



# ANNUAL MEETING OF SHAREHOLDERS TRANSCRIPT

**Date:** Thursday, April 26, 2018

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

**Speakers:** **Robert Peabody**  
President and Chief Executive Officer

**Jim Girgulis**  
Senior Vice-President, General Counsel and Secretary

**Frank Sixt**  
Director

**JIM GIRGULIS:**

Good morning. If you could all be seated. The Annual Meeting of the Shareholders of Husky Energy Inc. is about to commence. We welcome invited members of the media and the financial community who are in attendance. As you know, you need to be a shareholder of the Corporation or a proxyholder to be able to vote at this meeting. I presume that there are no objections to our invited guests remaining at the meeting.

Seeing none, what I'd like to do now is introduce Frank Sixt, a Director of the Corporation, and he will be chairing the meeting.

**FRANK SIXT:**

Good morning and welcome, ladies and gentlemen, to this fantastic new venue. It's really an addition to, I think, Calgary that we can all welcome and appreciate.

We need to bring the meeting to order now. My name is Frank Sixt. I am a director of the Corporation and I've been asked to chair the meeting. On behalf of the Board of Directors, I would like to welcome you to this Annual General Meeting of Shareholders. On my far left is Robert Peabody, who is a Director and the President and Chief Executive Officer of Husky Energy, and he is of course, joined by Jim Girgulis our Senior Vice-President, General Counsel and Secretary.

I would like to take one moment to introduce the members of our Board of Directors who are here today. Mr. Asim Ghosh is here. Mr. Martin Glynn, Ms. P.C. Koh, Mrs. Eva Kwok, Mr. Stanley Kwok, Mr. George Magnus, Mr. Neil McGee, Mr. Colin Russel, Mr. Wayne Shaw, and Mr. William Shurniak.

To all of our Directors, thank you for your services this past year.

I am going to ask Jim Girgulis to act as Secretary of this meeting and our transfer agents Computershare to act as scrutineer. 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 period ended December 31, 2017, and the Auditor's Report on those statements.

With the consent of this 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 or representing by proxy 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 do indeed have a quorum present.

So, I can 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 our auditors by way of a show of hands, unless any shareholder or proxyholder entitled to vote at this meeting demands a vote by ballot.

Employees who hold shares or proxies have agreed to move or second the motions that we will be submitting today, so I would now ask first for a motion dispensing with the reading of the financial statements and the Auditor's Report.

**ROBERTO BENZAN:**

Good morning. My name is Roberto Benzan. I am an employee of Husky Oil Operations Limited and a proxyholder. I move that the reading of the financial statements for the financial year ended December 31, 2017 together with the Auditor's Report be dispensed with.

**FRANK SIXT:**

Thank you. Is there a seconder?

**WENDY SCHIER:**

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

**FRANK SIXT:**

Thank you very much. All those in favour of the motion, please raise your hands. Are there any opposed? I don't see any so I declare the motion to dispense with the reading of the financial statements and the Auditor's Report has been carried.

It's 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 will 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 persons listed on Page 4 of the Corporation's Management Information Circular dated March 21, 2018 for election as Directors of the Corporation to serve until the next annual meeting or until their successors are duly elected.

**FRANK SIXT:**

Thank you very much. Are there any other nominations? Thank you. If there are no further nominations, I now will declare the nominations are closed, and then I would ask for a motion to elect the Directors for the ensuing year.

**KAREN GRAHAM:**

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

**FRANK SIXT:**

Thank you very much. Is there a seconder for this motion?

**MICHAEL KENNY:**

Good morning, my name is Michael Kenny. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**FRANK SIXT:**

Thank you. Is there any discussion on this motion? Okay. In accordance with the majority voting policy for Directors of the Corporation, we will conduct a 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 straight away.

Okay. Are there any remaining ballots to collect that I'm missing? If not, then I can declare the

voting closed. The scrutineers will inform the secretary as soon as they are ready to present the results of the vote. While they are counting the ballots, we will continue with the other business of this meeting.

The next item of business is to appoint KPMG LLP as the auditors of the corporation for the ensuing year. I would now ask for a motion appointing the auditors for the coming year.

**ELAINE HONSBERGER:**

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

**FRANK SIXT:**

Thank you. Do we have a seconder for the motion?

