



# HUSKY ENERGY

## ANNUAL MEETING OF SHAREHOLDERS

### FOR THE YEAR OF 2018

#### TRANSCRIPT

**Date:** Friday, April 26, 2019

**Time:** 10:30 AM MT / 12:30 PM ET

**Speakers:** **James D. Girgulis**  
Senior Vice President, General Counsel and Secretary

**Frank J. Sixt**  
Director and Chairman of the Meeting

**Robert J. Peabody**  
Director, President and Chief Executive Officer

**James D. Girgulis:**

We welcome invited members of the media and the financial community who are in attendance. As you know, you need to be a shareholder or a proxyholder of the Corporation in order to be able to vote at the meeting. I presume that there are no objections to our invited guests remaining as observers.

I'd like to invite Mr. Sixt to take the meeting.

**Frank J. Sixt:**

Thank you. Good morning everybody, looks like we got in before the snow, and hopefully we get out before the snow. I would like to call the meeting to order. My name is Frank Sixt. I'm a Director of the Corporation and I will be chairing the meeting.

On behalf of the Board of Directors, I would like to welcome you to the AGM. On my far left, of course, is Mr. Rob Peabody as a Director and also our President and CEO. Joining him is Jim Girgulis, our Senior Vice President, General Counsel, and Company Secretary.

Now, I would like before we start to take a moment to introduce our Board of Directors who are here with us. Please join me in welcoming Mr. Stephen Bradley, Mr. Asim Ghosh, Mr. Martin Glynn, Ms. P.C. Koh, Mrs. Eva Kwok, Mr. Stanley Kwok, Mr. Frederick Ma, Mr. George Magnus, Mr. Neil McGee, Mr. Colin Russel, Mr. Wayne Shaw, and Mr. William Shurniak. I'd like to thank all of you, fellow Directors, for your service this past year.

I will ask Jim Girgulis to act as Secretary of the meeting, and our transfer agent Computershare to act as scrutineers.

I have received a Declaration of Mailing from Computershare as to the due mailing of the Notice of the Meeting, the Management Information Circular, the Form of Proxy, and the Annual Report to Shareholders which includes the financial statements of Husky Energy for the year ended 31st December 2018, as well as the Auditor's Report thereon.

With the consent of the meeting, we will dispense with the reading of the Notice of the Meeting.

In accordance with the bylaws of the Corporation, a quorum for the carrying on of business at a meeting of shareholders is at least two persons present and holding by proxy, representing not less than 5% of the outstanding shares of the Corporation entitled to vote at the meeting. I have been advised by our scrutineers that we have a quorum present here today, so I now declare that this meeting is regularly and properly constituted for the transaction of business.

We will conduct the vote with respect to the election of Directors by way of ballot, and with respect to the appointment of auditors by a show of hands, unless a shareholder or proxyholder entitled to vote at this meeting demands a vote by ballot on that matter. Employees who hold shares or proxies have agreed to move and second the motions that will be submitted today.

I'll now start by asking for a motion dispensing with the reading of the financial statements and the Auditor's Report.

**Stacey Hrycak:**

My name is Stacey Hrycak, an employee of Husky Oil Operations, and proxyholder. I move that the reading of the financial statements for the fiscal year ended December 31, 2018, together with the Auditor's Report, be dispensed with.

**Frank J. Sixt:**

Thank you, Mr. Hrycak. Do we have a seconder?

**Rene Lachapelle:**

Good morning. My name is Rene Lachapelle. I'm an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**Frank J. Sixt:**

Thank you, Mr. Lachapelle. All those in favour of the motion? Contrary, if any? No, then I will declare that the motion to dispense with the reading of the financial statements and the Auditor's Report is carried.

It is now, in order to proceed with the election of Directors as set forth in the Management Information Circular accompanying the Notice of this meeting, I would now entertain nominations for Directors of the Corporation.

