Cabot Oil & Gas Corporation

2018

Annual Report

Cabot Oil & Gas Corporation, headquartered in Houston, Texas, is an independent oil and gas producer. The Company's focused operations are centered around developing its natural gas resources in northeast Pennsylvania.

To Our Shareholders:

Return on Capital. Return of Capital. This message has been delivered loud and clear by upstream oil and gas investors since 2016. Fortunately, Cabot Oil & Gas Corporation's commitment to disciplined capital allocation focused on generating strong returns pre-dates this latest directive by investors. Our strategy is, and has been, simple: invest in the highest-return projects within our anticipated levels of cash flow annually, divest assets that do not compete for capital based on our internal return thresholds, and maintain a strong balance sheet. This mindset has established Cabot as one of the leading returns-focused companies in the exploration and production industry, and one that can compete favorably for investor capital when compared against all sectors across the broader equity market.

For the last three years, Cabot has generated positive free cash flow and made a firm commitment to continue to improve its return on capital and expand its return of capital to shareholders. We increased our dividend three times over the past two years, from $0.08 per share annually in 2016 to our current annual rate of $0.28 per share, with plans for additional increases in the future. During this time frame, Cabot re-implemented its share repurchase program, repurchasing 5.0 million shares in 2017 and 38.5 million shares in 2018. The total value of share repurchases and dividend payments for 2018 alone exceeded $1 billion. Additionally, the Company repaid approximately $300 million of debt, creating $1.3 billion of benefit to the stakeholders of Cabot in 2018. The bottom line is that we have heard our shareholders' concerns regarding the state of our industry and we are fully aligned with you.

Our outsized returns of capital in 2018 were underpinned by improving fundamentals in the natural gas sector, the receipt of asset sale proceeds from our Eagle Ford Shale and Haynesville Shale divestitures, the use of existing cash on the balance sheet and our strong financial results, including another year of positive free cash flow generation.

The financial highlights for 2018 included:

- Net income of $557.0 million, the highest ever recorded by the Company, or $1.25 per share.
- Operating cash flow of $1.1 billion and discretionary cash flow of $1.3 billion.
- Free cash flow of $296.6 million.
- Operating expenses per unit of $1.76 per Mcfe, a 13 percent decline from 2017, despite incurring increased exploration expense resulting from two exploratory projects that did not ultimately meet our return thresholds.
- Year-end total debt of $1.2 billion with no additional maturities until 2020, resulting in a peer-leading debt-to-EBITDAX ratio of 1.0 times.
- Return on capital employed of 15.9 percent, an increase of 860 basis points year-over-year.

Despite divesting two assets during the year, the Company continued the expansion of its reserve base with a 19 percent increase in year-end proved reserves, driven by a 25 percent increase in our Marcellus Shale reserves at a best-in-class all-sources finding cost of $0.26 per Mcf.

These results highlight the impact of our continued portfolio optimization, including the rationalization of lower-return, less economic properties to focus on our highest-return assets. Cabot truly has the highest-return, lowest-cost natural gas position in the industry.

2018 Milestones

For the past several years, we have discussed the importance of continued infrastructure build-out and improvement in natural gas demand in the northeastern part of the United States. During 2018, Cabot achieved several milestones relating to in-basin demand projects and significant pipeline takeaway expansions. The Atlantic Sunrise project, almost five years in the making, was placed into service for Cabot in October 2018. The in-service of this new 178-mile greenfield pipeline resulted in the successful transition of 1.05 Bcf per day of Cabot deliveries to new markets including the Cove Point LNG facility, the Washington D.C. market area and southern Alabama. This long-term solution to infrastructure constraints that have existed for several years will result in significantly better price realizations and will allow for future production growth for Cabot.

Cabot also aligned itself with new in-basin demand opportunities with the commissioning of the Moxie Freedom power plant and the Lackawanna Energy Center power plant during the second half of 2018. Collectively, Cabot will provide over 400 Mmcf per day of Marcellus gas directly from its operating area to these highly-efficient power plants, thus eliminating interstate pipeline transportation costs for these volumes. As of year-end 2018, approximately half of our gross production is moving to

Free cash flow of $296.6 million

Third consecutive year of positive free cash flow

Reserve growth per debt-adjusted share of **25%**

Production growth per debt-adjusted share of **12%** while **decreasing operating expenses per unit by 13%**

new incremental markets that were not accessible just one year earlier. Combined, these efforts have had the expected impact of reducing local basis differentials and improving price realizations.

