

ASX Announcement

Monday, 21 February 2011

FULL YEAR 2010 NET PROFIT of US\$1,575 MILLION*

***All amounts are in US dollars unless otherwise stated**

Key Points

- **Record reported net profit** after tax of \$1,575 million, up 6.9% (2009: \$1,474 million).
- **Underlying profit** after tax of \$1,418 million, up 34.8% (2009: \$1,052 million⁽¹⁾).
- **Annual sales revenue** of \$4,193 million up 20.2% (2009: \$3,487 million) despite the lower sales volume of 72.2 million barrels oil equivalent (2009: 80.7 MMboe), largely due to higher commodity prices and the positive conclusion of certain LNG pricing negotiations.
- **A final dividend** of US55 cents per share (cps) was declared, fully franked (2009: US49 cps). The **2010 dividend** totals US105 cps, fully franked (2009: US95 cps).
- **Production** of 72.7 MMboe in line with guidance (2010 target range: 70 – 75 MMboe), but down 10.1% (2009: 80.9 MMboe), largely due to the Otway sale in March 2010 and oil-field natural decline.
- **Reserves replacement ratio**⁽²⁾ remains strong at 148%, up 1.4% (2009: 146%). Proved plus Probable reserves at the end of 2010 were 1,680.1 MMboe, up 1.7% (2009: 1,651.2 MMboe). Proved plus Probable reserve to production ratio has increased to 24 years.
- **Strong balance sheet** to fund growth, \$1,725 million in undrawn debt facilities and \$963 million in cash.
- **Pluto LNG Project (Train 1)** was more than 95% complete at year end, with start-up targeted for August 2011 and first LNG one month later.

(1) Following conversion to USD functional currency in 2010, prior year underlying profit numbers have been restated to exclude non-recurring foreign exchange gains/losses on the revaluation of USD denominated debt.

(2) Organic three-year rolling average (excluding acquisitions and divestments) for Proved reserves. Reserve details are included in the Annual Report released to the ASX on 21 February 2011.

FINANCIAL RESULTS

Reported net profit after tax was \$1,575 million before non-controlling interests. This result was favourably impacted by an outstanding year of North West Shelf (NWS) operations which achieved records for production, number of cargoes, revenue and profit. The reported net profit after tax included significant items totalling \$157 million (refer to table on page 2). The underlying net profit after tax (pre-significant items) was \$1,418 million.

The 2010 sales revenue of \$4,193 million was obtained from a sales volume of 72.2 MMboe (2009: 80.7 MMboe). Sales volumes were down from 2009 primarily due to the sale of Woodside's interest in the Otway Gas Project and oil-field natural decline. These reductions were partially offset by record production from NWS and improved Vincent reliability.

Revenue in 2010 increased by \$706 million (refer to Woodside's 2010 Annual Report for further detail), primarily due to higher commodity prices along with the positive conclusion of certain LNG pricing negotiations.

A fully-franked final dividend of US55 cps (2009: US49 cps) was declared, resulting in a full year dividend of US105 cps (2009: US95 cps). The record date for determining entitlements to the final dividend is 2 March 2011 with the ex-dividend date being 24 February 2011. The final dividend will be paid on 6 April 2011. Given Woodside's current growth program, the dividend reinvestment plan (DRP) remains activated for the 2010 final dividend. The DRP will be fully underwritten.

