received		79	47
Borrowing costs		(461)	(254)
Income tax paid		(402)	(168)
Net cash flows from operating activities		1,770	1,241
Cash flows from investing activities			
Net acquisition of insurance deposits		(110)	(10)
Purchase of property, plant and equipment and intangibles		(687)	(588)
Purchase of other investments		-	(19)
Proceeds from sale of property, plant and equipment		20	10
Proceeds from sale of controlled entities		-	3
Subscription of capital in associates		(26)	(31)
Return of capital received from associates		17	2
Acquisition of subsidiaries, net of cash acquired		(10)	(4,161)
Net cash flows used in investing activities		(796)	(4,794)
Cash flows from financing activities			
Proceeds from borrowings		1,388	6,687
Repayment of borrowings		(1,360)	(1,856)
Proceeds from exercise of in-substance options under the employee share plan		4	12
Equity dividends paid		(732)	(410)
Net cash flows (used in)/from financing activities		(700)	4,433
Net increase in cash and cash equivalents		274	880
Cash and cash equivalents at beginning of period		638	216
Cash and cash equivalents at end of period	8	912	1,096

Statement of Recognised Income and Expense

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

		CONSOLIDATED	
		2008	2007
	Note	\$m	\$m
Foreign currency translation reserve			
Exchange differences on translation of foreign operations		7	-
Available-for-sale financial assets reserve			
Changes in the fair value of available-for-sale assets net of tax		(4)	34
Cash flow hedge reserve			
Changes in the fair value of cash flow hedges net of tax	12	(733)	(4)
Restructure tax reserve			
Recognition of tax losses arising on the 2001 ownership simplification plan		-	41
Retained earnings			
Actuarial loss on defined benefit plan		(71)	-
Net profit/(loss) recognised directly in equity		(801)	71
Net profit for the period		879	601
Total recognised income and expense for the period		78	672

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

1 CORPORATE INFORMATION

The financial report of Wesfarmers Limited (the "Company") for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 16 February 2009. Wesfarmers Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2008 and considered together with any public announcements made by the Company during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The same accounting policies and methods of computation have been applied by each entity in the consolidated group and are consistent with those adopted and disclosed in the most recent annual financial report. Since 1 July 2008 the Company and its subsidiaries (the "Group") has adopted Standards and Interpretations, mandatory for annual periods beginning on 1 July 2008. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The half-year consolidated financial statements comprise the financial statements of the Group.

The acquisition of Coles and its controlled entities (the "Coles Group") on 23 November 2007 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit attributable to holders of ordinary shares and Wesfarmers partially protected shares ("WPPS") by the weighted average number of ordinary shares and WPPS (excluding employee reserved shares treated as in-substance options) outstanding during the year. Each WPPS confers rights on the holder that are the same in all respects to those conferred by an ordinary share on an ordinary shareholder on an equal basis.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to holders of ordinary shares and WPPS by the weighted average number of ordinary shares and WPPS (excluding employee reserved shares treated as in-substance options) outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2008	2007
	\$m	\$m
Profit attributable to members of the parent	879	601
	shares (m)	shares (m)
Weighted average number of ordinary shares for basic earnings per share	801	445
Effect of dilution - employee reserved shares	2	4
Weighted average number of ordinary shares adjusted for the effect of dilution	803	449
Adjustment factor - 1 for 8 entitlement offer April 2008		1.03
Adjustment factor - Institutional component of entitlement offer on 6 February 2009	1.03	1.03
Earnings per share (cents per share)	cents	cents
– basic for profit for the period attributable to ordinary equity holders of the parent	106.4	127.3
– diluted for profit for the period attributable to ordinary equity holders of the parent	106.1	126.4

As outlined in Note 13 below, the Company announced on 22 January 2009 an equity issue including a 3 for 7 accelerated pro-rata non-renounceable entitlement offer at an offer price of \$13.50 per share which included a fully underwritten institutional component expected to raise approximately \$1.9 billion and a retail component which was not underwritten; and a placement for approximately \$900.0 million to strategic investors. The 31 December 2008 and prior period earnings per share have been restated with an adjustment factor of 1.03 reflecting settlement of the institutional component of the entitlement offer on 6 February 2009. Prior period earnings per share have also been restated with an adjustment factor of 1.03 as a result of the 1 for 8 entitlement offer in April 2008.

No earnings per share adjustment applies for the \$900.0 million placement to strategic investors.

On 6 February 2009, some 145.4 million ordinary shares were issued under the Institutional Entitlement Offer and Institutional Entitlement Bookbuild. In addition, some 63.2 million shares were issued under a placement to strategic investors at \$14.25 per share. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the conversion of 38,049 employee reserved shares (treated as in-substance options) to unrestricted ordinary shares, the conversion of 3,157 WPPS to ordinary shares and the issue of 86,784 ordinary shares under the Wesfarmers Deferred Salary Sacrifice Share Plan, the Wesfarmers Exempt Salary Sacrifice Share Plan and the Wesfarmers Employee Share Ownership Plan (New Zealand).

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

4 SEGMENT INFORMATION

	COLES *		HOME IMPROVEMENT AND OFFICE SUPPLIES		RESOURCES		INSURANCE		KMART		TARGET	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Segment revenue	14,626	2,919	3,611	2,910	1,427	530	864	799	2,249	692	2,094	605
Segment result												
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	628	175	440	371	791	179	82	79	100	106	245	123
Depreciation and amortisation	(197)	(45)	(45)	(39)	(105)	(67)	(15)	(15)	(25)	(5)	(30)	(5)
Earnings before interest, tax (EBIT) and corporate overheads	431	130	395	332	686	112	67	64	75	101	215	118
	INDUSTRIAL AND SAFETY		ENERGY [^]		CHEMICALS AND FERTILISERS [^]		OTHER		CONSOLIDATED			
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m		
Segment revenue	687	642	322	281	458	391	25	39	26,363	9,808		
Segment result												
Earnings before interest, tax, depreciation, amortisation (EBITDA) and corporate overheads	75	66	52	66	34	69	(137)	72	2,310	1,306		
Depreciation and amortisation	(7)	(5)	(22)	(18)	(30)	(21)	(1)	-	(477)	(220)		
Earnings before interest, tax (EBIT) and corporate overheads	68	61	30	48	4	48	(138)	72	1,833	1,086		
Finance costs									(488)	(250)		
Corporate overheads									(74)	(40)		
Profit before income tax expense									1,271	796		
Income tax expense									(392)	(195)		
Profit attributable to members of the parent									879	601		

