

# CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (unaudited)

For the Period Ended December 31,  
(\$ millions, except per share amounts)

	Notes	Three Months Ended		Twelve Months Ended	
		2013	2012	2013	2012
			(Note 3)		(Note 3)
<b>Revenues</b>	1				
Gross Sales		4,827	3,802	18,993	17,229
Less: Royalties		80	78	336	387
		<b>4,747</b>	<b>3,724</b>	<b>18,657</b>	<b>16,842</b>
<b>Expenses</b>	1				
Purchased Product		2,776	1,888	10,399	9,223
Transportation and Blending		592	475	2,074	1,798
Operating		474	478	1,798	1,667
Production and Mineral Taxes		5	9	35	37
(Gain) Loss on Risk Management	21	142	(209)	293	(393)
Depreciation, Depletion and Amortization	11,13	468	409	1,833	1,585
Goodwill Impairment	14	-	393	-	393
Exploration Expense		5	-	114	68
General and Administrative		81	97	349	350
Finance Costs	4	122	111	529	455
Interest Income	5	(23)	(25)	(96)	(109)
Foreign Exchange (Gain) Loss, Net	6	115	22	208	(20)
Research Costs		10	3	24	15
(Gain) Loss on Divestiture of Assets		-	-	1	-
Other (Income) Loss, Net		2	(1)	2	(5)
<b>Earnings (Loss) Before Income Tax</b>		<b>(22)</b>	<b>74</b>	<b>1,094</b>	<b>1,778</b>
Income Tax Expense	7	36	191	432	783
<b>Net Earnings (Loss)</b>		<b>(58)</b>	<b>(117)</b>	<b>662</b>	<b>995</b>
<b>Other Comprehensive Income (Loss), Net of Tax</b>					
<i>Items That Will Not be Reclassified to Profit or Loss:</i>					
Actuarial Gain (Loss) Relating to Pension and Other Post-Retirement Benefits		(1)	(1)	14	(4)
<i>Items That May be Subsequently Reclassified to Profit or Loss:</i>					
Change in Value of Available for Sale Financial Assets		2	-	10	-
Foreign Currency Translation Adjustment		59	12	117	(24)
<b>Total Other Comprehensive Income (Loss), Net of Tax</b>		<b>60</b>	<b>11</b>	<b>141</b>	<b>(28)</b>
<b>Comprehensive Income (Loss)</b>		<b>2</b>	<b>(106)</b>	<b>803</b>	<b>967</b>
<b>Net Earnings (Loss) Per Common Share</b>	8				
Basic		<b>\$(0.08)</b>	\$(0.15)	<b>\$0.88</b>	\$1.32
Diluted		<b>\$(0.08)</b>	\$(0.15)	<b>\$0.87</b>	\$1.31

See accompanying Notes to Consolidated Financial Statements (unaudited).

## CONSOLIDATED BALANCE SHEETS (unaudited)

As at  
(\$ millions)

	Notes	December 31, 2013	December 31, 2012 (Note 3)	January 1, 2012 (Note 3)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		2,452	1,160	495
Accounts Receivable and Accrued Revenues		1,874	1,464	1,405
Income Tax Receivable		15	-	-
Current Portion of Partnership Contribution Receivable	9	-	384	372
Inventories	10	1,259	1,288	1,291
Risk Management	21	10	283	232
Assets Held for Sale	11	-	-	116
<b>Current Assets</b>		<b>5,610</b>	<b>4,579</b>	<b>3,911</b>
Exploration and Evaluation Assets	1,12	1,473	1,285	880
Property, Plant and Equipment, Net	1,13	17,334	16,152	14,324
Partnership Contribution Receivable	9	-	1,398	1,822
Risk Management	21	-	5	52
Income Tax Receivable		-	-	29
Other Assets		68	58	44
Goodwill	1,14	739	739	1,132
<b>Total Assets</b>		<b>25,224</b>	<b>24,216</b>	<b>22,194</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Liabilities		2,937	2,650	2,579
Income Tax Payable		268	217	329
Current Portion of Partnership Contribution Payable		438	386	372
Risk Management	21	136	17	54
Liabilities Related to Assets Held for Sale	11	-	-	54
<b>Current Liabilities</b>		<b>3,779</b>	<b>3,270</b>	<b>3,388</b>
Long-Term Debt	15	4,997	4,679	3,527
Partnership Contribution Payable		1,087	1,426	1,853
Risk Management	21	3	1	14
Decommissioning Liabilities	16	2,370	2,315	1,777
Other Liabilities		180	183	158
Deferred Income Taxes		2,862	2,560	2,093
<b>Total Liabilities</b>		<b>15,278</b>	<b>14,434</b>	<b>12,810</b>
Shareholders' Equity		9,946	9,782	9,384
<b>Total Liabilities and Shareholders' Equity</b>		<b>25,224</b>	<b>24,216</b>	<b>22,194</b>

See accompanying Notes to Consolidated Financial Statements (unaudited).

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

(\$ millions)

	Share Capital (Note 17)	Paid in Surplus	Retained Earnings	AOCI <sup>(1)</sup> (Note 18)	Total
<b>Balance as at December 31, 2011, as Previously Reported</b>	3,780	4,107	1,400	119	9,406
Cumulative Effect of Change in Accounting Policy (Note 3)	-	-	-	(22)	(22)
<b>Balance as at January 1, 2012, Restated</b>	3,780	4,107	1,400	97	9,384
Net Earnings	-	-	995	-	995
Other Comprehensive Income (Loss)	-	-	-	(28)	(28)
Total Comprehensive Income (Loss)	-	-	995	(28)	967
Common Shares Issued Under Option Plans	49	-	-	-	49
Stock-Based Compensation Expense	-	47	-	-	47
Dividends on Common Shares	-	-	(665)	-	(665)
<b>Balance as at December 31, 2012</b>	3,829	4,154	1,730	69	9,782
Net Earnings	-	-	662	-	662
Other Comprehensive Income (Loss)	-	-	-	141	141
Total Comprehensive Income (Loss)	-	-	662	141	803
Common Shares Issued Under Option Plans	31	-	-	-	31
Common Shares Cancelled	(3)	3	-	-	-
Stock-Based Compensation Expense	-	62	-	-	62
Dividends on Common Shares	-	-	(732)	-	(732)
<b>Balance as at December 31, 2013</b>	<b>3,857</b>	<b>4,219</b>	<b>1,660</b>	<b>210</b>	<b>9,946</b>

(1) Accumulated Other Comprehensive Income (Loss).

See accompanying Notes to Consolidated Financial Statements (unaudited).

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the Period Ended December 31,  
(\$ millions)

	Notes	Three Months Ended		Twelve Months Ended	
		2013	2012	2013	2012
			(Note 3)		(Note 3)
<b>Operating Activities</b>					
Net Earnings (Loss)		(58)	(117)	662	995
Depreciation, Depletion and Amortization		468	409	1,833	1,585
Goodwill Impairment	14	-	393	-	393
Exploration Expense		5	-	50	68
Deferred Income Taxes	7	33	66	244	474
Unrealized (Gain) Loss on Risk Management	21	219	(117)	415	(57)
Unrealized Foreign Exchange (Gain) Loss	6	(46)	12	40	(70)
Unwinding of Discount on Decommissioning Liabilities	4,16	25	22	97	86
Other		189	29	268	169
		<u>835</u>	<u>697</u>	<u>3,609</u>	<u>3,643</u>
Net Change in Other Assets and Liabilities		(30)	(42)	(120)	(113)
Net Change in Non-Cash Working Capital		171	103	50	(110)
<b>Cash From Operating Activities</b>		<b>976</b>	<b>758</b>	<b>3,539</b>	<b>3,420</b>
<b>Investing Activities</b>					
Capital Expenditures – Exploration and Evaluation Assets	12	(76)	(203)	(331)	(654)
Capital Expenditures – Property, Plant and Equipment	13	(824)	(812)	(2,938)	(2,795)
Proceeds From Divestiture of Assets		16	11	258	76
Net Change in Investments and Other	9	1,489	(3)	1,486	(13)
Net Change in Non-Cash Working Capital		33	32	6	50
<b>Cash From (Used in) Investing Activities</b>		<b>638</b>	<b>(975)</b>	<b>(1,519)</b>	<b>(3,336)</b>
<b>Net Cash Provided (Used) Before Financing Activities</b>		<b>1,614</b>	<b>(217)</b>	<b>2,020</b>	<b>84</b>
<b>Financing Activities</b>					
Net Issuance (Repayment) of Short-Term Borrowings		(9)	-	(8)	3
Issuance of U.S. Unsecured Notes	15	-	-	814	1,219
Repayment of U.S. Unsecured Notes	15	-	-	(825)	-
Proceeds on Issuance of Common Shares		5	2	28	37
Dividends Paid on Common Shares	8	(183)	(167)	(732)	(665)
Other		-	(3)	(3)	(2)
<b>Cash From (Used in) Financing Activities</b>		<b>(187)</b>	<b>(168)</b>	<b>(726)</b>	<b>592</b>
<b>Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency</b>		<b>1</b>	<b>2</b>	<b>(2)</b>	<b>(11)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>1,428</b>	<b>(383)</b>	<b>1,292</b>	<b>665</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>		<b>1,024</b>	<b>1,543</b>	<b>1,160</b>	<b>495</b>
<b>Cash and Cash Equivalents, End of Period</b>		<b>2,452</b>	<b>1,160</b>	<b>2,452</b>	<b>1,160</b>

See accompanying Notes to Consolidated Financial Statements (unaudited).

## 1. DESCRIPTION OF BUSINESS AND SEGMENTED DISCLOSURES

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Cenovus Energy Inc. and its subsidiaries, (together "Cenovus" or the "Company") are in the business of the development, production and marketing of crude oil, natural gas liquids ("NGLs") and natural gas in Canada with refining operations in the United States ("U.S.").

Cenovus was incorporated under the *Canada Business Corporations Act* and its shares are publicly traded on the Toronto ("TSX") and New York ("NYSE") stock exchanges. The executive and registered office is located at 2600, 500 Centre Street S.E., Calgary, Alberta, Canada, T2G 1A6. Information on the Company's basis of preparation for these Consolidated Financial Statements is found in Note 2.

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by Cenovus's chief operating decision makers. The Company evaluates the financial performance of its operating segments primarily based on operating cash flow. The Company's reportable segments are:

- **Oil Sands**, which includes the development and production of Cenovus's bitumen assets at Foster Creek, Christina Lake and Narrows Lake as well as projects in the early stages of development, such as Grand Rapids and Telephone Lake. The Athabasca natural gas assets also form part of this segment. Certain of the Company's operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake, are jointly owned with ConocoPhillips, an unrelated U.S. public company.
- **Conventional**, which includes the development and production of conventional crude oil, NGLs and natural gas in Alberta and Saskatchewan, including the heavy oil assets at Pelican Lake. This segment also includes the carbon dioxide enhanced oil recovery project at Weyburn and emerging tight oil opportunities.
- **Refining and Marketing**, which is focused on the refining of crude oil products into petroleum and chemical products at two refineries located in the U.S. The refineries are jointly owned with and operated by Phillips 66, an unrelated U.S. public company. This segment also markets Cenovus's crude oil and natural gas, as well as third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification.
- **Corporate and Eliminations**, which primarily includes unrealized gains and losses recorded on derivative financial instruments, gains and losses on divestiture of assets, as well as other Cenovus-wide costs for general and administrative, research costs and financing activities. As financial instruments are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates. Eliminations relate to sales and operating revenues and purchased product between segments, recorded at transfer prices based on current market prices, and to unrealized intersegment profits in inventory.

The operating and reportable segments shown above have been changed from those presented in prior periods to match Cenovus's new operating structure. All prior periods have been restated to reflect this presentation. As a result, for the three months and year ended December 31, 2012, segment income of \$61 million and \$275 million, respectively, was reclassified from Oil Sands to Conventional. In addition to the restatement required due to changes in operating segments, research activities previously included in operating expense have been reclassified to conform to the presentation adopted for the year ended December 31, 2013.

