

# COMMUNITY REPORT 2014



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# CEO MESSAGE

The true test of a business strategy's strength is its ability to withstand adverse conditions. The past year saw a precipitous decline in oil prices and extreme market volatility. Through this storm, the decisions Husky made five years ago to weatherproof its business by setting out on a balanced growth course have proven their mettle.

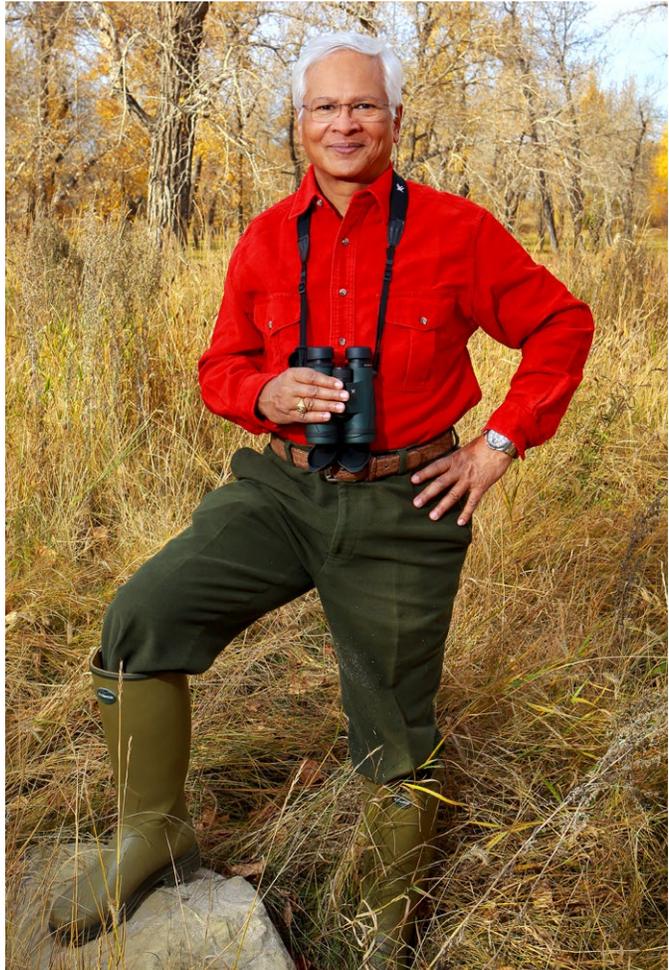
We remain integrated and diversified, with a strong suite of near, mid and long-term projects. In 2014 we achieved two major milestones with the startup of our Liwan Gas Project and Sunrise Energy Project. We are building further resilience into the business by increasingly transitioning to projects that require less capital to sustain a larger base of production.

Core strength is key to the long-term success of any business and throughout this report you will see how we continue to be focused on the fundamentals: from maintaining a healthy balance sheet and a strong dividend, to continuously improving our safety record and supporting our communities.

Our critical and serious incident rate decreased again last year, as did our Total Recordable Injury Rate. While continuing to improve on both, we know this is an area where our work is never done.

We are committed to the communities where we operate. Last year, for example, we provided scholarships to power engineering students in Alberta and Saskatchewan, supported a new youth centre in Fort McKay, Alberta and assisted a wide range of organizations that help make our communities stronger.

Husky continues to provide value for its shareholders and to look for ways to lighten its footprint.



Handwritten signature of Asim Ghosh.

Asim Ghosh

# CORPORATE PROFILE



Sunrise Energy Project

Husky is one of Canada's largest integrated energy companies. It is based in Calgary, Alberta and its common shares are publicly traded on the Toronto Stock Exchange under the symbol HSE.

The Company operates in Canada, the United States and the Asia Pacific Region, with Upstream and Downstream business segments.

Annual production in 2014 averaged 340,000 barrels of oil equivalent per day (boe/day), with cash flow from operations of \$5.5 billion and net operating earnings of \$2.0 billion. Net earnings were \$1.3 billion, including one-time charges.

## Balanced Growth

Husky is an integrated and diversified company. An expansive portfolio of low sustaining capital projects, a healthy balance sheet and strong dividend underpin its balanced growth strategy. The Company has the flexibility to tailor its business plan and adjust the timing and scope of its projects.

## 2014 Operational Highlights

### Heavy Oil

A series of long life, high netback heavy oil thermal projects were advanced, increasing thermal production to an average of 44,000 barrels per day (bbls/day). The 10,000 bbls/day Rush Lake project began production in July 2015. Two additional 10,000 bbls/day thermals are under construction, along with a 4,500 bbls/day thermal project.

### Western Canada

The Company's key resource plays in Western Canada were progressed at a measured pace, with production averaging 34,000 boe/day. The Ansell resource play remains a priority and averaged 18,700 boe/day in the fourth quarter of 2014.



Ansell

## 2014 Operational Highlights

### Downstream

Husky continued to build further flexibility in its Downstream infrastructure to improve feedstock choice, product range and market access. Construction of two 300,000-barrel storage tanks at Hardisty and associated pipe infrastructure was completed.



Hardisty

### Asia Pacific Region

Two fields at the Liwan Gas Project in the South China Sea were brought online in 2014. Liwan 3-1 achieved first production in March and Lihua 34-2 was tied into the main infrastructure in December. Development work was advanced on four shallow water gas fields in the Madura Strait offshore Indonesia.



Liwan Gas Project

## 2014 Operational Highlights

### Oil Sands

The Sunrise Energy Project started production in March 2015, after commencing steaming operations in December 2014. Sunrise is expected to ramp up to full production of 60,000 bbls/day (30,000 bbls/day net to Husky) around the end of 2016.



Sunrise Energy Project

### Atlantic Region

In June 2015 Husky's second major subsea satellite tieback, the South White Rose extension, achieved first oil. The field uses the *SeaRose* FPSO (floating production, storage and offloading) vessel. An exploration and appraisal program is underway in the Flemish Pass in the area of the Bay du Nord discovery.



SeaRose FPSO

## Delivering Results

Husky continued to transition a large percentage of its business towards projects with low sustaining capital requirements, while focusing on capital efficiencies and maintaining a strong balance sheet.

# CORPORATE PERFORMANCE



Liwan Gas Project

## Highlights

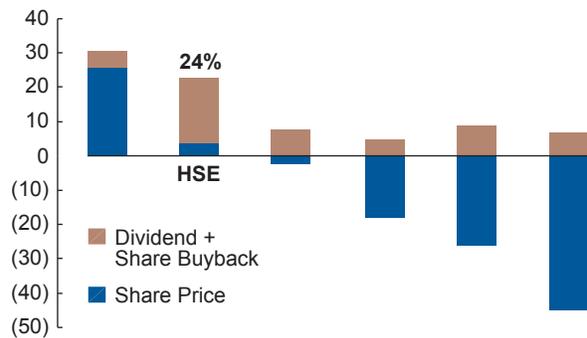
- Annual production averaged 340,000 barrels of oil equivalent per day
- Cash flow from operations of \$5.5 billion and net operating earnings of \$2.0 billion
- Downstream throughputs averaged 318,000 barrels per day



Rush Lake

Husky has consistently delivered value to shareholders through a strong dividend and by managing its investment flows and maintaining a healthy balance sheet.

### Four-year Total Shareholder Return vs Peers December 31, 2010 – December 31, 2014 (%)

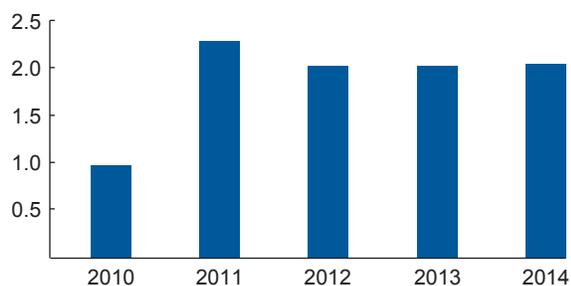


TSR data sourced from Bloomberg.  
Peers in the table include Canadian Natural Resources, Cenovus, Encana, Imperial Oil and Suncor.

### Net Earnings and Cash Flow

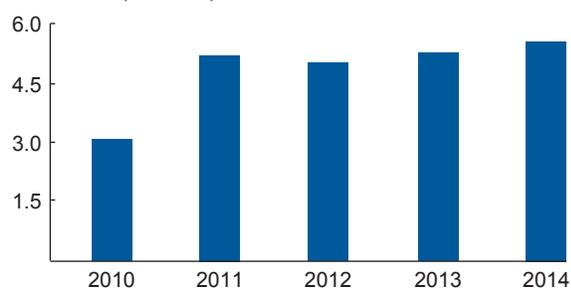
Net operating earnings in 2014 were \$2.0 billion, comparable to 2013. Net earnings were \$1.3 billion, including one-time charges. Cash flow from operations for the year was \$5.5 billion.