Revenue and earnings of various divisions are affected by seasonality and cyclicity as follows:

- Home Improvement and Office Supplies, Coles, Kmart and Target - earnings are typically greater in the December half of the financial year due to the impact on the retail business of the Christmas holiday shopping period; and
- Resources - the majority of the entity's coal contracts are renewed in April each calendar year, and depending upon the movement in prevailing coal prices this can result in significant changes in revenue and earnings in the last quarter of the financial year through to the third quarter of the following year.

The above results for the prior half year for the former Coles Group businesses are for the period from the date of acquisition on 23 November 2007 to 31 December 2007.

* Coles Division comprises the supermarket, liquor, convenience and Coles property businesses, and previously unallocated Coles retail support costs.

[^] Results were affected by the gas supply disruption caused by the explosion at Varanus Island during the period. These disruptions are subject to an insurance recovery process which is yet to be resolved.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

	CONSOLIDATED	
	2008	2007
	\$m	\$m
5 REVENUE AND EXPENSES		
Other income		
Gains on disposal of property, plant and equipment	9	1
Settlement and other income	<u>104</u>	<u>13</u>
	<u>113</u>	<u>14</u>
Finance costs		
Interest expense	434	243
Discount adjustment	41	6
Interest capitalised	-	(8)
Other	<u>13</u>	<u>9</u>
	<u>488</u>	<u>250</u>
Employee benefits expenses		
Remuneration, bonuses and on-costs	3,247	1,192
Amounts provided for employee entitlements	63	71
Share based payments expense	<u>45</u>	<u>30</u>
	<u>3,355</u>	<u>1,293</u>
Depreciation and amortisation		
Depreciation	324	155
Amortisation of intangibles	46	15
Amortisation of Stanwell rebate	55	33
Amortisation other	<u>52</u>	<u>17</u>
	<u>477</u>	<u>220</u>
Occupancy related expenses		
Minimum lease payments	773	262
Other	<u>199</u>	<u>51</u>
	<u>972</u>	<u>313</u>
Impairment expense		
Impairment of freehold property	66	-
Impairment of property, plant and equipment	18	-
Impairment other	<u>30</u>	<u>-</u>
	<u>114</u>	<u>-</u>
Other expenses included in the income statement		
Government mining royalties	116	28
Repairs and maintenance	<u>183</u>	<u>57</u>

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED

2008 2007
\$m \$m

6 DIVIDENDS PAID AND PROPOSED

Declared and paid during the period (fully franked at 30%)

Final franked dividend for 2008: \$1.35 (2007: \$1.40)

1,079 543

Proposed and not recognised as a liability (fully franked at 30%)

Interim franked dividend for 2009: \$0.50 (2008: \$0.65)

408 454

7 RETAINED EARNINGS

Balance as at 1 July

1,182 1,131

Net profit

879 601

Dividends

(1,079) (543)

Actuarial loss on defined benefit plan

(71) -

Balance as at 31 December

911 1,189

8 CASH FLOWS

Reconciliation to cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

Cash on hand and in transit

277 570

Cash at bank and on deposit

560 453

Insurance broking trust accounts

76 73

Bank overdraft

(1) -

912 1,096

Non-cash financing and investing activities

Issue of share capital under employee long term incentive plans

83 44

Issue of share capital under dividend investment plan

342 124

Issue of share capital for Coles Group acquisition

- 12,733

Acquisition of rights to mine via coal rebates payable

108 2

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

9 CONTRIBUTED EQUITY

Movement in ordinary shares on issue

	Thousands	\$m
At 1 July 2007	388,069	2,256
Issue of shares under non executive director plan at \$40.94 per share	3	-
Issue of shares as consideration for Coles Group acquisition at \$41.48 per share	152,606	6,331
Issue of shares under employee long term incentive plans at \$41.21 per share	1,064	44
Issue of shares under dividend investment plan at \$40.47 per share	3,068	124
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	68	3
At 31 December 2007	<u>544,878</u>	<u>8,758</u>
Issue of shares under non executive director plan at \$39.57 per share	2	-
Issue of shares under dividend investment plan at \$36.56 per share	2,920	107
Issue of shares under underwriting agreement at \$36.56 per share	9,424	344
Issue of shares under entitlement offer at \$29.00 per share	89,030	2,583
Issue of shares under institutional book build at \$38.75 per share	654	25
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	275	11
Transaction costs associated with entitlement offer	-	(43)
At 30 June 2008	<u>647,183</u>	<u>11,785</u>
Issue of shares under non executive director plan at \$31.82 per share	5	-
Issue of shares under salary sacrifice share plan at \$29.09 per share	57	2
Issue of shares under dividend investment plan at \$30.46 per share	11,230	342
Issue of shares under employee long term incentive plans at \$18.11 per share	4,575	83
Issue of shares under salary sacrifice plan at \$16.25 per share	141	2
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	288	12
Transaction costs associated with entitlement offer	-	(1)
At 31 December 2008	<u>663,479</u>	<u>12,225</u>

Movement in partially protected ordinary shares on issue

	Thousands	\$m
At 1 July 2007	-	-
Issue of shares as consideration for Coles Group acquisition at \$41.95 per share	152,598	6,402
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(68)	(3)
At 31 December 2007	<u>152,530</u>	<u>6,399</u>
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(275)	(11)
At 30 June 2008	<u>152,255</u>	<u>6,388</u>
Partially protected ordinary shares converted to ordinary shares at \$41.95 per share	(288)	(12)
At 31 December 2008	<u>151,967</u>	<u>6,376</u>