**CORY BLAIR:**

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

**FRANK SIXT:**

Good, thank you. Is there any discussion on this motion? If not, then we'll vote. Could all in favour please signify by raising your hands? Are there any opposed? That's one. I think I can declare the motion carried and KPMG LLP appointed auditors of the Corporation.

Okay. I've just been handed the results of the ballots for the election of Directors. Based on these results I can declare that all of the persons nominated have been elected as Directors of the Corporation, and additional details as to voting will be published as usual later on.

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 this meeting.

**STACEY HRYCAK:**

My name is Stacey Hrycak. I am an employee of Husky Oil Operations Limited and a

proxyholder. I move that the meeting be terminated.

**FRANK SIXT:**

Thank you. Do we have a seconder?

**MICHELLE NOH:**

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

**FRANK SIXT:**

Good. Thank you. All those in favour of the motion, please signify by raising your hands. Thank you. Any opposed? The motion to adjourn the meeting is carried. Thank you.

**JAMES GIRGULIS:**

Ladies and gentlemen, that concludes the formal portion of this meeting. I will now ask Rob Peabody to present us an update on the Company's operations. Rob>

**ROBERT PEABODY:**

Thanks, Jim, and thank you, Frank, for conducting the first part of the meeting for us, or the meeting. I just want to take a second to update you on an incident that we had this morning at the Superior Refinery. There was a fire at the refinery this morning. It's actually in the process of going through a turnaround. We're responding to that incident and I'm told the fire is out now, but we'll be providing more information on that as soon as we have it available.

It's great that you could join us in this exciting new venue, and we had a chance to tour it the other day and it really is something that people should take the time out to come and visit.

I'll start off with a look at how we are continuing to deliver against our strategy and the five-year plan that we set out at our Investor Day last May. This includes the improvements we've been making to our cost structure and the increasing value being generated by our Integrated Corridor and our Offshore business. Let's begin with Husky's value proposition.

Our company continues to maintain a clear focus on returns. We only invest in opportunities that

generate at least 10% IRR at \$45 WTI. What makes us unique is that we actually have a rich portfolio of these type of opportunities, something that many of our peers just can't match. These include a robust suite of Lloyd Thermal projects with 60,000 barrels a day of new production currently in development. This is an important growth area for us. In the Downstream, the investments we are making enable us to capture higher margins. In addition, we are increasing the amount of production in Asia that we sell at essentially fixed prices.

Today we have one of the lowest cost structures in the industry, and the investments we've been making in the Integrated Corridor and Offshore are further reducing the oil price we need to achieve earnings and cash flow breakevens.

The result has been a steady improvement in our Funds from Operations and free cash flow. With the continuing strength of our balance sheet and the improved price environment in 2017, the Board has approved a cash dividend earlier this year. The dividend is amply covered by our free cash flow and underpinned by our low debt.

Looking forward, we're in an excellent position to weather the ups and downs of market prices. As the WTI oil price we need to breakeven on earnings continues to decline, we are further improving both our resilience and our ability to return cash to shareholders. At the same time, we can benefit from oil price improvements.

Two thousand and seventeen was the first year of a five-year plan we set out at Investor Day last year. We've had a good year. We've met or exceeded all of our business objectives. These included reducing our debt from \$4 billion to \$2.9 billion - that's our net debt; lowering our operating cost and improving capital efficiency while at the same time increasing the scope of our planned work in our Thermal program and in the Atlantic.

Funds from Operations were \$3.3 billion, up 50% compared to 2016. This reflected strong results from Asia Pacific and increased margin capture in our Integrated Corridor. And free cash flow came in at more than \$1 billion excluding acquisitions.

On the Operations front, we achieved record production at Tucker, Sunrise and Liwan. We sanctioned two additional Lloyd Thermal projects and also the West White Rose project and a

third Liwan field.

Our Downstream business realized record upgrading and refining throughputs. We completed our planned asset disposition program in Western Canada, and finally, we closed on the acquisition of the Superior Refinery.

We have largely eliminated our exposure to the differential through our long-term transportation capacity and our integrated business structure. We can process crude at our refineries in Canada and the U.S. Midwest, or move it to markets with more attractive returns. We also have 75,000 barrels per day of capacity in the existing Keystone Pipeline. We have a number of projects underway to increase our heavy oil processing capacity.

