ASX Announcement

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Woodside Petroleum Ltd.
ACN 004 898 962
Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia
www.woodside.com.au

HALF-YEAR 2017 RESULTS –TELECONFERENCE

On Wednesday, 16 August 2017 at 7.30am AWST Woodside hosted a Half-Year Results investor and media teleconference.

The transcript of the briefing is attached.

Contacts:

MEDIA

Michelle Grady
W: +61 8 9348 5995
M: +61 418 938 660
E: michelle.grady@woodside.com.au

INVESTORS

Damien Gare
W: +61 8 9348 4421
M: +61 417 111 697
E: investor@woodside.com.au

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This document should be read in conjunction with Woodside's Half-Year 2017 Report and associated presentation pack which is available on the company's website, www.woodside.com.au.

Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Woodside Petroleum Limited 2017 half-year results presentation. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time, if you wish to ask a question, you will need to press star one on your telephone. Please be advised that this conference is being recorded today, Wednesday, 16 August 2017.

I would now like to hand the conference over to your first speaker today, the Managing Director and CEO, Mr Peter Coleman. Thank you, please go ahead.

Peter Coleman: Good morning, everyone, and thanks for joining us for our 2017 half-year results. As you would have seen already, we've released our half-year report and slide pack to the ASX this morning. Joining us on the call is our acting Chief Financial Officer, Anthea McKinnell. You'll see the standard disclaimer on slide 2, and a quick reminder that this presentation does include some forward-looking statements and that our reported numbers are all in US dollars unless we state otherwise.

If we go back, at our investor briefing day in May, we introduced to you three horizons outlining our plan to build and deliver shareholder value over the next decade and beyond. We've already begun to action those plans and today is a good opportunity to update you on our progress.

But, first, let's run through some of our achievements in the first six months of 2017. As you can see in the financial headlines on slide 3, our net profit was up some 49% to $507 million and our interim dividend for the first half was $0.49 per share. Operating cash flow rose 3% to more than $1.2 billion and free cash flow was up 170% to $445 million. We continued to reduce our unit production costs, down some 6% to $4.90 per barrel of oil equivalent, and our free cash flow breakeven price was $34 per barrel of Brent.

On slide 4, you can see that our reputation for operational excellence is underscored by the fact that our total recordable injury rate for the first half has dropped to a record low. Our facilities continue to perform strongly, with Pluto achieving several daily and weekly production records, and gas unit production costs at the North West Shelf dropping some 13% to $3.30 per barrel of oil equivalent.

Our ability to manage risk and volatility has been shored up by our low breakeven cash costs of sale at $9.60 per barrel of oil equivalent. We've executed mid-term sales and purchase agreements for up to 16 cargoes, for delivery from 2017 through 2019. Significantly, we finalised a long-term sales and purchase agreement with Pertamina which will see Woodside become a major supplier of LNG to Indonesia.

We'll get into more detail later in the pack about our prospects for near-term value growth, both in Australia and internationally. But you can see from this slide that Wheatstone commissioning is nearing completion, and we've progressed our plans for the Burrup Hub with significant developments in North West Shelf, Browse and Pluto. In Senegal we've completed a five-well drilling campaign and in Myanmar we have achieved strong flow rates on two appraisal wells with further drilling planned this year.

On slide 5, Woodside continues to focus on long-term performance and is delivering peer-leading results across key financial metrics. Here we've outlined EBITDA margins and return on average capital employed.

Slide 6 shows the rebalancing that we've been expecting is actually occurring as demand growth remains strong and inventories trend lower. We've been saying for some time that we expect oil prices to be range bound between $45 to $60 per barrel. This leaves Woodside well positioned with the low breakeven price that I mentioned earlier.

On slide 7, you can see that, although the global LNG market is well supplied at the moment, we expect further growth in demand from Asia. The long lead times on projects mean that we'll need to get ready to meet rising demand over the next couple of years. That's why we're now working to progress the very lowest capital efficient projects that we can; low-cost developments that we expect will deliver increased production right when it's needed. That was part of our strategy out to 2021 across what we've called Horizon I.

Slide 8 outlines how that fits in with our mid to long-term plans for future growth that will deliver value to our shareholders.

With that as an opening, I'll hand over to Anthea to talk about our financials in more detail. After that, I'll just take you through the progress of some of our 2017 priorities.

Anthea McKinnell: Thanks, Peter, and good morning all. Our financial results for the first half of 2017 underscore much of what we discussed at our recent investor briefing day in May, including Woodside's capability as a low-cost, high-margin producer, ability to generate strong free cash flows and strong capital discipline. Let's start with slide 10 and a brief overview of our financial performance.

Reported profit for the first half was $507 million, an increase of 49% compared to the same period in 2016. Sales revenue was down in aggregate by $45 million on the previous period. Pleasingly though, higher average realised prices for the period, of $43 per barrel of oil equivalent, had a positive impact of $139 million on sales revenue. This was offset by the impact of lower sales volumes and the absence of one-off price review payments which were present in the first half 2016 result.

Lower sales volumes were attributable to lower LNG production, lower North West Shelf pipeline gas volumes as a result of changes in venture equity and customer demand, and operations discontinued in 2016. Production costs were $33 million lower, in part due to the impact of discontinued operations, reduced equity interest in North West Shelf pipeline gas and reduced turnaround activity.

