Address by Chairman Michael Chaney and CEO and Managing Director Peter Coleman

Woodside Petroleum Ltd.

2014 Annual General Meeting
Wednesday, 30 April 2014

Report by Chairman Michael Chaney

Good morning ladies and gentlemen.

I am Michael Chaney, your company's Chairman. I welcome all shareholders, staff and guests attending this Annual General Meeting of Woodside Petroleum Limited, and also those joining us via our webcast.

Our thanks to the four musicians from the Western Australian Youth Orchestra – David Hicks, Jennifer Le, Stuart Robertson and Scott Trethowen – for entertaining us prior to the start of the meeting. Woodside is proud to have been a supporter of this orchestra for more than 20 years.

Before we commence, please take a few seconds to familiarise yourselves with the evacuation procedures shown on the screen above which would apply in the unlikely event of an emergency.

In furthering the process of reconciliation, we are pleased to acknowledge the past and present Traditional Owners of this land on which we are gathering today.

I invite Kim Collard, a Balladong man of the Nyoongar Nation of the south west of Western Australia, to the stage to deliver a Welcome to Country for us.

[Kim Collard delivers Welcome to Country]

Thank you Kim.

On stage with me is our Chief Executive Officer and Managing Director Peter Coleman, our Executive Vice President and Chief Financial Officer Lawrie Tremaine, and our Company Secretary Warren Baillie.

The other members of our board of directors are sitting in the front row. They are, and I ask them to stand as I mention them, Melinda Cilento, Rob Cole, Frank Cooper, Chris Haynes, Andrew Jamieson, David McEvoy and Sarah Ryan.

Russell Curtin from Ernst & Young, the company's auditors, is also present.

Just a reminder that as Woodside reports its results in US dollars, any reference to dollars this morning will be in US currency unless stated otherwise.

I am pleased to report that your company performed strongly during the 2013 year, with record production, a strong profit result and record dividends.

The production result of 87 million barrels of oil equivalent was testament to the reliability of the company's core assets and highlights our ongoing commitment to delivering real value from the base business.

Reported net profit after tax was $1.75 billion – second only to the 2012 result, which included the partial sale of Browse equity. The underlying net profit after tax for 2013 was $1.7 billion.

The full-year dividend of 249 cents per share represented a 92 per cent increase on the prior year, reflecting the board's policy of paying out around 80 per cent of underlying profit while circumstances permit.

The full-year dividend included a special dividend of 63 cents per share, made possible by the company's strong cash flow and low debt levels.

As I said at last year's AGM, we expect to maintain our 80 per cent payout policy for the foreseeable future, subject to the demands of significant new capital investments or material changes in the company's business environment.

I stress again that this high dividend payout ratio does not come at the expense of growth. We are in the very fortunate position of being able to return cash to our investors while still having the capacity to fund new growth opportunities.

Throughout 2013, we made significant progress against the key elements of our corporate strategy, namely: maximising our core business; leveraging our capabilities and growing our portfolio.

In line with the first element, we successfully carried out major shutdowns at Pluto LNG and on LNG Train 2 at the North West Shelf and we've seen improved reliability at both of these assets during the year.

Early this year, Pluto LNG achieved the milestone of 100 LNG cargoes loaded since the start of production in 2012.

With regard to leveraging our capabilities, we took the decision to commence Basis of Design work for a Floating LNG development concept for Browse.

Combining Woodside's offshore development expertise with Shell's Floating LNG technology offers the potential to deliver long-term benefits to our shareholders and to the state and national economies.

Portfolio growth was achieved during the year with the finalisation of our entry into offshore Myanmar and the successful acquisition of new exploration licences in New Zealand and Ireland. These countries offer low-cost access to areas in which Woodside's extensive deepwater capabilities can be fully utilised.

Last month Woodside was awarded four additional blocks in the Myanmar Government's 2013 Offshore Bid Round, with commitments to seismic acquisition and the option of future drilling.

Woodside's growth strategy is underpinned by strong global demand for natural gas and the increasing role of LNG in the global gas supply mix.

It is expected that by 2030 global demand for LNG will be more than double the 2013 level of approximately 240 million tonnes per annum, corresponding to an average annual growth rate of 4 to 5 per cent.