The following tabular financial information presents the segmented information first by segment, then by product and geographic location.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
 All amounts in \$ millions, unless otherwise indicated  
 For the period ended December 31, 2013

**A) Results of Operations – Segment and Operational Information**

For the three months ended December 31,	Oil Sands		Conventional		Refining and Marketing	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	1,075	895	692	689	3,223	2,336
Less: Royalties	38	34	42	44	-	-
	<b>1,037</b>	861	<b>650</b>	645	<b>3,223</b>	2,336
<b>Expenses</b>						
Purchased Product	-	-	-	-	2,939	2,006
Transportation and Blending	517	408	75	67	-	-
Operating	153	113	179	168	143	197
Production and Mineral Taxes	-	-	5	9	-	-
(Gain) Loss on Risk Management	(31)	(38)	(36)	(64)	(10)	10
<b>Operating Cash Flow</b>	<b>398</b>	378	<b>427</b>	465	<b>151</b>	123
Depreciation, Depletion and Amortization	133	93	279	262	36	37
Goodwill Impairment	-	-	-	393	-	-
Exploration Expense	-	-	5	-	-	-
<b>Segment Income (Loss)</b>	<b>265</b>	285	<b>143</b>	(190)	<b>115</b>	86

For the three months ended December 31,	Corporate and Eliminations		Consolidated	
	2013	2012	2013	2012
<b>Revenues</b>				
Gross Sales	(163)	(118)	4,827	3,802
Less: Royalties	-	-	80	78
	<b>(163)</b>	(118)	<b>4,747</b>	3,724
<b>Expenses</b>				
Purchased Product	(163)	(118)	2,776	1,888
Transportation and Blending	-	-	592	475
Operating	(1)	-	474	478
Production and Mineral Taxes	-	-	5	9
(Gain) Loss on Risk Management	219	(117)	142	(209)
	<b>(218)</b>	117	<b>758</b>	1,083
Depreciation, Depletion and Amortization	20	17	468	409
Goodwill Impairment	-	-	-	393
Exploration Expense	-	-	5	-
<b>Segment Income (Loss)</b>	<b>(238)</b>	100	<b>285</b>	281
General and Administrative	81	97	81	97
Finance Costs	122	111	122	111
Interest Income	(23)	(25)	(23)	(25)
Foreign Exchange (Gain) Loss, Net	115	22	115	22
Research Costs	10	3	10	3
(Gain) Loss on Divestiture of Assets	-	-	-	-
Other (Income) Loss, Net	2	(1)	2	(1)
	<b>307</b>	207	<b>307</b>	207
<b>Earnings (Loss) Before Income Tax</b>			<b>(22)</b>	74
Income Tax Expense			36	191
<b>Net Earnings (Loss)</b>			<b>(58)</b>	(117)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
All amounts in \$ millions, unless otherwise indicated  
For the period ended December 31, 2013

**B) Financial Results by Upstream Product**

For the three months ended December 31,	Crude Oil <sup>(1)</sup>					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	1,053	876	544	539	1,597	1,415
Less: Royalties	38	34	40	42	78	76
	1,015	842	504	497	1,519	1,339
<b>Expenses</b>						
Transportation and Blending	517	407	70	63	587	470
Operating	145	106	126	107	271	213
Production and Mineral Taxes	-	-	4	10	4	10
(Gain) Loss on Risk Management	(30)	(35)	(20)	(21)	(50)	(56)
<b>Operating Cash Flow</b>	<b>383</b>	<b>364</b>	<b>324</b>	<b>338</b>	<b>707</b>	<b>702</b>

(1) Includes NGLs.

For the three months ended December 31,	Natural Gas					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	14	15	145	146	159	161
Less: Royalties	-	-	2	2	2	2
	14	15	143	144	157	159
<b>Expenses</b>						
Transportation and Blending	-	1	5	4	5	5
Operating	6	7	52	60	58	67
Production and Mineral Taxes	-	-	1	(1)	1	(1)
(Gain) Loss on Risk Management	(1)	(3)	(16)	(43)	(17)	(46)
<b>Operating Cash Flow</b>	<b>9</b>	<b>10</b>	<b>101</b>	<b>124</b>	<b>110</b>	<b>134</b>

For the three months ended December 31,	Other					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	8	4	3	4	11	8
Less: Royalties	-	-	-	-	-	-
	8	4	3	4	11	8
<b>Expenses</b>						
Transportation and Blending	-	-	-	-	-	-
Operating	2	-	1	1	3	1
Production and Mineral Taxes	-	-	-	-	-	-
(Gain) Loss on Risk Management	-	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>7</b>

For the three months ended December 31,	Total Upstream					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	1,075	895	692	689	1,767	1,584
Less: Royalties	38	34	42	44	80	78
	1,037	861	650	645	1,687	1,506
<b>Expenses</b>						
Transportation and Blending	517	408	75	67	592	475
Operating	153	113	179	168	332	281
Production and Mineral Taxes	-	-	5	9	5	9
(Gain) Loss on Risk Management	(31)	(38)	(36)	(64)	(67)	(102)
<b>Operating Cash Flow</b>	<b>398</b>	<b>378</b>	<b>427</b>	<b>465</b>	<b>825</b>	<b>843</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
 All amounts in \$ millions, unless otherwise indicated  
 For the period ended December 31, 2013

**C) Geographic Information**

For the three months ended December 31,	Canada		United States		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	2,270	2,010	2,557	1,792	4,827	3,802
Less: Royalties	80	78	-	-	80	78
	<b>2,190</b>	1,932	<b>2,557</b>	1,792	<b>4,747</b>	3,724
<b>Expenses</b>						
Purchased Product	497	418	2,279	1,470	2,776	1,888
Transportation and Blending	592	475	-	-	592	475
Operating	335	286	139	192	474	478
Production and Mineral Taxes	5	9	-	-	5	9
(Gain) Loss on Risk Management	153	(216)	(11)	7	142	(209)
	<b>608</b>	960	<b>150</b>	123	<b>758</b>	1,083
Depreciation, Depletion and Amortization	432	372	36	37	468	409
Goodwill Impairment	-	393	-	-	-	393
Exploration Expense	5	-	-	-	5	-
<b>Segment Income</b>	<b>171</b>	195	<b>114</b>	86	<b>285</b>	281

The Oil Sands and Conventional segments operate in Canada. Both of Cenovus's refining facilities are located and carry on business in the U.S. The marketing of Cenovus's crude oil and natural gas produced in Canada, as well as the third-party purchases and sales of product, is undertaken in Canada. Physical product sales that settle in the U.S. are considered to be export sales undertaken by a Canadian business. The Corporate and Eliminations segment is attributed to Canada, with the exception of the unrealized risk management gains and losses, which have been attributed to the country in which the transacting entity resides.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
All amounts in \$ millions, unless otherwise indicated  
For the period ended December 31, 2013

**D) Results of Operations – Segment and Operational Information**

For the twelve months ended December 31,	Oil Sands		Conventional		Refining and Marketing	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	3,912	3,356	2,980	2,800	12,706	11,356
Less: Royalties	132	186	204	201	-	-
	<b>3,780</b>	3,170	<b>2,776</b>	2,599	<b>12,706</b>	11,356
<b>Expenses</b>						
Purchased Product	-	-	-	-	11,004	9,506
Transportation and Blending	1,749	1,501	325	297	-	-
Operating	555	426	708	662	540	581
Production and Mineral Taxes	-	-	35	37	-	-
(Gain) Loss on Risk Management	(37)	(64)	(104)	(268)	19	(4)
<b>Operating Cash Flow</b>	<b>1,513</b>	1,307	<b>1,812</b>	1,871	<b>1,143</b>	1,273
Depreciation, Depletion and Amortization	446	339	1,170	1,048	138	146
Goodwill Impairment	-	-	-	393	-	-
Exploration Expense	-	-	114	68	-	-
<b>Segment Income (Loss)</b>	<b>1,067</b>	968	<b>528</b>	362	<b>1,005</b>	1,127

For the twelve months ended December 31,	Corporate and Eliminations		Consolidated	
	2013	2012	2013	2012
<b>Revenues</b>				
Gross Sales	(605)	(283)	18,993	17,229
Less: Royalties	-	-	336	387
	<b>(605)</b>	(283)	<b>18,657</b>	16,842
<b>Expenses</b>				
Purchased Product	(605)	(283)	10,399	9,223
Transportation and Blending	-	-	2,074	1,798
Operating	(5)	(2)	1,798	1,667
Production and Mineral Taxes	-	-	35	37
(Gain) Loss on Risk Management	415	(57)	293	(393)
	<b>(410)</b>	59	<b>4,058</b>	4,510
Depreciation, Depletion and Amortization	79	52	1,833	1,585
Goodwill Impairment	-	-	-	393
Exploration Expense	-	-	114	68
<b>Segment Income (Loss)</b>	<b>(489)</b>	7	<b>2,111</b>	2,464
General and Administrative	349	350	349	350
Finance Costs	529	455	529	455
Interest Income	(96)	(109)	(96)	(109)
Foreign Exchange (Gain) Loss, Net	208	(20)	208	(20)
Research Costs	24	15	24	15
(Gain) Loss on Divestiture of Assets	1	-	1	-
Other (Income) Loss, Net	2	(5)	2	(5)
	<b>1,017</b>	686	<b>1,017</b>	686
<b>Earnings Before Income Tax</b>			<b>1,094</b>	1,778
Income Tax Expense			432	783
<b>Net Earnings</b>			<b>662</b>	995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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 For the period ended December 31, 2013

**E) Financial Results by Upstream Product**

For the twelve months ended December 31,	Crude Oil <sup>(1)</sup>					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	3,850	3,307	2,373	2,289	6,223	5,596
Less: Royalties	131	186	196	195	327	381
	3,719	3,121	2,177	2,094	5,896	5,215
<b>Expenses</b>						
Transportation and Blending	1,748	1,499	305	278	2,053	1,777
Operating	531	401	495	441	1,026	842
Production and Mineral Taxes	-	-	32	34	32	34
(Gain) Loss on Risk Management	(33)	(46)	(43)	(39)	(76)	(85)
<b>Operating Cash Flow</b>	<b>1,473</b>	<b>1,267</b>	<b>1,388</b>	<b>1,380</b>	<b>2,861</b>	<b>2,647</b>

(1) Includes NGLs.

For the twelve months ended December 31,	Natural Gas					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	38	38	594	498	632	536
Less: Royalties	1	-	8	6	9	6
	37	38	586	492	623	530
<b>Expenses</b>						
Transportation and Blending	1	2	20	19	21	21
Operating	18	23	209	217	227	240
Production and Mineral Taxes	-	-	3	3	3	3
(Gain) Loss on Risk Management	(4)	(18)	(61)	(229)	(65)	(247)
<b>Operating Cash Flow</b>	<b>22</b>	<b>31</b>	<b>415</b>	<b>482</b>	<b>437</b>	<b>513</b>

For the twelve months ended December 31,	Other					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	24	11	13	13	37	24
Less: Royalties	-	-	-	-	-	-
	24	11	13	13	37	24
<b>Expenses</b>						
Transportation and Blending	-	-	-	-	-	-
Operating	6	2	4	4	10	6
Production and Mineral Taxes	-	-	-	-	-	-
(Gain) Loss on Risk Management	-	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>18</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>27</b>	<b>18</b>

For the twelve months ended December 31,	Total Upstream					
	Oil Sands		Conventional		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	3,912	3,356	2,980	2,800	6,892	6,156
Less: Royalties	132	186	204	201	336	387
	3,780	3,170	2,776	2,599	6,556	5,769
<b>Expenses</b>						
Transportation and Blending	1,749	1,501	325	297	2,074	1,798
Operating	555	426	708	662	1,263	1,088
Production and Mineral Taxes	-	-	35	37	35	37
(Gain) Loss on Risk Management	(37)	(64)	(104)	(268)	(141)	(332)
<b>Operating Cash Flow</b>	<b>1,513</b>	<b>1,307</b>	<b>1,812</b>	<b>1,871</b>	<b>3,325</b>	<b>3,178</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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**F) Geographic Information**

For the twelve months ended December 31,	Canada		United States		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Gross Sales	8,943	8,069	10,050	9,160	18,993	17,229
Less: Royalties	336	387	-	-	336	387
	<b>8,607</b>	7,682	<b>10,050</b>	9,160	<b>18,657</b>	16,842
<b>Expenses</b>						
Purchased Product	2,022	1,884	8,377	7,339	10,399	9,223
Transportation and Blending	2,074	1,798	-	-	2,074	1,798
Operating	1,276	1,108	522	559	1,798	1,667
Production and Mineral Taxes	35	37	-	-	35	37
(Gain) Loss on Risk Management	275	(385)	18	(8)	293	(393)
	<b>2,925</b>	3,240	<b>1,133</b>	1,270	<b>4,058</b>	4,510
Depreciation, Depletion and Amortization	1,695	1,439	138	146	1,833	1,585
Goodwill Impairment	-	393	-	-	-	393
Exploration Expense	114	68	-	-	114	68
<b>Segment Income</b>	<b>1,116</b>	1,340	<b>995</b>	1,124	<b>2,111</b>	2,464

**G) Joint Operations**

A significant portion of the operating cash flows from the Oil Sands and Refining and Marketing segments are derived through jointly controlled entities, FCCL Partnership ("FCCL") and WRB Refining LP ("WRB"), respectively. These joint arrangements, in which Cenovus has a 50 percent ownership interest, are classified as joint operations and, as such, Cenovus recognizes its share of the assets, liabilities, revenues and expenses.