We've taken a number of steps over the past few years to lower our cost structure and improve the cash generating ability of our portfolio. I'll just touch on a couple of examples.

One of the largest and most beneficial transformations in our portfolio has been in our legacy Western Canada business. All together, we have sold about 52,000 barrels of oil equivalent per day since the program began in late 2015. These were assets that no longer fit with our plan, nor attracted capital investment. The legacy barrels have been replaced by lower cost production. By the end of last year, 44% of Husky's entire output had operating costs of less than \$10 a barrel. That's up from less than 8% in 2014. As a result, Upstream operating costs have come down 23% over the same timeframe. We have reduced our sustaining capital requirements at the same time by over a billion dollars a year. And we have also reduced the average supply costs of our portfolio by deepening the inventory of lower-cost projects.

As our cost structure comes down and we generate more Funds from Operations and free cash flow, our financial picture continues to improve. As you can see in the first chart, production has remained relatively stable over the past three years, even with the asset sales in Western Canada I mentioned earlier. Average annual production in 2017 was within guidance at 323,000 barrel of oil equivalent per day.

We saw record Downstream throughputs of 387,000 barrels per day, reflecting improvements in processing capacity at the Lima and Toledo refineries, plus the initial contribution from the



Superior Refinery. This contributed to Funds from Operations, as I said earlier, of \$3.3 billion.

Total capital spending was \$2.2 billion, not counting the Superior Refinery acquisition, leading to free cash flow of \$1.1 billion. As a result of a growing free cash profile, we are now able to return cash to shareholders through the dividend, and we have significantly reduced our net debt while continuing to transform the Company.

I just wanted to take a couple of minutes to talk about ESG and kind of Husky's business in general. What Husky does every day is produce natural gas, gasoline, diesel, jet fuel and petrochemical feedstocks, and these are absolutely vital to our society. Oil and gas development remains a key source of jobs, government revenues and technology development, and provides essential, affordable energy products.

With energy demand growing globally, driven by both population growth and more people being lifted out of poverty and ultimately joining the middle class, we need to increase supplies of renewable energy, of course, but also increase supplies of oil and gas. In particular, we need reasonably priced oil, natural gas and petroleum products, which is what Husky strives to achieve.

Looking at this through the lens of geography, to the extent that Canada chooses not to meet rising market demand, oil and gas production moves from Canada to other jurisdictions that in general have lower environmental standards, less stringent environmental regulations and often place a lower priority on human rights and diversity.

Husky is in the business of responding to the changing needs of markets, customers, stakeholders and investors. They are increasingly interested in Husky's ability to compete in this challenging world of lower commodity prices and higher environmental and social expectations. We aim for continuous improvement in environmental and social performance. Our process and occupational safety metrics continue to get better, despite this morning's incident, and we continue to evolve our governance procedures in line with best practices.

In 2017, we formalized this process under our Environmental, Social and Governance Strategy. We are committed to reporting on our ESG performance transparently given its importance to

Husky and all our stakeholders.

Our ESG Report will be released in May. It will include detailed disclosures on long-term issues we believe have the most impact on our long term sustainability and success. These include process and occupational safety, air emissions controls and carbon capture, fresh water use, community investment, Indigenous engagement, and diversity and inclusion. We believe a resilient company that is viable over the long haul benefits all its stakeholders.

Now I'll speak a bit more about the assets that underpin our two businesses: the Integrated Corridor and the Offshore.

Starting first with the Integrated Corridor, we have a unique set of competitively advantaged and interconnected assets. We own or operate the entire value chain. The Corridor is purpose-built to capture the margin available from the reservoir to the refinery rack, regardless of the heavy/light and Canadian/U.S. differentials.

Effectively, total margin capture in the Corridor is tied to Brent pricing. However, the integrated business structure also gives us increased optionality which allows us to benefit from market dislocations.

Our five-year plan calls for further growth along the Corridor. We expect our Heavy Oil and Thermal production to rise from 170,000 barrels per day today to about 240,000 barrels per day in 2021. This includes the full ramp-ups of Sunrise Phase 1 and Tucker by the end of this year.