#### Net Operating Earnings (\$ billions)



Net operating earnings is a non-GAAP measure. Refer to the Reader Advisories for a reconciliation to the GAAP measures.

#### Cash Flow (\$ billions)



Cash flow is a non-GAAP measure. Refer to the Reader Advisories for a reconciliation to the GAAP measures.



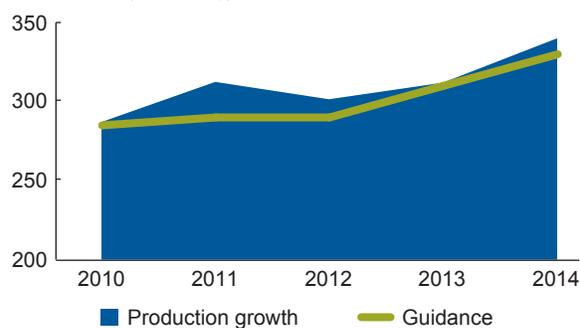
Lloydminster Upgrader

### Production and Throughputs

Production in 2014 was 340,000 barrels of oil equivalent per day, within annual guidance and an increase of approximately nine percent from the year before.

Throughput at the Company's refineries and upgrader averaged 318,000 barrels per day.

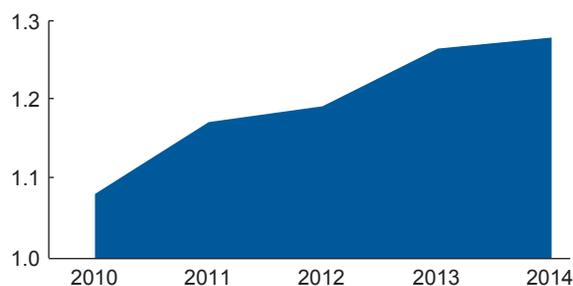
#### Production (mboe/day)



### Reserves Replacement

Husky's reserves growth continued to outpace production in 2014 with a reserve replacement ratio of 115 percent in 2014, excluding economic factors (111 percent including economic factors). Its average four-year reserve replacement ratio was 157 percent, excluding economic factors, and 143 percent including economic factors.

#### Proved Reserves (billion boe)



Average four-year replacement ratio: 157%.

At the end of 2014, Husky had total proved reserves before royalties of 1.3 billion barrels of oil equivalent (boe) and probable reserves of 1.9 billion boe.

# SAFETY PERFORMANCE



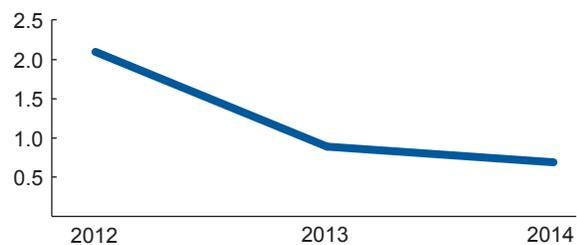
Pikes Peak South

## Purpose and Progress

Husky delivers operational reliability while strengthening its safety record through rigorous occupational safety programs and ongoing improvements in process safety, including clear procedures and workforce education.

For a fourth year, the rate of critical and serious incidents per hours worked declined. To enhance existing policies and procedures, the Company communicates the risks most associated with potential serious injuries and fatalities to employees and contractors so actions can be taken to mitigate those risks.

**Critical and Serious Incidents**  
(per 200,000 exposure hours)



## Identifying Serious Injury Risks

Husky has placed a strong focus on communicating to workers the risks most associated with serious injuries and fatalities and the actions that can be taken to mitigate them. With the risks identified for specific tasks, such as working from heights, workers are able to take the necessary steps to better protect themselves and their co-workers.



### Process Safety Events

Definitions of Tier 1, 2 and 3 process safety events are used to assess releases and other Loss of Primary Containment outcomes. Incidents are investigated to determine how to improve equipment reliability and related operating integrity practices.

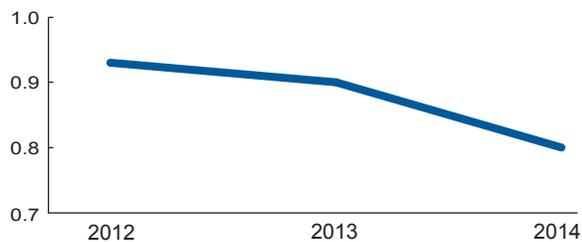
The definitions align with those of the American Petroleum Institute, the American Institute of Chemical Engineers' Center for Chemical Process Safety and the International Association of Oil and Gas Producers.

### Total Recordable Injury Rate

The total recordable injury rate (TRIR) measures lost time, restricted work and medical aid incidents and fatalities.

In 2014, Husky achieved a 0.80 TRIR, which means there was less than 1.0 recordable injury per 100 workers per year, down from 0.90 the year before. The rate has declined in each of the past four years in part due to programs directed towards reducing common incidents such as slips, trips, falls and hand injuries.

**Total Recordable Injury Rate**  
(per 200,000 exposure hours)

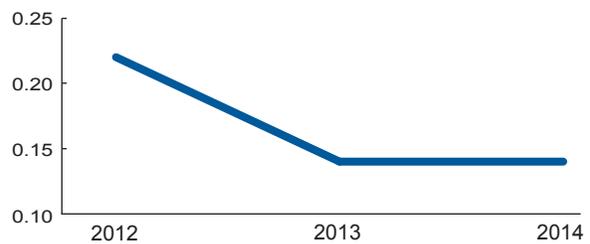


### Lost Time Injuries

The Company maintained a Lost Time Injury Rate in 2014 of 0.14 per 200,000 exposure hours.

Husky continues to strengthen the safety culture at its worksites, encouraging employees and contractors to apply the Husky Operational Integrity Management System, a consistent, enterprise-wide approach to managing operations, and to use a critical eye to identify and mitigate major accident hazards.

**Lost Time Injury Rate**  
(per 200,000 exposure hours)



### Driving

The Corporate Driving Standard includes mandatory driver training and vehicle monitoring devices that provide drivers with reports on their speed, seatbelt use and driving practices to improve performance.

Forty-seven employee motor vehicle accidents were recorded last year, compared to 54 the year before. The Company's fleet of approximately 1,400 vehicles covered more than 35 million kilometres in 2014.

### Offshore

Husky's well management program offshore Newfoundland and Labrador begins at the planning stage and continues through construction, commissioning and operation.

It includes wellbore monitoring, inspection of subsea trees, testing of subsurface safety equipment, plans for blowout mitigation and an inventory of relief well materials.

During operations, at least two independent and tested well barriers are in place.

The Company works with area operators to provide mutual emergency aid and participates in a number of international safety initiatives.

### Incident Tracking

Workers report events through the Company's comprehensive incident tracking tool, which allows for ongoing monitoring and assessment to better prepare for potential operational incidents.

All "loss" and "no loss" (near-miss) events are tracked. Investigation results, action items and lessons learned are used for safety alerts, statistics reports, risk analysis, management reporting and training development.

Streamlining how events such as injuries, equipment failures and complaints from the public are reported and reviewed can proactively reduce the probability of repeat events.

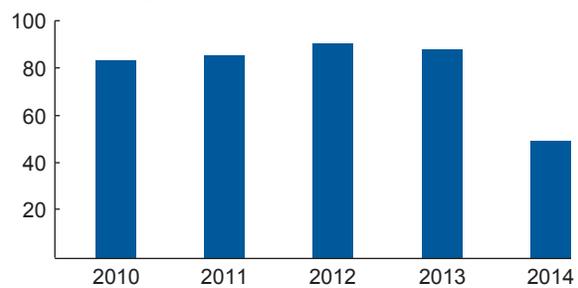
### Industrial Hygiene

Identifying and controlling occupational health hazards allows Husky to understand potential exposures and prevent the development of occupational illnesses.

In 2014, 49 surveys, with samples from more than 500 employees and areas, were taken to assess exposure to potentially hazardous materials or environments. Comprehensive Qualitative Health Hazard Assessments were completed at two facilities, providing baseline information to better understand site-specific risks. To improve its surveillance data beyond long-term exposure, the Company began collecting short-term exposure information.

Workplace communications, including exposure control plans, are in place to support the safe and proper handling of chemicals, and a training plan is being developed to ensure company-wide awareness. Husky aligns the chemical inventories at its North American operations with a system-wide record of material safety data sheets and related documents available to workers.

### Industrial Hygiene Assessment Surveys



### Delivering Results

Husky's safety performance continues to improve, with a declining number of serious and critical incidents. The Company had less than one critical or serious incident per 200,000 hours worked in 2014, down from the year before, and also saw its Total Recordable Injury Rate decrease for a fourth year.

