Cenovus reports solid 2017 results

Company remains focused on deleveraging and reducing costs

Calgary, Alberta (February 15, 2018) – Cenovus Energy Inc. (TSX: CVE) (NYSE: CVE) delivered strong cash from operating activities and adjusted funds flow in 2017. Through its continued focus on capital discipline and reliable operational performance, the company generated almost $1.3 billion in free funds flow last year. Cenovus also completed the divestitures of its legacy conventional oil and natural gas assets within its expected timeframe. Divestiture proceeds and cash on hand were used to repay and retire the company's bridge credit facility prior to year-end.

Key 2017 highlights

- Increased free funds flow by 216% compared with 2016
- Increased cash from operating activities and adjusted funds flow by 255% and 105%, respectively, compared with 2016
- Recorded net earnings of $3.4 billion versus a net loss of $545 million in 2016
- Repaid and retired the company's $3.6 billion bridge credit facility
- Doubled proved bitumen reserves to approximately 4.8 billion barrels
- Reduced general and administrative (G&A) costs by 44% per barrel of oil equivalent (BOE) and oil sands operating costs by 6% per barrel from 2016

2017 production & financial summary

(for the period ended December 31)	**2017 Q4**	2016 Q4	% change	**2017 Full year**	2016 Full year	% change
Financial[1] ($ millions, except per share amounts)						
Cash from operating activities	**900**	164	449	**3,059**	861	255
Adjusted funds flow[2]	**866**	535	62	**2,914**	1,423	105
Per share diluted	**0.70**	0.64		**2.64**	1.71	
Free funds flow[2]	**283**	276	3	**1,253**	397	216
Operating earnings[2]	**-514**	321		**126**	-377	
Per share diluted	**-0.42**	0.39		**0.11**	-0.45	
Net earnings[3]	**620**	91	581	**3,366**	-545	
Per share diluted	**0.50**	0.11		**3.05**	-0.65	
Capital investment	**583**	259	125	**1,661**	1,026	62
Production (before royalties)						
Oil sands (bbls/d)	**361,363**	164,396	120	**292,479**	149,693	95
Deep Basin liquids[4] (bbls/d)	**33,147**	n/a		**20,850**	n/a	
Conventional liquids[4,5] (bbls/d)	**27,647**	55,155	-50	**47,375**	56,165	-16
Total oil and liquids (bbls/d)	**422,157**	219,551	92	**360,704**	205,858	75
Deep Basin natural gas (MMcf/d)	**509**	n/a		**316**	n/a	
Conventional natural gas[5] (MMcf/d)	**286**	379	-25	**343**	394	-13
Total natural gas (MMcf/d)	**795**	379	110	**659**	394	67
Total production (BOE/d)	**554,606**	282,718	96	**470,490**	271,525	73

[1] Financial information includes results from discontinued operations.
[2] Adjusted funds flow, free funds flow and operating earnings/loss are non-GAAP measures. See Advisory.
[3] For a description of items included in net earnings, see page 3 of this news release.
[4] Includes oil and natural gas liquids (NGLs).
[5] All conventional assets other than Athabasca natural gas were sold as of January 5, 2018 and are presented as discontinued operations.

2017 Overview

In 2017, cash from operating activities and adjusted funds flow increased by 255% and 105%, respectively, while free funds flow and production were 216% and 73% higher compared with the previous year. The company benefited from higher average full-year benchmark commodity prices and stronger refining operating margin. Production increased last year largely due to Cenovus's May 2017 acquisition of the remaining 50% working interest in the company's best-in-class oil sands projects in northern Alberta, and assets in the Deep Basin in Alberta and British Columbia.

Deleveraging and cost reduction

Paying down debt and reducing costs remain priorities for Cenovus, and the company made significant progress on both in 2017. As part of its strategy to refocus its portfolio and deleverage its balance sheet, Cenovus successfully completed the sale of its four legacy conventional oil and natural gas assets for combined gross cash proceeds of $3.7 billion. The company used the net proceeds from the three asset sales that closed in 2017, plus cash on hand, to repay and retire its $3.6 billion bridge facility prior to the end of the year. The Suffield asset sale, which was announced in the fourth quarter of 2017, closed on January 5, 2018 for gross cash proceeds of $512 million. At the end of 2017, Cenovus's net debt was $8.9 billion, or 2.8 times adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) on a trailing 12-month basis. Between the end of the second quarter and the end of 2017, the company reduced net debt by approximately $4 billion, or 31%, largely through asset sales and free funds flow generation. Cenovus continues to target a long-term net debt to adjusted EBITDA ratio of less than two times.

In 2017, Cenovus had oil sands sustaining capital costs of $6.34 per barrel (bbl), down 12% from $7.24/bbl the previous year. In 2018, the company expects to further reduce its per-barrel oil sands sustaining capital costs by 13%. Oil sands operating costs were $8.40/bbl in 2017, 6% lower than the previous year, and are expected to decline by another 6% per barrel in 2018.

