Cenovus Energy Inc.

Interim Consolidated Financial Statements (unaudited)

For the Period Ended December 31, 2015

(Canadian Dollars)

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the period ended December 31, 2015

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CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

For the periods ended December 31,
($ millions, except per share amounts)

		Three Months Ended		Twelve Months Ended	
	Notes	**2015**	2014	**2015**	2014
Revenues	1				
Gross Sales		**2,955**	4,338	**13,207**	20,107
Less: Royalties		**31**	100	**143**	465
		2,924	4,238	**13,064**	19,642
Expenses	1				
Purchased Product		**1,808**	2,775	**7,374**	10,955
Transportation and Blending		**534**	577	**2,043**	2,477
Operating		**460**	488	**1,839**	2,045
Production and Mineral Taxes		**2**	10	**18**	46
(Gain) Loss on Risk Management	22	**(213)**	(567)	**(461)**	(662)
Depreciation, Depletion and Amortization	7,12	**659**	531	**2,114**	1,946
Goodwill Impairment	7	**-**	497	**-**	497
Exploration Expense	7,11	**117**	85	**138**	86
General and Administrative		**109**	65	**335**	379
Finance Costs	4	**123**	108	**482**	445
Interest Income		**(8)**	(2)	**(28)**	(33)
Foreign Exchange (Gain) Loss, Net	5	**204**	188	**1,036**	411
Research Costs		**7**	6	**27**	15
(Gain) Loss on Divestiture of Assets	6	**3**	1	**(2,392)**	(156)
Other (Income) Loss, Net		**1**	(4)	**2**	(4)
Earnings (Loss) Before Income Tax		**(882)**	(520)	**537**	1,195
Income Tax Expense (Recovery)	8	**(241)**	(48)	**(81)**	451
Net Earnings (Loss)		**(641)**	(472)	**618**	744
Net Earnings (Loss) Per Share	9				
Basic		**$(0.77)**	$(0.62)	**$0.75**	$0.98
Diluted		**$(0.77)**	$(0.62)	**$0.75**	$0.98

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the periods ended December 31,
($ millions)

		Three Months Ended		Twelve Months Ended	
		2015	2014	**2015**	2014
Net Earnings (Loss)		**(641)**	(472)	**618**	744
Other Comprehensive Income (Loss), Net of Tax	18				
Items That Will Not be Reclassified to Profit or Loss:					
Actuarial Gain (Loss) Relating to Pension and Other Post-Retirement Benefits		**15**	(7)	**20**	(18)
Items That May be Reclassified to Profit or Loss:					
Change in Value of Available for Sale Financial Assets		**6**	-	**6**	-
Foreign Currency Translation Adjustment		**124**	107	**587**	215
Total Other Comprehensive Income, Net of Tax		**145**	100	**613**	197
Comprehensive Income (Loss)		**(496)**	(372)	**1,231**	941

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED BALANCE SHEETS (unaudited)

As at
($ millions)

	Notes	December 31, 2015	December 31, 2014
Assets			
Current Assets			
Cash and Cash Equivalents		**4,105**	883
Accounts Receivable and Accrued Revenues		**1,251**	1,582
Income Tax Receivable		**6**	28
Inventories	10	**810**	1,224
Risk Management	22,23	**301**	478
Current Assets		**6,473**	4,195
Exploration and Evaluation Assets	1,11	**1,575**	1,625
Property, Plant and Equipment, Net	1,12	**17,335**	18,563
Income Tax Receivable		**90**	-
Other Assets		**76**	70
Goodwill	1,14	**242**	242
Total Assets		**25,791**	24,695
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities		**1,702**	2,588
Income Tax Payable		**133**	357
Risk Management	22,23	**23**	12
Current Liabilities		**1,858**	2,957
Long-Term Debt	15	**6,525**	5,458
Risk Management	22,23	**7**	4
Decommissioning Liabilities	16	**2,052**	2,616
Other Liabilities		**142**	172
Deferred Income Taxes		**2,816**	3,302
Total Liabilities		**13,400**	14,509
Shareholders' Equity		**12,391**	10,186
Total Liabilities and Shareholders' Equity		**25,791**	24,695

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY (unaudited)

($ millions)

	Share Capital	Paid in Surplus	Retained Earnings	AOCI (1)	Total
	(Note 17)			(Note 18)	
Balance as at December 31, 2013	3,857	4,219	1,660	210	9,946
Net Earnings	-	-	744	-	744
Other Comprehensive Income (Loss)	-	-	-	197	197
Total Comprehensive Income (Loss)	-	-	744	197	941
Common Shares Issued Under Stock Option Plans	32	-	-	-	32
Stock-Based Compensation Expense	-	72	-	-	72
Dividends on Common Shares	-	-	(805)	-	(805)
Balance as at December 31, 2014	3,889	4,291	1,599	407	10,186
Net Earnings	-	-	618	-	618
Other Comprehensive Income (Loss)	-	-	-	613	613
Total Comprehensive Income (Loss)	-	-	618	613	1,231
Common Shares Issued for Cash	1,463	-	-	-	1,463
Common Shares Issued Pursuant to Dividend Reinvestment Plan	182	-	-	-	182
Common Shares Issued Under Stock Option Plans	-	-	-	-	-
Stock-Based Compensation Expense	-	39	-	-	39
Dividends on Common Shares	-	-	(710)	-	(710)
Balance as at December 31, 2015	**5,534**	**4,330**	**1,507**	**1,020**	**12,391**

(1) Accumulated Other Comprehensive Income (Loss).

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the periods ended December 31,
($ millions)

	Notes	Three Months Ended 2015	Three Months Ended 2014	Twelve Months Ended 2015	Twelve Months Ended 2014
Operating Activities					
Net Earnings (Loss)		**(641)**	(472)	**618**	744
Depreciation, Depletion and Amortization	7,12	**659**	531	**2,114**	1,946
Goodwill Impairment	7	**-**	497	**-**	497
Exploration Expense	7,11	**117**	85	**138**	86
Deferred Income Taxes	8	**(139)**	(37)	**(655)**	359
Unrealized (Gain) Loss on Risk Management	22	**26**	(416)	**195**	(596)
Unrealized Foreign Exchange (Gain) Loss	5	**219**	190	**1,097**	411
(Gain) Loss on Divestiture of Assets	6	**3**	1	**(2,392)**	(156)
Current Tax on Divestiture of Assets	6	**-**	-	**391**	-
Unwinding of Discount on Decommissioning Liabilities	4,16	**32**	30	**126**	120
Other		**(1)**	(8)	**59**	68
Net Change in Other Assets and Liabilities		**(26)**	(38)	**(107)**	(135)
Net Change in Non-Cash Working Capital		**73**	505	**(110)**	182
Cash From Operating Activities		**322**	868	**1,474**	3,526
Investing Activities					
Capital Expenditures – Exploration and Evaluation Assets	11	**(21)**	(81)	**(138)**	(279)
Capital Expenditures – Property, Plant and Equipment	12	**(406)**	(706)	**(1,576)**	(2,779)
Acquisition	13	**(4)**	-	**(84)**	-
Proceeds From Divestiture of Assets	6	**(1)**	1	**3,344**	276
Current Tax on Divestiture of Assets	6	**-**	-	**(391)**	-
Net Change in Investments and Other		**3**	(2)	**3**	(1,583)
Net Change in Non-Cash Working Capital		**(40)**	(10)	**(270)**	15
Cash From (Used in) Investing Activities		**(469)**	(798)	**888**	(4,350)
Net Cash Provided (Used) Before Financing Activities		**(147)**	70	**2,362**	(824)
Financing Activities					
Net Issuance (Repayment) of Short-Term Borrowings		**(6)**	(139)	**(25)**	(18)
Common Shares Issued, Net of Issuance Costs	17	**-**	-	**1,449**	-
Common Shares Issued Under Stock Option Plans		**-**	-	**-**	28
Dividends Paid on Common Shares	9	**(132)**	(201)	**(528)**	(805)
Other		**-**	-	**(2)**	(2)
Cash From (Used in) Financing Activities		**(138)**	(340)	**894**	(797)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**(11)**	(3)	**(34)**	52
Increase (Decrease) in Cash and Cash Equivalents		**(296)**	(273)	**3,222**	(1,569)
Cash and Cash Equivalents, Beginning of Period		**4,401**	1,156	**883**	2,452
Cash and Cash Equivalents, End of Period		**4,105**	883	**4,105**	883