FCCL, which is involved in the development and production of crude oil in Canada, is jointly controlled with ConocoPhillips and operated by Cenovus. WRB has two refineries in the U.S. and focuses on the refining of crude oil into petroleum and chemical products. WRB is jointly controlled with and operated by Phillips 66. Cenovus's share of operating cash flow from FCCL and WRB for the three months ended December 31, 2013 was \$355 million and \$154 million, respectively (three months ended December 31, 2012 - \$328 million and \$121 million). Cenovus's share of operating cash flow from FCCL and WRB for the year ended December 31, 2013 was \$1,383 million and \$1,144 million, respectively (year ended December 31, 2012 - \$1,188 million and \$1,274 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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**H) Exploration and Evaluation Assets, Property, Plant and Equipment, Goodwill and Total Assets**

**By Segment**

As at	E&E <sup>(1)</sup>		PP&E <sup>(2)</sup>	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Oil Sands	1,313	1,064	7,401	6,041
Conventional	160	221	6,291	6,652
Refining and Marketing	-	-	3,269	3,088
Corporate and Eliminations	-	-	373	371
<b>Consolidated</b>	<b>1,473</b>	<b>1,285</b>	<b>17,334</b>	<b>16,152</b>

  

As at	Goodwill		Total Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Oil Sands	242	242	9,549	9,658
Conventional	497	497	7,235	7,618
Refining and Marketing	-	-	5,491	5,018
Corporate and Eliminations	-	-	2,949	1,922
<b>Consolidated</b>	<b>739</b>	<b>739</b>	<b>25,224</b>	<b>24,216</b>

(1) Exploration and evaluation ("E&E") assets.

(2) Property, plant and equipment ("PP&E").

**By Geographic Region**

As at	E&E		PP&E	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Canada	1,473	1,285	14,066	13,065
United States	-	-	3,268	3,087
<b>Consolidated</b>	<b>1,473</b>	<b>1,285</b>	<b>17,334</b>	<b>16,152</b>

  

As at	Goodwill		Total Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Canada	739	739	20,548	19,744
United States	-	-	4,676	4,472
<b>Consolidated</b>	<b>739</b>	<b>739</b>	<b>25,224</b>	<b>24,216</b>

**I) Capital Expenditures <sup>(1)</sup>**

For the period ended December 31,	Three Months Ended		Twelve Months Ended	
	2013	2012	2013	2012
<b>Capital</b>				
Oil Sands	502	458	1,883	1,693
Conventional	331	404	1,191	1,366
Refining and Marketing	37	58	107	118
Corporate	28	58	81	191
	<b>898</b>	<b>978</b>	<b>3,262</b>	<b>3,368</b>
<b>Acquisition Capital</b>				
Oil Sands <sup>(2)</sup>	26	67	27	69
Conventional	1	3	5	45
	<b>925</b>	<b>1,048</b>	<b>3,294</b>	<b>3,482</b>

(1) Includes expenditures on PP&E and E&E.

(2) 2012 asset acquisition included the assumption of a decommissioning liability of \$33 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

All amounts in \$ millions, unless otherwise indicated  
For the period ended December 31, 2013

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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In these interim Consolidated Financial Statements, unless otherwise indicated, all dollars are expressed in Canadian dollars. All references to C\$ or \$ are to Canadian dollars and references to US\$ are to U.S. dollars.

These interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the annual Consolidated Financial Statements for the year ended December 31, 2012, except as identified in Note 3 and for income taxes. Income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss. The disclosures provided are incremental to those included with the annual Consolidated Financial Statements. Certain information and disclosures normally included in the notes to the annual Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These interim Consolidated Financial Statements of Cenovus were approved by the Audit Committee effective February 12, 2014.

### 3. CHANGES IN ACCOUNTING POLICIES

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#### A) Joint Arrangements, Consolidation, Associates and Disclosures

As disclosed in the December 31, 2012 annual Consolidated Financial Statements, effective January 1, 2013, the Company adopted, as required, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11"), IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") as well as the amendments to IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28").

Cenovus reviewed its consolidation methodology and determined that the adoption of IFRS 10 did not result in a change in the consolidation status of its subsidiaries and investees.

Under IFRS 11, interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Cenovus performed a comprehensive review of its interests in other entities and identified two individually significant interests, FCCL and WRB, for which it shares joint control. Previously, Cenovus accounted for these jointly controlled entities using proportionate consolidation.

Cenovus reviewed these joint arrangements considering their structure, the legal forms of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The application of the Company's accounting policy under IFRS 11 requires judgment in determining the classification of these joint arrangements. It was determined that Cenovus has the rights to the assets and obligations for the liabilities of FCCL and WRB. As a result, these joint arrangements have been classified as joint operations under IFRS 11 and the Company's share of the assets, liabilities, revenues and expenses have been recognized in the interim Consolidated Financial Statements.

In determining the classification of its joint arrangements under IFRS 11, the Company considered the following:

- The intention of the transaction creating FCCL and WRB was to form an integrated North American heavy oil business. The integrated business was structured, initially on a tax neutral basis, through two partnerships due to the assets residing in different tax jurisdictions. Partnerships are "flow-through" entities which have a limited life.
- The partnership agreements require the partners (Cenovus and ConocoPhillips or Phillips 66 or respective subsidiaries) to make contributions if funds are insufficient to meet the obligations or liabilities of the partnership. The past and future development of FCCL and WRB is dependent on funding from the partners by way of partnership notes payable and loans. The partnerships do not have any third-party borrowings.
- FCCL operates like most typical western Canadian working interest relationships where the operating partner takes product on behalf of the participants. WRB has a very similar structure modified only to account for the operating environment of the refining business.
- Cenovus and Phillips 66, as operators, either directly or through wholly-owned subsidiaries, provide marketing services, purchase necessary feedstock, and arrange for transportation and storage on the partners' behalf as the agreements prohibit the partnerships from undertaking these roles themselves. In addition, the partnerships do not have employees and as such are not capable of performing these roles.
- In each arrangement, output is taken by one of the partners, indicating that the partners have rights to the economic benefits of the assets and the obligation for funding the liabilities of the arrangements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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There has been no impact on the recognized assets, liabilities and comprehensive income of the Company with the application of these standards.

### B) Employee Benefits

As disclosed in the December 31, 2012 annual Consolidated Financial Statements, effective January 1, 2013, the Company adopted, as required, IAS 19, "Employee Benefits", as amended in June 2011 ("IAS 19R"). The Company applied the standard retrospectively and in accordance with the transitional provisions. The opening Consolidated Balance Sheet of the earliest comparative period presented (January 1, 2012) was restated.

IAS 19R requires the recognition of changes in defined benefit pension obligations and plan assets when they occur, eliminating the 'corridor' approach previously permitted and accelerating the recognition of past service costs. In order for the net defined benefit liability or asset to reflect the full value of the plan deficit or surplus, all actuarial gains and losses are recognized immediately through other comprehensive income ("OCI"). In addition, the Company replaced interest costs on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability measured by applying the same discount rate used to measure the defined benefit obligation at the beginning of the annual period. Interest expense and interest income on net post-employment benefit liabilities and assets continue to be recognized in net earnings.

IAS 19R requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw an offer of termination benefits or recognizes any restructuring costs. This requirement had no impact on the Consolidated Financial Statements.

The effect on the Consolidated Balance Sheets of IAS 19R was as follows:

<b>As at January 1, 2012</b>	<b>Net Defined Benefit Liability<sup>(1)</sup></b>	<b>Deferred Income Taxes</b>	<b>Shareholders' Equity</b>
Balance as Previously Reported	16	2,101	9,406
Effect of Adoption of IAS 19R	30	(8)	(22)
<b>Restated Balance</b>	<b>46</b>	<b>2,093</b>	<b>9,384</b>

(1) Composed of the defined benefit pension and other post-employment benefit ("OPEB") plans, which are included in other liabilities on the Consolidated Balance Sheets.

<b>As at December 31, 2012</b>	<b>Net Defined Benefit Liability<sup>(1)</sup></b>	<b>Deferred Income Taxes</b>	<b>Shareholders' Equity</b>
Balance as Previously Reported	28	2,568	9,806
Effect of Adoption of IAS 19R	32	(8)	(24)
<b>Restated Balance</b>	<b>60</b>	<b>2,560</b>	<b>9,782</b>

(1) Composed of the defined benefit pension and OPEB plans, which are included in other liabilities on the Consolidated Balance Sheets.

The effect on the Consolidated Statements of Earnings and Comprehensive Income of IAS 19R was as follows:

	<b>Three Months Ended December 31, 2012</b>	<b>Twelve Months Ended December 31, 2012</b>
Decrease in General and Administrative Expense	1	2
Increase in Net Earnings for the Period	1	2
Remeasurement of Defined Benefit and OPEB Liabilities (Decrease) in Comprehensive Income for the Period	(1)	(4)
	-	(2)

The change in accounting policy did not have a material impact on the Consolidated Financial Statements including net earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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**Additional Disclosures**

Details about the Company's defined benefit and OPEB plans can be found in the notes to the annual Consolidated Financial Statements as at December 31, 2012. Additional and restated disclosures as at December 31, 2012, as required by IAS 19R are as follows:

**Defined Benefit and OPEB Plan Obligation and Funded Status**

	Pension Benefits	OPEB
<b>Defined Benefit Obligation</b>		
Defined Benefit Obligation, January 1, 2012	84	19
Current Service Costs	10	2
Interest Costs <sup>(1)</sup>	4	1
Benefits Paid	(2)	-
Plan Participant Contributions	1	-
Plan Conversion	30	-
Remeasurements:		
(Gains) Losses from Experience Adjustments	3	1
(Gains) Losses from Changes in Demographic Assumptions	-	(1)
(Gains) Losses from Changes in Financial Assumptions	4	(2)
<b>Defined Benefit Obligation, December 31, 2012</b>	<b>134</b>	<b>20</b>
<b>Plan Assets</b>		
Balance as at December 31, 2011, as Previously Reported	61	-
Cumulative Effect of Change in Accounting Policy	(4)	-
Balance as at January 1, 2012, Restated	57	-
Employer Contributions	22	-
Plan Participant Contributions	1	-
Benefits Paid	(2)	-
Interest Income <sup>(1)</sup>	3	-
Asset Transfer from Plan Conversion	12	-
Remeasurements:		
Return on Plan Assets (Excluding Interest Income)	1	-
<b>Fair Value of Plan Assets, December 31, 2012</b>	<b>94</b>	<b>-</b>
	<b>(40)</b>	<b>(20)</b>

(1) Based on the discount rate of the defined benefit obligation at the beginning of the year.

(2) Pension and OPEB liabilities are included in other liabilities on the Consolidated Balance Sheets.

**Plan Assets**

Defined benefit plan assets comprise:

As at	December 31, 2012	January 1, 2012
<b>Equity Securities</b>		
Equity Funds and Balanced Funds	52	30
Other	3	-
<b>Bond Funds</b>	24	17
<b>Non-Invested Assets</b>	11	7
<b>Real Estate</b>	4	3
	<b>94</b>	<b>57</b>

Fair value of equity securities and bond funds are based on the trading price of the underlying funds. The fair value of the non-invested assets is the discounted value of the expected future payments. The fair value of real estate is determined by accredited real estate appraisers.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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### C) Fair Value Measurement

Effective January 1, 2013, the Company adopted, as required, IFRS 13, "Fair Value Measurement" ("IFRS 13") and applied the standard prospectively as required by the transitional provisions. The standard provides a consistent definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. There has been no change to Cenovus's methodology for determining the fair value for its financial assets and liabilities and, as such, the adoption of IFRS 13 did not result in any measurement adjustments as at January 1, 2013. The disclosures related to fair value measurement can be found in Note 21.

### D) Presentation of Items in Other Comprehensive Income

Effective January 1, 2013, the Company applied the amendment to IAS 1, "Presentation of Financial Statements" ("IAS 1"), as amended in June 2011. The amendment requires items within OCI to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in OCI has been modified. The application of the amendment to IAS 1 did not result in any adjustments to OCI.

### E) Disclosure of Offsetting Financial Assets and Financial Liabilities

Effective January 1, 2013, the Company complied with the amended disclosure requirements, regarding offsetting financial assets and financial liabilities, found in IFRS 7, "Financial Instruments: Disclosures" issued in December 2011. The additional disclosure can be found in Note 21. The application of the amendment had no impact on the Consolidated Statements of Earnings and Comprehensive Income or the Consolidated Balance Sheets.

### F) Disclosures of Recoverable Amounts of Non-Financial Assets

In May 2013, the IASB issued an amendment to IAS 36, "Impairment of Assets". The amendment removes certain disclosures of the recoverable amount of a cash-generating unit ("CGU"). The amendment is effective retrospectively for annual periods beginning on or after January 1, 2014. As allowed by the standard, the Company early adopted the amendment in the current period. Refer to Note 14 for the amended disclosures.