# OPERATIONAL INTEGRITY



SeaRose FPSO



Safe and responsible operations are guided by the Husky Operational Integrity Management System (HOIMS).

Each HOIMS element has a specific aim and a clear set of expectations to continuously improve operational integrity:

1. Leadership, Commitment and Accountability
2. Safe Operations
3. Risk Assessment and Management
4. Emergency, Business Continuity and Security Management
5. Reliability and Integrity
6. Personnel Competency and Training
7. Incident Management
8. Environmental Stewardship
9. Management of Change
10. Information, Documentation and Effective Communication
11. Compliance Assurance and Regulatory Advocacy
12. Design, Construction, Commissioning, Operating and DeCommissioning
13. Contracted Services and Materials
14. Performance Assessment and Continuous Improvement

## Delivering Results

Husky continues to improve process safety and drive consistent performance, recording top-quartile uptimes at its refineries, Liwan facilities and the *SeaRose* FPSO. In 2014, two major projects at Liwan and Sunrise were delivered without a major incident.

A focus on operational integrity means activities are performed safely and reliably to provide for efficient and consistent performance. Husky had top-quartile uptimes at its refineries, Liwan facilities and the *SeaRose* floating production, storage and offloading (FPSO) vessel. It has delivered two major projects at Liwan and Sunrise, as well as a number of thermal projects, without a major incident.

The Company sets operational integrity targets as part of its annual objectives.

Potential hazards and risks are identified, eliminated or mitigated to protect the public, minimize potential risks to the environment, safeguard the health and wellbeing of employees and shelter Company assets from damage or loss.

## Fuel Monitoring Reduces Consumption

Husky's Atlantic Region business unit is monitoring the fuel used by its offshore supply vessels to see where it's possible to reduce consumption, which results in reduced emissions and costs. Analysis has demonstrated that reducing the speed of a supply vessel, where appropriate, can result in up to 50 percent less fuel being used.

# MANAGING RISKS



*Liwan*

## **Purpose and Progress**

Risk management and mitigation practices are embedded in strategic planning and operational processes. Identifying risks, measuring competency, training personnel and purchasing equipment are guided by Company policies, standards, processes and best practices.

## **Enterprise Risk Management**

The Enterprise Risk Management (ERM) program identifies and assesses potential hazards and risks that could impact the health and safety of people, property and the environment.

The Corporate Risk Management group undertakes a major review of the Company's risk and mitigation activities each year to better identify and manage risk, understand the risk-drivers and promote a culture of risk awareness. The review determines who is accountable for managing and mitigating each risk and identifies any emerging issues.



*Sandall*

## Emergency Preparedness

Readiness for potential emergencies is strengthened through exercises, established processes and Emergency Response Plans (ERPs) designed to guide a consistent and effective response to any event which could affect employees, contractors, the community, the environment and/or the Company's assets and reputation.

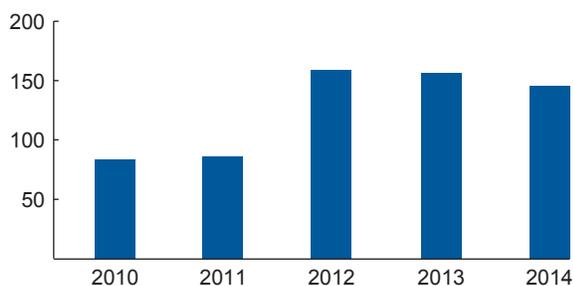
Husky's procedures are based on the Incident Command System (ICS), a standard emergency response model used across Canada and the U.S. to provide an effective response across all operations. This system streamlines the response so that the most important action items are addressed in priority order and under clear accountabilities.

Regular cross-departmental exercises, and consistent, repeatable processes are an integral part of being prepared for, and improving the response to, an emergency. Where appropriate, coordination with third-party emergency responders is tested in major exercises.

Site-specific planning, equipment upgrades and training enhance readiness for facilities where there is the potential for higher-consequence events.

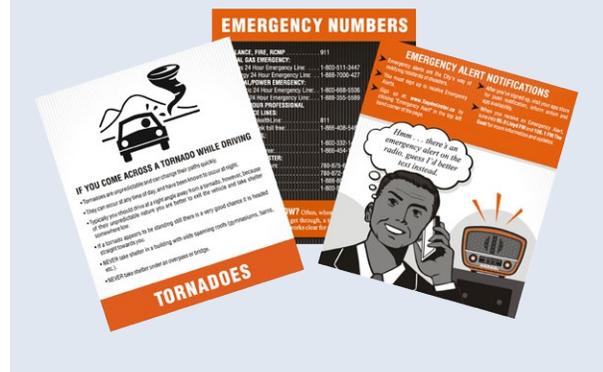
The Company participates in additional training as an active member of spill cooperatives and preparedness programs. It is a member of Emergency Response Assistance Canada, which provides response plans for the transportation of dangerous goods. Husky has Transport Canada-approved Emergency Response Assistance Plans for flammable materials shipped by rail or road.

### Emergency Response Planning Exercises



## Lloydminster Emergency Preparedness Guide

Husky assisted the City of Lloydminster with the development of its new emergency preparedness guide, which provides residents with information about what to do in various emergency situations and lists contact information. The guides were delivered to all homes and businesses in the city.

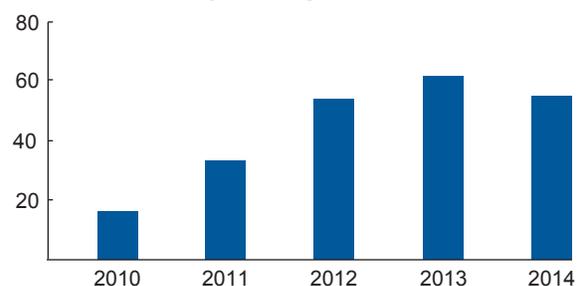


## Business Continuity Planning

Husky develops contingency plans and measures to mitigate the impacts should a business-interrupting event occur.

Response strategies for individual departments are documented and tested to ensure the business continues to operate during an event. Awareness sessions educate employees on their responsibilities, while each year exercises test the capabilities of the Company's continuity plans, often with multiple departments participating together.

### Business Continuity Planning Exercises



## HSE Policy

Husky is committed to operational integrity. Operational integrity at Husky means conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and well-being of employees is safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss.

The Company conducts its business so as to maximize positive impacts on current and future generations in accordance with Husky's values, while minimizing the use of non-renewable resources. In particular, Husky will:

- Demonstrate leadership and commitment to operational integrity by providing support to meet this HSE policy, as well as providing a culture where there is recognition for positive performance and disciplinary action, where appropriate, for breaches of this policy.
- Require every member of staff, and those who work on our behalf: to be a leader in HSE; to exercise personal responsibility in preventing harm to themselves, to others, to the environment and to physical assets and to stop any work that is or becomes unsafe.
- Require every member of staff and those who work on our behalf: to report all incidents regardless of severity. Incidents will be investigated to determine the root cause, lessons learned will be shared and corrective actions will be taken. Husky aims to sustain an incident free workplace.
- Identify and mitigate risk to as low as reasonably practicable during design, construction, commissioning, operation and decommissioning of all assets.
- Prepare for and respond to emergencies efficiently and effectively.
- Comply with relevant laws, regulations and industry standards and take any additional measures considered necessary to meet the intent of this policy.
- Demonstrate continuous improvement by: establishing leading and lagging key performance indicators and measurable performance goals, monitoring and reporting on the progress of our performance and conducting risk-based audits.

## Code of Business Conduct

In accordance with the Company's Code of Business Conduct, Husky's employees are expected to conduct themselves in an ethical manner, with a high degree of personal integrity. Employees take mandatory training so that they are aware of their responsibilities.

## Ethics Help Line

The Company has established a confidential and anonymous Ethics Help Line where employees, contractors and other stakeholders can report perceived breaches of the code of conduct.

The Ethics Help Line is managed by EthicsPoint, an independent service provider. Callers can choose to provide information anonymously. Information from submissions is captured and submitted to an Ethics Help Line Committee, which includes representatives from the legal, audit, security, health, safety, environment and human resources departments.

## Delivering Results

The Company conducted more than 140 exercises to better prepare for emergencies, while multi-department business continuity exercises led to more efficient operations.