See accompanying Notes to Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF BUSINESS AND SEGMENTED DISCLOSURES

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

Cenovus is incorporated under the *Canada Business Corporations Act* and its shares are listed 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 interim 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 bitumen and natural gas in northeast Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake and Narrows Lake as well as projects in the early stages of development, such as Grand Rapids and Telephone Lake. 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, the carbon dioxide enhanced oil recovery project at Weyburn and emerging tight oil opportunities.

- **Refining and Marketing,** which is responsible for transporting, selling and refining crude oil into petroleum and chemical products. Cenovus jointly owns two refineries in the U.S. with the operator Phillips 66, an unrelated U.S. public company. In addition, Cenovus owns and operates a crude-by-rail terminal in Alberta. This segment coordinates Cenovus's marketing and transportation initiatives to optimize product mix, delivery points, transportation commitments and customer diversification. The marketing of crude oil and natural gas sourced from Canada, including physical product sales that settle in the U.S., is considered to be undertaken by a Canadian business. U.S. sourced crude oil and natural gas purchases and sales are attributed to the U.S.

- **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, financing activities and research costs. 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 Corporate and Eliminations segment is attributed to Canada, with the exception of unrealized risk management gains and losses, which have been attributed to the country in which the transacting entity resides.

Employee stock-based compensation costs previously included in operating expense have been reclassified to general and administrative expense to conform to the presentation adopted for the year ended December 31, 2015. As a result, for the three months and year ended December 31, 2014, a recovery of $2 million and an expense of $21 million, respectively, were reclassified.

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

All amounts in $ millions, unless otherwise indicated

A) Results of Operations – Segment and Operational Information

For the three months ended December 31,	Oil Sands 2015	Oil Sands 2014	Conventional 2015	Conventional 2014	Refining and Marketing 2015	Refining and Marketing 2014
Revenues						
Gross Sales	**651**	1,064	**351**	657	**2,030**	2,773
Less: Royalties	**3**	55	**28**	45	**-**	-
	648	1,009	**323**	612	**2,030**	2,773
Expenses						
Purchased Product	**-**	-	**-**	-	**1,883**	2,931
Transportation and Blending	**478**	494	**58**	83	**-**	-
Operating	**129**	145	**130**	162	**203**	183
Production and Mineral Taxes	**-**	-	**2**	10	**-**	-
(Gain) Loss on Risk Management	**(152)**	(97)	**(71)**	(36)	**(16)**	(18)
Operating Cash Flow	**193**	467	**204**	393	**(40)**	(323)
Depreciation, Depletion and Amortization	**189**	166	**403**	303	**51**	40
Goodwill Impairment	**-**	-	**-**	497	**-**	-
Exploration Expense	**67**	3	**50**	82	**-**	-
Segment Income (Loss)	**(63)**	298	**(249)**	(489)	**(91)**	(363)

For the three months ended December 31,	Corporate and Eliminations 2015	Corporate and Eliminations 2014	Consolidated 2015	Consolidated 2014
Revenues				
Gross Sales	**(77)**	(156)	**2,955**	4,338
Less: Royalties	**-**	-	**31**	100
	(77)	(156)	**2,924**	4,238
Expenses				
Purchased Product	**(75)**	(156)	**1,808**	2,775
Transportation and Blending	**(2)**	-	**534**	577
Operating	**(2)**	(2)	**460**	488
Production and Mineral Taxes	**-**	-	**2**	10
(Gain) Loss on Risk Management	**26**	(416)	**(213)**	(567)
Depreciation, Depletion and Amortization	**16**	22	**659**	531
Goodwill Impairment	**-**	-	**-**	497
Exploration Expense	**-**	-	**117**	85
Segment Income (Loss)	**(40)**	396	**(443)**	(158)
General and Administrative	**109**	65	**109**	65
Finance Costs	**123**	108	**123**	108
Interest Income	**(8)**	(2)	**(8)**	(2)
Foreign Exchange (Gain) Loss, Net	**204**	188	**204**	188
Research Costs	**7**	6	**7**	6
(Gain) Loss on Divestiture of Assets	**3**	1	**3**	1
Other (Income) Loss, Net	**1**	(4)	**1**	(4)
	439	362	**439**	362
Earnings (Loss) Before Income Tax			**(882)**	(520)
Income Tax Expense (Recovery)			**(241)**	(48)
Net Earnings (Loss)			**(641)**	(472)

All amounts in $ millions, unless otherwise indicated

B) Financial Results by Upstream Product

	Crude Oil [1]					
	Oil Sands		Conventional		Total	
For the three months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**644**	1,054	**239**	478	**883**	1,532
Less: Royalties	**3**	53	**25**	43	**28**	96
	641	1,001	**214**	435	**855**	1,436
Expenses						
Transportation and Blending	**478**	494	**53**	77	**531**	571
Operating	**124**	140	**84**	111	**208**	251
Production and Mineral Taxes	**-**	-	**2**	9	**2**	9
(Gain) Loss on Risk Management	**(151)**	(97)	**(57)**	(34)	**(208)**	(131)
Operating Cash Flow	**190**	464	**132**	272	**322**	736

(1) Includes NGLs.

	Natural Gas					
	Oil Sands		Conventional		Total	
For the three months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**5**	9	**104**	164	**109**	173
Less: Royalties	**-**	2	**3**	2	**3**	4
	5	7	**101**	162	**106**	169
Expenses						
Transportation and Blending	**-**	-	**5**	6	**5**	6
Operating	**3**	4	**44**	48	**47**	52
Production and Mineral Taxes	**-**	-	**-**	1	**-**	1
(Gain) Loss on Risk Management	**(1)**	-	**(14)**	(2)	**(15)**	(2)
Operating Cash Flow	**3**	3	**66**	109	**69**	112

	Other					
	Oil Sands		Conventional		Total	
For the three months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**2**	1	**8**	15	**10**	16
Less: Royalties	**-**	-	**-**	-	**-**	-
	2	1	**8**	15	**10**	16
Expenses						
Transportation and Blending	**-**	-	**-**	-	**-**	-
Operating	**2**	1	**2**	3	**4**	4
Production and Mineral Taxes	**-**	-	**-**	-	**-**	-
(Gain) Loss on Risk Management	**-**	-	**-**	-	**-**	-
Operating Cash Flow	**-**	-	**6**	12	**6**	12

	Total Upstream					
	Oil Sands		Conventional		Total	
For the three months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**651**	1,064	**351**	657	**1,002**	1,721
Less: Royalties	**3**	55	**28**	45	**31**	100
	648	1,009	**323**	612	**971**	1,621
Expenses						
Transportation and Blending	**478**	494	**58**	83	**536**	577
Operating	**129**	145	**130**	162	**259**	307
Production and Mineral Taxes	**-**	-	**2**	10	**2**	10
(Gain) Loss on Risk Management	**(152)**	(97)	**(71)**	(36)	**(223)**	(133)
Operating Cash Flow	**193**	467	**204**	393	**397**	860