Our Western Canada business has been thoroughly transformed to focus on fewer, larger and more material short cycle plays, primarily in the Wilrich and the Montney formations. We have a significant land base there with room to grow.

As I mentioned earlier, we're continuing to grow our Heavy Oil processing capacity in line with our Upstream production. We now have almost 400,000 barrels a day of refining and upgrading capacity; about three-quarters of this is in the United States, and we're now realizing the benefit of the lower U.S. tax rates.

Looking now at the Offshore business, starting with the Asia Pacific business. A key objective in this region is to further advance our fixed price gas business offshore China and in Indonesia. The two producing fields at the Liwan Gas Project are in full swing and reached record production in 2017. The third field, 29-1, has now been sanctioned. Later this year we'll drill the final three wells out of a series of seven wells with first gas from this project expected in 2020. The new wells are being tied into the existing Liwan infrastructure. This is a fast-growing energy market, and for the latest field we are taking a 75% stake.

Offshore Indonesia, in the Madura Straits, we began production from the liquids-rich BD Project which is continuing to ramp up to its full sales gas target. We have a solid track record in this region. We expect it will continue to generate high netbacks and strong free cash flow for many years to come.

Meanwhile, our Atlantic business has delivered some of the strongest returns in our portfolio over the years. Construction of the West White Rose Project is now underway. When we start this project up in 2022, it will really begin the next era of oil production growth for Husky in the Jeanne D'Arc Basin.

To wrap up, 2017 was the first year of our five-year plan and we met or exceeded all our plan targets, so we know we're on the right path. Our asset base has been transformed with a focus on lower-cost production. Our investments in this portfolio are further improving our cost structure and bringing down the oil price we need for earnings and cash flow breakeven. As a result of generating increasing Funds from Operations and free cash flow, we have commenced payment of a cash dividend to our shareholders.

The steps taken over the past few years have set the stage for profitable production growth, even in volatile market conditions, all while maintaining our strong foundation of safe, reliable and responsible operations.

Thanks very much for coming today.

**JIM GIRGULIS:**

Thank you, Rob. The meeting is now open for questions. We have four volunteers in the aisles

with microphones. I'd like to remind you that only shareholders or proxyholders are eligible to ask a question. So, before we begin, please introduce yourself and identify if you're either a shareholder or a proxyholder. Thank you, and I invite your questions.

**JAY SWAGSTRA:**

Good morning. My name is Jay Swagstra (phon 25:00) and I've been one of the shareholders. I own 45,000 shares and my stock hasn't risen for almost five years. When will my stock rise? In 2021? I need to start making some money? I've had a million dollars almost at one point, over a million dollars with you guys, that's a lot of money for me.

**ROBERT PEABODY:**

I fully appreciate that, and just so you know, I also have a lot of money in Husky shares, which I bought myself. They weren't given to me. I similarly am impatient.

I think the good news is that last year, amongst our peer groups, we had the highest total shareholder return amongst the peer groups that we're measuring, which is our Canadian peers and that. Now, I'll concede that comes off a lower starting cash base, but I would go back to say that we took probably more severe actions than many of our peers did when we had the oil price go from \$140 to \$40. One of the things we did at that point, which most of our competitors did not was cut the dividend to zero. That's based on a very old-fashioned logic but a logic I completely agree with, is if you're not making any money, you shouldn't be paying out a dividend.

That's left us in a much stronger position today. If you look at some of our peers who didn't do that, some of them have some real balance sheet issues going forward. So, it's put us in a good position going forward. What that has actually required though is our shareholder base transitioned from a shareholder base that was predominantly dividend-focused, a number of—most of our shareholders were investing for the dividend. What's happened over the past year is that has migrated to growth investors and value investors, which is I think actually much more healthy for the Company long term because it's more in line with our strategy. It's also resulted in our shareholder base, the float going from being almost exclusively Canadian to going to be now about 40% U.S. I think that's also healthy because there are more investors in the U.S. that are focused on value and growth. In Canada, we have a preponderance of dividend investors.

It's been a painful transition and I feel for you, and I see it in my own shares that I own, but I think we're on the right track. We've positioned the Company very well going forward and we've made the kind of transformation that's going to allow us to build from here in a very solid way.

Appreciate the question. Any questions?

**JIM GIRGULIS:**

Any other questions?