Exploration drilling for the half predominantly focused on exploration appraisal in Senegal and Myanmar. Overall exploration expense has decreased, principally due to lower well write-offs, lower general permit activities and lower seismic activities. Lower depreciation expenses also made a significant positive contribution to our first-half results. This was largely driven by reserve movements. These included greater Pluto developed reserves, increasing 19% at the end of 2016 following start-up of the PLA05 side track well, and the booking of Greater Enfield reserves following FID in June 2016, partially offset by higher production volumes from Okha FPSO and North West Shelf LNG.

Turning to slide 11, our focus on low-cost production has been a hallmark of Woodside's performance in recent years. The same structural cost reductions and operational excellence continue to underpin our cost base, as demonstrated by our unit production costs reducing 6% relative to H1 2016. We continue to target further operational cost reductions across our assets.

Slide 12, low production costs and high-quality assets underpin our gross margin of 48%, up from 43% in the first half of 2016. As Peter mentioned earlier, we continue to maintain a peer-leading EBITDA margin which is supported by a low cash cost of sales.

Moving to slide 13, the strong cash generated from our assets has allowed us to maintain our 80% payout ratio for the current dividend. We've declared a fully-franked 2017 interim dividend of $0.49 per share. This is a 44% increase compared to H1 2016.

Next slide, 14, looking at sources and uses of cash. Our strong operating cash flows have allowed us to fund the 2016 final dividend from free cash flow generated of $445 million for the half.

On slide 15, we maintained focus on our cost of operations and capital discipline and this allowed us to continue to produce our assets and invest in growth at an extremely competitive breakeven cash cost. This chart demonstrates our strong competitive position relative to our peer group.

Turning now to the balance sheet and slides 16 and 17, we continue to maintain a strong liquidity position of $2.6 billion at period end, consisting of available cash and undrawn debt facilities. Gearing at 24% has remained within our target range of 10% to 30%. Our portfolio cost of debt is currently a competitive 3.4% and we continue to diversify our sources of funding and manage our debt maturity profile as appropriate.

Finally, on slide 18, our estimated full-year total investment expenditure remains unchanged. Our expected full-year spend on Wheatstone has increased slightly. However, this is expected to be offset by a reduction in our base business expenditure. We're investing in near-term growth, with approximately 70% of total capital expenditure in the first half relating to sanctioned projects that are expected to underpin approximately 15% production growth between 2017 and 2020.

So it's been a strong half for us that's seen profit increase by 49%, a 44% increase in interim dividend, together with a reduction in our portfolio unit production costs. Our strong business performance and capital discipline are important contributors to the development of Woodside's growth portfolio, and with this in mind I'll now hand back to Peter to talk to the progress we've made on our 2017 priorities.

Peter Coleman: Great, thanks Anthea. We talked at the start of the year about our priorities of Wheatstone, Senegal, Myanmar and Pluto and of course in the first half of 2017 we added Browse to that list. On all of those developments we've seen good progress so far. At Wheatstone the platform and pipeline are fully operational and the final commissioning of LNG Train 1 is well advanced and nearing completion.

Of course Chevron is leading but we've had 25 Woodside people embedded to aid the safe and reliable start-up, and when fully operational Wheatstone LNG is expected to contribute more than 13 million barrels of oil equivalent to Woodside's annual production. That's one of our Horizon I projects which we've said are being developed over the next four years.

Senegal on slide 21 is another that falls into this category, targeting first oil in 2021 to 2023. It's been a busy six months for the joint venture in Senegal with the five well drilling campaign now completed. Woodside has recently taken over as the SNE development lead and we're planning the transition to operator. The joint venture is reviewing the potential for further drilling operations next year.

We classify Myanmar on slide 22 as one of our Horizon II projects to be developed between 2022 and 2026. So far we've had a 100% success rate with our exploration drilling program in Myanmar and we've just, in recent weeks, had our third discovery in the Rakhine Basin where Woodside is the largest acreage holder. Our holdings have expanded as we're completing the acquisition of three blocks, AD-1, AD-6 and AD-8, and more drilling is planned during the latter part of this calendar year.

On slide 23 we continue to progress Pluto expansion options and are considering the relative merits of capacity enhancements of a small LNG train or a transfer pipeline to the North West Shelf. We've run tests during first half that have shown that the capacity is there in the plant if we opt to enhance the existing facility, but we're also considering expressions of interest for a small standalone train, and we'll hopefully be able to make a decision on the concept to move forward in the second half of this year.

We began talking in the first half of 2017 about the prospect of bringing Browse gas through the Karratha Gas Plant, and it's pleasing that the Browse joint venture is very much aligned on this as a reference development concept. Of course as you can see on slide 24, the North West Shelf has its tolling proposal out to Browse, Scarborough and another joint venture, and the next 12 months will be critical in determining what will move forward there.

The Browse joint venture and North West Shelf project are currently progressing a joint technical feasibility study and Woodside is targeting concept select in the second half of 2017.

In summary, we've had a busy agenda for the first half of 2017 as we deliver on the plans we outlined to investors earlier in the year. Those plans are all about delivering strong returns to shareholders and laying the foundation for value growth in the years ahead. Our existing business is performing well and we're pursuing cost effective developments that will be ready in time to meet growing global demand.