The Asia-Pacific region makes up about 70 per cent of global LNG demand and we are seeing purchases by traditional buyers complemented by significant demand growth across India and South East Asia. In addition to its use in power generation and commercial and residential applications, LNG is increasingly becoming an important transportation fuel.

Australia is well placed to meet this growing demand. Seven of the 12 LNG projects under construction globally are in Australia, accounting for more than 70 per cent of new capacity under construction worldwide.

However, we are seeing increased competition for supply into the Asian market from both traditional and emerging suppliers.

By 2016, the USA is set to become a global LNG exporter. The first Gulf of Mexico-based liquefaction facility was approved in 2012 and at the end of 2013 there was approximately 20 million tonnes per annum of new US LNG supply under construction. With potential for at least one more additional project to be approved in 2014, new US supply will approach 40 million tonnes per annum by 2020.

In this environment, it is clear that the Australian LNG industry, Australian governments and our people need to do all they can to address cost and productivity challenges.

Policies that promote workforce mobility and flexibility and reduce red and green tape will play an important role in keeping our sector globally competitive.

We welcome the Government's commitment to streamline environmental approvals via its "one-stop shop" under the Environment Protection and Biodiversity Conservation Act.

Industry also has a role to play, and this is why Woodside has taken significant steps towards becoming a more productive, more innovative and cost-competitive organisation.

The decision to examine floating LNG to develop the Browse gas fields demonstrates our commitment to harness new technologies. FLNG will enable the development of a world-class resource that could not be taken forward commercially via a greenfield onshore facility.

Other technology initiatives currently being pursued include construction-led design, subsea compression, deepwater production systems and float-in facilities.

Beyond technology, Woodside is focused on driving down costs through new project management solutions and control of the back-office, identified by the Business Council of Australia as a key area for improvement for the local resources sector.

Internally, we have launched a productivity program to cut operating and corporate costs and to ensure that we deliver the very best value for our shareholders. We will be providing more detail to the market on this during our Investor Briefing Day next month.

It is fitting that productivity and innovation are key themes for Woodside in 2014 – a year in which we celebrate our 60th anniversary and look back on the qualities that have shaped the company and made it what it is today. The company owed its early existence to the innovation of its founders.

Many of you will be aware that since I spoke to you at last year's AGM, we have mourned the passing of Woodside founder Geoff Donaldson, who served as the Company's Chairman for 28 years until his retirement in 1984.

In the 1960s, Geoff made the courageous decision to turn Woodside's attention to Western Australia and he secured the huge offshore permits that underpin what is today the world-class North West Shelf Project.

Understandably, Geoff is widely recognised as the "father of Woodside". We have honoured him through the naming of the Woodside Donaldson tanker that delivers cargoes from the Pluto LNG plant.

In conclusion may I thank the whole Woodside team, led by Peter Coleman, for all their efforts in delivering our strong results in 2013.

Peter will now provide some more detail on last year's performance and on current developments.

I will now hand you over to Peter.

Report by CEO and Managing Director Peter Coleman

Thank you Michael and good morning everybody.

This morning I will recap on progress against our commitments in 2013, and discuss what you can expect to see in 2014 as we execute our strategy in order to become a global leader in upstream oil and gas.

We achieved strong results across all key financial metrics in 2013 and made significant progress in a number of key operating metrics.

Our reported net profit of $1.75 billion was underpinned by record production and our best ever safety performance, with an injury rate 27 per cent better than 2012.

Free cash flow remains strong, with in excess of $5.9 billion generated over the past two years. Our strong free cash flow enabled us to lower net debt to $1.5 billion and gearing to 9 per cent.

Our day-to-day business is about finding, developing and producing oil and gas, then value-adding through LNG manufacturing and marketing. Our markets are in Asia and we have significant advantage through our 25-year history of reliable supply and relationship-based marketing. Our strategic choices are straightforward, namely: capital allocation; assets; technology; and people.

During 2013 we completed a fundamental review of our capital management program. Our commitment to growth is strong, but even stronger is our commitment to making disciplined investments that offer attractive returns to our shareholders. This commitment guides our decisions to what we spend our capital on, how much we spend, where we spend it, and when.