**ROBERT PEABODY:**

You probably weren't the only one with that last question on your mind, so it's probably ...

**JAY SWAGSTRA:**

I would agree. Yes, I am going for long term. I'm hoping 2021/22.

Just with the recent submission (inaudible 28:17) of Directive 67 in compliance with the AER regulations, how are you guys making out with that?

**ROBERT PEABODY:**

Sorry, I ... Do you know Directive 67?

**MALE SPEAKER:**

No, but ...

**ROBERT PEABODY:**

Can you explain that a little more? It'll probably tweak when you give me a bit more?

**JAY SWAGSTRA:**

The reason why I'm bringing that now is because I just heard about the fire that you brought up, and that's basically the regulatory compliance of Alberta and Canada on the safety and that all Directors and all management have to sign a waiver now declaring that this top priority. I'm just—have you guys gone through that stage yet?

**ROBERT PEABODY:**

I'm not exactly sure where we are in that process but let me assure you it is absolutely top priority in the Company. The Company has come quite a long way in introducing very rigorous process and occupational safety standards through the Company over the last decade really. It's really based on the world-class system for handling, process and occupational safety. It is always top priority in all our quarterly performance reviews. All performance reviews I conduct we always start on process and occupational safety and what are you doing to improve the situation there? We have a rigorous process of auditing individual parts of the business against our HOIMS and occupational safety management system, which has all the elements that governments are looking for in terms of how you actually operate the Company.

**JAY SWAGSTRA:**

Sorry. Is that internal or are we looking at hiring an outside consulting firm to oversee that?

**ROBERT PEABODY:**

We do that—clearly, you have to have a robust internal system first because you can't have enough external consultants pouring over a company to see everything that's going on all the time. We do both internal self-audits, then we do internal audits that are based on other parts of the company visiting other operations, and then we bring in third party external consultants as required to verify that we're getting the performance we're looking for.

**MALE SPEAKER:**

(inaudible 30:35).

**JIM GIRGULIS:**

Sorry?

**JAY SWAGSTRA:**

Would that be a shareholder vote on the outside, like your accounting firm?

**JIM GIRGULIS:**

We had our auditors, KPMG were voted, but those are our financial auditors.

**JAY SWAGSTRA:**

(inaudible 30:58)

**JIM GIRGULIS:**

We haven't had any proposals to do that. No, we haven't.

Any other questions?

**ROBERT PEABODY:**

Yes? There's one there in the front row here. I think I know this individual.

**DICK HASKAYNE:**

I don't usually—my name is Dick Haskayne. I own 100,000 shares. It's too bad that you didn't have more questions because my only comment will sound patronizing, but it isn't. I've been around this business for more than 50 years, including a competitor of Husky and on the side of negotiating the share sale of Nova to Husky—other owners, and I just wanted to say I am so impressed with what you've done, particularly in these last few years. I think the shareholders should be very happy with it. You've made the right moves. They were tough moves, and I just simply wanted to congratulate the Management Team and the Directors for what they've done and I will continue to be a shareholder. I'm going to live that long, Rob.

**ROBERT PEABODY:**

You will.

**DICK HASKAYNE:**

Other than that ...

**ROBERT PEABODY:**

You better.

**DICK HASKAYNE:**

My only comment is congratulations. Well done, guys.

**ROBERT PEABODY:**

Thank you very much. Thank you, Dick.

**JIM GIRGULIS:**

We appreciate it.

**ROBERT PEABODY:**

That's a real honour.

**JIM GIRGULIS:**

I don't see any other questions.

**ROBERT PEABODY:**

By the way, this is a little bit different because with the lighting here we can barely see you, so it's a bit like a high school musical, we were saying ...

**FRANK SIXT:**

Yeah, we're actually supposed to be singing and dancing, not figuring out whether people are raising their hands.

**JIM GIRGULIS:**

Yeah, absolutely. If you have a question, put up your hand (inaudible), and if you don't we'll wrap it up.

**ROBERT PEABODY:**

We can wrap it up, I think.

**JIM GIRGULIS:**

One last chance. I think we don't have any more questions. So, ladies and gentlemen, as there are no other questions, this will conclude the Annual Meeting of Husky Energy. Thank you for taking the time to join us today.