Operations

As a result of our divestitures in 2018, Cabot enters 2019 as a pure-play natural gas company focused in the Marcellus Shale in northeastern Pennsylvania. The Company has drilled approximately 650 net horizontal wells in its 10 years of drilling in the basin and is planning approximately 85 additional net horizontal wells in 2019. This level of activity allows for the continued disciplined growth of our production and is expected to generate record levels of positive free cash flow for the fourth consecutive year, while leaving a multi-decade drilling inventory remaining.

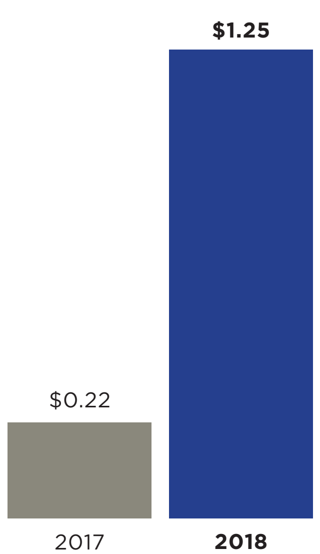
Our 2019 plan demonstrates the low capital intensity of our operations, which will require just three drilling rigs and two completion crews, resulting in one of the most capital efficient programs in the industry. These efficiencies are driven in large part by our continued utilization of multi-well pad drilling, allowing us to drill the approximately 85 net wells during the year from only 14 pads. To put this in perspective, those pads in total cover only 259 acres, making the footprint of our annual operations incredibly small, especially when compared to other energy-generating sources.

Outlook

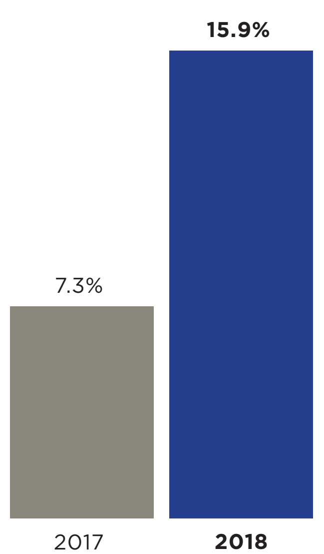
With our reduced capital investment program and the lowest-cost position among our peers, we are projecting another year of positive free cash flow generation that exceeds the three previous years combined, assuming the current natural gas forward price curve persists. Our Board of Directors, together with management, has committed to return over 50 percent of our annual free cash flow to shareholders in 2019 through a combination

Earnings per Share

($ per Share)

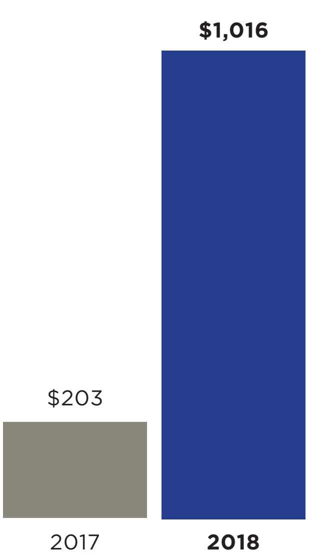


Return on Capital Employed



Capital Returned to Shareholders

($ in millions)



CONTINUED PORTFOLIO OPTIMIZATION

2006	Divested offshore and South Louisiana assets
2009	Divested Canadian assets
2010	Divested Marcellus gathering assets
2011	Divested Rocky Mountain assets
2012	Divested partial working interest in Pearsall assets
2013	Divested Mid-Continent assets
2014-16	Divested East Texas assets
2017	Divested conventional West Virginia assets
2018	Divested Eagle Ford and Haynesville assets

Lowest-cost natural gas producer

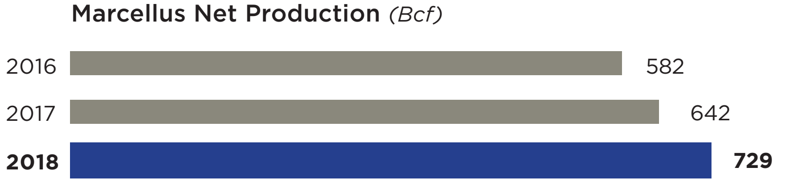
Industry-leading cost structure results in a **continued reduction in breakeven prices** of dividends and share repurchases. We strongly believe this playbook is the right one for not only today, but for the long run.