Total contributed equity

815,446 **18,601**

Movement in employee reserved shares on issue

	Thousands	\$m
At 1 July 2007	6,426	111
Exercise of in-substance options	(688)	(12)
Dividends applied	-	(7)
At 31 December 2007	<u>5,738</u>	<u>92</u>
Exercise of in-substance options	(468)	(12)
Dividends applied	-	(4)
At 30 June 2008	<u>5,270</u>	<u>76</u>
Exercise of in-substance options	(283)	(4)
Dividends applied	-	(6)
Other	-	(8)
At 31 December 2008	<u>4,987</u>	<u>58</u>

Total employee reserved shares

4,987 **58**

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

10 BUSINESS COMBINATIONS

Acquisitions

There were no significant acquisitions during the period.

Finalisation of acquisition accounting

Australian Vinyls Corporation

On 31 August 2008, the provisional acquisition accounting period ended for the acquisition of Australian Vinyls Corporation. There were no significant adjustments to the fair value of identifiable assets and liabilities since those disclosed provisionally at 30 June 2008.

Coles Group Limited ("Coles Group")

On 22 November 2008, the provisional acquisition accounting period ended for the acquisition of Coles Group. Adjustments were recognised in finalising the acquisition accounting, resulting in the fair value of identifiable assets and liabilities recognised on acquisition increasing by \$117.9 million compared to the provisional fair value amounts previously reported at 30 June 2008. This increase is due largely to an increase in the deferred tax asset as a result of finalising the tax effect accounting. The increase in the fair value of identifiable assets and liabilities results in a corresponding decrease to goodwill recognised on acquisition.

The impact on retained earnings as at 30 June 2008 as a result of the above is an increase of \$19.2 million. This is due largely to a decrease in income tax expense. The impact to net profit after tax for the six months to 31 December 2007 is not considered significant.

11 IMPAIRMENT TESTING

On 14 January 2009, Wesfarmers announced approximately \$150.0 million in provisions and write-downs in the value of some investments. The write-downs included: property write-downs in the Coles division; and reductions as a result of mark-to-market of the value of investments in Gresham Partners Private Equity Funds, Bunnings Warehouse Property Trust and other portfolio investments. Included in Note 5 above are write-downs in relation to these assets totalling \$86.0 million (\$81.0 million after tax). Write-downs have also been recognised in plant and equipment in several divisions. In addition to these write-downs the Group's workers' compensation provisions for future claims has increased following an actuarial review by \$48.0 million, largely due to reductions in interest rates.

Wesfarmers has completed detailed impairment testing of significant non current assets, as required under Australian Accounting Standards. The non current assets tested for impairment included the goodwill and other intangible assets recognised on acquisition of the Coles Group. At 31 December 2008, the carrying value of these significant assets did not exceed their recoverable amount determined for impairment testing purposes. As disclosed in the 30 June 2008 Financial Statements, the recoverable amounts determined for the former Coles Group divisions remain sensitive to underlying assumptions including discount rates and general trading conditions.

12 CASH FLOW HEDGE RESERVE

The change in cash flow hedge reserve to 31 December 2008 represents the after-tax net movement in market value of effective cash flow hedges from 30 June 2008 and comprised: (\$391.2) million of interest rate swaps; and (\$341.8) million of foreign exchange rate contracts.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 - WESFARMERS LIMITED AND ITS CONTROLLED ENTITIES

13 EVENTS AFTER THE BALANCE SHEET DATE

Dividend

A fully franked dividend of 50 cents per share resulting in a dividend payment of \$408.0 million was declared for payment on 31 March 2009. The dividend has not been provided for in the 31 December 2008 half-year financial statements.

Equity Raising

On 22 January 2009, the Company announced it had launched an equity raising to raise a minimum of \$2.8 billion comprising: a 3 for 7 accelerated pro-rata non-renounceable entitlement offer at an offer price of \$13.50 per share which included a fully underwritten institutional component expected by Wesfarmers to raise approximately \$1.9 billion; and additional proceeds of \$900.0 million to be raised by placements to two strategic investors. Based on the then assumed 15% take-up from retail shareholders the Company could raise an additional \$400.0 million from the retail component of the entitlement offer resulting in a total issue of approximately 242.0 million shares.

Settlement of the institutional component and strategic investor placement occurred on 6 February 2009. On settlement, the Company issued 208.6 million shares at an average price of \$13.94 per share. At the date of these financial statements, the retail component of the entitlement offer is yet to be settled. Settlement of the retail component is scheduled for 2 March 2009.

The proceeds of the equity raising have been used by the Company to repay bank debt. The Company has also secured extensions to a substantial proportion of debt facilities originally expiring in 2009 and 2010. Interest rate swaps held as hedges of interest rate movements on the repaid debt have been closed out or offset by entering into equal and opposite derivative contracts.

Costs incurred in relation to the equity raising and subsequent repayment of debt are expected to be approximately \$116.3 million comprising: interest rate hedge losses; debt establishment costs; and equity raising costs. Interest rate hedge losses are subject to change depending on the final equity raising based on the assumptions announced in the 22 January 2009 release. Interest rate hedge losses of approximately \$40.0 million will be recognised in earnings for the period ending 30 June 2009. Debt establishment costs of \$26.7 million have been incurred and increased amortisation and write-downs totalling some \$5.5 million are expected to be recognised during the period ending 30 June 2009. Directly attributable equity raising costs incurred of some \$49.6 million will be recognised net of any tax effects directly in equity and not impact earnings.