# PEOPLE



Sandall

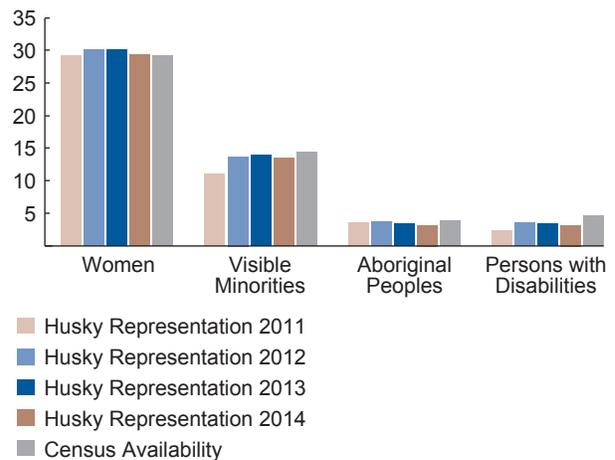
## Supporting a Diverse and Inclusive Workplace

Husky seeks to attract, retain and engage employees with a strategy that supports a more inclusive workplace. Its Diversity and Respectful Workplace Council provides local representation in all areas of operations and organizes employee events to increase awareness and understanding. Last year a corporate library was established to improve access to resources, while training and education programs continued to increase employee knowledge and encourage a respectful work environment.

As a member of the Government of Canada's Federal Contractors Program, Husky has an Employment Equity Plan designed to ensure appropriate representation of women, Aboriginal peoples, persons with disabilities and visible minorities in its workforce, while eliminating barriers to employment and advancement.

The Company partnered with a number of agencies, including the Aboriginal Human Resources Council and the Champions Career Centre to promote employment opportunities. Its Aboriginal Community Network continues to build on existing scholarship, mentorship and employment programs to support the attraction and retention of Aboriginal employees.

**Husky Demographics Compared to Census**  
(percent of overall workforce)



### Professional Development

Husky offers training, mentoring and professional development programs and resources. More than 200 leadership and business skills sessions were offered in 2014. Tuition reimbursement and a subsidized master's program are also available to qualified candidates.

Husky places new graduates in engineering, geology, geophysics and accounting in a structured program that offers rotations through different departments to enhance their knowledge of various aspects of the business. This focus on professional development helped 800 employees take on new responsibilities between August 2013 and August 2014.

### Husky Scholarships

Husky scholarships target diverse groups to encourage advanced education:

- In Newfoundland and Labrador, a partnership with Memorial University, the College of the North Atlantic and the Coalition of Persons with Disabilities offers scholarships to students pursuing education in oil and gas-related fields.
- In Alberta and Saskatchewan, a number of power engineering scholarships are dedicated to female and Aboriginal students at Lakeland College and Saskatchewan Polytechnic.
- In Ohio, scholarships are awarded to female and visible minority applicants for chemical operator classes.



### Total Rewards

To attract and retain employees, Husky offers a competitive compensation package based on a pay-for-performance philosophy that aligns employee rewards with achieving business objectives. Compensation includes a market-based salary, and employees may be eligible for an annual performance bonus, a long-term incentive program, site allowances and skills premiums.

The Company's fully-funded, comprehensive benefits package is designed to help employees and their families maintain physical and emotional health, including supplementary medical and dental care, income protection (ie: life and accident insurance, short and long-term disability coverage), registered retirement programs, a savings plan, vacation and paid time off. A fitness allowance, service awards, dependent scholarships and summer camp reimbursement are also offered.

Employees are able to take advantage of a financial literacy program, including financial education opportunities, access to financial planning resources and one-on-one retirement planning sessions, while retiring employees may qualify for a comprehensive retiree health benefit program.

An annual personalized Total Rewards Statement gives employees a complete picture of how they benefit from, and can maximize, their rewards programs.

### Delivering Results

Respectful and diverse workplace practices and Husky's philosophy of aligning employee rewards with achieving business results helps it attract and retain valuable people. The Company's focus on professional development helped 800 employees take on new roles between August 2013 and August 2014.

# ABORIGINAL ENGAGEMENT



Fort McKay Treaty Days

## Purpose and Progress

Husky respects the inherent constitutional rights of Canada's Aboriginal people. The Company's relationships with Aboriginal communities are built on cooperation, transparency and consultation to further mutual interests.

Formal community-based agreements are in place to ensure the Company has the processes and resources to facilitate business development, employment and community investment. Early consultation takes place in the first stages of project planning to acknowledge Aboriginal rights, and includes traditional land use studies and interviews with Elders.

## Education

Academic options can lead to improved career choices and Husky has a program to enhance the opportunities available to Aboriginal youth.

The Company awards scholarships to Aboriginal students pursuing post-secondary education related to careers in the oil and gas sector. Scholarships are based on academic achievement, work experience and community involvement. Students awarded scholarships are able to gain work experience through summer employment and co-op positions, where they are paired with mentors sharing technical knowledge and offering career guidance.

In 2014, nine students were placed at the head office in Calgary and at facilities in Ram River and Rainbow Lake to gain experience in various areas, including operations, engineering, geology and geophysics, legal and human resources.

Husky and its partner in the Sunrise Energy Project invested \$1 million in 2014 to improve skills training for residents of Fort McKay, Alberta. The Company also supports SCcyber, which provides life skills and upgrading courses to residents in Aboriginal communities in northern Alberta and northeast B.C. In 2014, the program had 19 students enrolled in 35 courses.

### Culture and Community

The Company participated in community events throughout Western Canada and in the Northwest Territories, including:

- The new Fort McKay Youth Centre in Fort McKay, Alberta
- The Kahkiyow Keykanow Elders Care Home in Fort Chipewyan, Alberta
- The hot breakfast program at Chief Albert Wright School in Tulita, N.W.T.

### Economic Development

A keen focus is placed on building capacity in Aboriginal businesses to establish competitiveness and develop entrepreneurs. Opportunities are created for goods and services to be provided on a competitive basis, with contracts awarded based on technical and safety criteria, as well as pricing.

Husky's procurement strategy provides for the participation of Aboriginal businesses to bid on work for operations located near their communities.

To further support its efforts to foster economic development with Aboriginal partners, the Company is a member of the Canadian Council for Aboriginal Business (CCAB), the Northeastern Alberta Aboriginal Business Association (NAABA) and the Circle for Aboriginal Relations (CFAR) Society.

### New Fort McKay Youth Centre

A new youth centre in Fort McKay, Alberta will give young people in the community a place to create art, access computers, explore photography and try the recording studio. Husky and its Sunrise Energy Project partner donated \$3 million to the facility.



*Representatives from Fort McKay First Nation*

### Delivering Results

Husky developed mutually beneficial business opportunities with its Aboriginal partners in 2014 and provided \$1 million for skills training in Fort McKay.

# COMMUNITY INVESTMENT



*Lima Refinery employee volunteers*

## Purpose and Progress

The Community Investment Program strengthens relationships with the communities where it operates. Investments focus on health, education and community initiatives.

Husky's employees in these communities are actively involved with local organizations and groups, helping to improve the quality of life for their neighbours.

## Health and Wellness

Highlights include:

- A donation to the Canadian Cancer Society, Newfoundland and Labrador to expand an education and prevention program in the province.
- A contribution to the Cold Lake Hospital in Cold Lake, Alberta to purchase a cardiac monitoring machine.
- Funding for the Northern Lights Regional Health Centre in Fort McMurray, Alberta to assist with the purchase of medical equipment.

## Education

Highlights include:

- Continued support of power engineering education with scholarships at Saskatchewan Polytechnic in Saskatoon, Saskatchewan.
- Continued support of power engineering education with scholarships at Lakeland College in Lloydminster, Alberta.
- A contribution to the University of Calgary's Schulich School of Engineering to establish a research chair in project management.
- Support of the Science Enhancement Through Science Advancement program in Lima, Ohio, which encourages students to develop a lasting interest in science.
- A donation to Stella's Circle in Newfoundland and Labrador for improved job skills training.

### **Husky Supports Paradise Hill Community**

A new community centre being built in Paradise Hill, Saskatchewan received a donation from Husky. The facility will provide health and wellness spaces for the community and a place for residents to gather.

## Community

Highlights include:

- A donation to the new Fort McKay Youth Centre in Alberta, where youth can create art, access computers, explore photography and use the recording studio.
- A contribution to the new Paradise Hill Community Hall, to create a gathering point for residents.
- A donation to the Canadian Red Cross to assist with response and recovery efforts after a damaging flood in Saskatchewan.



Alberta Children's Hospital Radiothon

### Cardiac Equipment for Cold Lake Hospital

Husky's donation enabled the Cold Lake Hospital to purchase a cardiac monitoring machine, which will be used on more than 100 patients every year. The equipment is important for rural hospitals, allowing for more local treatment options.



Cold Lake Hospital

### Delivering Results

Husky's employees in Canada, the U.S. and the Asia Pacific Region supported non-profit agencies in 2014 through employee giving programs, helping build stronger communities where the Company operates.

# ENVIRONMENT



### Purpose and Progress

Husky is committed to minimizing its impact on land and habitat, air and water, which is in line with efforts to achieve continuous improvement across all segments of its business.