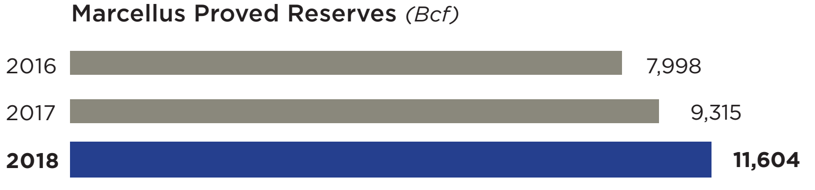
Cabot's past and expected future success would not be possible without the efforts from all of our dedicated employees. Through our approximately 300 upstream and 180 service sector employees, Cabot is a leader in the industry on many fronts, not the least of which is the return on and of capital to our shareholders. This is truly a testament to our employees, who create a culture that enables Cabot to provide a return profile envied by the industry. These are the people who make the difference for you, the shareholder.

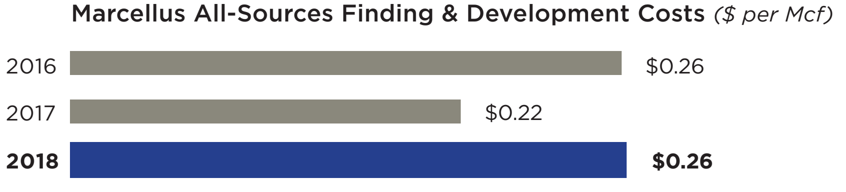
I would also like to acknowledge our Board of Directors, who have been extremely supportive of our strategy, for their insights on our strategic direction and for partnering with management to make the Company what it is today. Finally, thank you, our shareholders. We continue to value your thoughts, ideas and direction to continue moving this Company forward. Our commitment to per share growth metrics, free cash flow, return on capital, and return of capital back to shareholders remains paramount in importance for 2019 and beyond. Thank you for allowing us to earn your continued support.

Sincerely,

Dan O. Dinges
Chairman, President and Chief Executive Officer







Returned approximately **$1.0 billion of capital**
to shareholders through dividends and share repurchases

Infrastructure

Completion of major infrastructure projects has
significantly increased our takeaway capacity

LACKAWANNA ENERGY CENTER POWER PLANT

Total project size: **240 Mmcf/d**
COG sole supplier

MOXIE FREEDOM POWER PLANT

Total project size: **165 Mmcf/d**
COG sole supplier

COVE POINT LNG FACILITY

20-year supply agreement with
Pacific Summit Energy for **350 Mmcf/d**

ATLANTIC SUNRISE PROJECT

Photo courtesy of Williams

350 Mmcf/d (COG transport capacity): **20 years**
500 Mmcf/d (COG transport capacity): **15 years**
50 Mmcf/d (long-term firm sales): **15 years**
150 Mmcf/d (long-term firm sales): **3 years**

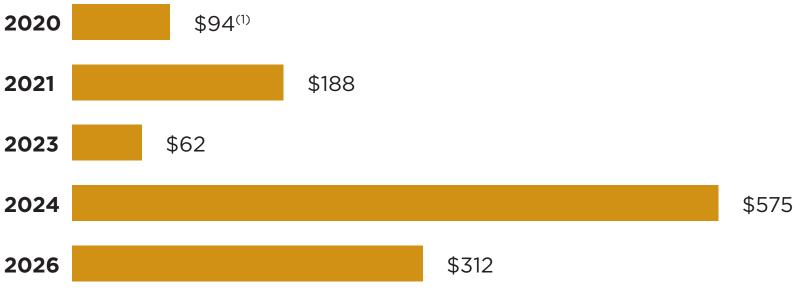
FINANCIAL HIGHLIGHTS

Income Statement (*In millions, except for per share amounts*)	2016	2017	**2018**
Operating Revenue	$ 1,155.7	$ 1,764.2	**$ 2,188.1**
Operating Expenses	1,716.3	1,803.4	**1,401.2**
Operating Income	(564.9)	(151.3)	**771.8**
Net Income	(417.1)	100.4	**557.0**
Per Share	(0.91)	0.22	**1.25**
Common Dividend Per Share	$ 0.08	$ 0.17	**$ 0.25**
Average Common Shares Outstanding (*In thousands*)	456,847	463,735	**445,538**