### G) Future Accounting Pronouncements

A description of additional standards and interpretations that will be adopted by the Company in future periods are as follows:

#### **Financial Instruments**

The IASB intends to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") with IFRS 9, "Financial Instruments" ("IFRS 9"). IFRS 9 will be published in three phases, of which two phases have been published.

Phases one and two address accounting for financial assets and financial liabilities, and hedge accounting, respectively. The third phase will address impairment of financial instruments.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch.

IFRS 9 introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. In addition, improvements have been made to hedge accounting and risk management disclosure requirements. Cenovus does not currently apply hedge accounting.

A mandatory effective date for IFRS 9 in its entirety will be announced when the project is closer to completion. Early adoption of the two completed phases is permitted only if adopted in their entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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**Offsetting Financial Assets and Financial Liabilities**

In December 2011, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, requiring retrospective application. IAS 32 will not have a significant impact on the Consolidated Financial Statements.

**4. FINANCE COSTS**

<i>For the period ended December 31,</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Interest Expense – Short-Term Borrowings and Long-Term Debt	<b>68</b>	64	<b>271</b>	230
Premium on Redemption of Long-Term Debt (Note 15)	-	-	<b>33</b>	-
Interest Expense – Partnership Contribution Payable	<b>23</b>	27	<b>98</b>	118
Unwinding of Discount on Decommissioning Liabilities	<b>25</b>	22	<b>97</b>	86
Other	<b>6</b>	(2)	<b>30</b>	21
	<b>122</b>	111	<b>529</b>	455

**5. INTEREST INCOME**

<i>For the period ended December 31,</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Interest Income – Partnership Contribution Receivable	<b>(17)</b>	(23)	<b>(82)</b>	(102)
Other	<b>(6)</b>	(2)	<b>(14)</b>	(7)
	<b>(23)</b>	(25)	<b>(96)</b>	(109)

**6. FOREIGN EXCHANGE (GAIN) LOSS, NET**

<i>For the period ended December 31,</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Unrealized Foreign Exchange (Gain) Loss on Translation of:				
U.S. Dollar Debt Issued from Canada	<b>167</b>	53	<b>357</b>	(69)
U.S. Dollar Partnership Contribution Receivable Issued from Canada	<b>(206)</b>	(37)	<b>(305)</b>	(15)
Other	<b>(7)</b>	(4)	<b>(12)</b>	14
<b>Unrealized Foreign Exchange (Gain) Loss</b>	<b>(46)</b>	12	<b>40</b>	(70)
<b>Realized Foreign Exchange (Gain) Loss</b>	<b>161</b>	10	<b>168</b>	50
	<b>115</b>	22	<b>208</b>	(20)

**7. INCOME TAXES**

The provision for income taxes is as follows:

<i>For the period ended December 31,</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Current Tax				
Canada	<b>(4)</b>	49	<b>143</b>	188
United States <sup>(1)</sup>	<b>7</b>	76	<b>45</b>	121
<b>Total Current Tax</b>	<b>3</b>	125	<b>188</b>	309
<b>Deferred Tax</b>	<b>33</b>	66	<b>244</b>	474
	<b>36</b>	191	<b>432</b>	783

(1) 2012 includes \$68 million of withholding tax on a U.S. dividend.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
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The following table reconciles income taxes calculated at the Canadian statutory rate with the recorded income taxes:

For the period ended December 31,	Twelve Months Ended	
	2013	2012
<b>Earnings Before Income Tax</b>	<b>1,094</b>	1,778
Canadian Statutory Rate	25.2%	25.2%
<b>Expected Income Tax</b>	<b>276</b>	448
Effect of Taxes Resulting from:		
Foreign Tax Rate Differential	109	146
Non-Deductible Stock-Based Compensation	10	10
Multi-Jurisdictional Financing	(22)	(27)
Foreign Exchange Gains (Losses) Not Included in Net Earnings	19	14
Non-Taxable Capital (Gains) Losses	31	(7)
Derecognition (Recognition) of Capital Losses	15	(22)
Adjustments Arising from Prior Year Tax Filings	(13)	33
Withholding Tax on Foreign Dividend	-	68
Goodwill Impairment	-	99
Other	7	21
<b>Total Tax</b>	<b>432</b>	783
<b>Effective Tax Rate</b>	<b>39.5%</b>	44.0%

## 8. PER SHARE AMOUNTS

### A) Net Earnings Per Share

For the period ended December 31, (\$ millions, except net earnings per share)	Three Months Ended		Twelve Months Ended	
	2013	2012	2013	2012
Net Earnings (Loss) – Basic and Diluted	(58)	(117)	662	995
Weighted Average Number of Shares – Basic	755.9	755.8	755.9	755.6
Dilutive Effect of Cenovus TSARs	1.3	2.5	1.6	2.9
Dilutive Effect of NSRs	-	-	-	-
Weighted Average Number of Shares – Diluted	757.2	758.3	757.5	758.5
Net Earnings (Loss) Per Share – Basic	\$(0.08)	\$(0.15)	\$0.88	\$1.32
Net Earnings (Loss) Per Share – Diluted	\$(0.08)	\$(0.15)	\$0.87	\$1.31

### B) Dividends Per Share

The Company paid dividends of \$732 million or \$0.968 per share for the year ended December 31, 2013 (December 31, 2012 – \$665 million, \$0.88 per share). The Cenovus Board of Directors declared a first quarter dividend of \$0.2662 per share, payable on March 31, 2014, to common shareholders of record as of March 14, 2014.

## 9. PARTNERSHIP CONTRIBUTION RECEIVABLE

Through its interest in the FCCL joint operation, Cenovus's Consolidated Balance Sheets included a Partnership Contribution Receivable. On December 17, 2013, Cenovus received US\$1.4 billion, representing the remaining principal and interest due under the Partnership Contribution Receivable.

## 10. INVENTORIES

As at	December 31, 2013	December 31, 2012
<b>Product</b>		
Refining and Marketing	1,047	1,056
Oil Sands	156	192
Conventional	17	11
<b>Parts and Supplies</b>	39	29
	<b>1,259</b>	<b>1,288</b>

In the third quarter, Cenovus recorded a \$28 million write-down of its product inventory as a result of a decline in refined product prices. Product turnover and the subsequent improvement in commodity prices have resulted in the \$28 million being reversed in the fourth quarter.

## 11. ASSETS AND LIABILITIES HELD FOR SALE

In the first quarter of 2013, Management decided to launch a public sales process to divest its Lower Shaunavon and certain of its Bakken properties in Saskatchewan. The land base associated with these properties is relatively small and does not offer sufficient scalability to be material to Cenovus's overall asset portfolio. At that time, the assets were recorded at the lesser of fair value less costs of disposal and their carrying amount, and depletion ceased. These assets and the related liabilities are reported in the Conventional segment.

In July 2013, the Company completed the sale of the Lower Shaunavon asset to an unrelated third party for proceeds of approximately \$240 million plus closing adjustments. In the second quarter of 2013, an impairment loss of \$57 million was recorded as additional depreciation, depletion and amortization ("DD&A") on the transaction. A loss of \$2 million was recorded on the sale in the third quarter.

Management decided to discontinue the Bakken sales process until market conditions improve. While discussions with prospective purchasers have occurred, an offer that meets Management's expectations has not been received for the Bakken assets. As a result of this decision, as at December 31, 2013, the assets and associated decommissioning liabilities were reclassified from held for sale to PP&E and decommissioning liabilities, at their carrying amounts. Depletion, calculated on a per-unit of production basis, was recorded in the fourth quarter. The carrying value continues to be less than the estimated recoverable amount; therefore, no impairment was recognized.

## 12. EXPLORATION AND EVALUATION ASSETS

### COST

As at December 31, 2011	880
Additions <sup>(1)</sup>	687
Transfers to PP&E (Note 13)	(218)
Exploration Expense	(68)
Divestitures	(11)
Change in Decommissioning Liabilities	15
As at December 31, 2012	1,285
Additions	331
Transfers to PP&E (Note 13)	(95)
Exploration Expense	(50)
Divestitures	(17)
Change in Decommissioning Liabilities	19
<b>As at December 31, 2013</b>	<b>1,473</b>

(1) 2012 asset acquisition included the assumption of a decommissioning liability of \$33 million.

Exploration and evaluation assets consist of the Company's evaluation projects which are pending determination of technical feasibility and commercial viability. All of the Company's E&E assets are located within Canada.

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Additions to E&E assets for the year ended December 31, 2013 include \$60 million of internal costs directly related to the evaluation of these projects (year ended December 31, 2012 – \$37 million). Costs classified as general and administrative expenses have not been capitalized as part of capital expenditures. No borrowing costs have been capitalized during the year ended December 31, 2013 or December 31, 2012.

For the year ended December 31, 2013, \$95 million of E&E assets were transferred to PP&E – development and production assets following the determination of technical feasibility and commercial viability of the projects in question (year ended December 31, 2012 – \$218 million).

### Impairment

The impairment of E&E assets and any subsequent reversal of such impairment losses are recognized in exploration expense in the Consolidated Statements of Earnings and Comprehensive Income. For the year ended December 31, 2013, \$50 million of previously capitalized E&E costs related to certain tight oil exploration assets within the Conventional segment were deemed not to be technically feasible and commercially viable and were recognized as exploration expense (year ended December 31, 2012 – \$68 million).

## 13. PROPERTY, PLANT AND EQUIPMENT, NET

	Upstream Assets		Refining Equipment	Other <sup>(1)</sup>	Total
	Development & Production	Other Upstream			
<b>COST</b>					
As at December 31, 2011	23,858	194	3,425	576	28,053
Additions	2,442	44	118	191	2,795
Transfers from E&E Assets (Note 12)	218	-	-	-	218
Transfers and Reclassifications	-	-	(55)	-	(55)
Change in Decommissioning Liabilities	484	-	(16)	-	468
Exchange Rate Movements	1	-	(73)	-	(72)
As at December 31, 2012	27,003	238	3,399	767	31,407
Additions	2,702	48	106	82	2,938
Transfers from E&E Assets (Note 12)	95	-	-	-	95
Transfers and Reclassifications	(450)	-	(88)	-	(538)
Change in Decommissioning Liabilities	40	-	(1)	-	39
Exchange Rate Movements	-	-	238	-	238
<b>As at December 31, 2013</b>	<b>29,390</b>	<b>286</b>	<b>3,654</b>	<b>849</b>	<b>34,179</b>
<b>ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION</b>					
As at December 31, 2011	13,021	139	225	344	13,729
Depreciation, Depletion and Amortization	1,368	19	146	52	1,585
Transfers and Reclassifications	-	-	(55)	-	(55)
Impairment Losses	-	-	-	-	-
Exchange Rate Movements	1	-	(5)	-	(4)
As at December 31, 2012	14,390	158	311	396	15,255
Depreciation, Depletion and Amortization	1,522	35	138	79	1,774
Transfers and Reclassifications	(123)	-	(88)	-	(211)
Impairment Losses	2	-	-	-	2
Exchange Rate Movements	-	-	25	-	25
<b>As at December 31, 2013</b>	<b>15,791</b>	<b>193</b>	<b>386</b>	<b>475</b>	<b>16,845</b>
<b>CARRYING VALUE</b>					
As at December 31, 2011	10,837	55	3,200	232	14,324
As at December 31, 2012	12,613	80	3,088	371	16,152
<b>As at December 31, 2013</b>	<b>13,599</b>	<b>93</b>	<b>3,268</b>	<b>374</b>	<b>17,334</b>

(1) Includes office furniture, fixtures, leasehold improvements, information technology and aircraft.

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Additions to development and production assets include internal costs directly related to the development and construction of crude oil and natural gas properties of \$204 million for the year ended December 31, 2013 (year ended December 31, 2012 – \$161 million). All of the Company's development and production assets are located within Canada. Costs classified as general and administrative expenses have not been capitalized as part of capital expenditures. No borrowing costs have been capitalized during the year ended December 31, 2013 or December 31, 2012.

PP&E includes the following amounts in respect of assets under construction and are not subject to DD&A:

As at	December 31, 2013	December 31, 2012
Development and Production	225	71
Refining Equipment	97	13
	<b>322</b>	<b>84</b>

## 14. GOODWILL

As at	December 31, 2013	December 31, 2012
Carrying Value, Beginning of Year	739	1,132
Impairment	-	(393)
<b>Carrying Value, End of Year</b>	<b>739</b>	<b>739</b>

There were no goodwill additions for 2013 or 2012.