All amounts in $ millions, unless otherwise indicated

C) Geographic Information

	Canada		United States		Consolidated	
For the three months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**1,398**	2,269	**1,557**	2,069	**2,955**	4,338
Less: Royalties	**31**	100	**-**	-	**31**	100
	1,367	2,169	**1,557**	2,069	**2,924**	4,238
Expenses						
Purchased Product	**380**	541	**1,428**	2,234	**1,808**	2,775
Transportation and Blending	**534**	577	**-**	-	**534**	577
Operating	**277**	313	**183**	175	**460**	488
Production and Mineral Taxes	**2**	10	**-**	-	**2**	10
(Gain) Loss on Risk Management	**(208)**	(543)	**(5)**	(24)	**(213)**	(567)
Depreciation, Depletion and Amortization	**609**	490	**50**	41	**659**	531
Goodwill Impairment	**-**	497	**-**	-	**-**	497
Exploration Expense	**117**	85	**-**	-	**117**	85
Segment Income (Loss)	**(344)**	199	**(99)**	(357)	**(443)**	(158)

All amounts in $ millions, unless otherwise indicated

D) Results of Operations – Segment and Operational Information

	Oil Sands		Conventional		Refining and Marketing	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**3,030**	5,036	**1,709**	3,225	**8,805**	12,658
Less: Royalties	**29**	236	**114**	229	**-**	-
	3,001	4,800	**1,595**	2,996	**8,805**	12,658
Expenses						
Purchased Product	**-**	-	**-**	-	**7,709**	11,767
Transportation and Blending	**1,815**	2,131	**230**	346	**-**	-
Operating	**531**	639	**561**	709	**754**	703
Production and Mineral Taxes	**-**	-	**18**	46	**-**	-
(Gain) Loss on Risk Management	**(404)**	(38)	**(209)**	(1)	**(43)**	(27)
Operating Cash Flow	**1,059**	2,068	**995**	1,896	**385**	215
Depreciation, Depletion and Amortization	**697**	625	**1,148**	1,082	**191**	156
Goodwill Impairment	**-**	-	**-**	497	**-**	-
Exploration Expense	**67**	4	**71**	82	**-**	-
Segment Income (Loss)	**295**	1,439	**(224)**	235	**194**	59

	Corporate and Eliminations		Consolidated	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014
Revenues				
Gross Sales	**(337)**	(812)	**13,207**	20,107
Less: Royalties	**-**	-	**143**	465
	(337)	(812)	**13,064**	19,642
Expenses				
Purchased Product	**(335)**	(812)	**7,374**	10,955
Transportation and Blending	**(2)**	-	**2,043**	2,477
Operating	**(7)**	(6)	**1,839**	2,045
Production and Mineral Taxes	**-**	-	**18**	46
(Gain) Loss on Risk Management	**195**	(596)	**(461)**	(662)
Depreciation, Depletion and Amortization	**78**	83	**2,114**	1,946
Goodwill Impairment	**-**	-	**-**	497
Exploration Expense	**-**	-	**138**	86
Segment Income (Loss)	**(266)**	519	**(1)**	2,252
General and Administrative	**335**	379	**335**	379
Finance Costs	**482**	445	**482**	445
Interest Income	**(28)**	(33)	**(28)**	(33)
Foreign Exchange (Gain) Loss, Net	**1,036**	411	**1,036**	411
Research Costs	**27**	15	**27**	15
(Gain) Loss on Divestiture of Assets	**(2,392)**	(156)	**(2,392)**	(156)
Other (Income) Loss, Net	**2**	(4)	**2**	(4)
	(538)	1,057	**(538)**	1,057
Earnings Before Income Tax			**537**	1,195
Income Tax Expense (Recovery)			**(81)**	451
Net Earnings			**618**	744

All amounts in $ millions, unless otherwise indicated

E) Financial Results by Upstream Product

	Crude Oil [1]					
	Oil Sands		Conventional		Total	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**3,000**	4,963	**1,239**	2,456	**4,239**	7,419
Less: Royalties	**29**	233	**103**	217	**132**	450
	2,971	4,730	**1,136**	2,239	**4,107**	6,969
Expenses						
Transportation and Blending	**1,814**	2,130	**213**	326	**2,027**	2,456
Operating	**511**	615	**381**	505	**892**	1,120
Production and Mineral Taxes	**-**	-	**16**	37	**16**	37
(Gain) Loss on Risk Management	**(400)**	(38)	**(157)**	4	**(557)**	(34)
Operating Cash Flow	**1,046**	2,023	**683**	1,367	**1,729**	3,390

(1) Includes NGLs.

	Natural Gas					
	Oil Sands		Conventional		Total	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**22**	67	**450**	744	**472**	811
Less: Royalties	**-**	3	**11**	12	**11**	15
	22	64	**439**	732	**461**	796
Expenses						
Transportation and Blending	**1**	1	**17**	20	**18**	21
Operating	**15**	17	**175**	198	**190**	215
Production and Mineral Taxes	**-**	-	**2**	9	**2**	9
(Gain) Loss on Risk Management	**(4)**	-	**(52)**	(5)	**(56)**	(5)
Operating Cash Flow	**10**	46	**297**	510	**307**	556

	Other					
	Oil Sands		Conventional		Total	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**8**	6	**20**	25	**28**	31
Less: Royalties	**-**	-	**-**	-	**-**	-
	8	6	**20**	25	**28**	31
Expenses						
Transportation and Blending	**-**	-	**-**	-	**-**	-
Operating	**5**	7	**5**	6	**10**	13
Production and Mineral Taxes	**-**	-	**-**	-	**-**	-
(Gain) Loss on Risk Management	**-**	-	**-**	-	**-**	-
Operating Cash Flow	**3**	(1)	**15**	19	**18**	18

	Total Upstream					
	Oil Sands		Conventional		Total	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**3,030**	5,036	**1,709**	3,225	**4,739**	8,261
Less: Royalties	**29**	236	**114**	229	**143**	465
	3,001	4,800	**1,595**	2,996	**4,596**	7,796
Expenses						
Transportation and Blending	**1,815**	2,131	**230**	346	**2,045**	2,477
Operating	**531**	639	**561**	709	**1,092**	1,348
Production and Mineral Taxes	**-**	-	**18**	46	**18**	46
(Gain) Loss on Risk Management	**(404)**	(38)	**(209)**	(1)	**(613)**	(39)
Operating Cash Flow	**1,059**	2,068	**995**	1,896	**2,054**	3,964

All amounts in $ millions, unless otherwise indicated

F) Geographic Information

	Canada		United States		Consolidated	
For the twelve months ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenues						
Gross Sales	**6,407**	10,604	**6,800**	9,503	**13,207**	20,107
Less: Royalties	**143**	465	**-**	-	**143**	465
	6,264	10,139	**6,800**	9,503	**13,064**	19,642
Expenses						
Purchased Product	**1,607**	2,310	**5,767**	8,645	**7,374**	10,955
Transportation and Blending	**2,043**	2,477	**-**	-	**2,043**	2,477
Operating	**1,129**	1,367	**710**	678	**1,839**	2,045
Production and Mineral Taxes	**18**	46	**-**	-	**18**	46
(Gain) Loss on Risk Management	**(435)**	(625)	**(26)**	(37)	**(461)**	(662)
Depreciation, Depletion and Amortization	**1,925**	1,790	**189**	156	**2,114**	1,946
Goodwill Impairment	**-**	497	**-**	-	**-**	497
Exploration Expense	**138**	86	**-**	-	**138**	86
Segment Income (Loss)	**(161)**	2,191	**160**	61	**(1)**	2,252

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, 2015 was $37 million and $(44) million, respectively (three months ended December 31, 2014 – $382 million and $(321) million). Cenovus's share of operating cash flow from FCCL and WRB for the year ended December 31, 2015 was $656 million and $367 million, respectively (year ended December 31, 2014 – $1,939 million and $214 million).

