Woodside Petroleum Ltd

General Meeting
Friday, 1 August 2014

Introduction and transaction overview, Chairman Michael Chaney

Good morning and welcome to this extraordinary general meeting.

My name is Michael Chaney, your company's Chairman. I would like to thank shareholders, staff and guests for attending today's meeting.

I also extend my welcome to those joining us via our webcast.

Before we commence, please take a few moments 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 it is important for us to acknowledge the past and present Traditional Owners of this land on which we are gathering today. We pay respect to their ancient and continuing culture, their connection to the land, and their Elders past and present.

On stage with me are 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.

Other members of our board of directors in attendance are sitting in the front row. They are, and I ask them to stand as I mention them, Rob Cole and Frank Cooper.

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

Reason for the transaction

The purpose of today's meeting is to vote on a resolution to purchase 9.5 percent of Woodside's share capital from Shell.

Shell has been a major shareholder in Woodside for decades, with nominees on the Board, but as time has gone by, it has also become a significant competitor. This is an unusual situation for any company.

In addition, it has been widely known in equity markets for some time that Shell planned to sell its shareholding.

This created two concerns for the company. The first was what is referred to as an overhang on the stock – where investors are unwilling to buy shares in the market because they believe they may be able to do so at a lower price from Shell. In our discussions with investors over recent years, many expressed their concern about this.

The second issue was that if we were seeking to raise capital from shareholders at some stage, for example to finance an attractive acquisition, it may have been more difficult if our major shareholder was unlikely to commit more funds to the company.

We therefore worked in cooperation with Shell to effect an orderly disposal of their shares, minimising any disruption to our market trading and delivering benefits to all shareholders.

As Woodside celebrates its sixtieth anniversary, the small-scale explorer from the 1950s has transformed into an independent company well-positioned to achieve its aspiration to be a global leader in upstream oil and gas.

Removing Shell as a substantial shareholder on our register would also allow us to be seen as truly independent in the eyes of our partners, customers, host governments and communities.

So, on the 17th of June 2014 Woodside announced an integrated transaction that would reduce Shell's shareholding in Woodside from 23.1% to 4.5%.

The first part of the transaction involved Shell selling down 78.3 million Woodside shares to institutional investors, representing 9.5% of Woodside's issued capital. This sell-down completed on the 18th of June 2014.

The second aspect of the transaction is the proposed purchase by Woodside of a further 9.5% of Shell's shareholding through a selective buy-back. The buy-back is subject to approval by Woodside shareholders at today's meeting.

The vote and formal business

Today's meeting is being held to give shareholders the opportunity to vote on the buy-back of approximately 78.3 million Woodside shares from Shell for a consideration of 2.68 billion US dollars.

The Board believes that the buy-back is in the best interests of shareholders because it is the only transaction that facilitates an orderly reduction of Shell's shareholding together with an increase in dividends per share paid to Woodside shareholders, starting from the interim 2014 dividend.

In making our assessment of this transaction the Board considered a range of capital management options including special dividends and selective and equal access buy-backs.

The independent expert has concluded the transaction is fair and reasonable to all shareholders.

The Board considers that the proposed buy-back is in the best interests of the company and recommends that non-Shell shareholders vote in favour of the resolution to approve the buy-back.

Dr Haynes and Dr Jamieson, who were originally nominated by Shell, abstained from voting when the buy-back was considered by the Board.

Before I formally put the motion to the meeting that the terms of the Buy-back Agreement and the buy-back be approved, I want to let shareholders voting today know that we have received valid proxy and direct votes that, in all likelihood, have determined the outcome of the vote.

Despite strong support for the resolution, we have received enough votes against to mean that the transaction will not proceed unless there are very significant numbers of shares to be voted here in person today in favour.

I think it is important to note that when voting closed on Wednesday, 71.3 per cent of eligible proxy and direct votes cast were in favour and 28.7 per cent against. However, the resolution required 75 per cent approval of all votes cast in order to proceed and it looks like we shall fall short of that.

The Woodside Board fully respects the likely outcome of the vote and we thank our shareholders for participating. It is important that all shareholders have the opportunity to vote, so all shareholders in attendance will be able to cast their vote in a few minutes in order to determine a final outcome.

Before the final votes are cast I would like to say that your Board is committed to adding value where we see it, and the buy-back we proposed was a transaction in which we saw significant value for our shareholders.

We are in a position to do this because our balance sheet is strong, our cash flows are strong and our operational assets continue to perform well – making this an ideal time to undertake a significant capital management initiative.

It is important to understand that your Board was not looking for the best way to execute a buy-back. The buy-back was merely an efficient mechanism to assist with the exit of Shell from the register and the only option available to achieve our aim.

An equal access off-market buy-back would involve less certainty regarding the price and quantum of the buy-back depending on shareholder participation and would not provide an orderly reduction of Shell's shareholding in Woodside.

If today's vote is lost, the Board will continue to review the company's capital position and ongoing capital requirements. Our main concern will continue to be enhancing shareholder wealth.

I now move to the formal business of the meeting.