When we consider recent trends in global market it reinforces this strategy, and there are plenty of signs that the oil markets are continuing their slow and steady rebalancing. Since February we've seen drawdowns in both US and OECD oil inventories, and last month in July we saw the largest monthly US crude stock drawdown for more than three years.

The pace of growth in oil production in the US is slowing and costs are rising as US activity picks up. Since reaching an agreement in November last year, OPEC has had a generally high level of compliance on production restraint. OPEC has also said it will refocus on reducing export deliveries, and globally oil demand remains strong and it's on track to grow by about 1.7 million barrels per day in 2017.

For LNG, the market will need to absorb significant new supply over the next several years; however, demand continues to rise particularly in Asia Pacific. Traditional buyers are still there to underpin large new projects, but the real growth is coming from emerging markets and new LNG buyers.

The lower prices and new government policies supporting the use of gas are contributing to stronger than expected LNG demand. China, India and Pakistan all have significant upside potential for LNG demand growth in the mid to long term.

On the supply side, some plant start-ups in the US have been delayed and have lowered their projected output, and this is all occurring at the same time that we're seeing a shift in LNG trading dynamics as the market becomes more mature and more liquid. Both sellers and buyers are becoming more adept at using the new flexibility in the market to manage price, and we expect the market will continue to mature and the prices will become more responsive to market pressure over time.

All these factors reinforce the strategy that we unveiled at our Investor Briefing Day in May, when we explained how we're preparing now to meet the emerging demand in the years ahead. Woodside is really in a superb position to do this with cost effective brownfield developments and promising greenfield opportunities.

As we've outlined today, we're able to maximise the value of existing infrastructure as we progress the development of the Burrup Hub, while also developing new projects in Australia and internationally. We're getting ready to meet the supply shortfall that we expect is going to emerge in the years ahead, and that we'll see strong signals from over the next two years or so.

So with those introductory remarks, let's throw to Q&A.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key.

Your first question comes from the line of Dale Koenders from Citigroup. Please go ahead.

Dale Koenders: (Citigroup, Analyst) Good morning. I was hoping to start with if you could provide a little bit of a more granular update on Wheatstone. Do we actually have a gas flow from offshore started? My understanding is that you need full field flow rates to actually finalise the commissioning of the cold end of the LNG train, and that's probably a couple of months' process?

Peter Coleman: Good morning Dale. Yes, we do have flow into the plant so we're currently going through drying out the front end of the plant at this point, or what we call the warm end. So we've got gas flowing through the acid gas removal system. It's now in drying out the molecular sieve beds and so the next step then is to put it into the cold end of the plant.

We have begun loading refrigerant into the cold end of the plant and we're starting to go through the final commissioning of the compressors there. So, as you know once that work is complete, then basically it'll be just a flow through the plant and we'll start making first LNG soon.

Dale Koenders: (Citigroup, Analyst) Okay, so that ready for start-up really does sound like it's a couple of weeks away, not months.

Peter Coleman: Well look our expectation is we're targeting first cargoes in September. The question will be just how quickly the plant can ramp up and maintain reliability for us, but it's pretty clear as a joint venture we're targeting first cargo in September.

Dale Koenders: (Citigroup, Analyst) Okay, and then in terms of the timing for that train two - six to eight months afterwards - so that's six to eight months after September, is that right?

Peter Coleman: Yes, it is.

Dale Koenders: (Citigroup, Analyst) Then finally for the Group production of about a 15% growth from '17 to 2020, that guidance was provided at the Strategy Day maybe when we were thinking about midpoint of your production guidance at that time, but obviously as Wheatstone slides a little bit in terms of timeframe versus prior guidance to start in the middle of year, do we think about that 15% growth on the ultimate outcome for 2017 or is that initial production guidance? Are you thinking about a lower number in 2020 versus the 100 and then BOE targets as before?

Peter Coleman: Yes, from memory Dale it was based on the midpoint of the production guidance at that time. So any movements up or down this year I haven't factored into that and I wouldn't be changing the guidance itself. It was based on the midpoint of the production guidance and so that's - the focus here is the endpoint, but the starting point hasn't changed.

Dale Koenders: (Citigroup, Analyst) Okay. Then finally just on Myanmar, your exploration discovery, you spoke about this building resource towards a commercial development opportunity. Do you think you've got there now after this discovery?

Peter Coleman: We're currently in Block A6. We're drilling the second well in Block A6 at the moment. It's actually a fairly short well with respect to time. We'll know after this well whether we're at that commercial point. We will have to go back and have discussions with government about both fiscal terms and gas pricing into the marketplace, and we're getting ready to do that. We've already had some initial discussions on it, but assuming a success case on the current well in Block A6, we'll be ready to be inputting development proposals in front of government as to the pathway forward.

Dale Koenders: (Citigroup, Analyst) Okay, very good. Thank you.

Peter Coleman: Thanks.

Operator: Your next question comes from the line of Nik Burns from UBS. Please go ahead.

Nik Burns: (UBS, Analyst) Thanks very much. Good morning Peter. Just interested in your macro comments on oil and LNG markets. You're sounding incrementally more positive on oil pricing in the medium term. Is that a fair assessment? Just in relation to that, how do you see Woodside being positioned to benefit from potential high oil prices in the medium term?