### Impairment Test for CGUs Containing Goodwill

For the purpose of impairment testing, goodwill is allocated to the CGU to which it relates. All of the Company's goodwill arose in 2002 upon the formation of the predecessor corporation. The carrying amount of goodwill allocated to the Company's exploration and production CGUs was:

As at	December 31, 2013	December 31, 2012
Primrose (Foster Creek)	242	242
Northern Alberta	497	497
	<b>739</b>	<b>739</b>

At December 31, 2012, the Company determined that the carrying amount of the Suffield CGU exceeded its fair value less costs of disposal and the full amount of the impairment was attributed to goodwill. An impairment loss of \$393 million was recorded as goodwill impairment on the Consolidated Statement of Earnings and Comprehensive Income. The Suffield property resides on the Canadian Forces Base in southeast Alberta and the operating results are included in the Conventional segment. Future cash flows for the area declined due to lower natural gas and crude oil prices and increased operating costs. In addition, minimal levels of capital spending for natural gas resulted in production exceeding reserves replacement in the area. With lower future cash flows and decreasing volumes, the carrying amount of the Suffield CGU exceeded its fair value.

The recoverable amount was determined using fair value less costs of disposal. A calculation based on discounted after-tax cash flows of proved and probable reserves using forecast prices and costs as estimated by Cenovus's independent qualified reserves evaluators was completed. To assess reasonableness, an evaluation of fair value based on comparable asset transactions was also completed. As at December 31, 2012, the recoverable amount of the Suffield CGU was \$1,130 million.

There were no impairments of goodwill in 2013.

## 15. LONG-TERM DEBT

As at	December 31, 2013	December 31, 2012
Revolving Term Debt <sup>(1)</sup>	-	-
U.S. Dollar Denominated Unsecured Notes	5,052	4,726
<b>Total Debt Principal</b>	<b>5,052</b>	<b>4,726</b>
Debt Discounts and Transaction Costs	(55)	(47)
	<b>4,997</b>	<b>4,679</b>

(1) Revolving term debt may include bankers' acceptances, LIBOR loans, prime rate loans and U.S. base rate loans.

As at December 31, 2013 the Company is in compliance with all of the terms of its debt agreements.

On May 9, 2013, Cenovus amended its U.S. base shelf prospectus for unsecured notes to increase the total capacity from US\$2.0 billion to US\$3.25 billion. The U.S. shelf prospectus allows for the issuance of debt securities in U.S. dollars or other foreign currencies, from time to time, in one or more offerings. The terms of the notes, including, but not limited to, the principal amount, interest at either fixed or floating rates and maturity dates will be determined at the date of issue. As at December 31, 2013, US\$1.2 billion remains under this U.S. shelf prospectus. The U.S. shelf prospectus expires in July 2014.

On August 15, 2013, Cenovus completed a public offering in the U.S. of senior unsecured notes in the aggregate principal amount of US\$800 million under the Company's U.S. base shelf prospectus. The senior unsecured notes issued are as follows:

	US\$ Principal Amount	December 31, 2013
3.8% due 2023	450	479
5.2% due 2043	350	372
	<b>800</b>	<b>851</b>

The net proceeds from the offering were used to partially fund the early redemption of Cenovus's US\$800 million senior unsecured notes due September 2014. A premium of US\$32 million was paid in the third quarter on the early redemption of these notes and recorded as finance costs.

In September 2013, Cenovus renegotiated its existing \$3.0 billion committed credit facility, extending the maturity date to November 30, 2017.

## 16. DECOMMISSIONING LIABILITIES

The decommissioning provision represents the present value of the expected future costs associated with the retirement of upstream crude oil and natural gas assets and refining facilities. The aggregate carrying amount of the obligation is as follows:

As at	December 31, 2013	December 31, 2012
Decommissioning Liabilities, Beginning of Year	2,315	1,777
Liabilities Incurred	45	99
Liabilities Settled	(76)	(66)
Transfers and Reclassifications	(26)	3
Change in Estimated Future Cash Flows	414	144
Change in Discount Rate	(401)	273
Unwinding of Discount on Decommissioning Liabilities	97	86
Foreign Currency Translation	2	(1)
<b>Decommissioning Liabilities, End of Year</b>	<b>2,370</b>	<b>2,315</b>

The undiscounted amount of estimated future cash flows required to settle the obligation has been discounted using a credit-adjusted risk-free rate of 5.2 percent as at December 31, 2013 (December 31, 2012 – 4.2 percent). Most of these obligations are not expected to be paid for several years, or decades, and are expected to be funded from general resources at that time. Revisions in estimated future cash flows resulted from accelerated timing of forecast abandonment and reclamation spending, and higher cost estimates.

## 17. SHARE CAPITAL

### A) Authorized

Cenovus is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares. The first and second preferred shares may be issued in one or more series with rights and conditions to be determined by the Company's Board of Directors prior to issuance and subject to the Company's articles.

### B) Issued and Outstanding

As at	December 31, 2013		December 31, 2012	
	Number of Common Shares (thousands)	Amount	Number of Common Shares (thousands)	Amount
Outstanding, Beginning of Year	755,843	3,829	754,499	3,780
Common Shares Issued under Stock Option Plans	970	31	1,344	49
Common Shares Cancelled	(767)	(3)	-	-
<b>Outstanding, End of Year</b>	<b>756,046</b>	<b>3,857</b>	<b>755,843</b>	<b>3,829</b>

During the year ended December 31, 2013, the Company cancelled 767,327 common shares. The common shares were held in reserve for un-exchanged shares of Alberta Energy Company Ltd., pursuant to the merger of Alberta Energy Company Ltd. and PanCanadian Energy Corporation in 2002 ("AEC Merger"), in which Encana Corporation ("Encana") was formed. Due to the plan of arrangement in 2009 involving Encana and Cenovus, common shares of the Company were held in reserve until the tenth anniversary of the AEC Merger.

There were no preferred shares outstanding as at December 31, 2013 (December 31, 2012 – nil).

As at December 31, 2013, there were 24 million (December 31, 2012 – 28 million) common shares available for future issuance under stock option plans.

## 18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

As at December 31, 2013	Defined Benefit Plan	Foreign Currency Translation	Available for Sale Investments	Total
Balance, Beginning of Year	(26)	95	-	69
Other Comprehensive Income, Before Tax	18	117	13	148
Income Tax	(4)	-	(3)	(7)
<b>Balance, End of Year</b>	<b>(12)</b>	<b>212</b>	<b>10</b>	<b>210</b>

  

As at December 31, 2012	Defined Benefit Plan	Foreign Currency Translation	Available for Sale Investments	Total
Balance, Beginning of Year	(22)	119	-	97
Other Comprehensive Income, Before Tax	(4)	(24)	-	(28)
Income Tax	-	-	-	-
<b>Balance, End of Year</b>	<b>(26)</b>	<b>95</b>	<b>-</b>	<b>69</b>

## 19. STOCK-BASED COMPENSATION PLANS

### A) Employee Stock Option Plan

Cenovus has an Employee Stock Option Plan that provides employees with the opportunity to exercise an option to purchase a common share of the Company. Options issued under the plan have associated tandem stock appreciation rights ("TSARs") or net settlement rights ("NSRs").

The following table is a summary of the options outstanding at the end of the period:

As at December 31, 2013	Issued	Term (Years)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (\$)	Closing Share Price (\$)	Number of Units Outstanding (thousands)
NSRs	On or After February 24, 2011	7	5.46	35.26	30.40	26,315
TSARs	Prior to February 17, 2010	5	0.15	26.28	30.40	2,483
TSARs	On or After February 17, 2010	7	3.20	26.71	30.40	4,603
Encana Replacement TSARs held by Cenovus Employees	Prior to December 1, 2009	5	0.12	29.06	19.18	3,904
Cenovus Replacement TSARs held by Encana Employees	Prior to December 1, 2009	5	0.12	26.28	30.40	1,479

### NSRs

The weighted average unit fair value of NSRs granted during the year ended December 31, 2013 was \$6.10 before considering forfeitures, which are required to be considered in determining total cost for the period. The fair value of each NSR was estimated on its grant date using the Black-Scholes-Merton valuation model.

The following table summarizes information related to the NSRs:

As at December 31, 2013	Number of NSRs (thousands)	Weighted Average Exercise Price (\$)
Outstanding, Beginning of Year	15,074	37.52
Granted	12,078	32.50
Exercised for Common Shares	-	31.85
Forfeited	(837)	36.26
<b>Outstanding, End of Year</b>	<b>26,315</b>	<b>35.26</b>
<b>Exercisable, End of Year</b>	<b>5,966</b>	<b>37.37</b>

### TSARs Held by Cenovus Employees

The Company has recorded a liability of \$33 million at December 31, 2013 (December 31, 2012 – \$64 million) based on the fair value of each TSAR held by Cenovus employees. The intrinsic value of vested TSARs held by Cenovus employees as at December 31, 2013 was \$27 million (December 31, 2012 – \$45 million).

The following table summarizes information related to the TSARs, including performance TSARs, held by Cenovus employees. All performance TSARs have vested and, as such, terms and conditions are consistent with TSARs which were not performance based.

As at December 31, 2013	Number of TSARs (thousands)	Weighted Average Exercise Price (\$)
Outstanding, Beginning of Year	11,251	28.13
Exercised for Cash Payment	(1,840)	29.70
Exercised as Options for Common Shares	(955)	29.07
Forfeited	(67)	28.62
Expired	(1,303)	33.77
<b>Outstanding, End of Year</b>	<b>7,086</b>	<b>26.56</b>
<b>Exercisable, End of Year</b>	<b>7,037</b>	<b>26.51</b>

For options exercised during the year, the weighted average market price of Cenovus's common shares at the date of exercise was \$32.60.

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**Encana Replacement TSARs Held by Cenovus Employees**

The Company has recorded a liability of \$nil as at December 31, 2013 (December 31, 2012 – \$1 million) based on the fair value of each Encana replacement TSAR held by Cenovus employees. The intrinsic value of vested Encana replacement TSARs held by Cenovus employees at December 31, 2013 was \$nil (December 31, 2012 – \$nil).

The following table summarizes information related to the Encana Replacement TSARs, including performance TSARs held by Cenovus employees. All performance TSARs have vested and, as such, terms and conditions are consistent with TSARs which were not performance based.

<i>As at December 31, 2013</i>	Number of TSARs (thousands)	Weighted Average Exercise Price (\$)
Outstanding, Beginning of Year	7,722	32.66
Forfeited	(187)	30.07
Expired	(3,631)	36.66
<b>Outstanding, End of Year</b>	<b>3,904</b>	<b>29.06</b>
<b>Exercisable, End of Year</b>	<b>3,904</b>	<b>29.06</b>

The closing price of Encana common shares on the TSX as at December 31, 2013 was \$19.18.

**Cenovus Replacement TSARs Held by Encana Employees**

Encana is required to reimburse Cenovus in respect of cash payments made by Cenovus to Encana employees when these employees exercise a Cenovus replacement TSAR for cash. No compensation expense is recognized and no further Cenovus replacement TSARs will be granted to Encana employees.

The Company has recorded a liability of \$6 million as at December 31, 2013 (December 31, 2012 – \$35 million) based on the fair value of each Cenovus replacement TSAR held by Encana employees, with an offsetting account receivable from Encana. The intrinsic value of vested Cenovus replacement TSARs held by Encana employees at December 31, 2013 was \$6 million (December 31, 2012 – \$22 million).

The following table summarizes the information related to the Cenovus Replacement TSARs, including performance TSARs, held by Encana employees. All performance TSARs have vested and, as such, terms and conditions are consistent with TSARs which were not performance based.

<i>As at December 31, 2013</i>	Number of TSARs (thousands)	Weighted Average Exercise Price (\$)
Outstanding, Beginning of Year	5,229	29.29
Exercised for Cash Payment	(2,351)	28.75
Exercised as Options for Common Shares	(15)	29.54
Forfeited	(27)	28.74
Expired	(1,357)	33.51
<b>Outstanding, End of Year</b>	<b>1,479</b>	<b>26.28</b>
<b>Exercisable, End of Year</b>	<b>1,479</b>	<b>26.28</b>

For options exercised during the year, the weighted average market price of Cenovus's common shares at the date of exercise was \$32.42.

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### B) Performance Share Units

The Company has recorded a liability of \$103 million as at December 31, 2013 (December 31, 2012 – \$124 million) for performance share units (“PSUs”) based on the market value of Cenovus’s common shares at December 31, 2013. As PSUs are paid out upon vesting, the intrinsic value was \$nil at December 31, 2013 and December 31, 2012.

The following table summarizes the information related to the PSUs held by Cenovus employees:

<i>As at December 31, 2013</i>	<b>Number of PSUs (thousands)</b>
Outstanding, Beginning of Year	<b>5,258</b>
Granted	<b>2,552</b>
Vested and Paid Out	<b>(2,008)</b>
Cancelled	<b>(194)</b>
Units in Lieu of Dividends	<b>177</b>
<b>Outstanding, End of Year</b>	<b>5,785</b>

### C) Deferred Share Units

The Company has recorded a liability of \$36 million as at December 31, 2013 (December 31, 2012 – \$36 million) for deferred share units (“DSUs”) based on the market value of Cenovus’s common shares at December 31, 2013. The intrinsic value of vested DSUs equals the carrying value as DSUs vest at the time of grant.