Table 1 – Result comparison: 2010 to 2009	2010	2009	Variance %
	MMboe	MMboe	
Production volume (MMboe)	72.7	80.9	(10.1%)
Sales volume (MMboe)	72.2	80.7	(10.5%)
	\$M⁽¹⁾	\$M⁽¹⁾	
Oil & gas revenues	4,193	3,487	20.2%
EBITDAX⁽²⁾	3,332	3,314	0.5%
Exploration and evaluation expensed	(329)	(253)	(30.0%)
Depreciation and amortisation	(749)	(752)	0.4%
EBIT⁽³⁾	2,254	2,309	(2.4%)
Net finance income/(costs)	18	(12)	n.m. ⁽⁴⁾
Taxes (after significant items)			
Income tax expense	(532)	(748)	28.9%
Petroleum resource rent tax expense	(165)	(75)	(120.0%)
Reported profit (after significant items)	1,575	1,474	6.9%
Significant items:			
Gain on sale of Otway	149	-	
Currency impact on deferred tax balances	71	-	
Gain on sale of Sierra Leone/Liberia	89	-	
Neptune impairment	(92)	-	
Deferred tax asset write downs	(60)	-	
Foreign exchange gain on US dollar debt	-	494 ⁽⁵⁾	
Libya write-off	-	(81)	
Sale of Browse permits	-	14	
Oceanway write-off	-	(5)	
Deduct sub-total of significant items after tax	157	422	n.m. ⁽⁴⁾
Underlying profit (before significant items)	1,418	1,052	34.8%
Earnings per share (US cps)	204	210	(2.9%)
Annual dividend (US cps)	105	95	10.5%
Net operating cash flow	2,104	1,483	41.9%
Gearing (%) ⁽⁶⁾	26%	30%	13.3%
Long-term debt	4,512	4,939 ⁽⁷⁾	n.m. ⁽⁴⁾
Short-term debt	403	-	n.m. ⁽⁴⁾
Cash and cash equivalents	963	1,207	(20.2%)

(1) All amounts are in US\$M and before non-controlling interests, unless otherwise stated.

(2) EBITDAX = earnings before interest, tax, depreciation, amortisation and exploration (includes significant items).

(3) EBIT = earnings before interest and tax (includes significant items).

(4) n.m. = not meaningful.

(5) The 2009 underlying profit was adjusted to exclude \$494 million of non-recurring foreign exchange gains on US dollar debt as a result of the change to US dollar functional currency in 2010.

(6) Gearing = (net debt) divided by (net debt + equity).

(7) Non USD long-term debt is converted to USD using closing exchange rates at 31 December 2010.

OPERATIONAL OVERVIEW

Health and Safety. During 2010, the frequency of injuries as measured by Total Recordable Case Frequency (TRCF) increased from 3.3 to 5.1. While the TRCF ratio increased, the total number of injuries decreased by 24%, from 199 to 151 against a background of a 51% reduction in the hours worked compared to 2009.

Further details are provided in the 2010 Annual Report and in the 2010 Sustainable Development Report.

Reserve growth remains strong. For Proved reserves, the annual organic reserves replacement ratio was 171% while the three-year average organic reserves replacement ratio was 148%. Proved reserves of 1,308.5 MMboe and Proved plus Probable reserves of 1,680.1 MMboe represent 18 and 24 years of annual production respectively. Further details are provided in the 2010 Annual Report.

Production in line with guidance. While production was down 10.1% on last year (2009: 80.9 MMboe), it was in line with our guidance of 70 - 75 MMboe. This reflected oil-field natural decline and the sale of our interest in the Otway Gas Project. These reductions were partially offset by record production from NWS and improved Vincent reliability.

North West Shelf achieved record LNG production. During the year, Woodside, as operator of the NWS Project, loaded 261 cargoes of LNG (2009: 246 cargoes). Woodside's share of 2010 LNG production was 2.55 million tonnes, up from 2.40 million tonnes in 2009.

Improved reliability at the Karratha Gas Plant was highlighted by the achievement in July 2010 of a record 85 days without interruption to production (previous record was 64 days since the start up of Train 4 in 2004). Overall LNG production reliability at year end was 94.3%, compared to 87.9% in 2009.

Additional North West Shelf condensate capacity successfully obtained. Condensate production was positively impacted by high gas system utilisation, which partially offset natural field decline in 2010. In 2011 condensate production from the Echo Yodel and Searipple fields is expected to decline.