The Company closely monitors the impact of its operations and actively seeks ways to mitigate and further reduce its environmental footprint in a number of operational areas.

### Protecting Swift Fox Habitat

Earth Rangers' Bring Back the Wild campaign educates youth about the challenges facing threatened animal species. Last year Husky and the Calgary Zoo supported the swift fox program, with donations from youth used to gather additional information about the fox's summer habitat and habits while raising its young.



Swift Fox

## Sustainability Groups and Industry Organizations

Husky participates in a number of sustainability groups and industry associations to better understand environmental, safety and social issues while benefitting from and contributing to industry innovation and best practices.

- Alberta Industrial Fire Protection Association (AIFPA)
- Beaver River Watershed Alliance
- Calgary Region Airshed Zone (CRAZ)
- Canadian Association of Petroleum Producers (CAPP)
- Canadian Fuels Association (CFA)
- Canadian Land Reclamation Association (CLRA)
- CDP (formerly the Carbon Disclosure Project)
- China Offshore Environmental Services (COES)
- China Offshore Oil Operation Safety Office (COOSO)
- China's State Oceanic Administration (SOA)
- Clearwater Mutual Aid CO-OP
- Clearwater Trails Initiative (CTI)
- Conference Board of Canada – Council on Emergency Management
- Cumulative Environmental Management Association (CEMA)
- Decentralized Energy Canada
- Earth Rangers
- Eastern Canada Response Corporation (ECRC)
- Emergency Response Assistance Canada (ERAC)
- Environmental Services Association of Alberta (ESAA)
- Environmental Studies Research Funds (ESRF)
- Faster Forests – COSIA
- Foothills Research Institute – Grizzly Bear Program
- Foothills Restoration Forum – Southwest Alberta Sustainable Community Initiative (SASCI)
- Grasslands Air Zone
- Hardisty Air Management Zone Association (HAMZA)
- Indonesian Petroleum Association (IPA)
- Integrated CO<sub>2</sub> Network (ICO<sub>2</sub>N)
- International Oil & Gas Producers Association (IOGP)
- IPIECA
- Lakeland Industry and Community Association (LICA)
- Lloydminster Emergency Preparedness Stakeholder Group
- Mackenzie Delta Spill Response Corporation (MDSRC)
- Marine Pollution Control
- Mutual Aid Alberta
- North Saskatchewan Watershed Alliance
- Ohio Chemistry Trade Council (OCTC)
- Oil Spill Response Limited (OSRL)
- One Ocean
- Orphan Well Association
- Ottawa River Coalition (ORC)
- Palliser Airshed Society (PAS)
- Parkland Airshed Management Zone Association (PAMZ)
- Peace Airshed Zone (PAZA)
- Petroleum Research Newfoundland and Labrador (PRNL)
- Petroleum Technology Alliance Canada (PTAC)
- Plains CO<sub>2</sub> Reduction (PCOR) Partnership
- Prince George Air Improvement Roundtable (PGAIR)
- Regional Aquatics Monitoring Program (RAMP)
- Saskatchewan Petroleum Industry Government Environmental Committee (SPIGEC)
- Saskatchewan Prairie Conservation Action Plan (SK-PCAP)
- Southeast Saskatchewan Airshed Association (SESAA)
- Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives
- Water Technology Development Centre (WTDC) – COSIA joint industry project
- West Central Airshed (WCAS)
- Western Canadian Spill Services (WCSS)
- Western Yellowhead Air Management Zone (WYAMZ)
- Wood Buffalo Environmental Association (WBEA)

### Alberta Stream Reclaimed

Husky has worked to reclaim a section of stream near Moore Lake in Alberta, where the bank and riparian area had been eroded and degraded by beaver activity and a trail used by off-road vehicles. The trail also provided access to a Husky well that has since been reclaimed. After discussion with stakeholders, reclamation work on the stream included restoring vegetation, improving the fish habitat and maintaining recreational access.



### Delivering Results

Husky continues to make progress in its efforts to minimize its impact on land and habitat, air and water. Through a focus on pipeline integrity we continue to reduce our rate of pipeline incidents.

# LAND AND HABITAT



Husky stewards the land in its care, from the planning stage of a project through to the asset's retirement. Potential impacts are identified so they can be avoided, minimized or mitigated, and the land is ultimately remediated and reclaimed.

## Project Planning

Existing conditions and potential impacts must be understood before work starts on a project. The Company conducts pre-disturbance site assessments for all proposed projects and more comprehensive environmental impact assessments for major projects.

A number of methods are used to analyze alternatives as plans are developed. For example, the location of the Sunrise Energy Project facilities was determined using a technique that mapped creeks and other sensitive areas so they could be avoided.

Conservation efforts throughout the life of the project allow for a more successful reclamation when the asset is retired.

## McKellar Island Bird Observatory

Husky worked with the Save Our Songbirds group to create an observatory for bird conservation and research on McKellar Island in Thunder Bay, Ont., an area that includes a former refinery site. About 3,800 birds, representing more than 100 species, are represented in the more than three-hectare area.



*Black-throated Green Warbler*

*Photo credit: John Woodcock*

### During Operations

Impacts to land and habitat are monitored during operations, and ways to minimize or mitigate them are assessed.

Activities are planned so that sensitive animal and bird activities, such as known bear dens in winter, aren't affected. To better understand habitat use, workers and in-field cameras observe and record the movements of local wildlife. For example, in 2014 the North Saskatchewan River biodiversity monitoring program began tracing sensitive plant, amphibian and bird species in the river valley east of Lloydminster, Saskatchewan.

Surface water on leases is managed, including containment systems to prevent soil erosion and to help prevent a release from migrating off-site. Vegetation is controlled to inhibit the spread of weeds and minimize fire hazards. Husky's waste tracking system monitors and verifies the type and volume of waste generated, how it is handled and how it is disposed, treated or recycled.

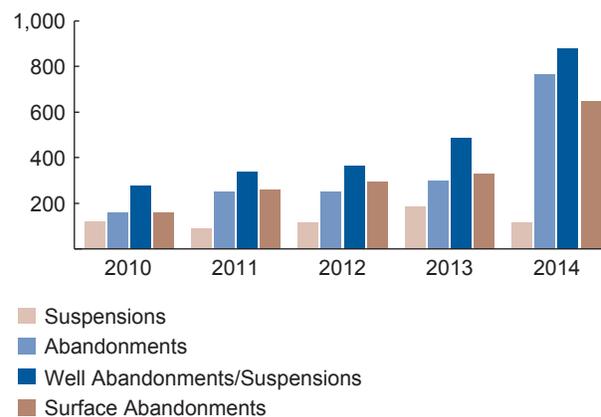
To improve the reclamation timetable, work is undertaken on lands no longer required for operations, even if the project is ongoing. Progressive reclamation allows work to begin sooner to return land to its pre-disturbance condition and reduces maintenance costs.

### End of Life and Asset Retirement

Husky prioritizes its inventory of inactive assets to determine which should be retired and which have future production potential.

The process of retiring a well begins with properly abandoning both the downhole and surface components. The Company's long-term, proactive abandonment program works towards the timely and effective retirement of inactive sites that have no further potential. Candidates for abandonment are ranked and grouped by geography to use resources more efficiently.

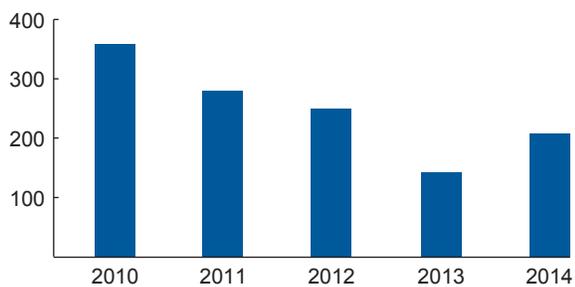
#### Well Abandonments



Land on the site is restored so it can support similar ecological functions to those that existed before any disturbance. This could include re-contouring sites, addressing potential contamination, replacing soil layers and re-establishing vegetation.

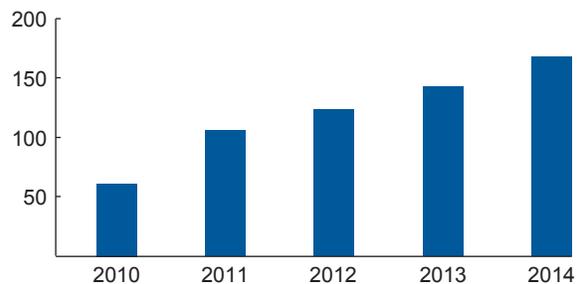
This process takes approximately five years to complete, from initial re-contouring to verification the site meets regulatory criteria. All reclaimed sites are submitted for regulatory approval and land owner and/or occupant review, and Husky has achieved an average 98 percent approval rate on its submissions. Over the past five years, the Company has certified 1,232 sites and returned approximately 6,000 acres of land to its pre-disturbance condition.