H) Exploration and Evaluation Assets, Property, Plant and Equipment, Goodwill and Total Assets

By Segment

	E&E (1)		PP&E (2)	
As at	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Oil Sands	**1,560**	1,540	**8,907**	8,606
Conventional	**15**	85	**3,720**	6,038
Refining and Marketing	**-**	-	**4,398**	3,568
Corporate and Eliminations	**-**	-	**310**	351
Consolidated	**1,575**	1,625	**17,335**	18,563

	Goodwill		Total Assets	
As at	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Oil Sands	**242**	242	**11,069**	11,024
Conventional	**-**	-	**3,830**	6,211
Refining and Marketing	**-**	-	**5,844**	5,520
Corporate and Eliminations	**-**	-	**5,048**	1,940
Consolidated	**242**	242	**25,791**	24,695

(1) Exploration and evaluation ("E&E") assets.
(2) Property, plant and equipment ("PP&E").

All amounts in $ millions, unless otherwise indicated

By Geographic Region

As at	E&E December 31, 2015	E&E December 31, 2014	PP&E December 31, 2015	PP&E December 31, 2014
Canada	**1,575**	1,625	**13,028**	14,999
United States	**-**	-	**4,307**	3,564
Consolidated	**1,575**	1,625	**17,335**	18,563

As at	Goodwill December 31, 2015	Goodwill December 31, 2014	Total Assets December 31, 2015	Total Assets December 31, 2014
Canada	**242**	242	**20,627**	20,231
United States	**-**	-	**5,164**	4,464
Consolidated	**242**	242	**25,791**	24,695

I) Capital Expenditures [(1)]

For the periods ended December 31,	Three Months Ended 2015	Three Months Ended 2014	Twelve Months Ended 2015	Twelve Months Ended 2014
Capital				
Oil Sands	**239**	494	**1,185**	1,986
Conventional	**87**	219	**244**	840
Refining and Marketing	**89**	52	**248**	163
Corporate	**13**	21	**37**	62
	428	786	**1,714**	3,051
Acquisition Capital				
Oil Sands	**3**	-	**3**	15
Conventional	**-**	1	**1**	3
Refining and Marketing	**-**	-	**83**	-
	431	787	**1,801**	3,069

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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, 2014, except 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, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

To conform to the presentation adopted during the fourth quarter of 2015, separate Consolidated Statements of Earnings and Comprehensive Income have been presented.

These interim Consolidated Financial Statements of Cenovus were approved by the Audit Committee effective February 10, 2016.

All amounts in $ millions, unless otherwise indicated

3. RECENT ACCOUNTING PRONOUNCEMENTS

A) New and Amended Accounting Standards and Interpretations Adopted

There were no new or amended accounting standards or interpretations adopted during the year ended December 31, 2015.

B) New Accounting Standards and Interpretations not yet Adopted

Leases

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on the Consolidated Financial Statements.

Revenue Recognition

On May 28, 2014, the IASB issued IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "*Construction Contracts*", IAS 18, "*Revenue*" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements.

Additional Standards

A description of additional accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014.

4. FINANCE COSTS

	Three Months Ended		Twelve Months Ended	
For the periods ended December 31,	**2015**	2014	**2015**	2014
Interest Expense – Short-Term Borrowings and Long-Term Debt	**85**	73	**328**	285
Unwinding of Discount on Decommissioning Liabilities (Note 16)	**32**	30	**126**	120
Other	**6**	5	**28**	18
Interest Expense – Partnership Contribution Payable [1]	**-**	-	**-**	22
	123	108	**482**	445

(1) On March 28, 2014, Cenovus repaid the remaining principal and accrued interest due under the Partnership Contribution Payable.

All amounts in $ millions, unless otherwise indicated

5. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended		Twelve Months Ended	
For the periods ended December 31,	**2015**	2014	**2015**	2014
Unrealized Foreign Exchange (Gain) Loss on Translation of:				
U.S. Dollar Debt Issued From Canada	**212**	186	**1,064**	458
Other	**7**	4	**33**	(47)
Unrealized Foreign Exchange (Gain) Loss	**219**	190	**1,097**	411
Realized Foreign Exchange (Gain) Loss	**(15)**	(2)	**(61)**	-
	204	188	**1,036**	411

6. DIVESTITURES

On July 29, 2015, the Company completed the sale of Heritage Royalty Limited Partnership ("HRP"), a wholly-owned subsidiary, to a third party for gross cash proceeds of $3.3 billion, resulting in a gain of $2.4 billion. HRP is a royalty business consisting of approximately 4.8 million gross acres of royalty interest and mineral fee title lands in Alberta, Saskatchewan and Manitoba. Cenovus entered into lease agreements with HRP on the fee lands from which it currently has working interest production.

In addition, HRP has a Gross Overriding Royalty on production from Cenovus's Pelican Lake and Weyburn assets. These assets and results of operations were reported in the Conventional segment.

The divestiture gave rise to a taxable gain for which the Company has recognized current tax expense of $391 million. The majority of HRP's assets had been acquired at a nominal cost and, as such, had minimal benefit from tax depreciation in prior years. For this reason, the current tax expense associated with the divestiture is specifically identifiable; therefore, it has been classified as an investing activity in the Consolidated Statements of Cash Flows.

In the first quarter of 2015, the Company divested an office building, recording a gain of $16 million.

In the third quarter of 2014, the Company completed the sale of certain Wainwright properties to a third party for net proceeds of $234 million, resulting in a gain of $137 million. These assets and results of operations were reported in the Conventional segment.

In the second quarter of 2014, the Company completed the sale of certain Bakken properties to a third party for net proceeds of $35 million, resulting in a gain of $16 million. The Company also completed the sale of certain non-core properties and recorded a total gain of $4 million. These assets and results of operations were reported in the Conventional segment.

7. IMPAIRMENTS

A) Cash-Generating Unit ("CGU") Impairments

As indicators of impairment were noted due to the significant decline in forward commodity prices, the Company has tested its upstream CGUs for impairment.

Key Assumptions

As at December 31, 2015, the recoverable amounts of Cenovus's upstream CGUs were determined based on fair value less costs of disposal or an evaluation of comparable asset transactions. Key assumptions in the determination of future cash flows from reserves include crude oil and natural gas prices, costs to develop and the discount rate. All reserves have been evaluated as at December 31, 2015 by independent qualified reserves evaluators.

All amounts in $ millions, unless otherwise indicated

Crude Oil and Natural Gas Prices

The forward prices used to determine future cash flows from crude oil and natural gas reserves are:

	2016	2017	2018	2019	2020	Average Annual % Change to 2026
WTI (US$/barrel) (1)	45.00	53.60	62.40	69.00	73.10	3.8%
WCS (C$/barrel) (2)	46.40	54.40	59.70	66.30	68.20	3.9%
AECO (C$/Mcf) (3) (4)	2.70	3.20	3.55	3.85	3.95	4.0%

(1) West Texas Intermediate ("WTI") crude oil.
(2) Western Canadian Select ("WCS") crude oil blend.
(3) Alberta Energy Company ("AECO") natural gas.
(4) Assumes gas heating value of one million British Thermal Units per thousand cubic feet.

