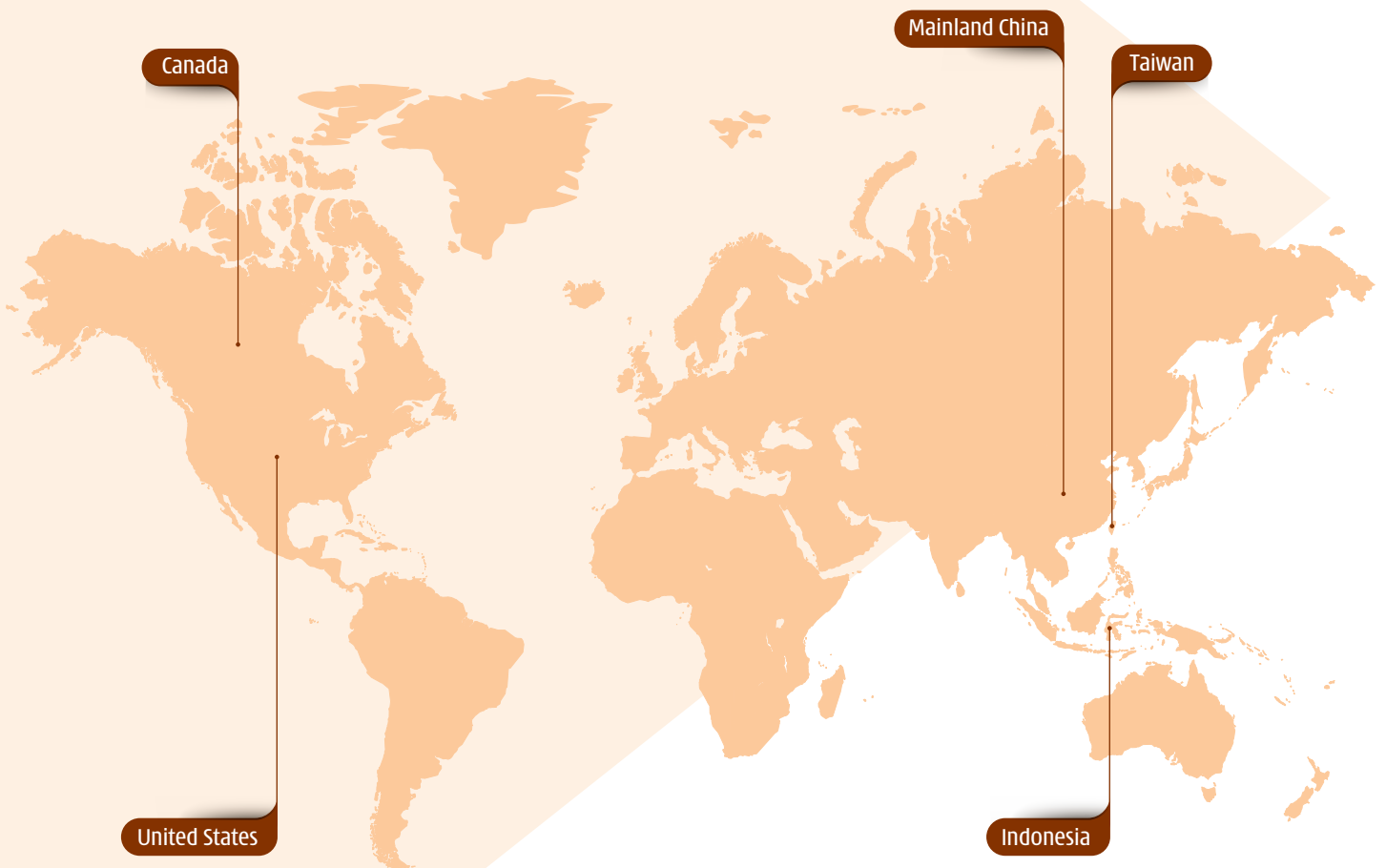


Operations Review



Husky Energy has drilled a successful exploration well on Block 15/33 in the South China Sea.

Energy



Operations Review – Energy

1



3



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4



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1. Lima Refinery in the US is now able to process up to 175,000 barrels per day ("bbls/day"), an increase from 165,000 bbls/day.
2. The first slip form for the concrete gravity structure for the West White Rose platform located in Newfoundland and Labrador, Canada is completed.
3. The Gaolan Gas Terminal connects directly to the Guangdong Natural Gas Grid. It extracts condensates and natural gas liquids, and compresses and moves the Liwan gas to commercial markets.
4. Tucker Thermal Project in Northern Alberta, Canada reaches its design capacity production of 30,000 bbls/day.
5. The liquids-rich BD Project offshore Indonesia in the Madura Strait achieves record gas production.

