

ASX Announcement

Wednesday, 22 August 2012

WOODSIDE REPORTS 2012 HALF-YEAR PROFIT OF \$812 MILLION^(*)

Woodside today reported a half-year profit after tax of \$812 million, underpinned by a 17.8% increase in operating revenue and a 7.2% increase in production. Key to these increases was the successful start-up of Pluto LNG, stronger commodity prices and higher contributions from Vincent and North West Shelf (NWS) oil.

Woodside CEO Peter Coleman noted the performance of the underlying business and the successful ramp-up of the Pluto LNG project was clear demonstration of Woodside's commitment to consistent, world-class delivery. "It is particularly pleasing to see Pluto achieve utilisation rates of 80% in the first two months of operation; well in excess of the 36% we had targeted. The ongoing reliability of the underlying business and the successful addition of Pluto production provides positive momentum for our production and revenue," Mr Coleman said.

Woodside has increased its 2012 production target to a range of 77 to 83 million of barrels oil equivalent (MMboe), up from the previous target of 73 to 81 MMboe.

Woodside also advises that all conditions precedent required for the sale of an estimated 14.7% unitised interest in the Browse Development to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) have been satisfied, and will finalise the sale during Q3 2012. "The sale to MIMI signals a very positive step in the development of Browse, and underscores the value of this world-class resource," Mr Coleman said.

"Woodside remains focused on the efficient and timely development of our growth projects. We operate in a global industry and we must ensure our cost base remains competitive to maintain the strength of our company. We will continue to exercise this same discipline in pursuing complementary global opportunities.

"With regard to Pluto expansion, the current phase of exploration drilling to support additional trains has concluded without discovering the volume of commercial gas that is required to endorse a final investment decision at this point in time. Therefore a break in the drill program is required to allow a thorough evaluation of the well results and to rebuild the exploration portfolio. Nonetheless, discussions with other resource owners regarding potential Pluto expansion are active and are expected to continue through 2013," Mr Coleman said.

Key Points

^(*) All dollar amounts are in US dollars unless otherwise stated

- **First-half production** of 34.2 million barrels of oil equivalent (MMboe) up 7.2%.
- **Strong operating revenue** of \$2,655 million up 17.8% largely due to the start-up of Pluto LNG, higher commodity prices and higher contributions from Vincent and NWS oil.
- **Reported net profit** after tax, down 1.9%, largely due to one-off costs relating to Pluto start-up and non-recurring costs. After allowing for non-recurring items (refer Table 1, page 2), the **underlying net profit** after tax of \$865 million¹, was up 4.5%, positively impacted by higher sales volumes and realised prices.
- **Operating cash flow** of \$1,495 million, up 7.5%.
- **Major project progress:** work is ongoing for NWS North Rankin Redevelopment and Greater Western Flank, evaluation of tenders for Browse LNG, scoping for Greater Enfield Area oil developments and engagement on Sunrise LNG. Discovered Woodside equity gas is currently insufficient to support an expansion of Pluto LNG, nonetheless discussions with other resource owners are active and ongoing.
- **A fully franked interim dividend** of US 65 cents per share (cps) was declared, up 18.2% (1H 2011: US 55 cps).

¹ Woodside's financial reporting complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. Woodside believes the non-IFRS profit reflects a more meaningful measure of the company's underlying performance.