Cenovus is also on track to meet its accelerated goal of achieving at least $1 billion in cumulative capital, operating and G&A cost reductions over two years versus an earlier targeted timeline of three years. This includes the company's previously-announced plan to further reduce its workforce by approximately 15% this year, which was largely completed in January and February. In 2017, G&A costs per BOE decreased 44% to $1.83 from $3.29 the previous year, primarily as a result of increased production related to the acquisition. G&A costs per BOE were also reduced due to lower long-term employee incentive costs related to a decline in Cenovus's share price, lower non-cash charges related to the company's excess office space compared with 2016 and lower information technology costs.

"I'm extremely pleased with the progress we've made to date in strengthening our balance sheet and lowering our cost structure," said Alex Pourbaix, Cenovus President & Chief Executive Officer. "In the short to medium term, we'll remain focused on driving additional efficiencies across our business while further reducing debt. This will give us greater flexibility to balance returning cash to shareholders with making disciplined investments in projects that have the potential for high-return growth."

Financial performance
In 2017, Cenovus increased cash from operating activities to $3.1 billion from $861 million the previous year and adjusted funds flow to $2.9 billion from $1.4 billion in 2016. Free funds flow rose to nearly $1.3 billion from $397 million in 2016. The company benefited from higher average benchmark crude oil prices, including Western Canadian Select (WCS) which increased 32% compared with 2016. In 2017, the average differential between WCS and West Texas Intermediate (WTI) narrowed from the previous year but widened significantly towards the end of last year and into 2018. Cenovus is actively mitigating wider differentials through its downstream integration, pipeline commitments to the U.S. Gulf Coast and Canadian West Coast, rail optionality including the company's Bruderheim crude-by-rail terminal, as well as through financial contracts. Cenovus's refining and marketing segment benefited from higher average market crack spreads and rising commodity prices. Refining and marketing operating margin rose 73% to $598 million in 2017 from the previous year.

Cenovus recorded full-year operating earnings of $126 million compared with an operating loss of $377 million in 2016. Operating earnings included non-cash items such as $2 billion in depreciation, depletion and amortization (DD&A) expense, and $890 million in exploration expense related primarily to Cenovus's emerging oil sands assets in the Greater Borealis region of northern Alberta. Net earnings of $3.4 billion in 2017 included a before-tax revaluation gain of $2.6 billion related to the deemed disposition of Cenovus's pre-existing 50% ownership interest in the Foster Creek and Christina Lake oil sands partnership, a before-tax gain on discontinuance of $1.3 billion related to asset sales, unrealized foreign exchange gains of $651 million and unrealized risk management losses of $729 million.

Reserves
Cenovus's proved and probable reserves are evaluated each year by independent qualified reserves evaluators (IQREs).

At the end of 2017, Cenovus had total proved reserves of approximately 5.2 billion BOE, an increase of 96% compared with 2016, largely due to the acquisition. Proved bitumen reserves increased 103% to approximately 4.8 billion barrels. Total proved plus probable reserves increased 88% to approximately 7.1 billion BOE. Based on the evaluation of Cenovus's bitumen reserves by IQREs, estimated future capital costs to develop the company's remaining proved undeveloped bitumen reserves declined to approximately $7.00/bbl in 2017 compared with approximately $8.00/bbl the previous year.

More details about Cenovus's reserves are available under Financial Information in the Advisory, the company's Annual Information Form (AIF) and Annual Report on Form 40-F for the year ended December 31, 2017, which are available on SEDAR at sedar.com, EDGAR at sec.gov and Cenovus's website at cenovus.com.

Hedging
To support the company's financial resilience as it continued to deleverage its balance sheet in 2017, Cenovus hedged a greater percentage of 2018 forecast liquids production than it typically does, establishing a floor on crude oil prices. Approximately 80% of the company's forecast oil production is hedged for the first half of the year. Approximately 37% of forecast oil production is hedged for the second half of 2018. There were no natural gas hedges in place as of December 31, 2017. As of the end of 2017, no hedge positions were in place for 2019.

Operating highlights

Cenovus had another strong operating year in 2017, with improvements in capital efficiencies, execution, operating costs, reliability of production delivery and facility uptime.