Then just - the second question will be on your macro view of LNG markets. Previously you've flagged that you were willing to potentially look further downstream in the pursuit of markets. Is that still your aim? Are you looking at potentially looking at FSRU investments and things like that in order to drive sales for your LNG business? Thank you.

Peter Coleman: Well firstly on oil prices Nik, the positive thing as we said a year ago we were expecting a rebalancing to occur in the oil market during 2017. That's starting to occur. I think a lot of people were hoping it would be in the first quarter. Well it's been second quarter. Some of the reasons it's been delayed a little is some of those OPEC members that are not under the quota compliance requirements are producing more than expected. We have pretty much a five year low with respect to volumes that are out due to either geopolitical or other disruptions.

So if you actually have a look at volume out of the market at the moment it's down to about 2 million barrels per day. Typically it's been running at about 3 million barrels per day. All of those factors have just pushed it out a quarter. But you've seen rebalancing in the second quarter. There is still some pressure as we go through the end of this year into early next year. So there is an expectation that first quarter next year will be a little uncertain in the marketplace depending on how US producers respond and they start to hedge their forward books going into the second half of this year. So that's a bit uncertain for us at the moment.

I would say we've been range bound between $45 and $60. That's kind of what we expect to see really through the first half of next year, to be fair. There are a number of other factors out there. Early signs you're starting to see gas/oil ratios starting to increase in the Permian Basin. We're starting - you've got to believe that the dance there of people moving assets around and consolidating assets has probably run its course for the most part. Then of course you had a significant production increase coming out of Brazil during the period as new projects there have come on stream.

The key here is that there's no really big significant conventional oil projects being developed at this point in time. So this rebalancing is occurring fairly quickly. Once it gets momentum it'll be hard to stop, simply because of the fact that there's been no new production coming in. So it will occur. It's starting to occur. The thing I would be really careful of and remind people - we often look at 5-year averages on crude oil inventory. Actually what we need to do is look at the actual 5-year average of draw-down days, or how much you've actually got in inventory as a function of the amount of demand.

Those numbers are actually much closer to the 5-year average simply because demand has increased over the period. So simply just using inventory as a number doesn't reflect the fact that demand itself has actually increased over the same period. So that's oil price.

With respect to where Woodside is positioned of course as we mentioned in the opening, our margins are still very, very good. So any upside in oil price flows directly through to the bottom line for us. On LNG markets, look we've got another year and a half or so as new production comes into the LNG markets. I can only go by what's happened over the last 12 to 18 months where we've had new production coming in and the market has been able to soak it up.

In recent times you've seen Bangladesh come into the market. They just announced yesterday that they've completed the tie-in pipelines - the first of the tie-in pipelines for their FSRUs. They've just put a tender out for a third FSRU going into their market. Pakistan has a relationship now with Qatar that we think over time will probably soak up a lot of the incremental Qatari volumes coming into the marketplace. The market is showing tremendous resilience at this point. The spot prices have held up pretty much over $5.50 and they're over $6 today. So you can see the market has now actually found a balance point, I think.

What will the next 18 months mean? Well as we mentioned some of those projects that were expected to come online out of the US this year will not come online. So that's, I think, taking just a little bit of pressure off in the marketplace. But we are seeing the potential for more volumes out of the US to flow into Asia Pacific as the Panama Canal changes some of its restrictions on cargoes going through the canal.

So I think all of those things just say, hey it's going to be a fluid market for a while. You need to be well-positioned. You need to have sophistication in what you do. Whatever you do, don't let the buyer be the one that determines when they come pick up a cargo from you because they've got lots of options at this point.

Nik Burns: (UBS, Analyst) That's great. Thanks Peter.

Operator: Your next question comes from the line of James Redfern from Merrill Lynch. Please go ahead.

James Redfern: (Merrill Lynch, Analyst) Peter, good morning. Just a few questions please. The first one is on the oil production unit costs. They declined quite substantially from previous years, down to $19 a barrel. I just want to understand the drivers behind that and if that's sustainable? Then I've got two more follow-ons please.

Peter Coleman: Short answer is yes, it is sustainable. Although next year as you know we're planning to take the Ngujima-Yin out of service some time through the first half of next year as we take it up to Singapore and start to fit it out to get ready for the Greater Enfield project. The reason it's sustainable, one is we've taken some Balnaves costs out of there so that’s a big part of that. But equally we've got this process or project within Woodside. It's called 1-FPSO. That's been a big driver of getting synergies across that FPSO business and driving those costs out. So it's been an excellent effort on behalf of the guys at showing how we can squeeze the back end of this.

Of course Laminaria-Corallina has also gone out. So we've had a couple of assets drop out. But with respect to looking forward, I'm looking at Mike Utsler at the moment, and Mike is nodding his head and assuring me that he can maintain these sorts of ranges on those unit operating costs.

James Redfern: (Merrill Lynch, Analyst) Okay, very good, thank you. Now just interested in terms of going back to the LNG market macro question - Qatar recently announced plans to increase their exports from 77 million tonnes to 100 million tonnes by 2024. How do you see that impacting on Woodside's ability to sign long term LNG offtake agreements for projects such as Browse in that environment of increased exports from Qatar which is a low-cost country? Thanks.