#### Reclamation Certificates



Asset retirement obligations (ARO) are tracked in Husky's Environmental Performance Reporting System and disclosed on a quarterly basis, complying with financial reporting regulations. This allows the Company to better estimate its obligations and account for appropriate financial resources for abandonment, reclamation and remediation activities.

#### Asset Retirement Obligation Spend (\$ millions)



#### Sunrise Reclamation

Husky is using progressive reclamation at its Sunrise Energy Project, which means reclamation work began before the project started operations in March 2015. Sunrise houses 79 vegetation test plots that determine which species should be planted and where. The seeds were gathered from native plants on site and raised in greenhouses until they were ready to be transplanted.



Sunrise Energy Project

# PIPELINE INTEGRITY



Husky continues to enhance its Pipeline Integrity Management Program, with a focus on abandoning pipelines no longer in use and on addressing the recommendations from baseline assessments.

The Company monitors and manages its 30,000 kilometres of pipelines from the design and construction phase through to operation, maintenance and ultimate suspension and abandonment.

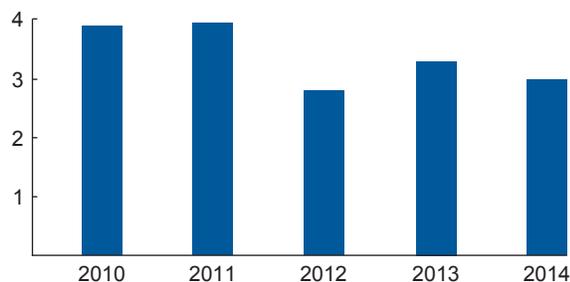
The program, with the goal of improved integrity and a reduced incident rate, includes inspections, corrosion prevention, leak detection and risk assessments with accelerated levels of response. Those range from a quantitative risk assessment on an as-needed basis to a baseline assessment conducted every five years, to an annual consequence-based assessment.

In 2014, Husky completed baseline assessments for all its pipelines.

## Pipeline Incidents

Husky's pipeline incident rate in 2014 was 2.98 incidents per 1,000 kilometres. The overall trend is towards a reduced incident rate.

Pipeline Incidents (per 1,000 kilometres)



## Prince George Refinery Improves Pipeline Integrity

The Prince George Refinery is proactively strengthening the integrity of its pipelines using new techniques and technology. In 2014, it began installing new equipment to better detect and respond to leaks. The upgraded system includes new valves, pressure instrumentation and computer inputs to detect leaks and advise of proactive corrections, if required. The refinery also upgraded a section of pipeline that crosses a water body with a new coating and replaced the rollers supporting the pipe with a more advanced system.



Prince George Refinery

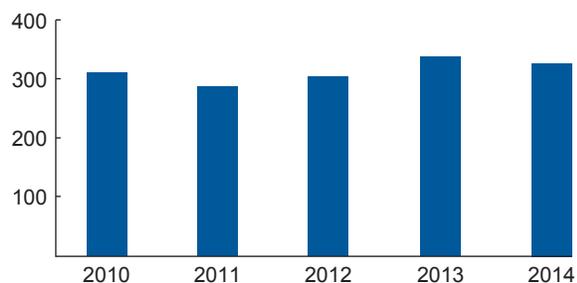
# SPILL MANAGEMENT

In the event of a spill, Husky responds immediately, implementing containment and recovery plans while safeguarding workers, the public and the environment.

The Company has a number of internal programs across its operations to minimize releases and spills, including a pipeline integrity management program, emergency response plans and a spill response program.

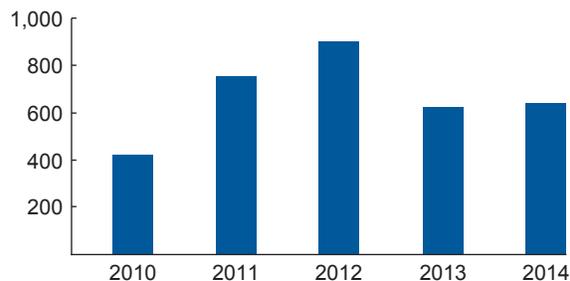
In 2014, the number of reportable release incidents was comparable to the year before.

**Reportable Release Incidents Count**



In 2014, the volume of hydrocarbons released was comparable to the year before.

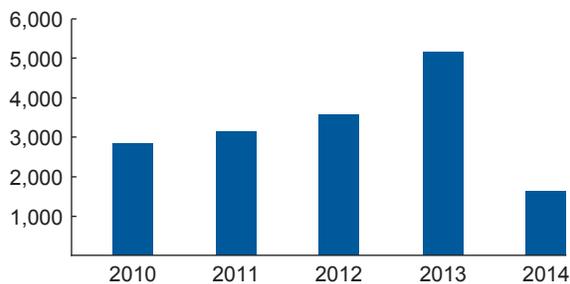
**Hydrocarbons (m<sup>3</sup>)**



*Includes unrefined hydrocarbons (crude oil and natural gas liquids).*

The decrease in the volume of other fluids is primarily because of the amount of produced and process water released per incident. This can be attributed in part to a focus on safely abandoning portions of pipeline that are no longer in use and proactively managing lines identified as high risk.

**Other Volumes (m<sup>3</sup>)**



*Includes fluids such as refined products, produced/process water, process chemicals and other substances used in operations or generated as waste materials.*

# AIR QUALITY

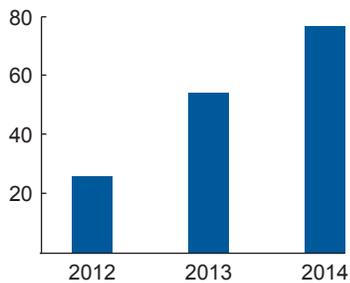


## Emissions

Husky is working to reduce its emissions, including capturing carbon dioxide, minimizing fugitive emissions and mitigating flaring and venting, as well as reducing its energy consumption.

Carbon dioxide is captured at the Company's Lloydminster Ethanol Plant to aid in enhanced oil recovery (EOR), which involves CO<sub>2</sub> being injected to increase oil production. More than 150,000 tonnes of CO<sub>2</sub> captured between 2012 and December 2014 have been used for EOR in heavy oil fields. The Company continues to investigate additional opportunities to use captured CO<sub>2</sub> for oil recovery.

### CO<sub>2</sub> Captured at Lloydminster Ethanol Plant (thousand tonnes)



## Lima Refinery Uses Geothermal Technology For Cooling

In 2014 the Lima Refinery began using geothermal technology to cool the well water for its oil movement and storage system, eliminating the need for Freon, reducing hydrocarbon flaring and providing cost savings.

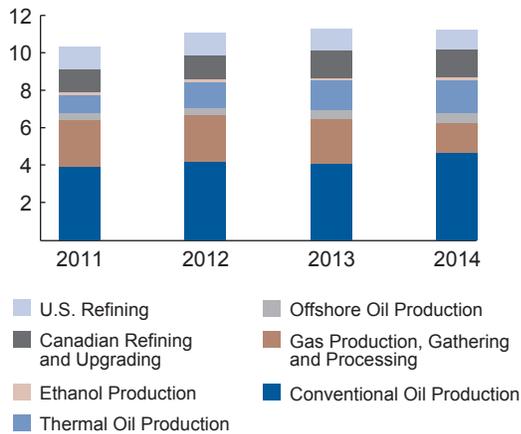


Lima Refinery

The Company measures and reports greenhouse gas (GHG) emissions and criteria air contaminants, such as sulphur dioxide (SO<sub>2</sub>) emissions. This provides an opportunity to forecast and evaluate reported emissions at the corporate and individual facility level.

Air quality and carbon management programs achieve regulatory compliance and are supported by Husky's Environmental Performance Reporting System, providing for transparency and ensuring consistent data.

### Scope 1 GHG Emissions (million tonnes of CO<sub>2</sub>e)

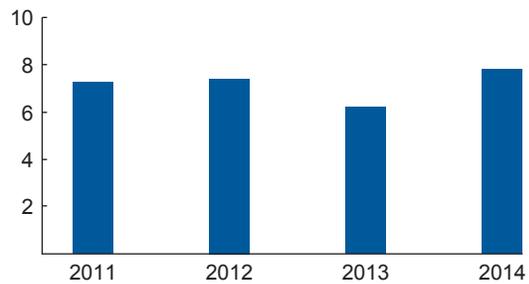


Scope 1 GHG emissions include all direct GHG emissions from sources operated by Husky as at December 31, 2014. This does not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants. These emissions are reported separately in Husky's annual CDP Climate Program response. Drilling and completions emissions are estimated and reported as required by jurisdictions.

