



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

Woodside Petroleum Ltd.

**2015 Annual General Meeting
Thursday, 16 April 2015**

Report by Chairman Michael Chaney

Good morning and welcome to Woodside's 2015 annual general meeting.

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

I would also like to thank Louise May, Freya Swarbrick, Cristina Figueira and Jeremy Garside from the Western Australian Youth Orchestra for entertaining us prior to the start of the meeting.

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

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 it is important for us to acknowledge the past and present Traditional Owners of this land on which we are gathering today.

I invite Kim Collard, a Ballardong 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.

I would like to introduce our board of directors who are sitting in the front row. They are, and I ask them to stand as I mention them, Melinda Cilento, Frank Cooper, Chris Haynes, Andrew Jamieson, David McEvoy, Sarah Ryan and Gene Tilbrook.

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.

It is a pleasure to be reporting to you again on Woodside's activities and I look forward to any questions you may have later in this meeting.

I am pleased to report that your company performed strongly in 2014, in the face of what became a particularly challenging year for the oil and gas industry worldwide, with the price of oil declining by almost 60 per cent from a high of 115 dollars a barrel in June to a low of 47 dollars a barrel in January.

It is impossible to predict just how long this lower oil price environment will last, but the company is planning on the basis that it could be for several years.

Fortunately, Woodside is in a relatively strong position compared to some of its peers, because we had already started the hard work of embedding reliability and productivity initiatives across the business at a time when the oil price was high; and we have a strong balance sheet.

Record production of 95.1 million barrels in 2014 and strong financial management underpinned a record underlying net profit of 2.4 billion dollars, a 42 per cent increase on the previous year.

The company's full-year dividend of 255 cents per share represented a two per cent increase on 2013. It's important to remember that the 2013 dividend of 249 cents per share included a special dividend of 63 cents per share.

Our strong financial position has allowed us to maintain a payout ratio of 80 per cent of underlying profit, despite the lower oil price environment. We expect to be able to continue with this ratio for the foreseeable future, subject to the demands of significant new capital investments or material changes in the business environment. Of course with lower oil prices, our profits and dividends will also be lower.

As I said at last year's annual meeting, this high dividend payout ratio has not come at the expense of growth. We are well placed to fund new growth opportunities where we consider they will create value for our shareholders.

Let me touch briefly on some of the growth opportunities which we saw come to fruition in 2014.

First of all, you will be aware that in December, we announced that Woodside had entered into a binding transaction to acquire Apache's Wheatstone LNG and Balnaves oil interests in Australia and Kitimat LNG project interests in Canada.

This was a sound investment for us and we think these assets are a natural fit for Woodside's portfolio. We closed the transaction in relation to the Australian assets two weeks ago and in relation to the Canadian assets last week.

Secondly, I am pleased to report that during the year the company also acquired significant new exploration acreage as part of our pursuit of organic growth opportunities. This reflects our re-vamped exploration strategy, which we outlined to you at last year's AGM.

In 2014, we acquired new exploration interests in Cameroon, Canada, Gabon, Morocco and Tanzania. We were also successful in bidding for four new blocks in Myanmar. Production Sharing Contracts for these blocks were signed in March this year.

During the year we also progressed our biggest development opportunity, the Browse project. We announced a revised schedule for entry into front-end engineering and design, with the joint venture now targeting a mid-2015 entry announcement. This revised schedule has allowed us to develop strategies for taking advantage of lower cost outcomes in new market conditions.

Looking forward, there is no doubt that 2015 will be a challenge globally for the oil and gas industry.

We recognise that the successful development of our projects will depend on acceptable price outcomes and, importantly, a competitive cost structure. Improving costs will continue to be a real focus for our business in 2015 and I know Peter Coleman will have more to say about that in his remarks shortly.

Despite the current uncertainty, we are fortunate that demand for LNG continues to grow. From 2020, the expected annual average growth rate for global LNG demand is about three per cent.

The Asia-Pacific region will continue to account for 70-80 per cent of global demand. In this region, demand growth is shifting away from the cornerstone markets of Japan, Korea and Taiwan and toward China, India and South-east Asia.

We think that LNG from the United States could represent about 15-20 per cent of supply into the global market. It's clear that LNG from other supply sources will be needed and we see strong competition between proposed projects in Australia, East Africa and Canada.