Discount and Inflation Rates

Evaluations of discounted future cash flows are initiated using the discount rate of 10 percent and inflation is estimated at two percent, which is common industry practice and used by Cenovus's independent qualified reserves evaluators in preparing their reserves reports. Based on the individual characteristics of the asset, other economic and operating factors are also considered, which may increase or decrease the implied discount rate.

2015 Impairments

As at December 31, 2015, the Company determined that the carrying amount of the Northern Alberta CGU exceeded its recoverable amount, resulting in an impairment loss of $184 million. The impairment was recorded as additional DD&A in the Conventional segment. The Northern Alberta CGU includes the Pelican Lake and Elk Point producing assets and other emerging assets in the exploration and evaluation stage. Future cash flows for the CGU declined due to lower forward crude oil prices, a decline in reserves estimates and a slowing down of the development plan. This was partially offset by lower future development and operating costs.

The recoverable amount was determined using fair value less costs of disposal. The fair value for producing properties was calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, consistent with Cenovus's independent qualified reserves evaluators (Level 3). Future cash flows were estimated using a two percent inflation rate and discounted using a rate of 10 percent. As at December 31, 2015, the recoverable amount of the Northern Alberta CGU was estimated to be approximately $1.5 billion.

For the purpose of impairment testing, goodwill is allocated to the CGU to which it relates. There were no impairments of goodwill in the year ended December 31, 2015.

Sensitivities

Changes to the assumed discount rate or forward price estimates over the life of the reserves independently would have the following impact on the 2015 impairment of the Northern Alberta CGU:

	One Percent Increase in the Discount Rate	**Five Percent Decrease in the Forward Price Estimates**
Increase to Impairment of PP&E	**157**	**336**

2014 Impairments

As at December 31, 2014, the Company determined that the carrying amount of the Northern Alberta CGU exceeded its recoverable amount and the full amount of the impairment was attributed to goodwill. An impairment loss of $497 million was recorded as goodwill impairment on the Consolidated Statements of Earnings. The operating results of the CGU are included in the Conventional segment. Future cash flows for the CGU declined due to lower crude oil prices and a slowing down of the Pelican Lake development plan.

The recoverable amount was determined using fair value less costs of disposal. The fair value for producing properties was calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, consistent with Cenovus's independent qualified reserves evaluators (Level 3). The fair value of E&E assets was determined using market comparable transactions (Level 3). Future cash flows were estimated using a two percent inflation rate and discounted using a rate of 11 percent. To assess reasonableness, an evaluation of fair value based on comparable asset transactions was also completed. As at December 31, 2014, the recoverable amount of the Northern Alberta CGU was estimated to be $2.3 billion.

All amounts in $ millions, unless otherwise indicated

B) Asset Impairments

Exploration and Evaluation Assets

During the fourth quarter of 2015, $117 million of previously capitalized E&E costs were deemed not to be technically feasible and commercially viable, and were recorded as exploration expense. This impairment loss included $67 million and $50 million within the Oil Sands and Conventional segments, respectively.

During the second quarter of 2015, $21 million of previously capitalized E&E costs were deemed not to be technically feasible and commercially viable, and were recorded as exploration expense in the Conventional segment.

In 2014, $82 million of previously capitalized E&E costs were deemed not to be technically feasible and commercially viable, and were recorded as exploration expense in the Conventional segment. In addition, $4 million of costs related to the expiry of leases in the Borealis CGU were recorded as exploration expense in the Oil Sands segment.

Property, Plant and Equipment, Net

In addition to the impairments recorded at the CGU level, DD&A expense includes the following asset impairments:

	Three Months Ended		Twelve Months Ended	
For the periods ended December 31,	**2015**	2014	**2015**	2014
Development and Production (Note 12)	**16**	52	**16**	65
	16	52	**16**	65

During the fourth quarter of 2015, the Company impaired a sulphur recovery facility for $16 million, which was recorded in the Oil Sands segment. The Company did not have future plans for the assets and did not believe it would recover the carrying amount through a sale.

In 2014, the Company impaired equipment for $52 million. The Company did not have future plans for the equipment and did not believe it would recover the carrying amount through a sale. The asset was written down to fair value less costs of disposal. Additionally, a minor natural gas property was shut-in and abandonment commenced, resulting in an impairment of $13 million. These impairments were recorded in the Conventional segment.

8. INCOME TAXES

The provision for income taxes is:

	Three Months Ended		Twelve Months Ended	
For the periods ended December 31,	**2015**	2014	**2015**	2014
Current Tax				
Canada	**(100)**	12	**586**	94
United States	**(2)**	(23)	**(12)**	(2)
Total Current Tax Expense (Recovery)	**(102)**	(11)	**574**	92
Deferred Tax Expense (Recovery)	**(139)**	(37)	**(655)**	359
	(241)	(48)	**(81)**	451

In 2015, the Company recorded a deferred tax recovery of $415 million arising from an adjustment to the tax basis of the Company's refining assets. The increase in tax basis was a result of the Company's partner recognizing a taxable gain on its interest in WRB which, due to an election filed with the U.S. tax authorities, was added to the tax basis of WRB's assets.

The Alberta government enacted a two percent increase in the corporate income tax rate effective July 1, 2015, increasing the statutory tax rate for the year to 26.1 percent. As a result, the Company's deferred income tax liability increased by $161 million for the year ended December 31, 2015. The Canadian statutory tax rate as at December 31, 2015 was 27.0 percent. The U.S. statutory tax rate has decreased to 38.0 percent from 38.1 percent in 2014.

The following table reconciles income taxes calculated at the Canadian statutory rate with the recorded income taxes:

For the periods ended December 31,	Twelve Months Ended 2015	2014
Earnings Before Income Tax	**537**	1,195
Canadian Statutory Rate	**26.1%**	25.2%
Expected Income Tax	**140**	301
Effect of Taxes Resulting From:		
Foreign Tax Rate Differential	**(41)**	(43)
Non-Deductible Stock-Based Compensation	**7**	13
Non-Taxable Capital Losses	**137**	74
Unrecognized Capital Losses Arising From Unrealized Foreign Exchange	**135**	50
Adjustments Arising From Prior Year Tax Filings	**(55)**	(16)
Derecognition (Recognition) of Capital Losses	**(149)**	(9)
Recognition of U.S. Tax Basis	**(415)**	-
Change in Statutory Rate	**161**	-
Foreign Exchange Gains (Losses) not Included in Net Earnings	**-**	(13)
Goodwill Impairment	**-**	125
Other	**(1)**	(31)
Total Tax	**(81)**	451
Effective Tax Rate	**(15.1)%**	37.7%

9. PER SHARE AMOUNTS

A) Net Earnings Per Share

For the periods ended December 31,	Three Months Ended 2015	2014	Twelve Months Ended 2015	2014
Net Earnings (Loss) – Basic and Diluted ($ millions)	**(641)**	(472)	**618**	744
Basic – Weighted Average Number of Shares (millions)	**833.3**	757.1	**818.7**	756.9
Dilutive Effect of Cenovus TSARs (1)	**-**	-	**-**	0.7
Dilutive Effect of Cenovus NSRs (2)	**-**	-	**-**	-
Diluted – Weighted Average Number of Shares	**833.3**	757.1	**818.7**	757.6
Net Earnings (Loss) Per Share ($)				
Basic	**$(0.77)**	$(0.62)	**$0.75**	$0.98
Diluted	**$(0.77)**	$(0.62)	**$0.75**	$0.98

(1) Tandem stock appreciation rights ("TSARs").
(2) Net settlement rights ("NSRs").