Oil sands

Combined production at Cenovus's Christina Lake and Foster Creek oil sands operations was 292,479 net barrels per day (bbls/d) in 2017, 95% higher than the previous year. The increase was mainly due to the company's May 17, 2017 acquisition, which resulted in full ownership of the Foster Creek and Christina Lake assets, as well as incremental volumes from Foster Creek phase G and Christina Lake phase F, both of which began producing in the second half of 2016. Fourth-quarter oil sands production was 361,363 bbls/d, an increase of 120% from the same period in 2016. Sales volumes for the quarter were approximately 7% lower than production due to unplanned third-party pipeline bottlenecks late in the quarter. At Foster Creek, the steam to oil ratio (SOR), the amount of steam needed to produce one barrel of oil, was 2.5 in 2017, compared with 2.7 in 2016. At Christina Lake, the SOR was 1.8 in 2017, down from 1.9 a year earlier.

Construction at the Christina Lake phase G expansion resumed in the first quarter of 2017, with activity increasing through the end of the year and into 2018. Cenovus expects the expansion will have go-forward capital costs, from the time the project was restarted last year through to completion, of between $13,000 and $14,000 per flowing barrel, well below the company's original estimate. Phase G has approved capacity of 50,000 bbls/d and is anticipated to begin production in the second half of 2019.

Deep Basin

Production between May 17, 2017 and the end of the year averaged 117,138 BOE/d, with average operating costs of $8.56/BOE. In December, production averaged 120,243 BOE/d. Cenovus continues to take a disciplined approach to development in the Deep Basin. The company drilled 24 net horizontal wells and participated in drilling four non-operated net horizontal wells targeting liquids-rich natural gas in 2017. Twenty net wells were completed and 14 net wells started production. To date, Cenovus has achieved very strong drilling efficiencies with its Deep Basin program, and initial well results have met or exceeded the company's expectations. As previously announced, Cenovus plans to drill 15 net wells in the Deep Basin in 2018.

Downstream

In 2017, Cenovus's refining assets continued to deliver strong and reliable operating performance. The company achieved refining and marketing operating margin of $598 million compared with $346 million a year earlier. The increase was largely the result of higher average market crack spreads and stronger margins on the sale of secondary products such as natural-gas liquids. The increase was partially offset by narrower heavy crude oil differentials and the strengthening of the Canadian dollar relative to the U.S. dollar in 2017 compared with 2016.

Cenovus's refining operating margin is calculated on a first-in, first-out (FIFO) inventory accounting basis. Using the last-in, first-out (LIFO) accounting method employed by most U.S. refiners, operating margin from refining and marketing would have been $93 million lower in 2017. In 2016, operating margin would have been $108 million lower on a LIFO reporting basis.

Dividend

For the first quarter of 2018, the Board of Directors has declared a dividend of $0.05 per share, payable on March 29, 2018 to common shareholders of record as of March 15, 2018. Based on the February 14, 2018 closing share price on the Toronto Stock Exchange of $9.88, this represents an annualized yield of about 2%. Declaration of dividends is at the sole discretion of the Board and will continue to be evaluated on a quarterly basis.

Year-end disclosure documents

Today, Cenovus Energy Inc. is filing its audited Consolidated Financial Statements for the year ended December 31, 2017 as well as related Management's Discussion and Analysis (MD&A) with Canadian securities regulatory authorities. Cenovus is also filing today its AIF for the year ended December 31, 2017, which includes disclosure relating to reserves data and other oil and gas information, and its Annual Report on Form 40-F for the year ended December 31, 2017 with the U.S. Securities and Exchange Commission. Copies of these documents will be available today on SEDAR at sedar.com, EDGAR at sec.gov (for the Form 40-F), and the company's website at cenovus.com under Investors. They can also be requested by email at investor.relations@cenovus.com.

Conference Call Today

9 a.m. Mountain Time (11 a.m. Eastern Time)

Cenovus will host a conference call today, February 15, 2018, starting at 9 a.m. MT (11 a.m. ET). To participate, please dial 888-231-8191 (toll-free in North America) or 647-427-7450 approximately 10 minutes prior to the conference call. A live audio webcast of the conference call will also be available via cenovus.com. The webcast will be archived for approximately 90 days.

ADVISORY

Basis of Presentation – Cenovus reports financial results in Canadian dollars and presents production volumes on a net to Cenovus before royalties basis, unless otherwise stated. Cenovus prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

Barrels of Oil Equivalent – Natural gas volumes have been converted to barrels of oil equivalent (BOE) on the basis of six thousand cubic feet (Mcf) to one barrel (bbl). BOE may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared with natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is not an accurate reflection of value.

Oil and Gas Information – Estimates of reserves referenced in this release were prepared effective December 31, 2017 by independent qualified reserves evaluators, based on the Canadian Oil and Gas Evaluation Handbook and in compliance with the requirements of *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities*. Estimates are presented using an average of the January 1, 2018 price forecasts from three IQREs. For additional information about our reserves and other oil and gas information, see "Reserves

Data and Other Oil and Gas Information" in Cenovus's Annual Information Form (AIF) and Annual Report for Form 40-F for the year ended December 31, 2017 (available on SEDAR at sedar.com, on EDGAR at sec.gov and Cenovus's website at cenovus.com).