Cash Flow (*In millions*)	2016	2017	**2018**
Discretionary Cash Flow	$ 460.7	$ 976.1	**$ 1,268.4**
Cash Flows from Operations	397.4	898.2	**1,104.9**
Cash Flows from Investing	(353.2)	(706.2)	**(293.4)**
Cash Flows from Financing	$ 453.8	$ (210.5)	**$ (1,289.3)**

Balance Sheet (*In millions*)	2016	2017	**2018**
Current Assets	$ 715.9	$ 765.0	**$ 544.5**
Current Liabilities	257.8	630.0	**287.3**
Short-Term Debt	-	304.0	**-**
Long-Term Debt	1,520.5	1,217.9	**1,226.1**
Equity	$ 2,567.7	$ 2,523.9	**$ 2,088.2**

Debt Maturity Schedule *(In millions)*



[1]Includes $7 million of debt associated with the Company's revolving credit facility

OPERATIONAL HIGHLIGHTS

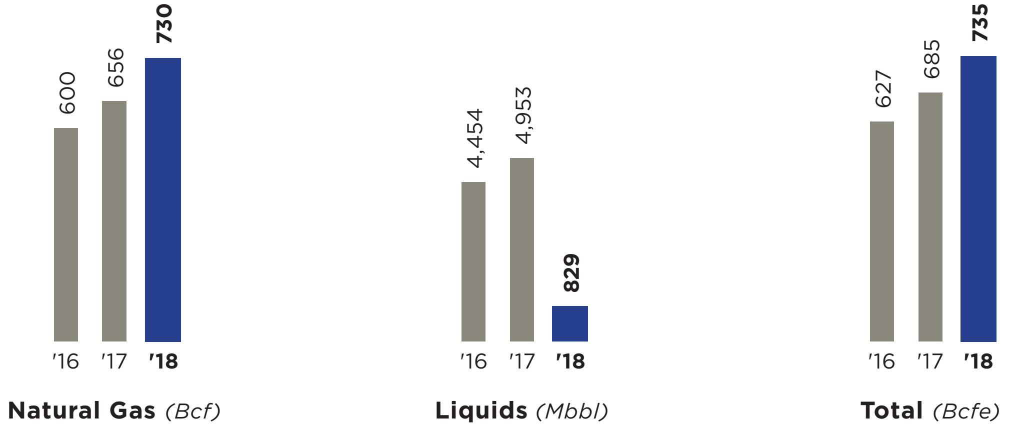
Wells Drilled	2016	2017	**2018**
Total Gross	40	91	**97**
Total Net	38	83	**95**
% Gross Success Rate	100%	99%	**91%**

Proved Reserves			
Natural Gas (*Bcf*)	8,281.3	9,352.8	**11,604.1**
Oil, Condensate & Natural Gas Liquids (*Mmbbl*)	49.2	62.3	**0.1**
Total Proved (*Bcfe*)	8,576.3	9,726.3	**11,604.8**
Total Proved Developed (*Bcfe*)	5,623.0	6,187.6	**7,402.8**
% Natural Gas	97%	96%	**100%**
% Proved Developed	66%	64%	**64%**

Reserve Additions (*Bcfe*)			
Additions	683.9	1,236.1	**2,243.5**
Additions, Revisions & Purchases	1,054.0	2,164.6	**3,023.9**
Reserve Replacement	168%	316%	**411%**

Finding & Development Costs (*$/Mcfe*)			
Additions	$ 0.57	$ 0.62	**$ 0.40**
Additions & Revisions	0.37	0.35	**0.30**
All Sources	$ 0.37	$ 0.35	**$ 0.30**

Production



BOARD OF DIRECTORS

DIRECTORS

Dan O. Dinges
Chairman, President and Chief Executive Officer

Dorothy M. Ables
Former Chief Administrative Officer,
Spectra Energy Corp

Rhys J. Best
Chairman (non executive), MRC Global

Robert S. Boswell
Chairman and Chief Executive Officer,
Laramie Energy, LLC

Amanda M. Brock
Chief Operating Officer and
Chief Commercial Officer, Solaris Midstream

Peter B. Delaney
Former Chairman, President and CEO,
OGE Energy Corporation

Robert Kelley (Lead Director)
Former Chairman,
President and Chief Executive Officer,
Noble Affiliates, Inc.
(Subsequently renamed Noble Energy Inc.)