B) Dividends Per Share

For the three months ended December 31, 2015, the Company paid dividends of $0.16 per share (three months ended December 31, 2014 – $0.2662 per share). For the year ended December 31, 2015, the Company paid dividends of $710 million, including cash dividends of $528 million (year ended December 31, 2014 – $805 million, all of which was paid in cash). The Cenovus Board of Directors declared a first quarter dividend of $0.05 per share, payable on March 31, 2016, to common shareholders of record as of March 15, 2016. While the dividend reinvestment plan ("DRIP") remains in place, the discount has been discontinued.

All amounts in $ millions, unless otherwise indicated

10. INVENTORIES

As at	**December 31, 2015**	December 31, 2014
Product		
Refining and Marketing	**591**	972
Oil Sands	**158**	182
Conventional	**11**	28
Parts and Supplies	**50**	42
	810	1,224

As a result of a decline in commodity prices, Cenovus recorded a write-down of its product inventory of $66 million from cost to net realizable value as at December 31, 2015 (December 31, 2014 – $131 million).

11. EXPLORATION AND EVALUATION ASSETS

COST	
As at December 31, 2013	1,473
Additions	279
Transfers to PP&E (Note 12)	(53)
Exploration Expense (Note 7)	(86)
Divestitures	(2)
Change in Decommissioning Liabilities	14
As at December 31, 2014	1,625
Additions	138
Acquisition	3
Transfers to PP&E (Note 12)	(49)
Exploration Expense (Note 7)	(138)
Change in Decommissioning Liabilities	(4)
As at December 31, 2015	**1,575**

E&E assets consist of the Company's projects which are pending determination of technical feasibility and commercial viability.

All amounts in $ millions, unless otherwise indicated

12. PROPERTY, PLANT AND EQUIPMENT, NET

	Upstream Assets				
	Development & Production	Other Upstream	Refining Equipment	Other (1)	Total
COST					
As at December 31, 2013	29,390	286	3,654	849	34,179
Additions	2,522	43	162	63	2,790
Transfers From E&E Assets (Note 11)	53	-	-	-	53
Transfers to Assets Held for Sale	(55)	-	-	-	(55)
Change in Decommissioning Liabilities	264	-	(3)	-	261
Exchange Rate Movements and Other	1	-	338	-	339
Divestitures	(474)	-	-	(2)	(476)
As at December 31, 2014	31,701	329	4,151	910	37,091
Additions	1,289	2	240	45	1,576
Acquisition (Note 13)	1	-	-	83	84
Transfers From E&E Assets (Note 11)	49	-	-	-	49
Change in Decommissioning Liabilities	(635)	-	1	(1)	(635)
Exchange Rate Movements and Other	(1)	-	814	-	813
Divestitures	(923)	-	-	-	(923)
As at December 31, 2015	**31,481**	**331**	**5,206**	**1,037**	**38,055**
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION					
As at December 31, 2013	15,791	193	386	475	16,845
Depreciation, Depletion and Amortization	1,602	40	156	83	1,881
Transfers to Assets Held for Sale	(27)	-	-	-	(27)
Impairment Losses (Note 7)	65	-	-	-	65
Exchange Rate Movements and Other	38	-	42	-	80
Divestitures	(316)	-	-	-	(316)
As at December 31, 2014	17,153	233	584	558	18,528
Depreciation, Depletion and Amortization	1,601	44	189	80	1,914
Impairment Losses (Note 7)	200	-	-	-	200
Exchange Rate Movements and Other	(1)	-	123	1	123
Divestitures	(45)	-	-	-	(45)
As at December 31, 2015	**18,908**	**277**	**896**	**639**	**20,720**
CARRYING VALUE					
As at December 31, 2013	13,599	93	3,268	374	17,334
As at December 31, 2014	14,548	96	3,567	352	18,563
As at December 31, 2015	**12,573**	**54**	**4,310**	**398**	**17,335**

(1) Includes crude-by-rail terminal, office furniture, fixtures, leasehold improvements, information technology and aircraft.

PP&E includes the following amounts in respect of assets under construction and not subject to depreciation, depletion and amortization ("DD&A"):

As at	**December 31, 2015**	December 31, 2014
Development and Production	**537**	478
Refining Equipment	**265**	159
	802	637

All amounts in $ millions, unless otherwise indicated

13. ACQUISITION

On August 31, 2015, the Company completed the acquisition of a crude-by-rail terminal for cash consideration of $75 million, plus adjustments. The transaction was accounted for using the acquisition method of accounting. In connection with the acquisition, the Company assumed an associated decommissioning liability of $4 million, working capital of $1 million and net transportation commitments of $92 million. Transaction costs associated with the acquisition have been expensed. These assets and results of operations are reported in the Refining and Marketing segment.

14. GOODWILL

As at	**December 31, 2015**	December 31, 2014
Carrying Value, Beginning of Year	**242**	739
Impairment Losses (Note 7)	**-**	(497)
Carrying Value, End of Year	**242**	242

All of the Company's goodwill arose in 2002 upon the formation of the predecessor corporation. As at December 31, 2015 and 2014, the carrying amount of goodwill was associated with the Company's Primrose (Foster Creek) CGU.

15. LONG-TERM DEBT

As at	**US$ Principal**	**December 31, 2015**	December 31, 2014
Revolving Term Debt [(1)]	**-**	**-**	-
U.S. Dollar Denominated Unsecured Notes	**4,750**	**6,574**	5,510
Total Debt Principal		**6,574**	5,510
Debt Discounts and Transaction Costs		**(49)**	(52)
		6,525	5,458

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

During the second quarter of 2015, Cenovus renegotiated its existing $3.0 billion committed credit facility, extending the maturity date to November 30, 2019. In addition, a new $1.0 billion tranche was established under the same facility, maturing on November 30, 2017. As at December 31, 2015, the Company had $4.0 billion available on its committed credit facility.

As at December 31, 2015, the Company is in compliance with all of the terms of its debt agreements.

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, refining facilities and the crude-by-rail terminal. The aggregate carrying amount of the obligation is:

As at	**December 31, 2015**	December 31, 2014
Decommissioning Liabilities, Beginning of Year	**2,616**	2,370
Liabilities Incurred	**10**	48
Liabilities Acquired	**4**	-
Liabilities Settled	**(62)**	(93)
Liabilities Divested	**-**	(60)
Transfers and Reclassifications	**-**	(9)
Change in Estimated Future Cash Flows	**(70)**	115
Change in Discount Rate	**(579)**	122
Unwinding of Discount on Decommissioning Liabilities	**126**	120
Foreign Currency Translation	**7**	3
Decommissioning Liabilities, End of Year	**2,052**	2,616

The undiscounted amount of estimated future cash flows required to settle the obligation has been discounted using a credit-adjusted risk-free rate of 6.4 percent as at December 31, 2015 (December 31, 2014 – 4.9 percent).

17. SHARE CAPITAL

A) Authorized

Cenovus is authorized to issue an unlimited number of common shares, and first and second preferred shares not exceeding, in aggregate, 20 percent of the number of issued and outstanding common 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

	December 31, 2015		December 31, 2014	
As at	**Number of Common Shares** (Thousands)	**Amount**	Number of Common Shares (Thousands)	Amount
Outstanding, Beginning of Year	**757,103**	**3,889**	756,046	3,857
Common Shares Issued, Net of Issuance Costs	**67,500**	**1,463**	-	-
Common Shares Issued Pursuant to Dividend Reinvestment Plan	**8,687**	**182**	-	-
Common Shares Issued Under Stock Option Plans	**-**	**-**	1,057	32
Outstanding, End of Year	**833,290**	**5,534**	757,103	3,889

On March 3, 2015, Cenovus issued 67.5 million common shares at a price of $22.25 per common share.