Increases in Scope 1 GHG emissions from heavy oil thermal production growth and offshore activities were partially offset by natural reservoir declines from mature properties in Western Canada and a planned maintenance outage at the Lima Refinery.

Data from past years has been restated to remove fermentation emissions and align with GHG protocol definition of Scope 1 emissions.

### Sulphur Dioxide Emissions (thousand tonnes)

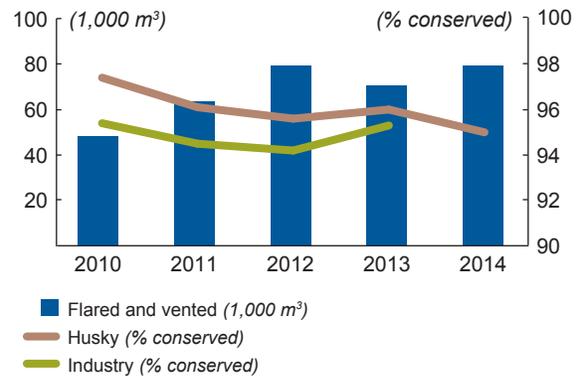


Increase in SO<sub>2</sub> emissions is attributed to increased processing volumes and H<sub>2</sub>S concentrations of third-party gas at the Ram River Gas Plant and a planned turnaround at the Rainbow Lake Gas Plant.

### Gas Conservation

The Company estimates overall solution gas conservation at its Alberta operations in 2014 was 95 percent. Data from the annual Alberta Energy Regulator's Upstream Petroleum Industry Flaring and Venting Report shows Husky's gas conservation in the province between 2010 and 2013 was above the industry average.

### Alberta Gas Conservation



Source: 2010-2013 Alberta Energy Regulator, 2014 estimated by Husky.

$$\text{Conservation \%} = \frac{[\text{Volume of gas produced} - (\text{volume of gas flared} + \text{volume of gas vented})]}{[\text{volume of gas produced}]}$$

All reported flared volumes include gas that was incinerated.

Venting = the non-combusted release of gas to the atmosphere.

### **Fugitive Emission Management Program**

The Fugitive Emission Management Program detects and repairs leaking equipment to reduce emissions. It improves the Company's operating efficiency by tracking where and when leaks occur and is linked to procurement strategies to inform future equipment purchases.

Fugitive emissions are hydrocarbon leaks, including volatile organic compounds (VOCs), from valves, piping connections, pumps and compressor seals and other piping system components that occur as part of the normal operation of a plant. Husky uses a number of techniques to detect leaking components, including highly specialized infrared cameras that provide a view of normally inaccessible locations such as tank seals and overhead piping from a distance, and ultrasonic detection, which identifies leaking components using sound. Vapour analyzers and ultrasonic measurements can be used to quantify an emission.

Data on fugitive emissions is stored in a central system, allowing for timely notification of surveys and repairs, and the tracking of components and reporting.

### **Husky's CDP Climate Disclosure Score Improves**

Husky's disclosure of carbon risk and opportunities has resulted in top-quartile scores from the CDP Climate Change Disclosure Program for the past two years. The Company's disclosure score has improved from 41 when it began reporting in 2007 to 91 in 2014. Its performance score has also improved from D in 2012 to B in 2014.



*Kaybob*

# WATER



## Purpose and Progress

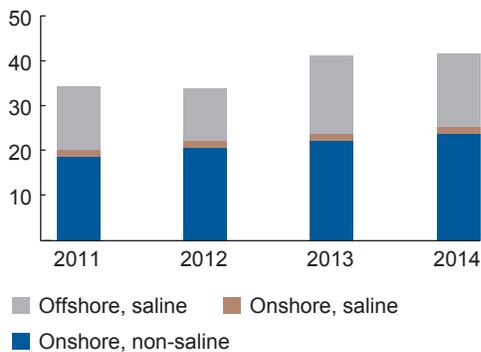
Husky completes risk assessments to develop water management plans for operations. The Company enhances its responsible water use by employing technology and collaborative management strategies.

## Water Withdrawals

Husky continues to improve its ability to track water metrics across all business units using the Environmental Performance Reporting System. It participates in a number of national and international programs that help drive better measurement and transparency of water use and issues across the industry.

The Company withdraws water for industrial use, drawing on saline and non-saline sources.

**Water Withdrawals (millions m<sup>3</sup>)**



*Water withdrawals are for industrial use. Data from 2011-2013 excludes water used for construction and drilling and completion purposes. Data from 2014 includes water used for construction and drilling and completion purposes. Fresh water is defined as having a total dissolved solids concentration of less than 4,000 mg/L.*

## Sharing Water Knowledge

Water specialists from across the company meet several times a year to discuss water management challenges and solutions, sharing the knowledge gained in different business units. Husky participates in the Petroleum Technology Alliance of Canada's Water Innovation Planning Committee, which advances practical water research focusing on conventional and unconventional oil and gas applications. As well, it participates in the Water Technology Development Centre, an industry-funded group focusing on water treatment technology for the oilsands.



Sunrise Energy Project

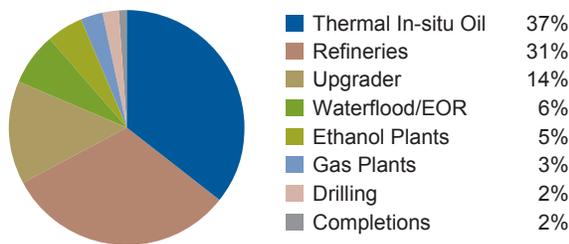
### Onshore Non-saline Water Withdrawals by Operations

In 2014, non-saline water withdrawal increased slightly due to the startup of a new heavy oil thermal project in Saskatchewan, which is located in an area with relatively low surface water use. While non-saline water use increased, the volume of water required to produce a barrel of oil decreased for Husky's Saskatchewan thermal projects.

Approximately 7.3 million cubic metres (m<sup>3</sup>) of non-saline water withdrawn for use in Husky's refineries last year was offset by the 5.3 million m<sup>3</sup> returned to the surface hydrologic cycle after being treated in multiple stages, including separating oil from the water and applying biological treatments. Before being discharged, the water is tested for regulatory compliance.

The withdrawal of 16.5 million m<sup>3</sup> of offshore saline water in 2014 was partially offset by the discharge back to the sea of 10.7 million m<sup>3</sup> of cooling water.

### Onshore Non-saline Water Withdrawals by Operations



### Non-saline Water Withdrawal by Watershed

In considering a water source for its operations, Husky evaluates risks, including reliability, sustainability, quality, technical feasibility, net environmental effect, economics and regulatory and stakeholder concerns. Where risks are identified, mitigation plans are developed.

Ways to conserve and recycle water are assessed, including consideration of reusing produced water in hydraulic fracturing operations.

In 2014, 97 percent of non-saline water withdrawals occurred in areas considered not water short or low intensity, as defined by provincial regulatory bodies. Two percent of the withdrawals occurred in areas considered potentially water short or moderate intensity and one percent of the withdrawals in areas considered water short or high intensity.

Approximately half of the Company's onshore non-saline withdrawals were from the North Saskatchewan River watershed in Alberta and Saskatchewan and were used primarily in thermal production and upgrading operations. Water is withdrawn from along the river in areas that aren't considered water short.

Approximately 30 percent of onshore non-saline withdrawals were from the Maumee River watershed in Ohio, for use at the Lima Refinery. More than 75 percent was returned to the surface hydrological cycle after being treated.

### Recycling Water at Ansell

A pilot project at the Ansell resource play is reducing the amount of non-saline water required for completions operations. Water that has flowed back to surface as part of hydraulic fracturing operations is being treated and re-injected. Information collected during the pilot will help evaluate other opportunities to re-use water at resource plays.



Ansell

# KEY NUMBERS

This table provides a summary of key numbers related to the Company's operations and performance.