Peter Coleman: Browse is going to be low cost as well, James. Of course Browse has liquids like the Qataris have. No look we expect the Qataris will target a different market. We expect a lot of it will actually go to Pakistan and India as the Qataris establish or re-establish those relationships there. As you know they've already got significant volumes going to both those countries.

If I step back from it and move away from the sticker shock so to speak of, oh goodness the Qataris are coming back in, the key here is it is a vote of confidence that the market is going to open up at a particular point in time. The lowest cost producer is basically saying we want to participate in that when it opens up. So it does - the positive part about it is they are signalling they're seeing the same things we are. They want to make sure buyers are considering their volumes when buyers are looking at the options they have for the projects.

So it's just simply in my view at the moment, a signal from the Qataris that we will have projects, we will have volumes available. Buyers when you are looking at your options make sure you keep us on your list. That's the first part. The second part is they won't directly compete with us. But equally what will happen is those who may have been competing in the markets the Qataris will target will move and compete with us in the markets that we would be targeting.

So there will be a ripple effect there. My view is that only the lowest cost projects will move. Once buyers come back into the market only the lowest cost projects will move. That'll be maybe the first 5 to 7 projects thereabouts. Then there will be a period of time that the market will then soak that up. Then the next group of projects will move. So we're trying to position our projects to be in that first group and we think the proposition we have, which is essentially an offshore development going into brownfield infrastructure is a very attractive one. We still need - buyers still need geographic diversification, so when you start looking at shipping costs and so forth we're still very competitive in the market with the buyers that would be targeted.

So no, more competition, but equally the Qataris have demonstrated a discipline over time to maintain price and have never been a loss leader in the market with respect to price. There are a number of things. I might be concerned if it was somebody else who were noted loss leaders in the market but the Qataris have never been that.

James Redfern: (Merrill Lynch, Analyst) Okay, thank you. Thanks. Just one more, a quick one, if I may. Concept select for Browse is targeted in the second half of this year which we all believe is backfill to North West Shelf. However, if hypothetically Woodside was to acquire Exxon's 50% stake in Scarborough, would that change things at all, or do you see Scarborough being used to supply a second train at Pluto rather than backfill to North West Shelf? Thank you.

Peter Coleman: Well, both can be done, hypothetically. With respect to Browse going into North West Shelf, there's a lot of work to be done between now and when that concept is selected. So we're targeting the end of this year. It may slip into early next year but it will be just simply process more than anything else, just lining everybody up.

On Scarborough, we've always said we believe Scarborough can either go into the North West Shelf, probably two to three years after Browse starts in there, so if you look at the ullage profile you'll start to see ullage freeing up then. Equally, we like the idea of Scarborough going into Pluto and having a tie-line across to the North West Shelf. So we don't see them as mutually exclusive. The challenge is obviously going to be funding during that period and risk management around capital being deployed in the construction phase of two major projects and that's something that we'll look closely at.

James Redfern: (Merrill Lynch, Analyst) Okay, excellent, Peter. Thank you very much.

Peter Coleman: Thanks, James.

Operator: Your next question comes from the line of Andrew Hodge from Macquarie. Please go ahead.

Andrew Hodge: (Macquarie, Analyst) Thanks, Peter. I've just got three questions. The first one was just on the capital side. Given that most of the projects that you guys have been doing at the moment, and now I think you've even talked before about Greater Western Flank 2 being 25% below FID budget - do you think that there's the possibility of bringing that cost down further, and also accelerating both that and Greater Enfield start time?

Peter Coleman: Look, the answer to that is we've made a commitment to investors and that's embodied in the FID and the budget that we've agreed with our joint venture partners. The reality is yes, clearly we're targeting coming in under those numbers and getting it done sooner. We're about 28% or thereabouts through Greater Enfield, we've just finished the scope on the work that will be in the yard up in Singapore. We're very pleased with where that is and we've just locked in scope so there will be no scope change at all, so we know what we're doing in that regard. We're ordering subsea equipment and so forth and we're seeing no delays - we were previously. So there's no pressure at all so to speak on delivery times and so on.

Look, what I would say is there's an opportunity for us. I can't tell you what that opportunity is at this point. I know what I'm squeezing my team to do, but the reality is our focus is on ensuring that we meet the commitments we make to shareholders to ensure that that's bankable and then you can be assured we're working really, really hard to beat that.

Andrew Hodge: (Macquarie, Analyst) Okay. The second one is on trading. If I look over the last three years both trading revenue and cost have been dropping pretty significantly. Are you guys backing away from doing trading?

Because it's been a pretty big delta and it's halved over this year, last year and then fallen significantly from where it was before that as well.

Peter Coleman: Right. We always said we were setting up trading to be an optimiser and to be something that was going to protect the value of our existing business, understanding that the majority of our investment is in the upstream and midstream assets with the LNG plants. So we wanted to make sure our trading activity was complementary to that and protected those assets or those investments.

The difference is in trading, and it's difficult in the way that we show the segments, is that the traders in Singapore move both between project, cargoes and then cargoes that come onto the spot market, and so they work both of those, Andrew, and so you don't see that in the numbers. So they are working hard but often it's just a mix change that they're out there trading on behalf of Pluto, for example, a Pluto cargo in the marketplace that will be accounted for under the Pluto segment. If it's a spot cargo, a true spot cargo, then they'll go and pick that up.