Woodside's experience as a reliable supplier of LNG over 30 years, plus our commitment to innovation, technology and reducing our cost structures mean that we are well placed to compete on the global stage.

But we do know that our success is not guaranteed. The Australian LNG industry, Australian governments and our people need to do all they can to address cost and productivity challenges.

As I've mentioned earlier, we are doing our part internally, but we also need to get our regulatory settings right. This includes maintaining consistency in policy and ensuring labour flexibility and mobility.

At a corporate level, we undertook an important capital management initiative in 2014, the Shell sell-down and proposed buy-back.

You will recall that in accordance with our agreement, Shell sold down a 9.5 per cent interest in the company, and we sought shareholder approval to buy back a further 9.5 per cent. This would have left Shell with a shareholding in Woodside of less than 5 per cent.

Some of you here today would have attended our general meeting in August last year, where 72 per cent of votes were cast in favour of the buy-back proposal. This fell just short of the required 75 per cent.

I think it's important to note that, notwithstanding this result, the overall proposal did satisfy Shell's desire to decrease its shareholding and our desire to reduce the overhang on Woodside's shares.

There were two changes to your Board in 2014.

In December last year, Gene Tilbrook was appointed as a director. We're very fortunate to have Gene join us. He brings a wealth of experience, particularly in relation to commercial investment analysis.

2014 also saw Rob Cole resign to take up a position as CEO with another company. We thank Rob for his significant contribution to Woodside over eight years and we wish him well in his new role.

In closing, 2014 was a year in which the company marked 60 years of achievement, including 30 years of domestic gas supply and 25 years of LNG exports. It was also a year marked by uncertainty and challenges due to the lower oil price environment.

We are fortunate to have a strong balance sheet and an outstanding management team. We are well-placed to continue to deliver shareholder value in the years ahead.

I will now hand over to Peter.

Report by CEO and Managing Director Peter Coleman

Thank you Michael and good morning everybody. It is great to see so many of Woodside's shareholders here today.

This morning I want to reflect on 2014 and discuss what you can expect to see in the coming years as we work towards our vision of becoming a global leader in upstream oil and gas.

As you've just heard, your company made very good progress on its commitments in 2014, despite challenging market conditions.

To recap just a few of the highlights – we delivered record underlying profit of 2.4 billion dollars and record production of just over 95 million barrels of oil equivalent.

Significantly, our achievements came on the back of world-class LNG reliability at both our Karratha and Pluto gas plants. Combined reliability at these assets was 97.2 per cent in 2014, up from 90 per cent the year before.

In health and safety, last year we halved our number of lost time injuries and process safety events. Our total recordable injury rate was our best on record.

We have also made tangible gains in company-wide productivity, delivering 560 million dollars in improvement benefits and efficiencies.

In 2014, we achieved gas unit production costs of four dollars ninety per barrel of oil equivalent, down 11 per cent from five dollars fifty in 2013.

Cash flow for us remains strong – our free cash flow has amounted to more than 10 billion dollars over the past three years. Importantly for you, our shareholders, this enables our continued commitment to capital returns.

As Michael stated earlier, we are in a relatively strong position compared to some of our peers. In February this year, we were able to enter into an agreement to raise 1 billion dollars on the US bond market, meaning we are well placed to fund future corporate activities.

So we've entered this downturn ahead of the curve and we are determined to stay there.

This means we are not easing up on our efforts to improve our efficiency and effectiveness. We are accelerating these efforts.

You may have read that this has included bringing forward organisational reforms to ensure we have the right people in the right places doing the right work to deliver on our aims.

Our view is that our strategy has to guide disciplined decision making, even when it is difficult.

And that strategy is simple but effective – maximise our core business, leverage our capabilities and grow our portfolio. We've looked for growth opportunities that sit well with our current activities and leverage our proven capabilities.

I want to share with you an update on these opportunities and what you can expect to see over the next two years.

The Apache acquisition is a great example where we get immediate and near-term production by adding Balnaves and Wheatstone to our Australian interests. Wheatstone of course is scheduled to start up in 2016. We also gain a greater presence in an emerging LNG province by picking up Kitimat in Canada.