Non-GAAP Measures and Additional Subtotal

This news release contains references to adjusted funds flow, free funds flow, operating earnings/loss, net debt, and net debt to adjusted EBITDA, which are non-GAAP measures, and operating margin, which is an additional subtotal found in Note 1 of Cenovus's Consolidated Financial Statements for the year ended December 31, 2017. These measures do not have a standardized meaning as prescribed by IFRS. Readers should not consider these measures in isolation or as a substitute for analysis of the company's results as reported under IFRS. These measures are defined differently by different companies and therefore are not comparable to similar measures presented by other issuers. For definitions, as well as reconciliations to GAAP measures, and more information on these and other non-GAAP measures and additional subtotals, refer to "Non-GAAP Measures and Additional Subtotals" and the Advisory section of Cenovus's Management's Discussion & Analysis (MD&A) for the year ended December 31, 2017 (available on SEDAR at sedar.com, on EDGAR at sec.gov and Cenovus's website at cenovus.com).

Forward-looking Information

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking information") within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995, about Cenovus's current expectations, estimates and projections about the future, based on certain assumptions made in light of Cenovus's experience and perception of historical trends. Although Cenovus believes that the expectations represented by such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

Forward-looking information in this document is identified by words such as "anticipate", "expect", "estimate", "on track", "goal", "mitigating", "capacity", "plan", "forecast", "future", "target", "position", "project", "will", "focus", "potential", "strategy", "forward" or similar expressions and includes suggestions of future outcomes, including statements about: the company's targeted net debt to adjusted EBITDA ratio; the company's expectations with respect to further cost reductions, including expected reduction in per-barrel oil sands sustaining capital costs by 13% in 2018; that the company is on track to meet its goal of achieving at least $1 billion in cumulative capital, operating and G&A cost reductions over two years; expected workforce reductions; Cenovus's focus in the short to medium term on driving additional efficiencies across its business while further reducing debt, and anticipated outcome of greater flexibility to balance returning cash to shareholders with making disciplined investments in projects that have the potential for high-return growth; anticipated mitigating effect of the company's downstream integration, pipeline commitments, rail optionality and financial contracts on wider differentials; all statements and information related to "reserves"; estimated future capital costs to develop the company's remaining proved undeveloped bitumen reserves; expected impacts of Cenovus's hedging program; Cenovus's hedge position as a percentage of its forecast production; expected go-forward capital costs for the Christina Lake expansion phase G and expectation that production from phase G will begin in the second half of 2019; and Cenovus's drilling plans in the Deep Basin in 2018. Readers are cautioned not to place undue reliance on forward-looking information as actual results may differ materially from those expressed or implied.

Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to Cenovus and others that apply to the industry generally. Material factors or assumptions on which the forward-looking information in this news release is based include: forecast oil and natural gas, natural gas liquids, condensate and refined products prices and other assumptions and sensitivities inherent in Cenovus's 2018 guidance, available at cenovus.com; projected capital investment levels, the flexibility of Cenovus's capital spending plans and the associated sources of funding; accuracy of reserves estimates; future use and development of technology; ability to obtain necessary regulatory and partner approvals; successful and timely implementation of capital projects or stages thereof; ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; Cenovus's ability to access sufficient capital to pursue its development plans; sustainability of achieved cost reductions, achievement of further cost reductions and sustainability thereof; and other risks and uncertainties described from time to time in the filings we make with securities regulatory authorities. 2018 Guidance (as updated December 13, 2017) assumes: Brent prices of US$55.00/bbl, WTI prices of US$52.00/bbl; WCS of US$37.00/bbl; NYMEX natural gas prices of US$3.00/MMBtu; AECO natural gas prices of $2.20/GJ; Chicago 3-2-1 crack spread of US$15.00/bbl; and an exchange rate of $0.78 US$/C$.

Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. Events or circumstances could cause Cenovus's actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information. Additional information about the material risk factors that could cause Cenovus's actual results to differ materially from those expressed or implied by its forward-looking statements is contained under "Risk Management and Risk Factors" in Cenovus's MD&A for the year ended December 31, 2017 (available on SEDAR at sedar.com, on EDGAR at sec.gov and Cenovus's website at cenovus.com).

Cenovus Energy Inc.

Cenovus Energy Inc. is a Canadian integrated oil company. It is committed to applying fresh, progressive thinking to safely and responsibly unlock energy resources the world needs. Operations include oil sands projects in northern Alberta, which use specialized methods to drill and pump the oil to the surface, and established natural gas and oil production in Alberta and British Columbia. The company also has 50% ownership in two U.S. refineries. Cenovus shares trade under the symbol CVE, and are listed on the Toronto and New York stock exchanges. For more information, visit cenovus.com.

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