The following table summarizes the information related to the DSUs held by Cenovus directors, officers and employees:

<i>As at December 31, 2013</i>	<b>Number of DSUs (thousands)</b>
Outstanding, Beginning of Year	<b>1,084</b>
Granted to Directors	<b>65</b>
Granted from Annual Bonus Awards	<b>8</b>
Units in Lieu of Dividends	<b>36</b>
Redeemed	<b>(1)</b>
<b>Outstanding, End of Year</b>	<b>1,192</b>

### D) Total Stock-Based Compensation Expense (Recovery)

The following table summarizes the stock-based compensation expense (recovery) recorded for all plans within operating and general and administrative expenses:

<i>For the period ended December 31,</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
NSRs	<b>9</b>	5	<b>35</b>	27
TSARs Held by Cenovus Employees	<b>(5)</b>	(1)	<b>(16)</b>	(1)
Encana Replacement TSARs Held by Cenovus Employees	-	(1)	-	-
PSUs	-	7	<b>32</b>	46
DSUs	-	(1)	-	3
<b>Stock-Based Compensation Expense (Recovery)</b>	<b>4</b>	9	<b>51</b>	75

## 20. CAPITAL STRUCTURE

Cenovus’s capital structure objectives and targets have remained unchanged from previous periods. Cenovus’s capital structure consists of Shareholders’ Equity plus Debt. Debt is defined as short-term borrowings and the current and long-term portions of long-term debt excluding any amounts with respect to the Partnership Contribution Payable or Receivable. Cenovus’s objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company’s financial obligations as they come due.

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Cenovus monitors its capital structure and financing requirements using, among other things, non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes and DD&A ("Adjusted EBITDA"). These metrics are used to steward Cenovus's overall debt position as measures of Cenovus's overall financial strength.

Cenovus continues to target a Debt to Capitalization ratio of between 30 and 40 percent over the long-term.

As at	December 31, 2013	December 31, 2012
Long-Term Debt	4,997	4,679
Shareholders' Equity	9,946	9,782
Capitalization	14,943	14,461
<b>Debt to Capitalization</b>	<b>33%</b>	<b>32%</b>

Cenovus continues to target a Debt to Adjusted EBITDA ratio of between 1.0 and 2.0 times over the long-term.

As at	December 31, 2013	December 31, 2012
Debt	4,997	4,679
Net Earnings	662	995
Add (Deduct):		
Finance Costs	529	455
Interest Income	(96)	(109)
Income Tax Expense	432	783
Depreciation, Depletion and Amortization	1,833	1,585
Goodwill Impairment	-	393
E&E Impairment	50	68
Unrealized (Gain) Loss on Risk Management	415	(57)
Foreign Exchange (Gain) Loss, Net	208	(20)
(Gain) Loss on Divestitures of Assets	1	-
Other (Income) Loss, Net	2	(5)
Adjusted EBITDA	4,036	4,088
<b>Debt to Adjusted EBITDA</b>	<b>1.2x</b>	<b>1.1x</b>

It is Cenovus's intention to maintain investment grade credit ratings to help ensure it has continuous access to capital and the financial flexibility to fund its capital programs, meet its financial obligations and finance potential acquisitions. Cenovus will maintain a high level of capital discipline and manage its capital structure to ensure sufficient liquidity through all stages of the economic cycle. To manage its capital structure, Cenovus may adjust capital and operating spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, draw down on its credit facilities or repay existing debt.

As at December 31, 2013, Cenovus had \$3.0 billion available on its committed credit facility. In addition, Cenovus had in place a Canadian debt shelf prospectus for \$1.5 billion and unused capacity of US\$1.2 billion under a U.S. debt shelf prospectus, the availability of which are dependent on market conditions.

As at December 31, 2013, Cenovus is in compliance with all of the terms of its debt agreements.

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Cenovus's consolidated financial assets and financial liabilities consist of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, Partnership Contribution Receivable and Payable, partner loans, risk management assets and liabilities, long-term receivables, short-term borrowings and long-term debt. Risk management assets and liabilities arise from the use of derivative financial instruments.

### A) Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, and short-term borrowings approximate their carrying amount due to the short-term maturity of those instruments.

The fair values of the Partnership Contribution Receivable and Payable, partner loans and long-term receivables approximate their carrying amount due to the specific non-tradeable nature of these instruments.

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For the period ended December 31, 2013

The Company's risk management assets and liabilities consist of crude oil, natural gas and power purchase contracts. Crude oil and natural gas contracts are recorded at their estimated fair value based on the difference between the contracted price and the period end forward price for the same commodity, using quoted market prices or the period end forward price for the same commodity extrapolated to the end of the term of the contract (Level 2). The fair value of power purchase contracts are calculated internally based on observable and unobservable inputs such as forward power prices in less active markets (Level 3). The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness. The forward prices used in the determination of the fair value of the power purchase contracts at December 31, 2013 range from \$44.75 to \$66.00 per Megawatt Hour.

Long-term debt is carried at amortized cost. The estimated fair values of long-term borrowings have been determined based on period end trading prices of long-term borrowings on the secondary market (Level 2). As at December 31, 2013, the carrying value of Cenovus's long-term debt was \$4,997 million and the fair value was \$5,388 million (December 31, 2012 carrying value - \$4,679 million, fair value - \$5,582 million).

Available for sale financial assets, which comprise private equity investments, are carried at fair value. Fair value is determined based on recent private placement transactions (Level 3) when available. When fair value cannot be reliably measured, these assets are carried at cost. Available for sale financial assets are included in other assets on the Consolidated Balance Sheets.

### B) Risk Management Assets and Liabilities

#### Net Risk Management Position

As at	December 31, 2013	December 31, 2012
<b>Risk Management Assets</b>		
Current Asset	10	283
Long-Term Asset	-	5
	<b>10</b>	<b>288</b>
<b>Risk Management Liabilities</b>		
Current Liability	136	17
Long-Term Liability	3	1
	<b>139</b>	<b>18</b>
<b>Net Risk Management Asset (Liability)</b>	<b>(129)</b>	<b>270</b>

#### Summary of Unrealized Risk Management Positions

As at	December 31, 2013			December 31, 2012		
	Asset	Liability	Net	Asset	Liability	Net
<b>Commodity Prices</b>						
Crude Oil	10	136	(126)	221	16	205
Natural Gas	-	-	-	66	1	65
Power	-	3	(3)	1	1	-
<b>Fair Value</b>	<b>10</b>	<b>139</b>	<b>(129)</b>	<b>288</b>	<b>18</b>	<b>270</b>

Financial assets and liabilities are only offset if Cenovus has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Cenovus offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same.

The following table provides a summary of the Company's offsetting risk management positions:

As at	December 31, 2013			December 31, 2012		
	Asset	Liability	Net	Asset	Liability	Net
<b>Recognized Risk Management Positions</b>						
Gross Amount	16	145	(129)	306	36	270
Amount Offset	(6)	(6)	-	(18)	(18)	-
<b>Net Amount per Consolidated Financial Statements</b>	<b>10</b>	<b>139</b>	<b>(129)</b>	<b>288</b>	<b>18</b>	<b>270</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

All amounts in \$ millions, unless otherwise indicated

For the period ended December 31, 2013

Cenovus pledges cash collateral with respect to certain of these risk management contracts, which is not offset against the related financial liability. The amount of cash collateral required will vary daily over the life of these risk management contracts as commodity prices change. Additional cash collateral is required if, on a net basis, risk management payables exceed risk management receivables on a particular day. As at December 31, 2013, \$10 million (December 31, 2012 – \$12 million) was pledged as collateral, of which \$5 million (December 31, 2012 – \$12 million) could have been withdrawn.

### Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

As at	December 31, 2013	December 31, 2012
<b>Prices Sourced from Observable Data or Market Corroboration (Level 2)</b>	<b>(126)</b>	270
<b>Prices Determined from Unobservable Inputs (Level 3)</b>	<b>(3)</b>	-
	<b>(129)</b>	270

### Net Fair Value of Commodity Price Positions at December 31, 2013

	Notional Volumes	Term	Average Price	Fair Value
<b>Crude Oil Contracts</b>				
Fixed Price Contracts				
Brent Fixed Price	30,000 bbls/d	2014	US\$102.04/bbl	(73)
Brent Fixed Price	20,000 bbls/d	2014	\$107.06/bbl	(64)
WCS Differential <sup>(1)</sup>	15,900 bbls/d	2014	US\$(20.39)/bbl	10
Other Financial Positions <sup>(2)</sup>				1
Crude Oil Fair Value Position				(126)
<b>Power Purchase Contracts</b>				
Power Fair Value Position				(3)

(1) Cenovus entered into fixed price swaps to protect against widening light/heavy price differentials for heavy crudes.

(2) Other financial positions are part of ongoing operations to market the Company's production.

### Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

For the period ended December 31,	Three Months Ended		Twelve Months Ended	
	2013	2012	2013	2012
<b>Realized Gain (Loss) <sup>(1)</sup></b>				
Crude Oil	49	55	71	81
Natural Gas	17	47	63	247
Refining	12	(11)	(18)	7
Power	(1)	1	6	1
	<b>77</b>	<b>92</b>	<b>122</b>	<b>336</b>
<b>Unrealized Gain (Loss) <sup>(2)</sup></b>				
Crude Oil	(196)	145	(343)	247
Natural Gas	(18)	(32)	(69)	(176)
Refining	(1)	4	-	1
Power	(4)	-	(3)	(15)
	<b>(219)</b>	<b>117</b>	<b>(415)</b>	<b>57</b>
<b>Gain (Loss) on Risk Management</b>	<b>(142)</b>	<b>209</b>	<b>(293)</b>	<b>393</b>

(1) Realized gains and (losses) on risk management are recorded in the operating segment to which the derivative instrument relates.

(2) Unrealized gains and (losses) on risk management are recorded in the Corporate and Eliminations segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)  
 All amounts in \$ millions, unless otherwise indicated  
 For the period ended December 31, 2013

**Reconciliation of Unrealized Risk Management Positions from January 1 to December 31, 2013**

	2013		2012
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	270		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Year	(293)	(293)	393
Unrealized Foreign Exchange Gain (Loss) on U.S. Dollar Contracts	16	-	-
Fair Value of Contracts Realized During the Year	(122)	(122)	(336)
<b>Fair Value of Contracts, End of Year</b>	<b>(129)</b>	<b>(415)</b>	<b>57</b>

**Commodity Price Sensitivities – Risk Management Positions**

The following table summarizes the sensitivity of the fair value of Cenovus's risk management positions to fluctuations in commodity prices, with all other variables held constant. Management believes the price fluctuations identified in the table below are a reasonable measure of volatility. The impact of fluctuating commodity prices on the Company's open risk management positions as at December 31, 2013 could have resulted in unrealized gains (losses) impacting earnings before income tax for the year ended December 31, 2013 as follows:

**Risk Management Positions in Place as at December 31, 2013**

Commodity	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US\$10 per bbl Applied to Brent, WTI and Condensate Hedges	(200)	200
Crude Oil Differential Price	± US\$5 per bbl Applied to Differential Hedges tied to Production	31	(31)
Power Commodity Price	± \$25 per MWhr Applied to Power Hedge	19	(19)

**C) Risks Associated with Financial Assets and Liabilities**

The Company is exposed to a number of risks associated with its financial assets and liabilities. These risks include commodity price risk, credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Company has several practices and policies in place to help mitigate these risks.

A description of the nature and extent of risks arising from the Company's financial assets and liabilities can be found in the notes to the annual Consolidated Financial Statements as at December 31, 2012. The Company's exposure to these risks has not changed significantly since December 31, 2012.

**22. COMMITMENTS AND CONTINGENCIES**

**A) Commitments**

During the year ended December 31, 2013 the Company entered into various firm transportation agreements totaling approximately \$11 billion. These agreements, some of which are subject to regulatory approval, are for terms up to 20 years subsequent to the date of commencement. In addition, Cenovus entered into an office lease agreement totaling approximately \$1 billion over a 22 year term beginning upon completion of construction of the building expected in late 2017.

**B) Legal Proceedings**

Cenovus is involved in a limited number of legal claims associated with the normal course of operations. Cenovus believes it has made adequate provisions for such legal claims. There are no individually or collectively significant claims.