The Company has a DRIP, whereby holders of common shares may reinvest all or a portion of the cash dividends payable on their common shares in additional common shares. At the discretion of the Company, the additional common shares may be issued from treasury of the Company or purchased on the market. During the year ended December 31, 2015, the Company issued 8.7 million common shares from treasury under the DRIP.

There were no preferred shares outstanding as at December 31, 2015 (December 31, 2014 – nil).

As at December 31, 2015, there were 12 million (December 31, 2014 – 13 million) common shares available for future issuance under the stock option plan.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Defined Benefit Plan	Foreign Currency Translation	Available for Sale Financial Assets	Total
As at December 31, 2013	(12)	212	10	210
Other Comprehensive Income (Loss), Before Tax	(24)	215	-	191
Income Tax	6	-	-	6
As at December 31, 2014	(30)	427	10	407
Other Comprehensive Income (Loss), Before Tax	28	587	8	623
Income Tax	(8)	-	(2)	(10)
As at December 31, 2015	**(10)**	**1,014**	**16**	**1,020**

19. TERMINATION BENEFITS

In response to the low-price environment and to align with the Company's more moderate growth plan, the Company reduced its workforce in 2015. Employee termination benefits of $31 million and $43 million were recorded as incurred in the three and twelve months ended December 31, 2015, respectively.

20. 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 TSARs or NSRs.

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

As at December 31, 2015	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**	**4.33**	**31.65**	**17.50**	**42,114**
TSARs	On or After February 17, 2010	**7**	**1.19**	**26.72**	**17.50**	**3,645**

NSRs

The weighted average unit fair value of NSRs granted during the year ended December 31, 2015 was $3.58 before considering forfeitures, which are 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, 2015	Number of NSRs (Thousands)	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	**40,549**	**32.63**
Granted	**4,106**	**22.25**
Exercised	**-**	**-**
Forfeited	**(2,541)**	**32.19**
Outstanding, End of Year	**42,114**	**31.65**
Exercisable, End of Year	**23,484**	**34.46**

TSARs

The Company has recorded a liability of $1 million as at December 31, 2015 (December 31, 2014 – $8 million) in the Consolidated Balance Sheets 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, 2015 was $nil (December 31, 2014 – $nil).

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

As at December 31, 2015	Number of TSARs (Thousands)	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	3,862	26.72
Exercised for Cash Payment	-	-
Exercised as Options for Common Shares	-	-
Forfeited	(144)	27.06
Expired	(73)	25.89
Outstanding, End of Year	3,645	26.72
Exercisable, End of Year	3,645	26.72

B) Performance Share Units

The Company has recorded a liability of $49 million as at December 31, 2015 (December 31, 2014 – $109 million) in the Consolidated Balance Sheets for performance share units ("PSUs") based on the market value of Cenovus's common shares as at December 31, 2015. As PSUs are paid out upon vesting, the intrinsic value of vested PSUs was $nil as at December 31, 2015 and December 31, 2014.

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

As at December 31, 2015	Number of PSUs (Thousands)
Outstanding, Beginning of Year	7,099
Granted	2,909
Vested and Paid Out	(2,176)
Cancelled	(1,681)
Units in Lieu of Dividends	276
Outstanding, End of Year	6,427

C) Restricted Share Units

Cenovus has granted restricted share units ("RSUs") to certain employees under its Restricted Share Unit Plan for Employees. RSUs are whole share units and entitle employees to receive, upon vesting, either a common share of Cenovus or a cash payment equal to the value of a Cenovus common share. RSUs vest after three years.

RSUs are accounted for as liability instruments and are measured at fair value based on the market value of Cenovus's common shares at each period end. The fair value is recognized as compensation costs over the vesting period. Fluctuations in the fair value are recognized as compensation costs in the period they occur.

The Company has recorded a liability of $11 million as at December 31, 2015 (December 31, 2014 – $1 million) in the Consolidated Balance Sheets for RSUs based on the market value of Cenovus's common shares as at December 31, 2015. As RSUs are paid out upon vesting, the intrinsic value of vested RSUs was $nil as at December 31, 2015 and December 31, 2014.

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

As at December 31, 2015	Number of RSUs (Thousands)
Outstanding, Beginning of Year	93
Granted	2,345
Vested and Paid Out	(22)
Cancelled	(251)
Units in Lieu of Dividends	102
Outstanding, End of Year	2,267

D) Deferred Share Units

The Company has recorded a liability of $26 million as at December 31, 2015 (December 31, 2014 – $31 million) in the Consolidated Balance Sheets for deferred share units ("DSUs") based on the market value of Cenovus's common shares as at December 31, 2015. 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:

As at December 31, 2015	Number of DSUs (Thousands)
Outstanding, Beginning of Year	**1,297**
Granted to Directors	**68**
Granted	**68**
Units in Lieu of Dividends	**60**
Redeemed	**(5)**
Outstanding, End of Year	**1,488**

E) Total Stock-Based Compensation Expense (Recovery)

The following table summarizes the stock-based compensation expense (recovery) recorded for all plans within general and administrative expense in the Consolidated Statements of Earnings:

	Three Months Ended		Twelve Months Ended	
For the periods ended December 31,	**2015**	2014	**2015**	2014
NSRs	**7**	8	**27**	41
TSARs	**(1)**	(7)	**(5)**	(10)
PSUs	**(6)**	(15)	**(13)**	34
RSUs	**1**	-	**6**	-
DSUs	**(4)**	(7)	**(5)**	(5)
Stock-Based Compensation Expense (Recovery)	**(3)**	(21)	**10**	60

21. 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. Net debt includes the Company's short-term borrowings, and the current and long-term portions of long-term debt, net of cash and cash equivalents. 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.

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.

Over the long term, Cenovus targets a Debt to Capitalization ratio of between 30 and 40 percent and a Debt to Adjusted EBITDA ratio of between 1.0 and 2.0 times. At different points within the economic cycle, Cenovus expects these ratios may periodically be outside of the target range.

All amounts in $ millions, unless otherwise indicated

A) Debt to Capitalization and Net Debt to Capitalization

As at	**December 31, 2015**	December 31, 2014
Debt	**6,525**	5,458
Add (Deduct):		
Cash and Cash Equivalents	**(4,105)**	(883)
Net Debt	**2,420**	4,575
Debt	**6,525**	5,458
Shareholders' Equity	**12,391**	10,186
	18,916	15,644
Debt to Capitalization	**34%**	35%
Net Debt	**2,420**	4,575
Shareholders' Equity	**12,391**	10,186
	14,811	14,761
Net Debt to Capitalization	**16%**	31%

B) Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA

As at	**December 31, 2015**	December 31, 2014
Debt	**6,525**	5,458
Net Debt	**2,420**	4,575
Net Earnings	**618**	744
Add (Deduct):		
Finance Costs	**482**	445
Interest Income	**(28)**	(33)
Income Tax Expense (Recovery)	**(81)**	451
Depreciation, Depletion and Amortization	**2,114**	1,946
Goodwill Impairment	**-**	497
E&E Impairment	**138**	86
Unrealized (Gain) Loss on Risk Management	**195**	(596)
Foreign Exchange (Gain) Loss, Net	**1,036**	411
(Gain) Loss on Divestitures of Assets	**(2,392)**	(156)
Other (Income) Loss, Net	**2**	(4)
Adjusted EBITDA	**2,084**	3,791
Debt to Adjusted EBITDA	**3.1x**	1.4x
Net Debt to Adjusted EBITDA	**1.2x**	1.2x

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, among other actions, 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, 2015, Cenovus had $4.0 billion available on its committed credit facility. In addition, Cenovus had in place a $1.5 billion Canadian base shelf prospectus and a US$2.0 billion U.S. base shelf prospectus, the availability of which are dependent on market conditions.