What we've decided to do this year though, given the volatility in the trading business, is to charter out our vessels to the extent that we can, let others take that risk on vessels at this point. And so we've had a couple of our trading vessels sub-chartered to others during this period, just simply to assure ourselves of getting an appropriate revenue stream back in. I'm pleased to see charter rates are starting to firm up; as you know, they were down as low as $20,000 to $25,000 per day earlier in the year and now they're up above $35,000. So that's been our strategy, is actually to deploy our assets and let somebody else work them in this period where trading really hasn't delivered a lot of returns to people.

Andrew Hodge: (Macquarie, Analyst) Okay. I guess tying into that as well, my third question is really just - you talked at Gastech earlier this year and then at the investor day as well about LNG markets, but I guess given the weak implied pricing from Pluto coming from this quarter and then talk of GAIL trying to renegotiate pricing contracts with Cheniere, are you concerned at all about trying to go ahead with new projects, like doing North West Shelf backfill on Browse and the kind of pricing that you guys would get, given that most of the numbers now are looking at 11% slopes?

Peter Coleman: I think if you were to get a major project away today, you're down in that range and so you've got to expect that that's where you're going to be. But there are no major projects getting away today at that range, so that's the chicken-and-egg. Those slopes are really coming out in the marketplace for short-to-midterm contracts, not the big long-term ones. So it would be difficult for me to see anything getting away at an 11% slope without a corresponding increase in the constant, and historically that's what's been done. So we go back 10 or 15 years, slopes used to be sub-10% and the constants used to be a lot higher and then as the resource owners, so to speak, got the whip hand in those negotiations, the constants went away and of course, it all went to slope to try and maximise the exposure to oil price.

These things ebb and flow, and so we've looked at it and said really, what's a market-bearable price, and we're setting our projects to be a market-bearable price. Then we're basically back-solving for it through the sloping constant, so that's how we're doing it.

There was a previous question as well around how far is Woodside willing to go to create markets and are we still looking at FSRUs and potentially power gen on the back of that. The answer to that is yes, we are and we've looked at a number of opportunities and we'll continue to look at them. We actually, probably in the near term, have some opportunities that we're pursuing at home here in the Pilbara, not on the east coast but in the Pilbara in the west, around trucking and getting LNG into some of the mining activities up here. There seems to be a small fledgling market there that could open up to something much larger in the future.

Then on FSRUs, it's very competitive out there at the moment and so we're actually pleased we've been party to a number of opportunities that we've looked at and others have taken them. We're fine because every one of those that we lose, so to speak, is one that we don't have to invest in and it means that volume is going into the market, and that's really what we're into. Our business is not as an FSRU owner and developer, our business is around producing and selling LNG, and we need to always be mindful of that, that that's where we want to make sure our capital is deployed.

Andrew Hodge: (Macquarie, Analyst) Right. Coming back to the question, you're saying that the contract, the renegotiated contract that you guys signed back in March for Pluto, you didn't sign at a slope that was significantly lower than where you were at before, and you're not concerned about signing, recontracting in the next couple of years when you have contracts coming up at low slopes as well given the oversupply?

Peter Coleman: No, I think as contracts come up for renewal that each contract has certain clauses with respect to how much it can actually change. But no, we're concerned about all of those things as contracts come up for renewal. So you've got contracts coming up at less than 12% on new contracts. Old contracts now the slopes we're seeing are around 14%. That's what we've been able to renegotiate our current North West Shelf Project contracts around.

So I just think it's whatever the contract is and who the buyer is and the conditions in the contract. For us, you might be referring back to the midterm contracts that we had with the Koreans.

Andrew Hodge: (Macquarie, Analyst) That's right.

Peter Coleman: Well, of course they're a small part of our portfolio. But they were renegotiated at prevailing conditions. So no, we didn't repeat what we got back in 2014, but we knew that. We knew that all along. So I would look at that and say, let's go focus on the bottom line. The bottom line is we were able to increase our EBITDA margin, we were able to increase our cashflow in the business. We had allowed for all of these things in our business model, and our breakeven cost - our cash cost in our business - is at around $34 per boe.

So all of that was factored in, Andrew, as we looked at where we thought slopes were going and renegotiations in contracts. No surprises for us with respect to our business plan.

Andrew Hodge: (Macquarie, Analyst) Okay, thanks Peter.

Operator: Your next question comes from the line of Jamie Smyth from Financial Times. Please go ahead.

Jamie Smyth: (Financial Times, Journalist) Oh, hello there. I've just got a question about the use of floating LNG technology. You've seen the Prelude facility arriving off the coast of Australia. Can you just explain why Woodside decided against using FLNG for its Browse resource? Was it purely economics, or was there something to the fact that this is a very new technology and unproven? Then, is floating LNG completely off your agenda for the medium term, or would you consider it?

Peter Coleman: Okay, no, we've been very clear on Browse, that Browse was an economic decision. It was based on the break-even price that we could get the cost of supply down to. We've indicated to market previously that we couldn't get that number below $50 at the time that we were looking at it, $50 per boe, $50 Brent equivalent, I should say.

So what we said is, that technology in its current mode could only deliver that, and that's a particular technology, a particular size and capacity. It included coming out of a Korean shipyard at that point in time. So all of those factors were included. What we saw is on the Browse development, the market was able to move down quite significantly with respect to the sub-sea, the drilling and the surface cost. So we weren't able to get corresponding decreases in the cost of the vessel itself. Then somewhat that was, one, the design, meaning once you've designed something it kind of costs what it is. Then the second one was the flexibility in the shipyards to take costs out of their structure. We saw that that was limited in that regard.