Operations Review – Energy

The energy division comprises the Group's 40.19% interest in Husky Energy ("Husky"), an integrated energy company listed on the Toronto Stock Exchange.

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	54,251	44,948	+21%	+20%
EBITDA	12,106	8,992	+35%	+34%
EBIT	5,742	2,703	+112%	+113%
Production (mboe/day)	299.2	322.9	-7%	

Husky announced net earnings of C\$1,457 million in 2018, 85% higher than 2017 net earnings of C\$786 million.

After translation into Hong Kong dollars and including consolidation adjustments, the Group's share of EBITDA and EBIT increased 35% and 112% against 2017 respectively, which reflect the aforementioned improvement of underlying performance during 2018.

Production and Reserves

Husky reported a 7% decrease of average production in 2018, from 322,900 barrels of oil equivalent per day ("boe/day") in 2017 to 299,200 boe/day in 2018.

Crude oil and natural gas liquids ("NGL") production

Crude oil and NGL production decreased by 18.3 thousand barrels per day ("mbbls/day"), or 8%, in 2018 compared to 2017. The decrease was primarily due to lower production in the Atlantic region due to the suspension of operations on the SeaRose FPSO vessel in January and November 2018, a high water cut well at North Amethyst combined with natural well declines, a reduction of heavy crude oil production due to natural declines and reduced optimisation activities in Husky's non-thermal developments, lower crude oil production in Asia Pacific due to the expiry of Husky's participation in the Wenchang oilfield PSC in late 2017, and lower production in Western Canada as a result of the disposition of select legacy assets in 2017. The decreases were partially offset by increased bitumen production from Husky's thermal projects, combined with increased NGL production in Asia Pacific and Western Canada.

Natural gas production

Natural gas production decreased by 32.1 million cubic feet per day ("mmcf/day"), or 6%, in 2018 compared to 2017. In Western Canada, natural gas production decreased by 87.2 mmcf/day, primarily due to the disposition of select legacy assets in 2017. In Asia Pacific, natural gas production increased by 55.1 mmcf/day, primarily due to Liwan Gas Project and the BD Project in Indonesia.

Oil and Gas Reserves

At 31 December 2018, Husky's proved oil and gas reserves were 1,471 million barrels of oil equivalent ("mmboe"), compared to 1,301 mmboe at the end of 2017. Probable reserves were 1,070 mmboe compared to 1,136 mmboe at the end of 2017. Husky's 2018 reserves replacement ratio was 260% excluding economic revisions (255% including economic revisions). The proved reserves additions were mainly related to two newly sanctioned Lloyd thermal bitumen projects and improved performance in the existing projects, the booking of provided reserves for the Lihua project in Asia Pacific, and future development opportunities added in Sunrise, Lloyd thermal bitumen projects and other fields.

Operation milestones

Integrated corridor (Integrated Canada-US Upstream and Downstream Corridor)

- Increased annual average production from Lloyd thermal bitumen projects, Tucker and Sunrise to 124,200 barrels per day (“bbls/day”), compared to 119,100 bbls/day in 2017
- First oil ahead of schedule at the 10,000 bbls/day Rush Lake 2 thermal project
- Commenced construction of the 10,000 bbls/day thermal projects at Dee Valley and Spruce Lake Central; completed site clearing at Spruce Lake North
- Sanctioned the new 10,000 bbls/day Spruce Lake East thermal project, with first production targeted around the end of 2021
- The Sunrise Energy Project reached and surpassed targeted 60,000 bbls/day (30,000 bbls/day Husky working interest)
- Record throughput of 75,600 bbls/day at the Lloydminster Upgrader

Offshore (Atlantic and Asia Pacific)

- Successful oil exploration discoveries in both the Asia Pacific and Atlantic regions
- Completed slip-forming on the West White Rose fixed wellhead platform
- Record sales gas production from the Liwan and BD projects
- Increased working interest at Lihua 29-1 from 49% to 75%
- Signed Production Sharing Contracts for two exploration blocks offshore China in the Beibu Gulf

Husky expects to continue to optimise its portfolio in 2019 with the strategic review and potential sale of non-core Downstream assets, along with other actions and investments aimed at further reducing its break-even oil price.

