Remarks by: Brian Ferguson
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Cenovus Energy Inc.

Cenovus Annual General Meeting
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The document contains speaking notes and is not a word for word record of what was said

Good afternoon everyone.
Welcome to Cenovus's 2016 annual meeting of shareholders.

Before I proceed, please note the advisory. It refers to what I am about to discuss.
Additional information about our forward-looking statements and financial measures is in our first quarter news release and our annual report, both available in the lobby.

Last year at this meeting I spoke to you about the dramatic drop in oil prices that started in the latter part of 2014 and how Cenovus was positioning itself to navigate through a protracted, weak and volatile business environment.

It has now been 18 months since the price drop began and continued volatility has become our new business reality. Despite that, I can confidently say that Cenovus is a fitter, faster and more financially resilient company now than it was when the downturn started.
Today, I'll tell you about the actions we've pursued to add value for you, our shareholders.

We delivered on the things that were within our control in 2015 despite the external challenges that we faced.

We increased our oil sands production by 9 percent over 2014. We also maintained capital discipline, achieving better than expected cost savings of approximately $540 million through capital, operating and G&A spending reductions. We reduced our capital expenditures by 44 percent, lowered our oil sands non-fuel operating costs by 19 percent and cut our G&A costs by 12 percent. These cost saving measures resulted in us reducing the size of our workforce by 24 percent in 2015.

In addition to our cost-cutting efforts, we bolstered our cash position by $4.7 billion – generating $1.4 billion from a common-share issue and added $3.3 billion in cash through the sale of our royalty and fee land business.

Lastly, we made the tough, but necessary decision to decrease our dividend by 40 percent.
As a result of the actions we took last year, we entered 2016 with one of the strongest balance sheets of any exploration and production company in North America. That is a huge advantage, because in times like this, cash is king.

There's one other 2015 accomplishment I want to mention. I am especially proud that last year we had our best workplace safety performance since we became a company.
I want to thank all of our staff for the focus, hard work and dedication it took to achieve these results in what was a difficult and distracting year.

Despite getting our oil sands costs down and our production up last year, our financial results were significantly impacted by factors beyond our control – low oil prices and continued market volatility.
The 60 percent drop in crude oil prices over the past 18 months has had a notable effect on our total shareholder return and cash flow.

Since October 1, 2014, our total shareholder return has declined 39 percent. Not what you want to see as an investor, or a CEO, but as illustrated on this chart, we're roughly in line with the TSX Energy Index returns.

Our average crude oil sales price was cut in half in 2015. This contributed to a more than 40 percent decrease in our 2015 operating cash flow to $2.4 billion.

In response to our lower cash flow, we've made a deliberate shift to a more moderate and focused growth plan. We're continuing to develop our well-advanced oil sands growth projects, but at a slower pace. The current expansions at Foster Creek and Christina Lake are almost complete, with production from both expected in the third quarter of this year. These expansions, together with the Christina Lake optimization work, are expected to increase our oil sands production capacity by an additional 100,000 barrels of oil per day gross, or 35 percent. Development decisions about our other oil sands projects that already have regulatory approval, such as Narrows Lake, have been deferred for now – But can be reactivated quickly when the time is right.

To help ensure we get the best pricing and to create the most value for the oil that we produce, we continue to pursue opportunities to develop new markets. This includes supporting proposed new pipeline projects as well as looking for other innovative solutions to get our oil to market and reduce transportation costs. Solutions such as our purchase of the Bruderheim crude-by-rail loading terminal last year.

We were actively working to make Cenovus a better, stronger and more financially resilient company well before oil prices began to fall. It's because of that preparation that we were able to adjust to the deteriorating economic environment by taking the early and decisive actions in 2015 that I've just talked about.

As I said in February, the stiff headwind we faced in 2015 turned into hurricane force in the first quarter of 2016.

In 2016, we have undertaken additional decisive action to help preserve our financial resilience and maintain the strength of our balance sheet – both in the short and long-term.