Opportunities we pursue must be appropriately balanced between risk and reward, and must have a clear line of sight to monetization and fit with our capabilities.

We do not make investments with the belief that we can work it out later, or that it will be right on the day. And we certainly don't invest believing product price or exploration upside will help us out. However, we do believe deeply in the capabilities of our people and their ability to use technology to solve the most difficult challenges.

Our commitment to maximising value to our shareholders saw us taking tough decisions across our business. In our existing assets we focused on maintaining facility integrity while improving reliability and reducing our unit production costs. We successfully completed our first full year of production from Pluto with reliability levels exceeding benchmarks. We completed the largest ever maintenance turnaround at the North West Shelf onshore plant and completed construction tie-ins and commissioning offshore for the North Rankin B Project. Refurbishment of the Vincent FPSO was completed in Singapore with the facility coming online in the fourth quarter.

Unit production costs and capital required to sustain our facilities are a big focus, with a major project team now in place for the North West Shelf onshore life-extension work, and efficiency programs in place for maintenance, warehousing and procurement. We also actively disposed of non-material assets in the Gulf of Mexico, Brazil and Western Australia.

Development of discovered resources continues as planned, with Greater Western Flank Phase I on schedule, Persephone entering FEED and Xena achieving FID.

You will recall that just a few weeks before last year's AGM, we took the decision not to proceed with the development of the Browse resource using an onshore plant at James Price Point. The estimated project cost had blown out to around A$80 billion, delivering an unattractive commercial proposition.

The Browse Joint Venture partners have since agreed to consider floating LNG and we expect a decision to move into FEED later this year, with an FID targeted for the second half of 2015.

Floating LNG allows capital costs to be phased, matching the development of the Browse fields, while providing better surety over construction cost and schedule. While this technology is relatively new, we believe that key decisions are aligned with significant project milestones designed to ensure the technology is proven before major capital is committed.

In 2013 we saw real progress in terms of our global exploration strategy, with new acreage awarded in Myanmar, Ireland and New Zealand. We are currently finalising plans to drill a well in Myanmar in 2015.

In Australia we have committed to two drilling rigs for a two year program off Western Australia. A drilling rig is now on location and preparing to spud the first well, Toro, located in the Ragnar Block. High potential greenfield exploration wells are planned for the Outer Canning Basin later this year.

Our pursuit of growth opportunities that leverage our capabilities progressed well, with in-principle agreement to join the Leviathan Joint Venture reached in February this year and award of a three year lease to Woodside by the Government of British Columbia to study the feasibility of developing an LNG Plant at Grassy Point.

Just last month we took another difficult decision in our shareholders' interests, when we held off executing definitive agreements that would have finalised our entry into the Leviathan Joint Venture. This was a difficult decision and not one that we took lightly. Discussions continue with the parties and the Israeli Government with a view to resolving the remaining issues and executing definitive agreements.

2013 also saw us make excellent progress towards enhancing our margins through contract price reviews and enhanced trading and marketing. I am pleased with the results, with a significant proportion of our LNG portfolio receiving pricing in line with current regional oil-linked benchmarks, and new sales completed early this year to Chubu Electric and KOGAS. We opened a new trading office in Singapore and brought two new LNG trading vessels into our fleet.

In 2014, we anticipate average realised prices across all our products to increase, as we see the effect of LNG price negotiations and oil volumes from the Vincent FPSO.

During the year, we focused on optimising our corporate social investment, announcing a major new initiative. The A$20 million, ten-year Woodside Development Fund is aimed at improving outcomes in early childhood development. The fund will involve collaboration between industry, governments and community organisations and be a catalyst for positive, long-term change.

With the long-term success of the company in mind, we also gave careful consideration to our future workforce. We revamped our graduate recruitment program and introduced a new Leadership Management Framework. Graduates will now undertake a broader program to support development of both technical and leadership capability.

Initiatives such as this demonstrate that we are a company with a long-term vision, a company that has much to be proud of in its 60 year history.

We have a strong balance sheet and we are well positioned for growth.

Combined with our commitment to sustainability, reliability and excellence in everything we do, we are well-placed to become a global leader in upstream oil and gas in the years to come.

Thank you very much.