NEWS

16 February 2009

Wesfarmers' results for half-year ended 31 December 2008

Key Points:

- Group net profit after tax up 46.3 per cent to \$879 million*
- Net operating cash flows up 42.6 per cent to \$1.8 billion*
- Group earnings before interest and tax up 68.2 per cent to \$1.8 billion*
- Coles turnaround gathering pace with second quarter comparative store sales growth of 3.8 per cent
- Bunnings' earnings before interest and tax up 13.8 per cent
- Resources' earnings before interest and tax of \$686 million, up from \$112 million
- Industrial and Safety earnings before interest and tax up 11.5 per cent
- Insurance earnings before interest and tax up 4.7 per cent
- Energy and Chemicals & Fertilisers both negatively affected by the Varanus Island gas disruption during the period

Wesfarmers Limited today announced a 46.3 per cent lift in net profit after tax to \$879 million for the half-year ended 31 December 2008, compared to \$601 million for the previous corresponding period.

The profit result is in the upper range of guidance provided on 14 January 2009, and includes \$125 million (post-tax) in write-downs and provisions. This result follows the completion of impairment testing across the Group which saw no write-downs of goodwill or indefinite life intangibles.

“Despite the impact of a tougher consumer environment, the Group’s retail businesses have generally weathered the downturn well and the Coles turnaround is gaining momentum,” Managing Director, Richard Goyder, said.

The Resources Division recorded very strong earnings along with solid performances from the Industrial and Safety and Insurance divisions.

* The contribution of Coles, Target, Kmart and Officeworks to the previous half-year period was from 23 November 2007 to 31 December 2007.

As outlined in the update last month, the Energy and Chemicals & Fertilisers divisions were negatively affected by the Varanus Island gas explosion in June 2008 which caused disruption to gas supplies during the period.

Operating revenue for the six months increased to \$26.4 billion, reflecting the inclusion in the current period of a full six-month period of ownership of the Coles, Target, Kmart and Officeworks businesses.

Earnings per share for the period were 106.4 cents compared to 127.3 cents in the previous corresponding period, reflecting an increase in profit offset by the increase in weighted average number of shares over the period.

Operating cash flows increased 42.6 per cent from the previous corresponding period.

As foreshadowed in the announcement to the market on 22 January 2009, the Wesfarmers Board today confirmed that it will pay a fully-franked interim dividend of 50 cents per share, a decrease of 15 cents per share on the same period last year.

Retail

“Our turnaround retail businesses are generally performing well despite the challenging conditions,” Mr Goyder said.

“Particularly pleasing are the signs that the turnaround in Coles is gaining traction. In the second quarter of the financial year, Coles’ Food and Liquor comparative store sales growth was 3.8 per cent compared with 1.3 per cent in the first quarter.”

“The business achieved a record Christmas trading period driven by its fresh offer. We’ve also seen the upward trend continue since 31 December 2008.”

“Under Ian McLeod’s leadership, there is a strong new senior management team, a new customer focused culture and a more efficient head office. During the period the team has continued with the development of new store formats, achieved much better in-store availability and an improved fresh offer.”

“Liquor sales have grown while the Convenience business continues to show strong non-fuel sales growth.”

Bunnings’ earnings before interest and tax (EBIT) was up 13.8 per cent, driven by strong performances across all States.

“Bunnings has again delivered an impressive result as it continues to focus on strengthening its customer offer and delivering ongoing operational efficiencies.”

Store-on-store growth in cash sales of 7.7 per cent was achieved and good sales and earnings have continued post 31 December 2008.

In a tight market, Officeworks' retail store sales were up 3.9 per cent, a pleasing result in the conditions which reflects increasing traction of newly implemented growth strategies.

Target continued to perform solidly, with 4.0 per cent comparative store sales growth during the period and an EBIT to sales margin of 10.3 per cent.

Target had a very strong Christmas trading period with results since 31 December continuing the positive trend.

Kmart recorded flat sales growth during the period. Kmart's Managing Director, Guy Russo, who joined the Group in October 2008, has commenced the renewal of Kmart with an immediate focus on streamlining structures and reducing costs.

Industrial

The Resources Division performed extremely well for the six months, recording significant revenue and EBIT growth, despite increased royalty payments and increased costs across the industry. Resources' EBIT was \$686 million, compared to \$112 million for the previous corresponding period, due largely to strong export coal prices.

Mr Goyder said the Resources Division had delivered record production and sales during the six months, with total sales volumes for Curragh increasing by more than 15 per cent, compared to the prior corresponding period, and a 35 per cent increase in sales volume at the Premier Coal mine in Collie, Western Australia, compared to the same period last year.

The Industrial and Safety Division delivered growth in EBIT over the period of 11.5 per cent with revenue up 7.0 per cent. Mr Goyder said the result was an excellent one, given the resource and construction industry slowdown and particularly tough conditions in New Zealand. The improved results reflect sales growth across most of the division's businesses.

EBIT for both the Energy and Chemicals & Fertilisers divisions were affected by external factors, notably the Varanus Island gas outage which cut gas supplies in Western Australia during the period, as well as significant falls in commodity prices.

Gas supply issues reduced the Chemicals & Fertilisers Division's ammonia production volumes, with the flow-on impacts of the gas disruption also affecting demand for its sodium cyanide products. Fertiliser sales were down 41.6 per cent against the same period last year.

The disruption of gas supplies affected several of the Energy division's businesses, leading to a significant decrease in EBIT.

Insurance

Wesfarmers Insurance division recorded solid revenue growth for the period of 8.1 per cent and EBITA growth of 5.6 per cent, despite challenging external conditions, including generally higher claims levels, and storm events which increased crop claims.

Outlook

Mr Goyder said that the economic environment would be challenging for most of the Group's businesses over 2009.

"Notwithstanding, I expect the turnaround of Coles to continue to gather pace over the next 12 months," he said.

Finance

Net operating cash flows for the period were \$1.8 billion, compared to \$1.2 billion for the previous corresponding period. Replacement and expansionary capital expenditure was \$687 million for the period.