We've once again taken a balanced approach with our cost-saving measures. We've reduced our dividend to twenty cents per share and cut our planned 2016 spending by more than $500 million. This includes reductions to operating expenses, capital investment and our workforce costs. We are adjusting compensation and other employee benefits and we have had additional staff reductions. To ensure that we are staffed for current market conditions, we have reduced the size of our workforce by 31 percent since the end of 2014.

The first quarter of 2016 can only be described as brutal for our industry from a financial perspective. This past February, our industry experienced the lowest Canadian heavy oil price in 14 years.
My primary objective for this year remains the preservation of our existing balance sheet strength and to position Cenovus well for success in any price environment.
I am confident that the decisions we have made to date position us to do just that. And, we continue to take action to reduce our cost structure to be competitive not just in the oil sands, but with all oil producers across North America. Including light tight oil.

The business environment we've experienced for the past 18 months has resulted in structural change across our industry, not just in Canada, but all around the world. In addition to the measures I've just outlined, we've taken the time to define what kind of company Cenovus needs to be for continued success. As part of our evolution, we have clarified our strategy, outlined the culture and behaviours that are important to us, begun transitioning to a new organizational structure and made it a priority to re-engage our workforce.

We have identified five strategic differentiators for Cenovus that we believe set us apart from our competitors. They are:

1. Premium asset quality
2. Disciplined manufacturing
3. Focused innovation
4. Value-added integration; and
5. Trusted reputation

These are the areas where we must continue to excel and where we will focus our efforts as a company.

Let's take a look at each one.

The first differentiator is our premium asset quality: Our oil sands, conventional, midstream and downstream assets are among the best in the industry. It's a key reason many of you choose to invest in us.

The second is our disciplined manufacturing approach: It's not enough to have the best assets. We need to be the best at developing and operating them. We want to capitalize on having standardized and repeatable designs and processes to optimize value, manage risk, reduce variability and improve performance. This approach should allow us to be the best at developing and operating our assets. That's why we are focused on embedding it even further into our operations as quickly as possible.

The third is our focused innovation: We have a proven track record of finding ways to be better at what we do. Things like wedge wells, electric submersible pumps and Skystrat drilling.

We need to be even more strategic about our innovation going forward. This means directing our resources to the things that matter most and have the biggest impact. Not just in reducing our costs to improve our business, but also to address the concerns that society has about the environmental impacts of our product. As an oil producer, we are committed to doing our part to address climate change and help find innovative solutions that will reduce and potentially eliminate emissions both from the production of oil and from its use. We need to be aligned with and helping to create the clean energy future the world wants.

Fourth is our value-added integration: Our refineries, our major pipeline commitments, our Bruderheim crude-by-rail terminal and our Houston office all position us to get the best pricing for our oil and natural gas. And we continue to actively look for other opportunities to maximize pricing and improve market access.

And the last one, our trusted reputation: This is more important than ever – especially at a time when trust in our industry is at an all-time low. We have worked hard to earn a reputation as a company that delivers on its promises. That thinks differently. That works with others. That does the right thing. We cannot, and will not, compromise on that.

Those are the five strategic differentiators we've identified for our company. And they are five reasons why I'm optimistic about our future and our potential to create value for our shareholders over the long term.

I am confident in our strategy and the measures we have taken to help us navigate this downturn. As I said at the beginning of my remarks, I believe Cenovus is already faster, fitter and more financially resilient now than it was when prices began to fall. And when oil prices rebound, Cenovus will be prepared to seize the opportunities that come as a result.
We have great assets, a solid balance sheet, significant reserves, an integrated portfolio, and, in my opinion, some of the best people in the industry working at Cenovus.

With the ongoing guidance and oversight of our Board, we will adjust our strategy as required to maintain the strength of our balance sheet and seize opportunities that arise. Creating long-term value for our shareholders and protecting your investment is at the forefront of every decision we make. You have our commitment.

Thank you for your time today – and for your continued support.

I look forward to your questions.