## SUPPLEMENTAL INFORMATION *(unaudited)*

### Financial Statistics

(\$ millions, except per share amounts)

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Gross Sales										
Upstream	6,892	1,767	1,926	1,646	1,553	6,156	1,584	1,496	1,382	1,694
Refining and Marketing	12,706	3,223	3,459	3,078	2,946	11,356	2,336	3,066	2,962	2,992
Corporate and Eliminations	(605)	(163)	(190)	(130)	(122)	(283)	(118)	(100)	(65)	-
Less: Royalties	336	80	120	78	58	387	78	122	65	122
<b>Revenues</b>	<b>18,657</b>	<b>4,747</b>	<b>5,075</b>	<b>4,516</b>	<b>4,319</b>	<b>16,842</b>	<b>3,724</b>	<b>4,340</b>	<b>4,214</b>	<b>4,564</b>
<b>Operating Cash Flow</b>										
Crude Oil and Natural Gas Liquids										
Foster Creek	877	204	252	232	189	924	246	227	223	228
Christina Lake	596	179	248	96	73	343	118	93	70	62
Pelican Lake	385	92	130	96	67	418	98	108	85	127
Other Conventional	1,003	232	285	251	235	962	240	227	228	267
Natural Gas	437	110	94	118	115	513	134	126	121	132
Other Upstream Operations	27	8	5	8	6	18	7	5	1	5
	3,325	825	1,014	801	685	3,178	843	786	728	821
Refining and Marketing	1,143	151	139	324	529	1,273	123	528	353	269
<b>Operating Cash Flow <sup>(1)</sup></b>	<b>4,468</b>	<b>976</b>	<b>1,153</b>	<b>1,125</b>	<b>1,214</b>	<b>4,451</b>	<b>966</b>	<b>1,314</b>	<b>1,081</b>	<b>1,090</b>
<b>Cash Flow Information</b>										
Cash from Operating Activities	3,539	976	840	828	895	3,420	758	1,029	968	665
Deduct (Add back):										
Net Change in Other Assets and Liabilities	(120)	(30)	(25)	(31)	(34)	(113)	(42)	(19)	(20)	(32)
Net Change in Non-Cash Working Capital	50	171	(67)	(12)	(42)	(110)	103	(69)	63	(207)
<b>Cash Flow <sup>(2)</sup></b>	<b>3,609</b>	<b>835</b>	<b>932</b>	<b>871</b>	<b>971</b>	<b>3,643</b>	<b>697</b>	<b>1,117</b>	<b>925</b>	<b>904</b>
Per Share - Basic	4.77	1.10	1.23	1.15	1.28	4.82	0.92	1.48	1.22	1.20
- Diluted	4.76	1.10	1.23	1.15	1.28	4.80	0.92	1.47	1.22	1.19
<b>Operating Earnings <sup>(3)</sup></b>	<b>1,171</b>	<b>212</b>	<b>313</b>	<b>255</b>	<b>391</b>	<b>868</b>	<b>(188)</b>	<b>432</b>	<b>284</b>	<b>340</b>
Per Share - Diluted	1.55	0.28	0.41	0.34	0.52	1.14	(0.25)	0.57	0.37	0.45
<b>Net Earnings (Loss)</b>	<b>662</b>	<b>(58)</b>	<b>370</b>	<b>179</b>	<b>171</b>	<b>995</b>	<b>(117)</b>	<b>289</b>	<b>397</b>	<b>426</b>
Per Share - Basic	0.88	(0.08)	0.49	0.24	0.23	1.32	(0.15)	0.38	0.53	0.56
- Diluted	0.87	(0.08)	0.49	0.24	0.23	1.31	(0.15)	0.38	0.52	0.56
<b>Effective Tax Rates using</b>										
Net Earnings	39.5%					44.0%				
Operating Earnings, excluding Divestitures	31.4%					47.0%				
Canadian Statutory Rate	25.2%					25.2%				
U.S. Statutory Rate	38.5%					38.5%				
<b>Foreign Exchange Rates <sup>(4)</sup> (US\$ per C\$1)</b>										
Average	0.971	0.953	0.963	0.977	0.992	1.001	1.009	1.005	0.990	0.999
Period end	0.940	0.940	0.972	0.951	0.985	1.005	1.005	1.017	0.981	1.001

<sup>(1)</sup> Operating cash flow is a non-GAAP measure defined as revenues less purchased product, transportation and blending, operating expenses and production and mineral taxes plus realized gains less realized losses on risk management activities. Items within the Corporate and Eliminations segment are excluded from the calculation of operating cash flow.

<sup>(2)</sup> Cash flow is a non-GAAP measure defined as cash from operating activities excluding net change in other assets and liabilities and net change in non-cash working capital, both of which are defined on the Consolidated Statement of Cash Flows.

<sup>(3)</sup> Operating earnings is a non-GAAP measure defined as net earnings excluding after-tax gain (loss) on discontinuance, after-tax gain on bargain purchase, after-tax effect of unrealized risk management gains (losses) on derivative instruments, after-tax unrealized foreign exchange gains (losses) on translation of U.S. dollar denominated notes issued from Canada and the Partnership Contribution Receivable, after-tax foreign exchange gains (losses) on settlement of intercompany transactions, after-tax gains (losses) on divestiture of assets, deferred income tax on foreign exchange recognized for tax purposes only related to U.S. dollar intercompany debt, the effect of changes in statutory income tax rates and after-tax realized foreign exchange loss on early receipt of the Partnership Contribution Receivable.

### Financial Metrics (Non-GAAP measures)

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Debt to Capitalization <sup>(4), (5)</sup>	33%	33%	32%	33%	33%	32%	32%	32%	27%	28%
Net Debt to Capitalization <sup>(4), (6)</sup>	29%	29%	28%	30%	28%	27%	27%	24%	25%	25%
Debt to Adjusted EBITDA <sup>(5), (7)</sup>	1.2x	1.2x	1.2x	1.2x	1.1x	1.1x	1.1x	1.1x	1.0x	1.0x
Net Debt to Adjusted EBITDA <sup>(6), (7)</sup>	1.0x	1.0x	1.0x	1.0x	0.9x	0.9x	0.9x	0.8x	0.9x	0.9x
Return on Capital Employed <sup>(8)</sup>	6%	6%	6%	5%	7%	9%	9%	11%	14%	16%
Return on Common Equity <sup>(9)</sup>	7%	7%	6%	5%	8%	10%	10%	14%	17%	21%

<sup>(4)</sup> Capitalization is a non-GAAP measure defined as debt plus shareholders' equity.

<sup>(5)</sup> Debt includes the Company's short-term borrowings and the current and long-term portions of long-term debt excluding any amounts with respect to the Partnership Contribution Payable or Receivable.

<sup>(6)</sup> Net debt includes the Company's short-term borrowings, current and long-term portions of long-term debt and the current and long-term portions of the Partnership Contribution Payable, net of cash and cash equivalents and the current and long-term portions of the Partnership Contribution Receivable.

<sup>(7)</sup> We define trailing 12-month Adjusted EBITDA as earnings before finance costs, interest income, income tax expense, depreciation, depletion and amortization, asset impairments, unrealized gains (losses) on risk management, foreign exchange gains (losses), gains (losses) on divestiture of assets and other income (loss), net.

<sup>(8)</sup> Return on capital employed is calculated, on a trailing 12-month basis, as net earnings before after-tax interest divided by average shareholders' equity plus average debt.

<sup>(9)</sup> Return on common equity is calculated, on a trailing 12-month basis, as net earnings divided by average shareholders' equity.

**SUPPLEMENTAL INFORMATION** (unaudited)

**Financial Statistics (continued)**
**Common Share Information**

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Common Shares Outstanding</b> (millions)										
Period end	756.0	756.0	755.8	755.8	755.8	755.8	755.8	755.8	755.7	755.6
Average - Basic	755.9	755.9	755.8	755.8	756.0	755.6	755.8	755.7	755.7	755.1
Average - Diluted	757.5	757.2	757.2	757.1	758.4	758.5	758.3	758.0	757.9	759.5
<b>Price Range</b> (\$ per share)										
TSX - C\$										
High	34.13	31.69	32.77	32.08	34.13	39.64	35.69	36.25	36.68	39.64
Low	28.32	29.33	28.98	28.32	31.09	30.09	31.82	30.37	30.09	33.24
Close	30.40	30.40	30.74	30.00	31.46	33.29	33.29	34.31	32.37	35.90
NYSE - US\$										
High	34.50	30.34	31.60	31.58	34.50	39.81	36.11	37.31	37.26	39.81
Low	27.25	27.60	28.00	27.25	30.58	28.83	31.74	30.20	28.83	32.45
Close	28.65	28.65	29.85	28.52	30.99	33.54	33.54	34.85	31.80	35.94
<b>Dividends Paid</b> (\$ per share)	\$ 0.968	\$ 0.242	\$ 0.242	\$ 0.242	\$ 0.242	\$ 0.88	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
<b>Share Volume Traded</b> (millions)	685.7	146.2	183.0	201.6	154.9	664.3	141.7	152.6	192.6	177.4

**Net Capital Investment**

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Capital Investment</b> (\$ millions)										
Oil Sands										
Foster Creek	797	193	205	189	210	735	208	199	169	159
Christina Lake	688	189	162	162	175	593	168	147	140	138
Total	1,485	382	367	351	385	1,328	376	346	309	297
Other Oil Sands	398	120	60	69	149	365	82	42	41	200
	1,883	502	427	420	534	1,693	458	388	350	497
Conventional										
Pelican Lake	465	115	96	111	143	518	147	128	104	139
Other Conventional	726	216	178	134	198	848	257	231	129	231
	1,191	331	274	245	341	1,366	404	359	233	370
Refining and Marketing	107	37	19	26	25	118	58	38	24	(2)
Corporate	81	28	23	15	15	191	58	45	53	35
<b>Capital Investment</b>	3,262	898	743	706	915	3,368	978	830	660	900
Acquisitions <sup>(1)</sup>	32	27	1	1	3	114	70	8	28	8
Divestitures	(283)	(41)	(241)	-	(1)	(76)	(11)	-	1	(66)
<b>Net Acquisition and Divestiture Activity</b>	(251)	(14)	(240)	1	2	38	59	8	29	(58)
<b>Net Capital Investment</b>	3,011	884	503	707	917	3,406	1,037	838	689	842

<sup>(1)</sup> Q4 2012 asset acquisition included the assumption of a decommissioning liability of \$33 million.

**Operating Statistics - Before Royalties**
**Upstream Production Volumes**

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids</b> (bbbl/d)										
Oil Sands - Heavy Oil										
Foster Creek	53,190	52,419	49,092	55,338	55,996	57,833	59,059	63,245	51,740	57,214
Christina Lake	49,310	61,471	52,732	38,459	44,351	31,903	41,808	32,380	28,577	24,733
Total	102,500	113,890	101,824	93,797	100,347	89,736	100,867	95,625	80,317	81,947
Conventional Liquids										
Pelican Lake	24,254	24,528	24,826	23,959	23,687	22,552	23,507	23,539	22,410	20,730
Other Heavy Oil	15,991	15,480	15,507	16,284	16,712	16,015	16,243	15,492	15,703	16,624
Light and Medium Oil	35,467	33,646	33,651	36,137	38,508	36,071	36,034	35,695	36,149	36,411
Natural Gas Liquids <sup>(2)</sup>	1,063	1,199	1,130	950	971	1,029	995	999	987	1,138
<b>Total Crude Oil and Natural Gas Liquids</b>	179,275	188,743	176,938	171,127	180,225	165,403	177,646	171,350	155,566	156,850
<b>Natural Gas</b> (MMcf/d)										
Oil Sands										
Conventional	21	21	23	22	18	30	27	24	31	39
Total Natural Gas	508	493	500	514	527	564	539	553	565	597
<b>Total Production</b> (BOE/d)	267,442	274,410	264,105	260,460	271,058	264,403	271,979	267,517	254,899	262,850

<sup>(2)</sup> Natural gas liquids include condensate volumes.

**Average Royalty Rates**

(excluding impact of Realized Gain (Loss) on Risk Management)

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Oil Sands</b>										
Foster Creek	5.8%	6.3%	7.6%	5.7%	2.9%	11.8%	8.0%	19.1%	4.6%	13.9%
Christina Lake	6.8%	7.8%	7.0%	5.6%	5.7%	6.2%	5.7%	5.3%	7.2%	7.0%
<b>Conventional</b>										
Pelican Lake	5.9%	3.2%	7.7%	5.8%	6.2%	5.0%	4.5%	6.6%	4.2%	4.5%
Weyburn	19.6%	16.8%	22.3%	20.3%	18.3%	20.7%	17.9%	19.8%	21.4%	23.3%
Other	6.5%	7.4%	6.8%	6.0%	5.7%	7.2%	7.1%	6.6%	6.8%	8.3%
Natural Gas Liquids	1.9%	1.9%	2.9%	2.5%	0.2%	2.0%	2.3%	2.5%	1.7%	1.7%
<b>Natural Gas</b>	1.4%	1.2%	1.8%	1.2%	1.7%	1.2%	0.9%	0.8%	0.4%	2.5%

## SUPPLEMENTAL INFORMATION *(unaudited)*

### Operating Statistics - Before Royalties (continued)

Refining	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Refinery Operations <sup>(1)</sup></b>										
Crude oil capacity <sup>(2)</sup> (Mbbbls/d)	457	457	457	457	457	452	452	452	452	452
Crude oil runs (Mbbbls/d)	442	447	464	439	416	412	311	442	451	445
Heavy Oil	222	221	240	230	197	198	155	210	229	199
Light/Medium	220	226	224	209	219	214	156	232	222	246
Crude utilization	97%	98%	101%	96%	91%	91%	69%	98%	100%	98%
Refined products (Mbbbls/d)	463	469	487	457	439	433	330	463	473	465

<sup>(1)</sup> Represents 100% of the Wood River and Borger refinery operations.