The Group's ratio of net debt to equity as at 31 December 2008 was 48.9 per cent. Assuming debt repayment of \$2.9 billion as a result of the recent equity raising (excluding proceeds from the yet-to-be-completed retail component), net debt to equity as at 31 December 2008 would have been 29.2 per cent.

The rolling 12 month cash interest cover over the period was 5.2 times. Following the recent equity issue, Standard and Poor's maintained Wesfarmers' BBB+ rating and upgraded the outlook to 'stable' from 'negative'.

Interim Dividend

The directors have declared a fully-franked interim dividend of 50 cents per share which will be paid on 31 March 2009 to shareholders on the company's register on 2 March 2009, the record date for the interim dividend.[#]

The interim dividend reflects a change to the Group's dividend policy which was announced last month. Given the current economic conditions, dividends will be paid based on the company's current and projected cash position, having regard to capital expenditure requirements, retained earnings, franking credits, debt levels and business and economic conditions generally.

This change in policy, which will be reviewed regularly, is to ensure the company is able to pursue growth opportunities in each of its businesses. Within these parameters, the Group will strive to deliver stable and growing dividends. It is expected that the final dividend for the 2009 financial year will be no more than 50 cents per share (fully-franked).

The directors have decided to continue the operation of the Dividend Investment Plan. The allocation price for shares under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 10 consecutive trading days from and including the second trading day after the record date for participation in the Plan which is 2 March 2009. No discount will apply to the allocation price. Shares will be allocated under the Plan on 31 March 2009. The Plan will not be underwritten.

[#] Excludes WESNA shares issued under the recent equity raising.

Other Businesses

Pre-tax earnings for Wesfarmers from the partly-owned Gresham Partners amounted to \$1 million. The Gresham Private Equity Funds investments made a pre-tax loss of \$1 million. There was a pre-tax loss of \$5 million from Wesfarmers' investment in the Bunnings Warehouse Property Trust. The 50 per cent-owned Wespine Industries delivered after-tax earnings of \$4 million.

Management Changes

As announced on 2 December 2008 Finance Director, Gene Tilbrook, will retire and Terry Bowen, Coles Finance Director, will take up the role in late April 2009.

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Coles Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	14,626	2,919
EBITDA	628	175
Depreciation & Amortisation	(197)	(45)
EBIT	431	130

While early in its turnaround, Coles' performance for the period was encouraging and reflects an intensive period of change led by the new management team led by Ian McLeod in June 2008. The first phase of the recovery strategy remains very focused on developing strong retail disciplines, improving operating standards, effective financial control, changing the culture, and starting the process of reformatting the stores to create a stronger fresh offer and a more customer friendly shopping experience.

Operating revenue for the Coles division for the six months to 31 December 2008 was \$14.6 billion. Earnings before interest and tax were \$430.6 million, prior to non-trading items of \$65 million for property valuation writedowns.

Food and Liquor operating revenue to 31 December was \$11.2 billion. Comparative stores sales growth in Food and Liquor for the six months was 2.6 per cent after increasing to 3.8 per cent for the second quarter, which included a strong Christmas trading period.

Despite falling petrol prices in the second quarter, Convenience operating revenue to 31 December of \$3.4 billion remained strong, with comparative sales growth of 6.1 per cent.

During the period, supermarkets produced strengthening growth in both comparative store sales and volume, driven by rising customer

numbers. Christmas trading was strong as Coles experienced its best ever trading month with sell-through of seasonal lines well managed.

Recognising that further consistency of Fresh in-store will be required, early stage actions to improve quality, display and availability delivered solid trading uplifts. Christmas trading was encouraging, with notable improvements in Produce, Bakery and Seafood. For example, sales of prawns and crayfish grew by over 50 per cent year on year.

In order to test new ideas and customer reaction to range and presentation, a number of pilot store trials have been landed. Early results from renewal formats are encouraging and will provide the basis for further roll-out next financial year, subject to successful refinement.

In a period of uncertainty and tougher economic times where customers are clearly drawn to value, Coles undertook a number of successful initiatives. A stronger promotional programme was developed and aligned to peak trading days, with a positive response in both customer reaction and sales impact. The Coles' housebrand review was completed, increasing the confidence in the comparable quality and value of this range. While further improvements are still planned over time, customer recognition of Housebrand value continues to increase with sales growing three times faster than alternative branded products. Coles was also able to deliver value through a number of other initiatives and help customers mitigate increasing inflationary pressures.

Within Store Operations, a "back to the basics" approach to store standards was the major operational focus for the half. On-shelf availability improved with internal measures indicating a 50 per cent improvement on the same period last year, assisted by the

Coles Division (continued)

distribution network transformation and better stock replenishment focus in-store. Coles also took initial steps in the delivery of a better service through improved checkout rostering designed to reduce queue lengths. Coles “capital light” refurbishment programme was largely completed, brightening up all stores, improving team member amenities, and replacing equipment including fridges and checkouts. This work will remain an integral part of Coles’ capital programme.

Led by Tony Leon, the Liquor renewal programme has intensified, culminating in a strong Christmas trading period. Value for customers in all brands was significantly strengthened, with prices reduced on over 1,000 products, and work commenced on improving range to better meet local demand.

Convenience continued to perform strongly over the period driven by the new store format and providing customers with good value on key staple lines. Comparable shop sales growth for the six months was 5.3 per cent having increased to 5.9 per cent in the second quarter.

Coles continued to improve its network, opening 24 new supermarkets, 20 new Liquor

stores (including eight 1st Choice stores) and four Coles Express stores. In addition, eight supermarkets, 66 liquor stores, 16 hotels and 25 convenience stores were extended or refurbished. The total network of stores as at 31 December 2008 comprised 765 supermarkets, 772 liquor stores (including 60 large format stores), 93 hotels and 621 convenience stores.