So it was just simply an economic decision. With respect to technology, we're already seeing technology move on quite rapidly. So we've pursued Browse in the first place and that we felt we could design one, build many, and get advantages out of that. But once you move away from that you then start to look at technology advances. We're already seeing quite significant capacity enhancements on these vessels coming through. So what we're seeing at Browse today, or with the original Browse design, now the same capacity might be 15% more than what it was in the original Browse design. So you're seeing advances quite quickly.

Do we still believe in FLNG? Yes, we do, but we've always said it's for the right applications. So we won't invest in FLNG simply to be a market leader in a particular technology. We'll be driven by the commerciality of the project itself, and ensuring that it's the lowest cost solution.

Jamie Smyth: (Financial Times, Journalist) Thank you.

Peter Coleman: Thanks Jamie.

Operator: Your next question comes from the line of Mark Samter from Credit Suisse. Please go ahead.

Mark Samter: (Credit Suisse, Analyst) Yeah, morning guys. I might change jobs and become a journalist so I get higher up the list on the questions. My first question is on Browse, I look at Shell and BP in their latest presentations - these companies are pretty good at giving their list of possible conceptual projects. For neither of them Browse even features. I mean I guess, should we see this as a maybe their Australian offices are a bit more enthusiastic, that somewhere between here and The Hague and London that enthusiasm gets lost? Or should we think that maybe you need to see some JV changes to progress the project. Can I just get your view on that?

Peter Coleman: Look, apologies Mark that you weren't in the right spot on the list. We, yeah, we read the same things. But we stay very well connected, both between the group here in Australia and of course their corporate headquarters. I meet with the CEOs of those companies on a regular basis. It's - so we're aligned on where we wish to get to, and that's an FID on Browse sometime in 2019/2020 is where we're heading to.

I think - depending on which house you speak to they'll tell you either 2019 or 2020. For us it's the earlier part of that, for a couple it's the latter part of that. I think the key is the project will go to FID when it's ready. What we've got to do is just work through each stage to make this a compelling investment proposition for them. So we believe it is.

The fact that they haven't put it on their charts, in my view, just tells you where they are in their own maturity of it. Equally we could form a view there are some projects on those charts that may not progress in the timeframe, that are put on there as well. So it's kind of one of those ones that how mature are you internally with respect to the development, what gates has it gone through, and so what are you comfortable in sharing with the market. It just appears maybe with a couple of our joint venture partners they're not quite as mature in their internal process.

But I wouldn't read anything more into it than that at this point.

Mark Samter: (Credit Suisse, Analyst) So then second question, I think in one of the questions you seem to suggest that you weren't looking at the East Coast for FSRUs. I'm just curious why, because I think if you take the ADGSM at its face value, the GLNG project, which is a very high-priced contract, so it's domestic price. Then you get plus transportation cost to Victoria, which means you could be landing I gas - I mean even if you do have to.…

Peter Coleman: Yeah, look, we're read your comments during the week. We've been very consistent on this is that we don't take exception to the view that there could be an investment proposition with an FSRU. We've just said it's not for Woodside. The reason for that is quite simple. We'd like to be a supplier into it, but we're not market facing. We think that an FSRU is best developed by somebody who's a market facing company. Meaning that they can aggregate customers on the market side, and then de-risk the investment or the commitment.

So it'd be no good to be honest, Mark, for us to go put an FSRU in and then put up an auction and say, guys, come and buy gas from me in a domestic market that I actually don't play in today. So it's just around risk management for us. But with respect to the overall proposal and the numbers floating around and so forth, we've consistently said we don't take exception to the concept at all and we'd like to be asked to tender into supplying it.

Mark Samter: (Credit Suisse, Analyst) Okay, perfect. Thank you, guys.

Operator: Your next question comes from the line of John Hirjee from Deutsche Bank. Please go head.

John Hirjee: (Deutsche Bank, Analyst) Good morning everyone. The question, if I can Peter, in terms of your guidance for 2017, you haven't reaffirmed it here but shall we just take it as read that it's reconfirmed?

Peter Coleman: Yes, it is John. So in the absence of anything else it's reconfirmed. You're aware we've had some unplanned production outages during the first half. We don't expect - we don't have any large planned outages during the second half. We've had Pluto down for a short period post the end of the half, but it's back up and running. So that's all factored into our numbers.

So I'd say guidance is still there. There's probably pressure on the upside, but the guidance range is still pretty firm. Again Mike Utsler is nodding his head and telling me that's he going to surprise me again. So no, read it as that. We'll just go to our normal update. Typically, it's after our third quarter results and we'll give you an update as to run into the end of the year. At that point, we'll have a pretty good fix on where Wheatstone is as well, so we'll be able to incorporate that in.

John Hirjee: (Deutsche Bank, Analyst) OK. Another question, if I may. Just extending on the comments you just made about FSRU on the east coast. As you know one of the east coast based utilities is looking at Victoria for a possible site. There was some talk that having LNG sourced from Australia would require LNG ships to be manned by Australian crews and things like that, and therefore the costs may be high. Can you elaborate if that's a correct assertion that's been made about sourcing LNG from Australia to supply into the east coast.

Peter Coleman: You're learning a lot about the shipping industry, I can see. The short answer is yes. So, if it comes from an Australian source, for it to not be manned by an Australian crew it needs to go out of Australia. If you were doing an intra-coastal trade, then it will need an Australian crew. You're exactly right.

John Hirjee: (Deutsche Bank, Analyst) So presumably costs may be somewhat higher than say offshore crews from that perspective. That would be something that you would look to from your portfolio perspective right, as being one way to manage that price risk if you like?

Peter Coleman: Yeah, I think what you would see is people would manage that from portfolios. So, they would bring those cargos from somewhere else. It wouldn't be a direct sale from an Australian asset around the coast, and you'd swap an Australian cargo somewhere else in the world. Again, it comes down to managing your shipping and having control of that.

As an example, it might be a cargo out of North West Shelf or Pluto, goes somewhere in Asia, and then we swap that with a cargo in Asia and bring that down. I think most suppliers would be looking at the same thing.

John Hirjee: (Deutsche Bank, Analyst) Finally, in terms of Wheatstone, I think Anthea made a point during her presentation that the costs have gone up slightly. Can you just give us some quantification on that please?

Peter Coleman: Most of that's timing, John. So, Anthea was referring to the fact that this year we're going to spend more in this year than what was in our original plan. It's just timing as we bring forward activities.

John Hirjee: (Deutsche Bank, Analyst) Thank you. Thank you very much Peter.

Peter Coleman: By the way to complete that, the joint venture in its usual process goes through an update of final costs in late third quarter, early fourth quarter. So, if we were to provide any more guidance you can expect that will be as we're coming towards the end of the year.

Operator: Your next question comes from the line of Wei-Weng Chen from JP Morgan. Please go ahead.

Wei-Weng Chen: (JP Morgan, Analyst) Hi Peter. Just a quick question on the rise of non-traditional buyers in the LNG market. Is there a direct opportunity here for Woodside to sign long-term contracts with emerging importers such as Pakistan and Bangladesh? Or would the counterparty risk be prohibitive?

Peter Coleman: Look, it's a good question. For a number of those there is counterparty risk for us, but equally what you're seeing is traders are getting into that market. So, for example both Bangladesh and Pakistan have done a government to government deal, and so that counterparty risk is managed between the respective governments.

But as you saw when Egypt started to evolve, the traders started to come into the big, large trading entities. They're able to take on that counterparty risk in the early days. So, we would look at that, or we'd look either selling into a trader's volume that they've gone and secured, or equally we would look at it directly. Pakistan at the moment is not quite there for us, but some of the other emerging parties are.

There are a lot of new players in China, in particular, kind of the second level players, starting to come into the market. Of course, understanding their credit worthiness is often a challenge. But they are new markets we're going to have to look at, and we're going to have to look at our treasury risk management on this to see what our appetite is.

Wei-Weng Chen: (JP Morgan, Analyst) Great, thanks. The other question I had was, can you maybe speak about some of the outages that have occurred at North West Shelf and Pluto. Have they highlighted anything that you're concerned about?

Peter Coleman: The two North West Shelf outages have been due to power supply trips. The first one was in a sub-station, the second one was actually in an area that we'd already worked on in the plant. So, we're still finalising the investigation into that. Look, it does tell you that the work we're currently doing around refurbishment is probably very timely, and so it's the right thing for us to be doing.

But it's hard for me to join the dots yet, and say look I've got a common theme here other than we've had two rather significant trips in the North West Shelf this year. Pluto itself has just had a number of small trips. Last year we have a very clean run with Pluto. This year we've had a number of small trips that have been typically 24 hours or so.

We had one recently where we just took the plant down for a short period to time to do some planned maintenance. A lot of it though we're putting it down to the fact we've had very unusual weather conditions in the first quarter up in Karratha. Whereas last year it was dry. Basically, we had very low rainfall. This year we've had torrential rainfall up there, and it's just continuing to work its way into the system.

I'm hoping that it's all going to dry out here and we're going to get a nice clean run at it. We know how to run the plant so I wouldn't expect that it's anything untoward. You might recall previously we've said is we've gone through a number of our process improvement initiatives. One of the things we'll make sure we look at is the reliability of the plants as we go through that, and we don't compromise in any way.

I wouldn't say at the moment that I'm seeing any signs of that, but I am very much paying attention to it.

Wei-Weng Chen: (JP Morgan, Analyst) Great. Thank you.

Peter Coleman: I think that's it guys. Again, thanks very much for joining Woodside this morning in our first half results. As I said we're pleased to present the shareholders an increased profit up some 49%, an increased dividend up 44%. You've seen strong cashflow out of the business. We're living within our means. So, we've managing that juggling act to what we've committed to on capital out of the company. We're living within our means.

You can see our cost of debt is low. We're continuing to look at the markets with respect to managing our debt profile as we go out into the future. We're moving our growth projects along nicely, and we're exposed to some excellent exploration prospects as we finish up the second half of this year.

So, all in all, the organisation is delivering on the plans that we said we would. We've got our cost structures under control, and in place. So, I'd say we're looking forward to reporting to you our full year results. Again, thanks very much for your interest and your questions this morning. With that we'll finish up.

End of Transcript