W. Matt Ralls
Former Executive Chairman,
Chief Executive Officer and President,
Rowan Companies, plc

Marcus A. Watts
President, The Friedkin Group

COMMITTEES

AUDIT COMMITTEE

Dorothy M. Ables – Chairman
Robert S. Boswell
Amanda M. Brock
Peter B. Delaney
Robert Kelley

COMPENSATION COMMITTEE

Rhys J. Best – Chairman
Dorothy M. Ables
W. Matt Ralls
Marcus A. Watts

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

W. Matt Ralls – Chairman
Rhys J. Best
Robert S. Boswell
Robert Kelley

SAFETY AND ENVIRONMENTAL AFFAIRS COMMITTEE

Robert S. Boswell – Chairman
Amanda M. Brock
Peter B. Delaney
Marcus A. Watts

EXECUTIVE COMMITTEE

Robert Kelley – Chairman
Dan O. Dinges
W. Matt Ralls

OFFICERS

Dan O. Dinges
Chairman, President and
Chief Executive Officer

Scott C. Schroeder
Executive Vice President and
Chief Financial Officer

Jeffrey W. Hutton
Senior Vice President, Marketing

Todd L. Liebl
Senior Vice President,
Land and Business Development

Steven W. Lindeman
Senior Vice President,
South Region and Engineering

Phillip L. Stalnaker
Senior Vice President,
North Region

G. Kevin Cunningham
Vice President and General Counsel

Charles E. Dyson II
Vice President, Information Services

Matthew P. Kerin
Vice President and Treasurer

Julius Leitner
Vice President, Marketing

Todd M. Roemer
Vice President and Controller

Deidre L. Shearer
Vice President and Corporate Secretary

CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of the shareholders will be held Wednesday, May 1, 2019 at 8:00 a.m. (Central Time) at the corporate office in Houston, Texas.

CORPORATE OFFICE

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www.cabotog.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Houston, Texas 77002

RESERVE ENGINEERS

Miller & Lents, Ltd.
Oil & Gas Consultants
909 Fannin Street, Suite 1300
Houston, Texas 77010

INVESTOR RELATIONS

Additional copies of the Form 10-K are available without charge. Shareholders, securities analysts, portfolio managers and others who have questions or need additional information concerning the Company may contact:

Matthew P. Kerin
Vice President and Treasurer
(281) 589-4642
matt.kerin@cabotog.com

TRANSFER AGENT/REGISTRAR

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EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100
(800) 468-9716
www.shareowneronline.com

General Inquiries:
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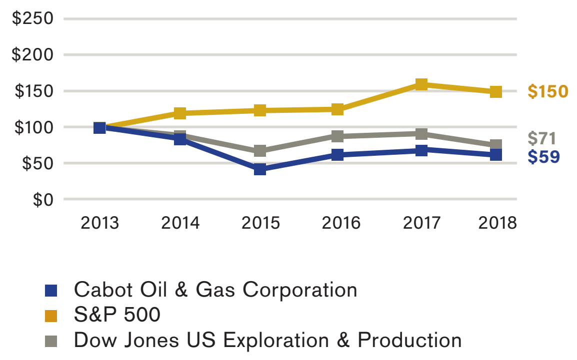
P.O. Box 64854
St. Paul, MN 55164-0854
(800) 468-9716

Certified/Overnight Mail:
EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

Telephone Number for
Foreign Shareholders:
(651) 450-4064

PERFORMANCE GRAPH

The following graph compares our common stock performance with the performance of the Standard & Poors' 500 Stock Index and the Dow Jones U.S. Exploration & Production Index for the period December 2013 through December 2018. The graph assumes that the value of the investment in our common stock and in each index was $100 on December 31, 2013 and that all dividends were reinvested.



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