The physical transformation of Coles’ distribution network is nearing completion following the closure of two distribution facilities, one in Victoria and one in Western Australia, and the completion of the final chilled distribution centre in Parkinson, Queensland. Total distribution centres as at 31 December 2008 was 25. Focus will now switch to extracting value from this investment through optimisation of the new network.

Costs and capital are also being well managed. Over 1,500 non-store positions have now been removed while Coles has created over 8,500 new jobs in new and existing stores. Inventory overstocks have been reduced by a further 15 per cent and are now 65 per cent lower than levels existing at acquisition date.

Outlook

It is expected that household spending will continue to be influenced by lower consumer confidence due to a slowing local economy and rising unemployment levels. As a result customers will become increasingly cost conscious, which supports Coles’ strategy to engender greater levels of trust through delivering better value.

The new management team will continue to focus on strategies that build a solid foundation for the business to support a sustained improvement in performance over time. Integral to this is lifting store standards, creating a customer and store centric culture and increasing the depth of talent across the business.

While initial response is pleasing to an array of early programmes that have been instigated in all parts of the business, it is recognised that delivering the necessary change required to a business that had lost its way will take time. Despite the scale of change required, this can be achieved.



Home Improvement and Office Supplies Division

Bunnings

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	3,009	2,795
EBITDA	407	362
Depreciation & Amortisation	(37)	(37)
EBIT	370	325

Operating revenue of the home improvement business increased by 7.7 per cent to \$3.0 billion in the first half. Earnings before interest and tax of \$370 million, was 13.8 per cent higher than that recorded in the corresponding period last year. Trading earnings (net of property sale contributions) increased by 14.0 per cent.

Cash sales growth in Bunnings of 10.3 per cent was achieved, with underlying store-on-store cash sales growth of 7.7 per cent, reflecting continued organic growth strength in the business. Pleasing results were achieved in all Australian States and New Zealand and growth was achieved across all product categories despite the challenging external conditions.

Outlook

Retail sales growth is expected in the second half, albeit possibly at a lower growth rate given the continued volatility in the Australian and New Zealand economies. Trade sales are expected to be impacted by any further slowing in housing construction.

This reflected good work in the execution of merchandising and operational strategies.

Trade sales were 1.6 per cent higher than the comparative period, a favourable outcome given the challenges in the housing construction market. Positive impacts of ongoing work to re-align the trade business from a customer perspective continue.

Store network development activities were ongoing in the first half. Investment in bringing current building and merchandising standards into older parts of the network was sustained at similar levels to prior years. Six new warehouse stores, two small format stores and six trade centres were opened in the period. At the end of the half there were 171 warehouses, 59 smaller format stores and 19 trade centres operating across Australia and New Zealand.

The business is well positioned in the current trading environment with an ongoing agenda to improve both the strength of the customer offer and the effectiveness and efficiency of operations.



Home Improvement and Office Supplies Division

Officeworks

Performance Summary		
Half year ended 31 December (\$1m)	2008	2007
Revenue	602	115
EBITDA	34	9
Depreciation & Amortisation	(9)	(2)
EBIT	25	7

Operating revenue of Officeworks was \$602 million for the first half with earnings before interest and tax of \$25 million. Christmas trading was positive although there was significant pressure on margins due to aggressive price competition.

Headline sales growth across the Officeworks retail store network in the reporting period was 3.9 per cent, which was a pleasing result given the level of change that has been required in the business since acquisition and the adverse market conditions for small-to-medium size businesses. The encouraging recent store

Outlook

The pressure on sales and margin is expected to continue throughout the second half of the year, particularly with regards to the small-to-medium size business sector. Moderate sales growth is expected as the business continues to gain traction from the revised strategies.

performance reflects the positive impact of those changes.

Four new stores were opened during the half. Investment in bringing new merchandising and operational standards into the existing network accelerated with four stores being totally upgraded and minor works (including external signage, lighting and photo, print and copy fixtures and fittings), occurring in a number of stores.

Adverse sales trends were experienced in both Officeworks Business and Harris Technology as the strategic direction for those businesses were reset. These two channels to market were also heavily impacted by a lack of confidence amongst their core customer base, being small-to-medium size businesses.

The key focus remains on re-invigorating the business through a range of strategic initiatives.



Target Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	2,094	605
EBITDA	245	123
Depreciation & Amortisation	(30)	(5)
EBIT	215	118

Operating revenue for the period 1 July to 31 December 2008 was \$2.09 billion. Comparative store-on-store sales growth for the period was 4.0 per cent. Earnings before interest and tax were \$215 million.

All merchandise departments recorded sales growth during the period with particularly strong results in women's youth apparel and toys. Consumer demand for technology-based products continued with extremely positive growth in electrical goods sales such as interactive games.

Outlook

In the current economic conditions the business remains focused on maximising opportunities to retain existing customers and entice new customers, while progressing planned long-term growth initiatives. The business continues to tailor its offers to appeal to its core customers as economic circumstances evolve. Continued management of stock levels will ensure flexibility in responding to changes in consumer sentiment.

Five new stores are scheduled for opening by 30 June 2009.

The business planned a strong campaign for Christmas and supported it with appropriate stock levels in key departments. The success of the campaign was reinforced by the Federal Government's stimulus package, lower interest rates and petrol prices. Inventory at the close of the half was below our budget and tightly controlled. Once again, there was a substantial increase in the number of gift card sales pre-Christmas with high redemptions during the Stocktake Sale.

Reinvestment in the existing store network continued with 19 store refurbishments during the half, which included improvements to layout and traffic flow, design, store ambience, signage and fixtures. Fifteen refurbishments are expected this half.

Eleven new stores were opened during the period, eight full-line Target and three Target Country, taking the total number of stores in the network to 283.

Kmart Division

Performance Summary		
Half year ended 31 December	2008	2007
	(\$m)	(\$m)
Revenue	2,249	692
EBITDA	100	106
Depreciation & Amortisation	(25)	(5)
EBIT	75	101

Operating revenue for the six months was \$2.3 billion. Earnings before interest and tax were \$75 million.