Table 1 – Result comparison: 1H 2012 to 1H 2011

	1H 2012	1H 2011	Variance %
	MMboe	MMboe	
Production volume (MMboe)	34.2	31.9	7.2%
Sales volume (MMboe)	33.1	31.7	4.4%
	US\$M	US\$M	Variance %
Operating revenue	2,655	2,253	17.8%
EBITDAX⁽¹⁾	1,871	1,726	8.4%
Exploration and evaluation expensed	(130)	(213)	39.0%
Depreciation and amortisation	(444)	(279)	(59.1%)
EBIT⁽²⁾	1,297	1,234	5.1%
Net finance income/(costs)	(42)	(15)	n.m. ⁽⁹⁾
Income tax expense	(412)	(374)	(10.2%)
Petroleum resource rent tax expense	(27)	(16)	(68.8%)
Total taxes	(439)	(390)	(12.6%)
Non-controlling interest	(4)	(1)	n.m. ⁽⁹⁾
Reported NPAT (including non-recurring items)	812	828	(1.9%)
Deduct/(add back) non-recurring items⁽³⁾:			
<i>Pluto delay mitigation cost</i>	(28) ⁽⁴⁾	-	n.m. ⁽⁹⁾
<i>Tax paid on sale of a subsidiary</i>	(25) ⁽⁵⁾	-	n.m. ⁽⁹⁾
Underlying NPAT (excluding non-recurring items)⁽⁶⁾	865	828	4.5%
Reported earnings per share (US cps)	100	105	(4.8%)
Underlying earnings per share (US cps) ⁽⁶⁾	107	105 ⁽³⁾	1.9%
Interim dividend (US cps)	65	55	18.2%
Net operating cash flow	1,495	1,391	7.5%
Gearing (%) ⁽⁷⁾	26.4%	26.7%	1.1%
Total debt ⁽⁸⁾	5,455	4,961	(10.0%)
Cash and cash equivalents	611	607	0.7%

(1) EBITDAX = earnings before interest, tax, depreciation, amortisation and exploration (includes non-recurring items).

(2) EBIT = earnings before interest and tax (includes non-recurring items).

(3) In 1H 2011 impairment of Coniston was listed as a non-recurring item. It was reclassified in the 2011 full-year results as a recurring item.

(4) The \$28 million (after tax) relates to arrangements with customers affected by delay in Pluto LNG delivery.

(5) In 1H 2012 Woodside paid a tax assessment from the Timor-Leste Revenue Authority for \$25 million in relation to the sale in 2007 of a subsidiary, Woodside Petroleum (TS1) Pty Ltd.

(6) The underlying (non-IFRS) profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit.

(7) Gearing = (net debt) divided by (net debt + equity). This non-IFRS number has been derived from audited accounts of IFRS supported debt and equity figures.

(8) Total debt = total interest bearing liabilities.

(9) n.m. = not meaningful

OPERATING PERFORMANCE

Health and Safety, Environment, People:

Woodside's 12 month rolling average Total Recordable Case Frequency improved from 5.44 cases per million hours worked at 30 June 2011 to 4.18 at 30 June 2012.

Installation of the North Rankin B platform was completed in 1H 2012 without major incident.

Following on from the 'Reinforcing Our Safety Culture' initiative launched by Woodside's CEO in 2H 2011, a company-wide survey was initiated in 1H 2012 to help identify the strengths and gaps in our safety culture. The results will be used to help continue to deliver improvements in overall health and safety performance.

Pluto LNG – Woodside 90% (operator): During the first half of 2012, LNG and condensate production commenced. Pluto LNG performed at better than expected rates due to high reliability in the ramp-up phase. First gas entered the processing train on the 22 March 2012 and production began at the end of April 2012. Woodside delivered eight cargoes of LNG in the first half of the year. From start-up to the end of June 2012, Pluto LNG produced 599,564 tonnes of LNG and 513,038 barrels of condensate (100% project).

Over the first two months actual capacity utilisation of 80% was achieved against a forecast of 36%. The forecast was based on actual start-up performance of NWS LNG trains 4 and 5. The increased utilisation resulted in excess production beyond contracted volumes. Consequently, of the eight cargoes delivered during Q2 2012, three cargoes were sold to the spot market at prices higher than the normal contracted pricing formula.

With initial Pluto operational performance at levels higher than anticipated, Woodside now expects this asset to contribute around 20 to 23 MMboe to Woodside's 2012 production target (revised upwards from 17 to 21 MMboe as previously advised in Woodside's Q2 2012 report).