Under the committed credit facility, the Company is required to maintain a debt to capitalization ratio, not to exceed 65 percent. The Company is well below this limit.

As at December 31, 2015, Cenovus is in compliance with all of the terms of its debt agreements.

All amounts in $ millions, unless otherwise indicated

22. FINANCIAL INSTRUMENTS

Cenovus's consolidated financial assets and financial liabilities consist of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, risk management assets and liabilities, available for sale financial assets, 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 Non-Derivative Financial Instruments

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 long-term receivables approximate their carrying amount due to the specific non-tradeable nature of these instruments.

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, 2015, the carrying value of Cenovus's long-term debt was $6,525 million and the fair value was $6,050 million (December 31, 2014 carrying value – $5,458 million, fair value – $5,726 million).

Available for sale financial assets comprise private equity investments. These assets are carried at fair value on the Consolidated Balance Sheets in other assets. Fair value is determined based on recent private placement transactions (Level 3) when available. The following table provides a reconciliation of changes in the fair value of available for sale financial assets:

As at	**December 31, 2015**	December 31, 2014
Fair Value, Beginning of Year	**32**	32
Acquisition of Investments	**2**	4
Reclassification of Equity Investments	**-**	(4)
Change in Fair Value (1)	**8**	-
Fair Value, End of Year	**42**	32

(1) Unrealized gains and losses on available for sale financial assets are recorded in other comprehensive income.

B) Fair Value of Risk Management Assets and Liabilities

The Company's risk management assets and liabilities consist of crude oil, condensate, natural gas and power purchase contracts, as well as interest rate swaps. Crude oil, condensate 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 as at December 31, 2015 range from $30.00 to $41.00 per megawatt hour. The fair value of interest rate swaps are calculated using external valuation models which incorporate observable market data, including quoted market prices and interest rate yield curves (Level 2).

Summary of Unrealized Risk Management Positions

	December 31, 2015			December 31, 2014		
	Risk Management			Risk Management		
As at	**Asset**	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Crude Oil	**301**	**15**	**286**	423	7	416
Natural Gas	**-**	**-**	**-**	55	-	55
Power	**-**	**13**	**(13)**	-	9	(9)
	301	**28**	**273**	478	16	462
Interest Rate	**-**	**2**	**(2)**	-	-	-
Total Fair Value	**301**	**30**	**271**	478	16	462

All amounts in $ millions, unless otherwise indicated

The following table presents the Company's fair value hierarchy for risk management assets and liabilities carried at fair value:

As at	**December 31, 2015**	December 31, 2014
Prices Sourced From Observable Data or Market Corroboration (Level 2)	**284**	471
Prices Determined From Unobservable Inputs (Level 3)	**(13)**	(9)
	271	462

Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data. Prices determined from unobservable inputs refers to the fair value of contracts valued using data that is both unobservable and significant to the overall fair value measurement.

The following table provides a reconciliation of changes in the fair value of Cenovus's risk management assets and liabilities from January 1 to December 31:

	2015	2014
Fair Value of Contracts, Beginning of Year	**462**	(129)
Fair Value of Contracts Realized During the Year (1)	**(656)**	(66)
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered Into During the Year (2)	**461**	662
Unrealized Foreign Exchange Gain (Loss) on U.S. Dollar Contracts	**4**	(5)
Fair Value of Contracts, End of Year	**271**	462

(1) Includes a realized loss of $10 million related to the power contracts (2014 – $4 million gain).
(2) Includes a decrease of $14 million related to the power contracts (2014 – $10 million decrease).

C) Earnings Impact of (Gains) Losses From Risk Management Positions

	Three Months Ended		**Twelve Months Ended**	
For the periods ended December 31,	**2015**	2014	**2015**	2014
Realized (Gain) Loss (1)	**(239)**	(151)	**(656)**	(66)
Unrealized (Gain) Loss (2)	**26**	(416)	**195**	(596)
(Gain) Loss on Risk Management	**(213)**	(567)	**(461)**	(662)

(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.

23. RISK MANAGEMENT

The Company is exposed to financial risks, including market risk related to commodity prices, foreign exchange rates, interest rates as well as credit risk and liquidity risk. 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, 2014. The Company's exposure to these risks has not changed significantly since December 31, 2014. To manage the Company's exposure to interest rate volatility, during the fourth quarter of 2015 the Company entered into interest rate swap contracts related to future debt issuances. As at December 31, 2015, the Company had a notional amount of US$300 million in forward swaps.

All amounts in $ millions, unless otherwise indicated

Net Fair Value of Risk Management Positions

As at December 31, 2015	Notional Volumes	Terms	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
Brent Fixed Price	17,000 bbls/d	January – June 2016	$75.80/bbl	**64**
Brent Fixed Price	33,000 bbls/d	January – June 2016	US$47.59/bbl	**65**
Brent Fixed Price	10,000 bbls/d	January – December 2016	US$66.93/bbl	**127**
Brent Fixed Price	5,000 bbls/d	July – December 2016	$75.46/bbl	**13**
WCS Differential (1)	31,600 bbls/d	January – December 2016	US$(13.96)/bbl	**(9)**
Brent Collars	10,000 bbls/d	July – December 2016	US$45.55 – US$56.55/bbl	**11**
Other Financial Positions (2)				**17**
Crude Oil Fair Value Position				**288**
Condensate Purchase Contracts				
Mont Belvieu Fixed Price	3,000 bbls/d	January – December 2016	US$39.20/bbl	**(2)**
Power Purchase Contracts				
Power Fair Value Position				**(13)**
Interest Rate Swaps				**(2)**

(1) Cenovus entered into fixed-price swaps to protect against widening light/heavy price differential for heavy crudes.
(2) Other financial positions are part of ongoing operations to market the Company's production.

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 or interest rates, with all other variables held constant. Management believes the price and interest rate fluctuations identified in the table below are a reasonable measure of volatility. The impact of fluctuating commodity prices and interest rates on the Company's open risk management positions could have resulted in unrealized gains (losses) impacting earnings before income tax based on the risk management positions in place as follows:

Risk Management Positions in Place as at December 31, 2015

	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US$10 per bbl Applied to Brent and WTI Hedges	**(243)**	**245**
Crude Oil Differential Price	± US$5 per bbl Applied to Differential Hedges Tied to Production	**80**	**(80)**
Condensate Commodity Price	± US$10 per bbl Applied to Condensate Hedges	**23**	**(23)**
Power Commodity Price	± $25 per MWHr Applied to Power Hedge	**19**	**(19)**
Interest Rate Swaps	± 50 Basis Points	**38**	**(46)**

24. COMMITMENTS AND CONTINGENCIES

A) Commitments

Cenovus has entered into various commitments in the normal course of operations primarily related to demand charges on firm transportation agreements. In addition, the Company has commitments related to its risk management program and an obligation to fund its defined benefit pension and other post-employment benefit plans. Additional information related to the Company's commitments can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014. In the third quarter of 2015, net transportation commitments of $92 million were assumed upon the acquisition of the Company's crude-by-rail terminal. The Company did not enter into any other new material contracts for the year ended December 31, 2015.

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.