Retail trading conditions were difficult, with first half comparative store sales growth of

Outlook

Trading conditions are expected to be challenging in light of consumer sentiment.

The Kmart management team is committed to the renewal of the business and is focusing on getting the cost base right, improving the customer in-store experience, rebuilding customer trust, making all sites a success and ensuring the right people are in place with clear accountabilities.

Two new stores are expected to open in the second half; with three to 10 refits expected to be completed towards the end of the year.

0.4 per cent. The second quarter showed improvement with comparative sales up 1.0 per cent, with Christmas trade overall generally positive.

Significant management changes were made in the business, with the executive team now clearly focused on improving sustainable long-term performance.

At 31 December 2008, there were 168 Kmart stores in Australia, 15 in New Zealand and 263 Kmart Tyre and Auto Service stores.

Resources Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	1,427	530
EBITDA	791	179
Depreciation & Amortisation	(105)	(67)
EBIT	686	112

Operating revenue of \$1.4 billion from the Group's coal businesses was 169.2 per cent above the \$530 million recorded in the corresponding period last year. Earnings before interest and tax of \$686 million were 512.5 per cent higher than last year's \$112 million.

Earnings were above last year due to record export metallurgical coal prices and increased sales volumes, offset by higher production cash costs, foreign exchange hedging losses, increases in government royalty expenditure and higher Stanwell rebate payments.

Highlights included strong production and sales performance:

- At the Curragh coal mine in Queensland, record coal production of 5.1 million tonnes to 31 December 2008 and sales of 5.2 million tonnes were aligned successfully to the robust export market conditions

Outlook

Achievement of targeted sales volumes will, as always, require satisfactory mine, rail and shipping performance. Expected full-year sales of metallurgical coal at Curragh is in the range of 6.5 to 6.9 million tonnes for the 2008/09 year.

Negotiations to renew the annual price of Curragh metallurgical coal will progress over the next few months, with most price resets taking effect at the beginning of April. The significant downturn in global steel production that has occurred in recent months will affect metallurgical coal prices and demand.

The division's earnings will also be impacted in the second half by the lag between coal prices and Stanwell rebate payment obligations as well as the division's foreign-exchange hedge-book.

experienced in the half. Metallurgical coal sales volumes from Curragh were 3.5 million tonnes, 11.2 per cent higher than the corresponding six month period last year. A 25.1 per cent increase in steaming coal deliveries resulted in total sales volumes for Curragh increasing by 15.4 per cent.

- Sales volumes from Premier Coal at Collie in Western Australia were 35.5 per cent above last year due to higher sales to Verve Energy, as a result of increased demand for coal-fired power in Western Australia due to the Varanus Island gas disruption, and maintenance and upgrade work at the Muja Power Station in the prior period.
- Joint venture sales volumes for the Bengalla coal mine in New South Wales, in which Wesfarmers holds a 40 per cent interest, were 7.5 per cent below the corresponding period last year. Bengalla's results for the period were affected by infrastructure constraints.

In other highlights, work has commenced at Curragh on the \$130 million diversion of Blackwater Creek announced in October 2008. Feasibility study work continues with respect to potential expansion of the Curragh mine to between 8.0 to 8.5 million tonnes export capacity. Expansion investment and timing is dependent on satisfactory market conditions.

Industrial & Safety Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	687	642
EBITDA	75	66
Depreciation & Amortisation	(7)	(5)
EBIT	68	61

Operating revenue for the industrial and safety businesses for the first half of \$687 million was 7.0 per cent above the corresponding period last year, with sales growth being achieved in most businesses.

Bullivants and Protector Alsafe reported solid growth, while Blackwoods continued to perform strongly, with all regions delivering sales growth. Overall the New Zealand businesses achieved operating revenue growth

Outlook

Market conditions are expected to be more difficult in the second half, with many customers scaling back production and project plans, including in the resources sector. Pressure on margins are expected to increase due to input costs inflation, exchange rate impacts and increased competitive pressures.

The industrial and safety businesses are well equipped to mitigate the impact of the current crisis and will maintain a tight cost and capital focus while continuing to progress the roll-out of business and customer service improvement initiatives.

Significant opportunities still exist from increasing the share of spend with existing customers as well as expanding into new markets and customers.

in New Zealand dollars, which was a pleasing outcome considering the very difficult local economic conditions.

Earnings before interest and tax increased by 11.5 per cent to \$68 million for the six months, with strong improvement reported for Blackwoods, Protector Alsafe, Bullivants and Blackwoods Paykels.

These results reflect the benefits of improved business platforms, which coupled with more competitive product and service offerings, high performing teams and improved delivery performance to customers, generated sales growth and margin improvement across most businesses, particularly in Australia.

Chemicals and Fertilisers Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	458	391
EBITDA	34	69
Depreciation & Amortisation	(30)	(21)
EBIT	4	48

Operating revenue of \$458 million from CSBP's chemicals and fertilisers businesses for the first half was 17.1 per cent above the comparative period last year. Earnings before interest and tax of \$4 million were recorded, a decrease of 91.7 per cent compared with last year's \$48 million.

The 2009 first half result was impacted by a disruption to contracted gas supplies for CSBP's Kwinana operations which required the purchase of more expensive imported ammonia and higher cost gas to ensure that customer demand for locally produced chemicals was met. In addition, slow sales and volatile commodity markets adversely impacted the fertiliser business.

Ammonia sales and production volumes were lower than the corresponding period last year due to reduced customer offtake and production issues associated with the gas outage incident at the Varanus Island facilities. The ammonia business recorded a loss due to the combined effect of the plant being shut down during the Varanus Island outage; and higher costs of gas since restarting the plant due to an ongoing force majeure on contracted gas supplies from Apache.