**Nick Geib:**

Good morning. My name is Nick Geib. I am an employee of Husky Oil Operations Limited and a proxyholder. I nominate those 16 persons listed as nominees on Page 4 of the Corporation's Management Information Circular dated March 22, 2019 for election as Directors of the Corporation to serve until the next Annual Meeting or until their successors are duly elected.

**Frank J. Sixt:**

Thank you, Mr. Geib. Are there any other nominations?

Thank you. If there are no further nominations, I will declare the nominations closed, and I will now ask for a motion to elect the Directors for the ensuing year.

**Karen Graham:**

My name is Karen Graham. I am an employee of Husky Oil Operations Limited and a proxyholder. I move that each of those persons nominated as Directors be elected as Directors for the Corporation for the ensuing year.

**Frank J. Sixt:**

Thank you, and do we have a seconder?

**Roberto Benzan:**

Good morning. My name is Roberto Benzan. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**Frank J. Sixt:**

Thank you very much. Is there any discussion on this motion?

Okay, if not, in accordance with the majority voting policy for Directors of the Corporation, we will of course conduct the vote for the election of Directors individually. If you are a registered shareholder or proxyholder, you should have a ballot for the election of Directors. Please complete it now and the scrutineers will collect them.

Okay. Have we any other ballots still to collect? All right, if there are no more ballots to collect, then I can declare the voting closed. The scrutineers will inform the Company Secretary as soon as they are ready to present the results.

While they're counting the ballots, we'll continue with the other business of the meeting. The next item of business is to appoint KPMG LLP as auditors of the Corporation for the ensuing year. I would ask for a motion appointing the auditors for the ensuing year, please?

**Michelle Noh:**

Good morning. My name is Michelle Noh. I am an employee of Husky Oil Operations Limited and a proxyholder. I move that the firm, KPMG LLP, be appointed auditors of the Corporation to hold office until the next Annual Meeting of Shareholders.

**Frank J. Sixt:**

Thank you, Ms. Noh. Do we have a seconder?

**Luke Hunt:**

Good morning. My name is Luke Hunt. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**Frank J. Sixt:**

Thank you, Mr. Hunt. Is there any discussion on this motion?

If not, then can I ask all in favour to signify by raising your hands? Okay. Any opposed? I don't see any, so I will declare that the motion is carried and that KPMG will appear appointed as auditors of the Corporation.

Okay. I have been handed the results of the ballots for the election of Directors, and based on these, I can declare that those persons nominated have been elected as Directors of the Corporation.

Unless there are any other matters that may properly be brought before the meeting, I would ask for a motion to terminate the formal part of the meeting.

**Adrienne Viala:**

Good morning. My name is Adrienne Viala. I am an employee of Husky Oil Operations Limited and a proxyholder, and move that the meeting be terminated.

**Frank J. Sixt:**

Thank you, Ms. Viala. Do we have a seconder?

**Todd McBride:**

Good morning. My name is Todd McBride. I'm an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**Frank J. Sixt:**

Okay. All those in favour of the motion, can you please signify by raising your hands. Any opposed? None seen, and so, ladies and gentlemen, this will conclude—the motion is carried, and the formal part of the meeting will be concluded. Thank you.

**James D. Girgulis:**

I would now ask Rob Peabody to present an update on the Company's operations. Rob?

**Robert J. Peabody:**

Thanks, Jim, and thank you, Frank. Good morning everyone. We're glad to be back at this beautiful National Music Centre this year. It's just amazing what they've accomplished in this legacy neighbourhood in Calgary, including the stunning public library down the street. If you haven't had a chance to visit it yet, you can take this opportunity to. It's really quite amazing.

When you see the old King Eddy hotel next door, you realize that while this area has been reinvented and refreshed, it also honours its past. We're doing something very similar at Husky, building on an 80-year foundation. We are renewing and transforming our portfolio to be better positioned for the next 80 years. Together, we look back on our performance in 2018.

I'll start with safety. We continue to deepen our process safety culture. We set three main objectives in 2018, and we've actioned all three. First, we created a new position of Senior Vice President of Safety and Operations Integrity, which has been filled by Peter Rosenthal. Peter's

here today, if you could stand up, Peter? Peter has nearly three decades of industry experience in safety and operations integrity, and he sits at our leadership table and reports directly to me.

Second, we said that compensation for all Husky employees, including Senior Management, would be more closely and transparently linked to our safety performance. You can see this explicitly in our 2018 Management Information Circular that was released last month.

Third, we began our work to become a high-reliability organization. This includes ensuring our processes and procedures are the right ones and are being strictly followed. To that end, we have been working with retired naval captain, Bob Koonce, shown here in the lower photograph on the slide. Bob is helping us to ingrain the operational discipline and the high-reliability culture of the U.S. nuclear submarine force into Husky's operations. Members of Bob's team have visited and assessed all our major facilities. At Husky, we understand that nothing is more important than process and occupational safety. We're using the events of the past two years as a catalyst to achieve excellence in this aspect of our business.

As we produce our essential products, we are doing so in a more responsible and sustainable manner. This means following rules of governments and regulators, but it also means living up to the expectations of the communities in which our employees live and work. We want to leave a positive legacy as a good environmental steward, a considerate neighbour, and an attractive employer. We made good progress in these areas in 2018.

We've also increased the level and quality of our public disclosure. You can read more details in our Annual ESG Report, which will be released next month, and we have a couple of performance charts highlighted on this slide. The Carbon Disclosure Project Group has recognized us as having above average performance in our sector in both climate change and water reporting. In terms of the carbon intensity of our operations, our production has been growing at a rate greater than our energy use. This means both our greenhouse gas intensity and our total energy intensity continue to decline.

In addition, earlier this year we were recognized by the Alberta government as a leader in asset retirement for proactively and sustainably managing older or inactive projects through to closure. Last year, we were ranked by the Corporate Knights Group as one of the 50 best corporate citizens in Canada.

Meanwhile, demand for our products continues to grow. Based on research from groups such as the International Energy Agency, Wood Mac, and OPEC, you can see the forecast market appetite for our products over the next 20 years or so, including diesel, jet fuel, gasoline, asphalt, and petrochemicals, continues to grow. We spend a lot of time talking about upstream oil production, but ultimately, Husky's business is to produce and sell refined products in an effective, sustainable, and cost-effective manner.

Turning to our 2018 results, we'll start with a look at how our two business segments drove our performance. The Integrated Corridor is a unique interconnected value chain that crosses the Canadian/U.S. border. It contributed the major share of our funds flow in 2018, driven by strong production and throughputs. The Corridor is a tightly integrated manufacturing business. It includes in-house gas production to fuel our thermal and refining operations, secure long-term transportation capacity, storage, and product outlets, commercial optimization and marketing opportunities, and the ability to upgrade and refine in both Canada and the United States.

Meanwhile, our high netback Offshore businesses provide more stable and predictable free cash flow. This includes the Atlantic region, where our oil attracts a premium price to Brent, as well as our largely fixed price natural gas production business in Asia.

Here's how the Integrated Corridor business works together. At Lloyd, improved capital efficiency has led to lower cost, long life, and more sustainable production. As you can see on the right, we saw an average realized price of more than \$75 per barrel in 2018 through this value chain, and we have a similar value chain for Sunrise. We move this thermal production through our midstream transportation and storage network, and this includes the substantial storage at Hardisty, and 75,000 barrels a day at capacity on the existing Keystone pipeline.

Our downstream manufacturing business gives us multiple outlets for this upstream production. We can sell or process our heavy crude at any point along our Integrated system to get the best value. In addition, the Corridor protects us from the upcoming International Maritime Organization 2020 fuel standards, which require shifts to switch from high-sulphur bunker fuel oil to low-sulphur fuel oil. With the expected added pressure on global heavy oil pricing, Husky is not exposed to heavy crude differentials where many of our industry peers are.

In the Offshore business, the Asia-Pacific and Atlantic regions have a proven track record for delivering high netback production with global pricing. Altogether, this business achieved record results in 2018, with an average annual operating netback of \$64 per BOE.

In Asia, gas demand continues to grow at pace. We began building the third field at our Liwan Gas Project, offshore of China, with first production set for around the end of next year. In the Madura Straits in Indonesia, the BD field reached its target daily sales rate with very strong liquids production. In the Atlantic, we are continuing to advance a series of subsea development wells in the main White Rose field while progressing construction at the West White Rose project.

On the Operations front, we achieved several milestones in 2018. Along the Integrated Corridor, we marked record production at both Sunrise and Tucker, as they reached and then surpassed their respective design capacities. Our latest Lloyd Thermal project at Rush Lake 2 started up ahead of schedule and ramped up to its 10,000 barrel a day design capacity in a matter of weeks.

In the downstream, as a result of efficiencies, we were able to increase peak throughput at the Lima refinery to 175,000 barrels a day, and this is up about 20,000 barrels a day over the last few years. In Asia, we're selling our products into the fastest-growing energy market in the world. Growing gas demand and consistent execution helped propel us to record production at both the Liwan and the BD projects.

Despite the headwinds we faced in our industry in the second half of last year, we realized the highest funds from operations in four years, and annual net earnings were up 85% over the previous year. Net debt was amongst the lowest of our peer group, and we are continuing to maintain strong, investment-grade credit ratings.

Looking ahead, we have a full plate in terms of advancing our deep portfolio. By focusing on investments in lower cost, higher margin assets within our portfolio, we have been improving our cash generating ability and increasing our resilience through the commodity price cycle. This has been a remarkably effective structural transformation for Husky, and it is continuing.

For example, earlier this year we announced plans to market and potentially sell our Canadian Retail and Commercial Fuels business, as well as the Prince George light oil refinery. These are good assets but they no longer fit with our growing focus on our Core Thermal and Downstream segments in the Integrated Corridor.

In terms of reserve additions last year, the Reserve Life Index has grown to 13.5 years. This means we have enough proved reserves to produce at current rates for that period, and that number is 23 years on a proved and probable basis.

We're also continuing to take a proactive approach to technology and innovation. In the past year, we launched an initiative called the Innovation Gateway. This group is dedicated to identifying, proving out, and adapting advanced technologies including artificial intelligence and machine learning that can be applied across all of our business. Our particular focus areas, and you can see some of them on this slide, includes emission reductions, safe operations, as well as capital and cost efficiencies.

To sum up, the actions we have taken over the past several years have stood us in good stead against some stiff headwinds in the past year. Despite these challenges, our fundamentals remained strong in 2018. We maintain good progress towards becoming a high-reliability organization as we continue to deliver the energy the world needs.

We are continuing to invest in our organic portfolio of lower cost, higher margin projects and investment opportunities along the Integrated Corridor and in the Offshore businesses. Underpinned by a disciplined capital program, we maintained a strong, industry-leading balance sheet with a focus on reducing our cost structure, reinvesting in the businesses, and increasing the cash dividends paid to our shareholders.

We'll be updating our five-year plan at our Investor Day that we'll be holding in Toronto on May 28, and we hope to see as many of you there as we can. Thanks for coming out today.

**James D. Girgulis:**

Thank you, Rob. I'd like to open the meeting now for questions. We have four volunteers that are at the aisle with microphones. I would like to remind you that only shareholders or

proxyholders of the Company are eligible to ask questions, so I would request that before you begin you introduce yourself and identify whether you're a shareholder or a proxyholder.

Thank you, and I invite your questions.

If there aren't any questions, then, ladies and gentlemen, this will conclude the Annual Meeting of Husky Energy. I'd like to thank you for taking the time and attending. Look forward to seeing you next year. Thank you.