Vincent oil production increased. Production increased throughout 2010 due to higher facility uptime, successful introduction of production from new infill wells (adding over 10,000 bbl/day) and the use of the subsea multiphase pumps to provide artificial lift to the wells (Q3 2010). Work is continuing to reinstate the gas compressors and current plans are to have them fully operational in 1H 2011.

In 1H 2011 Woodside plans to drill two new infill wells, which are expected to increase Vincent production as they target unswept parts of the reservoir. A third well is planned for late 2011 or early 2012 depending on drill rig availability.

DEVELOPMENT ACTIVITIES

Foundation Pluto LNG Project more than 95% complete at the end of December 2010. Onshore, the transition from construction to commissioning continued throughout the year. Pre-commissioning, commissioning and pre-operations teams joined the construction team on site to progress the integrated start up approach for production.

Offshore activities continued to progress to schedule. This included the successful drilling and completion of the fifth and final Pluto production well and the de-watering of offshore pipelines.

A comprehensive review of cost and schedule completed in November 2010 now targets start up for August 2011 and first LNG one month later. The revised cost of the foundation Pluto LNG Project is A\$14 billion (100% project). This represents a 6.9% increase to the project's 2009 A\$13.1 billion estimate (100% project).

Planning for Pluto expansion. During Q4 2010 Woodside purchased a 50% participating interest in exploration permit WA-404-P from Hess Exploration (Carnarvon) Pty Ltd, increasing our equity to 100%.

Front-end engineering and design (FEED) for the next two onshore trains was completed in 2010 and Woodside plans to order long-lead items (LLIs) in 2011 to maintain the earliest start up for an expansion train.

The exploration campaign to support Pluto equity gas expansion will continue into 2011. During the current Carnarvon Basin campaign Woodside has drilled six gas discoveries (at Martell, Eris, Noblige, Larsen, Larsen Deep and Remy) from ten exploration wells in the Pluto inner and central hubs. The Alaric well in the Claudius hub also found gas.

Discussions continue with third parties regarding the potential to process Carnarvon Basin gas through additional trains at Pluto.

Browse on course to consider Final Investment Decision (FID) by mid-2012. In February 2010 the Joint Venture participants complied with the retention lease conditions (accepted in December 2009) by unanimously selecting the development concept for Browse and adopting the Browse LNG Precinct at James Price Point as the location for onshore processing facilities.

Basis of design (BOD) work started in February and was completed in November 2010, on schedule and to budget. In February 2011 the Woodside Board gave approval for the company to move into FEED.

Land tenure at the Browse LNG Precinct is being secured through Western Australian Government-led negotiations with Traditional Owners. The State commenced a right-to-negotiate process that provides a timeframe for all parties to establish a settlement for land access at the precinct. Woodside has worked closely with the Traditional Owners of James Price Point, the Goolarabooloo and Jabirr Jabirr people, to progress the development in a way that meets the needs of local Indigenous people.

Sunrise continues to make progress. During 2010 the Sunrise LNG Development made significant progress with the Sunrise Joint Venture unanimously selecting Floating LNG as its preferred development concept. The concept is now being progressed with the Australian and Timor-Leste governments in accordance with international treaty obligations.

In 2011 Woodside and the Joint Venture will continue its drive towards a FID and progress the development of Greater Sunrise with the Australian and Timor-Leste governments to the benefit of all stakeholders. Following the necessary approvals, the Joint Venture will enter upstream and downstream BOD and FEED.

North Rankin Redevelopment Project on track for completion in 2013. Work continues on the North Rankin B (NRB) jacket, piles and bridges fabrication in Indonesia and topsides fabrication in Korea. Installation of the support structure at NRA for the north bridge-link was completed ahead of schedule and the south bridge-link has commenced. Progress on construction of the two major transport barges, which will deliver the jacket and topsides, continue to plan.

As at the end of December 2010 the project was 63% complete. The project is expected to cost approximately A\$5 billion (A\$840 million Woodside share), is on budget and is scheduled for completion in 2013.