Outlook

The seasonal break in the second half will determine the demand for fertiliser and CSBP has witnessed a slowing in the growth in demand for chemical products. Discussions with insurers in relation to the gas disruption are ongoing with the quantum of any claim or outcome unknown at present. Negotiations with Apache in relation to the ongoing force majeure notice will continue.

Ammonium nitrate sales and production from Kwinana were higher than the corresponding period in the previous year due to production from the new nitric acid, ammonium nitrate and prill plants. Earnings were below the corresponding period reflecting gas supply issues which required the purchase of more expensive imported ammonia to ensure that production met customer demand.

Returns from the Queensland Nitrates joint venture were below the corresponding period last year, reflecting a planned tri-annual shut down being undertaken in September 2008.

Sales from CSBP's sodium cyanide activities were below the equivalent period last year, for both domestic and export markets. Production was significantly lower reflecting disrupted gas supplies and reduced domestic market demand which resulted, in part, from the gas disruption impacting gold mining operations in Western Australia.

Australian Vinyls sales, production volumes and earnings were negatively impacted by the ongoing customer and operational issues resulting from the upgrade of the business' distributed control system.

Fertiliser sales volumes were 41.6 per cent lower than the corresponding period last year as a result of growers collecting later due to a delayed harvest. The earnings contribution from the fertiliser business was significantly lower than last year's due to lower sales volumes and a provision being made to record stock at the lower of cost and net realisable value.

Energy Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	322	281
EBITDA	52	66
Depreciation & Amortisation	(22)	(18)
EBIT	30	48

Operating revenue from the Group's gas and power businesses increased by 14.6 per cent to \$322 million but was significantly lower than expected. Earnings before interest and tax were \$30 million, compared to \$48 million for the same period last year, a decrease of 37.5 per cent. Earnings were adversely impacted by the Varanus Island gas incident and international LPG prices declined sharply towards the end of the half, leading to inventory writedowns and reduced revenues.

Significant milestones were achieved in the integrated Western Australian LNG project, including successful commissioning of the 175 tonne per day production facility at Kwinana, installation of LNG refuelling stations and commencement of LNG use at Energy Generation's (enGen) Darlot and Sunrise Dam mine-site power stations.

Coregas' earnings contribution was slightly higher than the previous corresponding period with the benefit of improved sales being partially offset by cost increases. Liquid nitrogen and acetylene production plants,

Outlook

International LPG prices and the LPG content of feed gas to the Wesfarmers LPG plant will continue to impact the division's earnings.

Contributions from the LNG project will increase in the second half as LNG production and sales progressively increase.

Continued industrial gas sales growth will be pursued but outcomes will be dependent on economic conditions.

commissioned in 2008, performed satisfactorily.

Earnings from Air Liquide WA, in which Wesfarmers holds a 40 per cent interest, were higher than the comparative period last year. Air Liquide WA operates the air separation unit which supplies oxygen to the HIs melt pig iron plant at Kwinana. Production at HIs melt was suspended in mid December 2008, with no impact on Air Liquide WA's earnings for the half.

Wesfarmers LPG's production volumes were in line with the corresponding period last year. Earnings were 38.5 per cent lower than last year, the result being impacted by lower LPG production during the first three months (when international LPG prices were high), an emergency LPG import to cover potential shortfalls arising from the Varanus Island incident and LPG inventory write-downs.

Kleenheat Gas' total sales volumes for the half year were above last year. Comparative period earnings were below last year's, due to the Varanus Island gas disruption impacts, high international LPG prices reducing margins in the first quarter, and continued cost pressures.

Earnings from enGen for the half year were below last year's primarily due to cessation of power supply to mining operations at Mount Magnet in March 2008.



Insurance Division

Performance Summary		
Half year ended 31 December	2008 (\$m)	2007 (\$m)
Revenue	864	799
EBITDA	82	79
Depreciation & Amortisation	(15)	(15)
EBIT	67	64

Operating revenue of \$864 million increased by 8.1 per cent in the first half. Earnings before interest, tax and amortisation of \$75 million were 5.6 per cent higher than in the previous corresponding period. Gross written premium of \$679 million and broking revenue of \$104 million were recorded in the first half representing increases of 9.9 per cent and 1.0 per cent respectively over the corresponding period last year.

Selected rate increases and new business growth in the first six months were offset by higher than expected claims in crop insurance for WFI as a result of storms in Western Australia and higher incidence of claims particularly in the commercial motor, marine and retail agency portfolios for Lumley Australia. Lumley New Zealand improved

Outlook

For underwriting, the net cost of claims from the Victorian bushfires is expected to impact second half earnings by some \$13 million, after reinsurance recoveries. Premium rates continue to show signs of hardening as the industry responds to the impact of lower investment returns, reduced availability of capital and expectations of further deterioration in the economic environment. Lower interest rates will reduce investment returns given that the investment portfolio is predominantly in bank bills and term deposits.

The turnaround of Lumley New Zealand is progressing to plan with an expectation of further margin improvement. All businesses continue to focus on improvements in operating efficiency and managing risk selection.

Broking activities are likely to show modest growth driven largely by new business, hardening premium rates, efficiency improvements and bolt-on acquisitions. However, business growth will be limited by reduced levels of overall economic activity.

underwriting margins following the restructuring that occurred last year. Changes in the yield curve required further strengthening of long tail claims provisions; the effect of which was hedged so that there was no profit impact for the period.

These factors resulted in the divisional insurance margin of 6.1 per cent and the combined operating ratio (COR) of 99.4 per cent, compared with the previous corresponding period when the insurance margin was 5.6 per cent and the COR was 98.1 per cent.

The division's broking businesses reported a sound result given the economic environment in the latter part of the period. OAMPS and Crombie Lockwood generated \$27 million of EBITA on \$104 million of income, resulting in a margin of 25.7 per cent. Timing differences in the recognition of revenue resulted in a \$5 million negative variance in the first half that will be recognised in the second half of this financial year. The selective acquisition of broking businesses that meet investment criteria continued.