Kitimat reflects our interest in diversifying our LNG sources and working to have a lower LNG cost base. We'll be working hard to advance development plans over in Canada in the next couple of years.

On the customer side, we're growing new markets in the Asia-Pacific, with clear potential in India and Singapore.

While Michael has mentioned that we can expect to see real competition for LNG supply after 2020, it's clear that if projects don't take FID now, then we could actually face a supply shortfall from as early as 2021. I think Woodside projects are well placed to fill this void.

Among our developments, our Browse project will be ready to enter the front-end engineering and design phase around mid-year, with a Final Investment Decision scheduled for 2016.

On Sunrise, I think we can expect to see some real progress once clear title and fiscal terms are established.

You can also expect well-paced progress on our Xena, Greater Western Flank and Persephone projects, as they progressively work towards first gas.

Moving onto exploration, I am very pleased to report on the significant progress we have made in expanding our global exploration portfolio.

Since late 2012, we've increased our gross acreage to 250,000 square kilometres, we've entered eight new countries and we've acquired 26 new licences.

In 2014 alone, we entered five new countries – increasing our emphasis on emerging provinces, increasing our exposure to oil-prone provinces and providing our shareholders with growth optionality.

We now have a presence in 12 countries, across a number of exciting geographies where we see both significant upside as well as being able to leverage Woodside's capabilities and core strengths.

Shareholders can expect to see further growth within our core areas as we seek to build both depth and scale for the future.

The organisation is now resourced and focused for both the necessary levels of ongoing growth but also for execution.

Over the past two years, we've acquired almost 13,000 square kilometres of 3D seismic in four countries. Our efforts are now aimed at working the new data in order to build inventory for the future.

In Myanmar, we're now the leading acreage holder in the underexplored Rakhine Basin. We've consolidated and built a strong position across the Atlantic margin play, with acreage in Nova Scotia, Ireland and Morocco.

This year we'll be out there actively drilling, with up to six exploration wells planned in Australia and overseas. A particularly exciting one for us will be the Hongge well in Korea, which we're planning to drill later this year. Just last week, we announced a gas discovery at the Pyxis-1 well, which offers future tie-back potential to Woodside's existing Pluto infrastructure.

So it's an exciting time for us in exploration and we'll continue to evaluate new opportunities to further build our global portfolio this year.

As always, across our business, we will continue to take our disciplined approach to deciding which new opportunities we pursue. As you know, we are absolutely committed to making financially responsible decisions.

Sometimes this means choosing not to go ahead with a proposed development, as was the case with Leviathan when discussions failed to reach a commercially acceptable outcome.

We do expect that in the lower oil price environment there will be increased opportunities to acquire distressed assets.

In meeting our responsibility to maximise shareholder returns, we always strive to concentrate our efforts where they will deliver the most value.

Our global footprint is growing. As I've indicated, we're increasing our exploration acreage and development opportunities and expanding our marketing activities internationally.

We recognise that continuous improvement is required to earn recognition as a global leader, so we are putting a lot of effort into getting better and better at what we do.

Top of our list is technology and innovation. We're developing Woodside as a leading innovator.

We know that being a global leader is about doing much more than just being the biggest exporter, or being the first to sign a sales agreement.

We know that success is defined by not just what we do, but how we do it. In this regard, we made excellent progress in 2014 embedding anti-bribery and corruption policies across our business.

We also progressed work on the 20 million dollar Woodside Development Fund, which aims to improve early childhood development outcomes.

Hand in hand with our global vision is a commitment to building our talent pipeline.

We've more than doubled our graduate intake from 46 in 2012 to 103 in 2014. We had more than 3800 applicants for our graduate program this year and we have embedded a leadership and management development framework across the organisation.

We want the very best professionals in our industry working for us – those who demonstrate a "global mindset".

In closing, let me sum up where we're at: we have a very strong balance sheet. We are well advanced in our efforts to improve productivity.

Our growth opportunities are diverse and reflect the complex global environment we are operating in.

We have strong cash flows and are well placed to prosper and capitalise on new opportunities in a challenging market.

And we are entering an exciting period, with significant exploration, development and marketing activities ramping up for Woodside around the globe.

This is underpinned by our unwavering commitment to developing a truly innovative, sustainable world-class company.

It's an exciting time to be a part of Woodside. Thank you.