North West Shelf Oil Redevelopment Project scheduled for start up in Q2 2011. The A\$1.8 billion (A\$600 million Woodside share) NWS Oil Redevelopment Project includes conversion of the Okha floating production storage and offloading vessel (FPSO) which will replace the Cossack Pioneer FPSO in 2011, as well as replacement of associated subsea infrastructure.

The redevelopment project will provide state-of-the-art facilities for continuous production from the Cossack, Waneia, Lambert, Hermes fields. As at the end of December 2010 the project was 86% complete, on budget and scheduled for start up in Q2 2011.

Greater Western Flank Development (GWF) area consists of 14 fields to the south-west of Goodwyn A and is estimated to hold approximately 3 Tcf of recoverable gas and approximately 100 MMbbl of condensate (100% project). The concept for the first phase of GWF was selected in 2010. Project planning for the subsea tieback to Goodwyn A has commenced with FEED targeted for 2011.

GWF together with other undeveloped gas reserves are expected to maximise returns from existing infrastructure, maintain offshore supply to fill the Karratha Gas Plant capacity to beyond 2020 and support ongoing marketing efforts for LNG and domestic gas.

CORPORATE ACTIVITIES AND OUTLOOK

Successful divestment of non-core assets.

Otway divestment. In March 2010 Woodside finalised the sale of its 51.55% interest in the Otway Gas Project to Origin Energy Resources Ltd and Benaris International N.V. for A\$724.5 million.

Sierra Leone / Liberia divestment. In August 2010 Woodside's Sierra Leone / Liberia interests were successfully divested. In consideration for this sale Woodside received \$65 million in cash and interests in eight exploration permits in the Gulf of Mexico.

Libyan divestment. On 16 December 2010 Woodside signed a Heads of Agreement with the Libyan Investment Authority for the sale of Woodside's onshore interests, covered by the Exploration Production Sharing Agreement III contract (EPSA III). The sale was finalised in early 2011. Woodside's offshore exploration areas, covered by the EPSA IV contract, expired in Q1 2010 and Woodside has no further interest in these blocks.

Funding plan successfully executed. During 2010 Woodside renewed a number of 364-day and bilateral facilities and in December 2010 the \$1.1 billion Asian-syndicated loan facility was refinanced, extending the maturity from 2012 to 2015. This was achieved at a lower finance cost. In addition, Woodside raised approximately A\$254 million through activation of the dividend reinvestment plan and in early 2010 successfully completed an A\$2.5 billion equity raising. The institutional component of this accelerated renounceable entitlement offer was finalised in December 2009, while the retail component was finalised in February 2010.

With approximately \$3.5 billion of additional investment expenditure targeted in the coming year, Woodside enters 2011 with approximately \$2.7 billion of cash and undrawn debt. Woodside is well positioned to fund its LNG growth plans, while continuing to deliver strong returns to shareholders.

2011 production outlook. Woodside's underlying production target (ex-Pluto) is anticipated to range from 63 to 66 MMboe, while additional production from Pluto, taking into account the revision to the foundation project schedule, is expected to be in the range of 5 to 9 MMboe (Woodside share).

Sustainable Development Report. Woodside's 2010 Sustainable Development Report will be available on the Woodside website on 22 February 2011 (www.woodside.com.au).

AGM.

Woodside Petroleum Ltd advises that its 2011 Annual General Meeting will be held in Perth, Western Australia on Wednesday, 20 April 2011.

A copy of the 2010 results presentation and Woodside's 2010 Annual Report, which includes the full 2010 operations and financial reports, may be accessed on Woodside's website (www.woodside.com.au). A webcast briefing, including a question and answer session with investors and analysts, will be available on our website from 10.00am WST.

Contacts: INVESTORS

Mike Lynn
W: +61 8 9348 4283
M: +61 439 691 592
E: investor@woodside.com.au

MEDIA

Laura Hammer
W: +61 8 9348 6874
M: +61 418 917 609
E: laura.hammer@woodside.com.au