North West Shelf¹ – Woodside 12.5%-50%² (operator): The NWS delivered 111 cargoes of LNG on behalf of the NWS joint venture participants, compared to 132 in 1H 2011 (100% project). The reduced number of cargoes is due to the ongoing refurbishment and maintenance program with planned shutdowns being completed in Q2 2012 on the Trunkline Onshore Terminal 1 and LNG Train 4. In addition, production was impacted by North Rankin Redevelopment Project activities and cyclone activity in Q1 2012.

The NWS Oil Redevelopment Project achieved first oil in September 2011. With a full period of production, commissioning of compression systems and the start up of the *Okha* floating production storage and offloading (FPSO) vessel's gas system; oil production of 1.4 MMbbls in 1H 2012 was significantly higher than the previous corresponding period (1H 2011: 0.4 MMbbls).

Vincent¹ – Woodside 60% (operator): Several cyclones caused unplanned outages earlier in the year with extended reconnection delays providing opportunity for remediation activities. Nonetheless Vincent production rose to 2.8 MMbbls (1H 2011: 1.5 MMbbls), largely due to the successful start-up of the VNB-H7 infill well in May 2012, coupled with production from two infill wells previously brought online in September 2011. With the start-up of the VNB-H7 infill well, a monthly production record was achieved at Vincent during May.

Following the purchase of the *Ngujima-Yin* FPSO (December 2011) and the expected completion of handover in September 2012, ongoing integrity and reliability improvements are planned. The acquisition has facilitated plans to extend the field life at Vincent and to further progress the reliability and availability of the vessel. To implement these improvements it is anticipated that the FPSO will be taken offline for up to five months in 1H 2013.

¹ Unless otherwise stated production and sales volumes for NWS and Australia Oil are quoted as Woodside share.

² Woodside's NWS interests include: NWS Venture 16.67%, Domestic Gas Joint Venture 50%, Incremental Pipeline Gas Joint Venture 16.67%, China LNG Joint Venture 12.50%, CWLH (crude oil) 33.33%.

CAPITAL EFFICIENCY

Capital management

Woodside ends the Pluto foundation project development phase in a strong financial position. At 30 June 2012, Woodside held \$2.2 billion of cash and undrawn debt facilities, with gearing at 26%. The company's average cost of debt at 30 June was approximately 3.3% per annum, on a portfolio basis. The significant step-up in operating cash flows from Pluto production and the anticipated receipt of \$2 billion in gross sales proceeds from the sale of Browse equity (expected Q3 2012) will further strengthen the company's solid liquidity position.

Project updates

Work continues for the **NWS North Rankin Redevelopment and Greater Western Flank Phase 1** projects. The projects are on budget and schedule for a 2013 and early 2016 start-up respectively.

In the **Greater Enfield Area** at Cimatti and Laverda, activities examining the potential development of these discovered oil resources are ongoing.

With regard to the **Browse LNG Development**, the State and Commonwealth Governments approved amendments to the Browse retention leases in April 2012, which include extending the timetable for readiness for a final investment decision into 1H 2013. The variation allows time to better evaluate the outcomes of front-end engineering and design work and the results of the tender processes for the development's major contracts. The revised timetable also allows more time to complete necessary assurance activities. Browse engineering and environment studies at the WA Government's proposed LNG Precinct at James Price Point and offshore areas continued in 1H 2012. Evaluation of tender bids for the engineering, procurement and construction of the Browse facilities is ongoing. Meeting the Browse Basin retention lease conditions remains a priority for the company.

Further to Woodside's announcement on 1 May 2012, the company advises that all conditions precedent required for the sale of a minority portion of the company's equity interest in the proposed Browse LNG Development to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) have been satisfied. The transaction will give MIMI an estimated 14.7% interest in the development on an assumed unitised basis. The sale will be finalised in Q3 2012 and Woodside will remain the operator of the Browse joint ventures.