<sup>(2)</sup> The official nameplate capacity of Wood River increased effective January 1, 2013 and January 1, 2014.

### Selected Average Benchmark Prices

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Crude Oil Prices (US\$/bbl)</b>										
Brent	108.70	109.35	109.65	103.35	112.64	111.68	110.13	109.42	108.76	118.45
West Texas Intermediate ("WTI")	98.05	97.61	105.81	94.17	94.36	94.15	88.23	92.20	93.35	103.03
Differential Brent Futures-WTI	10.65	11.74	3.84	9.18	18.28	17.53	21.90	17.22	15.41	15.42
Western Canadian Select ("WCS")	72.85	65.41	88.33	75.01	62.40	73.12	70.12	70.48	70.48	81.61
Differential - WTI-WCS	25.20	32.20	17.48	19.16	31.96	21.03	18.11	21.72	22.87	21.42
Condensate - (CS @ Edmonton)	101.77	94.37	103.79	101.45	107.23	100.88	98.14	96.12	99.32	110.16
Differential - WTI-Condensate (premium)/discount	(3.72)	3.24	2.02	(7.28)	(12.87)	(6.73)	(9.91)	(3.92)	(5.97)	(7.13)
<b>Refining Margins 3-2-1 Crack Spreads <sup>(3)</sup> (US\$/bbl)</b>										
Chicago	21.77	12.29	16.19	31.06	27.53	27.76	28.18	35.64	28.20	19.00
Midwest Combined (Group 3)	20.80	10.66	17.35	27.24	27.93	28.56	28.49	35.99	28.28	21.50
<b>Natural Gas Prices</b>										
AECO (\$/Mcf)	3.17	3.15	2.82	3.59	3.08	2.41	3.06	2.19	1.84	2.52
NYMEX (US\$/Mcf)	3.65	3.60	3.58	4.09	3.34	2.79	3.40	2.81	2.22	2.74
Differential - NYMEX-AECO (US\$/Mcf)	0.58	0.59	0.89	0.56	0.27	0.38	0.31	0.61	0.39	0.21

<sup>(3)</sup> The 3-2-1 crack spread is an indicator of the refining margin generated by converting three barrels of crude oil into two barrels of regular unleaded gasoline and one barrel of ultra-low sulphur diesel using current month WTI based crude oil feedstock prices and on a last in, first out accounting basis ("LIFO").

### Per-unit Results

*(excluding impact of Realized Gain (Loss) on Risk Management)*

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Heavy Oil - Foster Creek <sup>(4)</sup> (\$/bbl)</b>										
Price	66.30	59.39	87.49	68.17	52.60	64.55	59.93	63.95	63.83	70.71
Royalties	3.73	3.56	6.31	3.87	1.47	7.36	4.55	11.79	2.85	9.54
Transportation and Blending	2.36	3.21	4.37	0.04	1.89	2.41	2.91	2.38	1.91	2.38
Operating	15.77	15.90	17.12	16.19	14.03	11.99	11.26	11.50	12.49	12.85
Netback	44.44	36.72	59.69	48.07	35.21	42.79	41.21	38.28	46.58	45.94
<b>Heavy Oil - Christina Lake <sup>(4)</sup> (\$/bbl)</b>										
Price	51.26	44.36	74.98	52.61	33.41	47.73	43.37	52.91	44.57	52.58
Royalties	3.25	3.22	5.06	2.71	1.69	2.72	2.32	2.61	2.90	3.37
Transportation and Blending	3.55	3.29	3.16	4.45	3.67	3.79	3.00	4.00	4.12	4.51
Operating	12.47	10.57	11.46	16.83	12.93	12.95	11.42	13.59	12.52	15.33
Netback	31.99	27.28	55.30	28.62	15.12	28.27	26.63	32.71	25.03	29.37
<b>Total Heavy Oil - Oil Sands <sup>(4)</sup> (\$/bbl)</b>										
Price	59.10	51.34	81.16	61.88	44.01	58.61	53.02	60.35	57.02	65.23
Royalties	3.50	3.37	5.68	3.40	1.57	5.72	3.62	8.80	2.87	7.68
Transportation and Blending	2.93	3.25	3.76	1.82	2.69	2.90	2.95	2.91	2.69	3.02
Operating	14.19	13.04	14.26	16.45	13.53	12.33	11.33	12.17	12.52	13.60
Netback	38.48	31.68	57.46	40.21	26.22	37.66	35.12	36.47	38.94	40.93
<b>Heavy Oil - Pelican Lake <sup>(4)</sup> (\$/bbl)</b>										
Price	70.09	64.52	88.08	72.32	54.30	69.23	64.37	66.75	66.42	78.50
Royalties	4.00	1.97	6.64	4.08	3.22	3.34	2.82	4.34	2.68	3.37
Transportation and Blending	2.41	2.79	2.18	2.58	2.07	2.15	1.23	1.09	3.54	2.88
Operating	20.65	21.22	19.90	22.21	19.23	17.08	17.20	17.47	17.71	16.05
Netback	43.03	38.54	59.36	43.45	29.78	46.66	43.12	43.85	42.49	56.20
<b>Total Heavy Oil - Conventional <sup>(4)</sup> (\$/bbl)</b>										
Price	70.31	64.55	87.50	71.73	57.42	69.76	64.52	67.25	66.95	79.37
Royalties	6.08	5.31	8.83	5.50	4.65	6.06	5.26	6.05	5.46	7.33
Transportation and Blending	2.60	2.69	2.51	2.58	2.63	2.16	1.69	1.55	3.01	2.44
Operating	19.32	19.76	18.51	20.30	18.72	16.32	14.91	17.09	16.61	16.67
Production and Mineral Taxes	0.13	0.05	0.21	0.12	0.13	0.10	0.13	0.10	0.10	0.06
Netback	42.18	36.74	57.44	43.23	31.29	45.12	42.53	42.46	41.77	52.87
<b>Total Heavy Oil <sup>(4)</sup> (\$/bbl)</b>										
Price	62.23	54.61	82.97	64.91	47.82	62.05	56.22	62.45	60.13	70.08
Royalties	4.22	3.85	6.58	4.05	2.45	5.83	4.07	7.96	3.68	7.56
Transportation and Blending	2.84	3.11	3.40	2.06	2.67	2.67	2.60	2.50	2.79	2.82
Operating	15.62	14.70	15.47	17.63	15.01	13.56	12.33	13.66	13.80	14.65
Production and Mineral Taxes	0.04	0.01	0.06	0.04	0.04	0.03	0.04	0.03	0.03	0.02
Netback	39.51	32.94	57.46	41.13	27.65	39.96	37.18	38.30	39.83	45.03
<b>Light and Medium Oil <sup>(4)</sup> (\$/bbl)</b>										
Price	86.30	82.12	100.64	86.84	76.77	78.99	75.27	76.06	76.16	88.45
Royalties	8.28	6.58	11.01	8.61	7.05	8.09	6.92	7.53	7.98	9.94
Transportation and Blending	4.35	5.15	4.58	4.37	3.39	2.65	2.39	2.36	3.02	2.83
Operating	16.23	17.26	15.06	16.32	16.26	15.51	15.63	16.27	14.76	15.36
Production and Mineral Taxes	2.30	1.26	2.80	2.64	2.46	2.44	2.51	2.35	2.34	2.57
Netback	55.14	51.87	67.19	54.90	47.61	50.30	47.82	47.55	48.06	57.75

<sup>(4)</sup> Heavy oil price and transportation and blending costs exclude the costs of purchased condensate which is blended with the heavy oil. On a per barrel of unblended crude oil basis, the annual cost of condensate for 2013 is as follows: Foster Creek - \$42.41/bbl; Christina Lake - \$45.25/bbl; Heavy Oil - Oil Sands - \$43.77/bbl; Pelican Lake - \$15.59/bbl; Heavy Oil - Conventional - \$14.60/bbl and Total Heavy Oil - \$35.63/bbl.

**SUPPLEMENTAL INFORMATION** (unaudited)

**Operating Statistics - Before Royalties (continued)**
**Per-unit Results**

(excluding impact of Realized Gain (Loss) on Risk Management)

	2013					2012				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
<b>Total Crude Oil (\$/bbl)</b>										
Price	67.05	59.41	86.41	69.75	54.02	65.76	60.10	65.37	63.91	74.22
Royalties	5.03	4.33	7.44	5.05	3.43	6.32	4.65	7.87	4.69	8.10
Transportation and Blending	3.14	3.47	3.63	2.57	2.82	2.66	2.55	2.47	2.84	2.83
Operating	15.74	15.15	15.39	17.34	15.27	13.99	13.00	14.22	14.03	14.81
Production and Mineral Taxes	0.49	0.23	0.59	0.61	0.56	0.56	0.54	0.53	0.58	0.59
Netback	42.65	36.23	59.36	44.18	31.94	42.23	39.36	40.28	41.77	47.89
<b>Natural Gas Liquids (\$/bbl)</b>										
Price	60.34	59.39	65.71	46.44	68.88	69.54	65.89	61.53	65.52	83.36
Royalties	1.13	1.14	1.92	1.17	0.12	1.42	1.52	1.55	1.13	1.45
Netback	59.21	58.25	63.79	45.27	68.76	68.12	64.37	59.98	64.39	81.91
<b>Total Liquids (\$/bbl)</b>										
Price	67.01	59.41	86.28	69.61	54.10	65.79	60.13	65.35	63.92	74.28
Royalties	5.01	4.31	7.40	5.03	3.42	6.29	4.64	7.83	4.67	8.05
Transportation and Blending	3.12	3.45	3.61	2.55	2.81	2.65	2.54	2.45	2.82	2.81
Operating	15.65	15.06	15.29	17.24	15.19	13.90	12.93	14.14	13.93	14.71
Production and Mineral Taxes	0.48	0.23	0.59	0.61	0.55	0.56	0.54	0.53	0.57	0.59
Netback	42.75	36.36	59.39	44.18	32.13	42.39	39.48	40.40	41.93	48.12
<b>Total Natural Gas (\$/Mcf)</b>										
Price	3.20	3.21	2.83	3.50	3.25	2.42	2.97	2.30	1.92	2.50
Royalties	0.04	0.04	0.05	0.04	0.05	0.03	0.02	0.02	0.01	0.06
Transportation and Blending	0.11	0.11	0.10	0.08	0.15	0.10	0.10	0.08	0.08	0.13
Operating	1.16	1.23	1.13	1.16	1.14	1.10	1.29	1.08	0.98	1.08
Production and Mineral Taxes	0.02	0.02	0.03	(0.01)	0.03	0.01	(0.01)	0.02	0.02	0.02
Netback	1.87	1.81	1.52	2.23	1.88	1.18	1.57	1.10	0.83	1.21
<b>Total<sup>(1)</sup> (\$/BOE)</b>										
Price	51.23	47.23	63.12	52.55	42.52	46.60	45.50	46.61	43.25	50.84
Royalties	3.44	3.07	5.02	3.35	2.38	4.00	3.08	5.02	2.84	5.00
Transportation and Blending	2.31	2.60	2.60	1.82	2.17	1.88	1.86	1.74	1.90	2.00
Operating	12.79	12.73	12.44	13.64	12.39	11.18	11.12	11.35	10.75	11.46
Production and Mineral Taxes	0.36	0.19	0.45	0.38	0.42	0.38	0.33	0.38	0.40	0.40
Netback	32.33	28.64	42.61	33.36	25.16	29.16	29.11	28.12	27.36	31.98
<b>Impact of Long-Term Incentives Costs (Recovery) on Operating Costs (\$/BOE)</b>	0.12	0.06	0.23	0.07	0.10	0.16	0.05	0.32	(0.17)	0.42
<b>Impact of Realized Gain (Loss) on Risk Management</b>										
Liquids (\$/bbl)	1.09	2.77	(2.02)	0.72	2.62	1.39	3.35	2.02	1.64	(1.67)
Natural Gas (\$/Mcf)	0.32	0.36	0.38	0.18	0.39	1.14	0.89	1.24	1.39	1.03
Total <sup>(1)</sup> (\$/BOE)	1.37	2.58	(0.58)	0.84	2.52	3.42	4.05	3.98	4.27	1.44

<sup>(1)</sup> Natural gas volumes have been converted to barrels of oil equivalent (BOE) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). BOE may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead.