

Reduction of Shell's Shareholding



17 June 2014

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All references to dollars, cents or \$ in this presentation are to US currency, unless otherwise stated.

References to “Woodside” may be references to Woodside Petroleum Ltd. or its applicable subsidiaries.

Executive summary

- Woodside and Shell have entered into agreements which will reduce Shell's shareholding from 23.1% to a maximum of 4.5%, comprising:
 1. Underwritten institutional sell-down by Shell of 78.3 million shares, 9.5% of Woodside's issued capital; and
 2. Selective buy-back by Woodside of 78.3 million shares, 9.5% of Woodside's issued capital (US\$2,680 million)
- The Woodside Board believes the combined transaction has material benefits for shareholders
 - Optimises capital structure
 - Accretive to earnings per share, cash flow per share and dividends per share
 - Removes uncertainty regarding Shell's stake
- Institutional sell-down expected to complete on 18 June 2014
- Selective buy-back is subject to an Independent Expert opinion and Woodside shareholder approval
 - Requires approval of 75% of shareholders (excluding Shell and its associates) who vote either in person or by proxy
 - Extraordinary General Meeting to be held in early August 2014
 - Consents under a number of Woodside's facility agreements

Selective buy-back

Buy-back

- Selective buy-back of 78.3 million Woodside shares from Shell (9.5% of issued capital)

Shell

- Residual shareholding reduced to a maximum of 4.5% of Woodside's issued capital (including impact of sell-down)

Completion

- Early August 2014 (subject to key conditions below)

Pricing

- Buy-Back Price⁽¹⁾ of US\$2,680 million
 - Based on share price of A\$36.49, being a 14% discount to volume weighted average price up to and including 16 June 2014
 - Includes a capital component of US\$7.95 per share with remainder a fully franked dividend

Funding

- Combination of existing cash and debt facilities

Key Conditions

- Woodside shareholder approval (75% of shareholders voting in person or by proxy)
- Independent Expert concluding transaction is fair and reasonable
- Consents under a number of Woodside's facility agreements

Note: (1) Buy-Back Price = (Sale Shares x VWAP) x (1- Buy-Back Discount) / MFX; Where: Sales Shares = 78,271,512; VWAP (5 day volume weighted average price of Woodside shares up to and including 16 June 2014 in A\$) = A\$42.4336/share; Buy-Back Discount = 14%; MFX (Agreed FX rate based on an average of USD:AUD exchange rates over the 6 days up to and including 16 June 2014) = 1.0659

Underwritten institutional sell-down

Sell Down

- Underwritten institutional sell-down by Shell of 78.3 million shares (9.5% of issued capital)

Shell

- Residual shareholding reduces to a maximum of 13.6% of Woodside's issued capital (from 23.1%)

Completion

- Expected 18 June 2014

Pricing

- A\$41.35 per share

Key Conditions

- None

Benefits of the buy-back

The Woodside Board recommends shareholders (excluding Shell and its associates) vote in favour of the selective buy-back⁽¹⁾

- 1 Optimises Woodside's capital structure
 - Brings gearing into line with stated target range
 - Preserves Woodside's growth plans and dividend policy
 - Not expected to impact current credit rating or strong investment grade target
- 2 Accretive to earnings per share, cash flow per share and dividends per share
 - FY13 Pro-forma EPS accretion: approximately 6%
 - Enhanced by buy-back discount
 - Long term and sustainable benefits to all Woodside shareholders
- 3 Removes uncertainty regarding Shell's stake
 - Residual shareholding of a maximum of 4.5% on completion of the buy-back and sell-down
 - Increases market liquidity and index weighting

Note: (1) Subject to the independent expert concluding that the selective buy-back is fair and reasonable to Woodside shareholders (excluding Shell and its associates). Dr Haynes and Dr Jamieson, who were originally nominated by Shell, abstained from voting

Pro-forma impact: earnings per share

Immediately EPS accretive (approximately 6%), driven by:

- Buy-back at 14% discount to 5 day volume weighted average price; and
- Access to cash and low cost debt capital

US\$ million	12 months 31 December 2013 Historic	Selective Share Buy-back adjustments ⁽¹⁾	12 months 31 December 2013 Pro Forma	Accretion
EBITDA	3,756		3,756	
EBIT	2,538		2,538	
Net finance cost	(179)	(107)	(286)	
Reported Profit before Tax	2,359	(107)	2,252	
Income tax expense	(545)	32	(513)	
Non-controlling interest	(65)		(65)	
Reported NPAT	1,749	(75)	1,674	
Weighted average shares on issue	823	(78)	745	
Reported EPS (US\$)	2.13		2.25	6%
Dividends per share⁽²⁾	1.86		1.98	6%
Cash flow per share⁽³⁾	4.52		4.89	8%

Notes: (1) The adjustment to net finance cost assumes the selective buy-back is fully debt funded. The actual finance cost may be lower as a result of using Woodside's combined cash reserves and debt to fund the selective buy-back; (2) Pro-forma DPS has been calculated applying a consistent pay-out ratio to FY13A; (3) Cash flow per share calculated as: cash flows from operations + exploration expense + working capital adjustment

Pro-forma impact: balance sheet

Optimises capital structure without constraining Woodside

- Pro-forma gearing in line with target range of 10 - 30%
- Not expected to impact Woodside's current credit rating. Woodside will continue to target a strong investment grade credit rating
- Financial strength and capacity to execute Browse development and other growth initiatives
- 80% dividend payout ratio maintained for foreseeable future⁽¹⁾
- Franking credit balance of over US\$1,878 million following selective buy-back

	12 months 31 December 2013 Historic	Selective Share Buy-back adjustments	12 months 31 December 2013 Pro Forma
Shareholders equity (US\$m)	15,225	(2,680)	12,545
Net debt (US\$m)	1,541	2,680	4,221
Gearing (%)	9.2%		25.2%

Note: (1) Subject to demands of significant new capital expenditure or if business performance or external circumstances change materially

Timetable to completion

Completion expected during first half of August 2014

Activity	Date	Shell stake
Trading halt and announcement of selective buy-back and sell-down	17 June 2014	23.1%
Completion of sell-down and resumption of trading	18 June 2014	$\leq 13.6\%$ (following settlement)
Dispatch notice of meeting and explanatory memorandum	Late June / Early July 2014	
Woodside Shareholder meeting in Perth to approve selective buy-back	Early August 2014	
Completion of selective buy-back	Early August 2014	$\leq 4.5\%$