Woodside will also seek to progress the proposed **Sunrise LNG Development** and continue its engagement with the Timor-Leste Government. Woodside believes that with the involvement and support of both the Australian and Timor-Leste Governments and a genuine intention by all parties to continue dialogue, there is an opportunity to arrive at a mutually beneficial development outcome.

With regard to **Pluto expansion**, the current phase of exploration drilling to support additional LNG trains has concluded without discovering the volume of commercial gas that is required to endorse a final investment decision at this point in time. Therefore a break in the drill program is required to allow a thorough evaluation of the well results and to rebuild the exploration portfolio. Concurrently, discussions with other resource owners regarding potential Pluto expansion are active and expected to continue through 2013.

Investment expenditure

Capital expenditure in the first half of 2012 was \$962 million, a 36% reduction from 1H 2011 (\$1.5 billion). The decrease was largely driven by lower expenditure at Pluto as construction was completed and the project transitioned to operational status.

Investment expenditure for 2012 is expected to be \$2.0 billion (2011: \$3.8 billion), which is lower than previous guidance largely due to reduced exploration expenditure following the farm-down of Woodside's interests on three recent exploration wells (Vucko-1, Banambu Deep-1, Ananke-1). The expected investment expenditure amount comprises \$1.7 billion capital plus \$0.3 billion of exploration expenditure.

SHAREHOLDER RETURNS

Dividend payment and adoption of dividend policy

A fully-franked interim dividend of US 65 cps was declared, an increase of 18.2% (2011: US 55 cps). The increase in dividend reflects Woodside's strong financial position, increased operating cash flow and reduced short-term capital expenditure outlook. The record date for determining entitlements to the interim dividend is 31 August 2012 with the ex-dividend date being 27 August 2012. The interim dividend will be paid on 2 October 2012. The dividend reinvestment plan (DRP) will remain activated. Shares that are allocated under the DRP for the 2012 interim dividend will be acquired on-market and will be allocated at a price determined under the plan rules without the application of a discount.

In addition, the Board has approved a **Dividend Policy**, a copy of which is available at www.woodside.com.au under "Investors and Media (Shareholder Services)". Woodside will aim to maintain a minimum dividend payment payout ratio of 50% of net profit excluding non-recurring items expressed in US dollars. In determining the appropriate dividend payment, Woodside will consider, among other things, its development profile, available cash flow and funding requirements. The Board maintains the discretion to determine whether or not a dividend is payable and the amount of any dividend payment.

OPPORTUNITY GENERATION AND OUTLOOK

We continue to execute our three-tiered strategy to build shareholder value by maximising our core business, leveraging our proven capabilities and growing our portfolio.

Leveraging and building on our existing capabilities is expected to deliver a broader opportunity set to Woodside, as evidenced by Woodside recently joining a bidding group to obtain exploration rights in the emerging gas province of offshore Cyprus. Results of the bid round are expected to be known before the end of 2012.

By pursuing opportunities that play to our strengths, Woodside intends to grow its exploration portfolio through disciplined evaluation and acquisition. Woodside has embarked on a focused series of global basin studies and will seek to position itself only where value is clearly identified. As part of this review Woodside is currently examining opportunities in the Eastern Mediterranean, South East Asia and the Americas.

Production outlook

As announced on 19 July 2012, Woodside's production target for 2012 has been increased to a range of 77 to 83 MMboe (previously 73 to 81 MMboe). This comprises 57 to 60 MMboe from the underlying business (ex-Pluto) and 20 to 23 MMboe from Pluto LNG. The increase in the range is primarily due to better than expected performance from Pluto LNG with a smaller increase due to the rescheduling of the planned Vincent shut-down from Q4 2012 into 2013.

A copy of the 2012 Half-Year results presentation, this report and the Half-Year Report (incorporating the Appendix 4D) may be accessed on Woodside's website at www.woodside.com.au.

A webcast briefing, including a question and answer session, will be available on our website from 10am WST on 22 August 2012.

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