	Indicator	2014	2013	2012
<b>Business</b>	Production (Thousands of barrels of oil equivalent per day)	<b>340.1</b>	312.0	301.5
	Net Operating Earnings <sup>1</sup> (Canadian \$ millions)	<b>2,015</b>	2,034	2,023
	Cash Flow from Operations <sup>2</sup> (Canadian \$ millions)	<b>5,535</b>	5,222	5,010
	Capital Investment <sup>3</sup> (Canadian \$ millions)	<b>5,023</b>	5,028	4,701
	Reserves (Proved and probable millions boe, before royalties)	<b>3,149</b>	3,127	2,915
<b>Safety</b>	Total Recordable Injury Rate (Number of recordable injuries per 200,000 exposure hours)	<b>0.80</b>	0.90	0.93
	Lost-time Injury Frequency (Number of lost-time injuries per 200,000 exposure hours)	<b>0.14</b>	0.14	0.22
	Fatalities	<b>0</b>	1	0
<b>Environment</b>	Total Energy Use (Gigajoules)	<b>133,590,000</b>	128,200,000	126,690,000
	Scope 1 GHG Emissions <sup>4,5</sup> (Tonnes of CO <sub>2</sub> e)	<b>11,260,000</b>	11,270,000	11,030,000
	Scope 2 GHG Emissions (Tonnes of CO <sub>2</sub> e)	<b>2,300,000</b>	2,450,000	2,450,000
	Sulphur Dioxide (SO <sub>2</sub> ) Emissions (Tonnes)	<b>7,795</b>	6,197	7,395
	Nitrogen Oxides (NO <sub>x</sub> expressed as NO <sub>2</sub> ) Emissions (Tonnes)	<b>9,024</b>	NPR <sup>6</sup>	NPR <sup>6</sup>
	Volatile Organic Compounds (VOC) Emissions (Tonnes)	<b>2,351</b>	NPR <sup>6</sup>	NPR <sup>6</sup>
	Fresh Water Withdrawal (Million cubic metres)	<b>23.4</b>	22.1	20.5
	Number of Spills	<b>327</b>	336	303
	Volume of Spills – Hydrocarbons (Cubic metres)	<b>644</b>	624	901
	Volume of Spills – Other (Produced/process water, refined products, other) (Cubic metres)	<b>1,634</b>	5,161	3,556
<b>People</b>	Number of Employees (Permanent)	<b>5,774</b>	5,479	5,178
	Employee Turnover (Percentage, voluntary and retirements)	<b>6.8</b>	5.5	6.8
	Senior Executive Diversity (Percentage of women, Canada)	<b>17.65</b>	13.3	13.3
<b>Community</b>	Community Contributions (\$ millions)	<b>5.0</b>	4.5	NPR <sup>6</sup>
<b>Governance</b>	Independent Board Members (Percent)	<b>60</b>	60	60
	Independent Audit Committee Members (Percent)	<b>100</b>	100	100
	Board Diversity (Percentage of women)	<b>13.3</b>	13.3	13.3

All data as of December 31, 2014, unless otherwise stated.

1 Net operating earnings is a non-GAAP measure. Refer to the Reader Advisories.

2 Cash flow from operations is a non-GAAP measure. Refer to the Reader Advisories.

3 Excludes capitalized costs related to asset retirement obligations incurred during the period.

4 Scope 1 GHG emissions include all direct GHG emissions from sources operated by Husky as at December 31, 2014. This does not include emissions from biological sources, such as fermentation process emissions at Husky's ethanol plants. These emissions are reported separately in Husky's annual CDP Climate Program response. Drilling and completions emissions are estimated and reported as required by jurisdictions.

5 Data from past years has been restated to remove fermentation emissions and align with GHG protocol definition of Scope 1 emissions.

6 Not previously reported.

# ABOUT THIS REPORT

This report focuses on performance for the 12-month period ending December 31, 2014, unless otherwise noted.

All financial data is reported in Canadian dollars, and excludes discontinued operations. Please refer to the 2014 Annual Report and other reporting documents at [www.huskyenergy.com](http://www.huskyenergy.com) for detailed information on financial and operational performance.

Financial information is presented on a net equity basis. Quantitative information is presented on a gross operated basis, unless stated otherwise.

## **Monitoring and Measurement**

Asset retirement obligation data, emissions to air and water, groundwater quality and greenhouse gas data are calculated and recorded as per Husky's Environmental Performance Reporting System (EPRS).

Quantifiable data for operations is presented to meet or exceed regional jurisdictional and reporting requirements. Excluded data is footnoted.

## **Internal Governance and Verification**

Husky's health, safety and environment activities are guided by a committee of the Board of Directors and the Executive Health, Safety and Environment Committee (EHSEC).

The data in this report has been reported, reviewed and approved in accordance with internal measurement and verification practices, and reflects information relevant to Husky's business sustainability and its shareholders.

# READER ADVISORIES

## Forward-Looking Statements and Information

Certain statements in this document are forward-looking statements and information (collectively “forward-looking statements”), within the meaning of the applicable Canadian securities legislation, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The forward-looking statements contained in this document are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “will continue”, “is anticipated”, “is targeting”, “estimated”, “intend”, “plan”, “projection”, “could”, “aim”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”). In particular, forward-looking statements in this document include, but are not limited to, references to:

- with respect to the business, operations and results of the Company generally: the Company’s general strategic plans and growth strategies;
- with respect to the Company’s Oil Sands properties: forecast net peak daily production from the Company’s Sunrise Energy Project; and
- with respect to the Company’s Heavy Oil properties: forecast net peak daily production from the Rush Lake thermal project and three other heavy oil thermal projects; and CO<sub>2</sub> emissions capture plans at the Pikes Peak South heavy oil thermal project.

In addition, statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary from reserve and production estimates.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this document are reasonable, the Company’s forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to Husky.

The Company’s Annual Information Form for the year ended December 31, 2014 and other documents filed with securities regulatory authorities (accessible through the SEDAR website [www.sedar.com](http://www.sedar.com) and the EDGAR website [www.sec.gov](http://www.sec.gov)) describe risks, material assumptions and other factors that could influence actual results and are incorporated herein by reference.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, and the Company’s course of action would depend upon its assessment of the future considering all information then available.

## Non-GAAP Measures

This document contains certain terms which do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. None of these measurements are used to enhance the Company’s reported financial performance or position. With the exception of net operating earnings and cash flow from operations, there are no comparable measures to these non-GAAP measures in accordance with IFRS. These non-GAAP measures are considered to be useful as complementary measures in assessing Husky’s financial performance, efficiency and liquidity. These terms include:

- Cash Flow from Operations, which should not be considered an alternative to, or more meaningful than “cash flow – operating activities” as determined in accordance with IFRS, as an indicator of financial performance. Cash flow from operations is presented in the Company’s financial reports to assist management and investors in analyzing operating performance by business in the stated period. Husky’s determination of cash flow from operations may not be comparable to that reported by other companies. Cash flow from operations equals net earnings plus items not affecting cash which include accretion, depletion, depreciation, amortization and impairment, exploration and evaluation expense, deferred income taxes, foreign exchange, gain or loss on sale of assets and other non-cash items.

Cash Flow from Operations:

(\$ millions)	2014	2013	2012	2011	2010
GAAP cash flow – operating activities	5,585	4,645	5,193	5,092	2,222
Settlement of asset retirement obligations	167	142	123	105	60
Income taxes paid	661	433	575	282	784
Interest received	(7)	(19)	(34)	(12)	(1)
Change in non-cash working capital	(871)	21	(847)	(269)	7
Non-GAAP cash flow from operations	5,535	5,222	5,010	5,198	3,072

## Disclosure of Net Operating Earnings

The metric “Net Operating Earnings” is a non-GAAP measure comprised of net earnings excluding extraordinary and non-recurring items such as property, plant and equipment impairment charges and inventory write-downs not considered indicative of the Company’s ongoing financial performance. Net operating earnings is a complimentary measure used in assessing Husky’s financial performance through providing comparability between periods.

The following table shows the reconciliation of net earnings to net operating earnings and the related per share amounts for the years ended December 31:

(\$ millions)		2014	2013	2012	
GAAP	Net earnings		1,258	1,829	2,022
	Impairment of property, plant and equipment, net of tax		622	204	–
	Inventory write-downs, net of tax		135	1	1
Non-GAAP	Net operating earnings <sup>1</sup>		2,015	2,034	2,023

<sup>1</sup> Net Operating Earnings were redefined in 2014 to include after-tax inventory write-downs. Prior periods have been adjusted to conform with current period presentation.

## Disclosure of Oil and Gas Information

Unless otherwise stated, reserve estimates in this document, have been prepared by internal qualified reserves evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook, have an effective date of December 31, 2014 and represent Husky’s share. Unless otherwise noted, historical production numbers given represent Husky’s share.

The Company uses the terms barrels of oil equivalent (“boe”), which is consistent with other oil and gas producer’s disclosures, and is calculated on an energy equivalence basis whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. The term boe is used to express the sum of the total company products in one unit that can be used for comparisons. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is used for consistency with other producers but does not represent value equivalence.

The Company uses the term reserve replacement ratio, which is consistent with other oil and gas producer’s disclosures. Reserve replacement ratios for a given period are determined by taking the Company’s incremental proved reserve additions for that period divided by the Company’s upstream gross production for the same period. The reserve replacement ratio measures the amount of reserves added to a company’s reserve base during a given period relative to the amount of oil and gas produced during that same period. A company’s reserve replacement ratio must be at least 100% for the company to maintain its reserves. The reserve replacement ratio only measures the amount of reserves added to a company’s reserve base during a given period.

The estimate of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.



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