



Encana Corporation

Non-GAAP Definitions and Reconciliations *(unaudited)*

For the period ended June 30, 2017
and updated October 18, 2017 for Investor Day

(U.S. Dollars)

For the period ended June 30, 2017
(US\$ millions, except per share amounts or as indicated)

Non-GAAP Cash Flow, Non-GAAP Cash Flow Per Share (CFPS), Free Cash Flow and Corporate Margin – Non-GAAP Cash Flow is defined as cash from operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and current tax on sale of assets. Non-GAAP CFPS is Non-GAAP Cash Flow divided by the weighted average number of common shares outstanding. Free Cash Flow is defined as Non-GAAP Cash Flow in excess of capital expenditures, excluding net acquisitions and divestitures. Corporate Margin is Non-GAAP Cash Flow per BOE of production. Management believes these measures are useful to the company and its investors as a measure of operating and financial performance across periods and against other companies in the industry, and are an indication of the company's ability to generate cash to finance capital programs, to service debt and to meet other financial obligations. These measures are used, along with other measures, in the calculation of certain performance targets for the company's management and employees.

Non-GAAP Cash Flow	Q2 2017	YTD 2017
Cash from (used in) operating activities	\$ 218	\$ 324
Deduct (add back):		
Net change in other assets and liabilities	(4)	(16)
Net change in non-cash working capital	(129)	(289)
Current tax on sale of assets	-	-
Non-GAAP Cash Flow	\$ 351	\$ 629
Per share diluted	\$ 0.36	\$ 0.65
 Free Cash Flow		
Non-GAAP Cash Flow	\$ 351	\$ 629
Less:		
Capital Expenditures	415	814
Free Cash Flow	\$ (64)	\$ (185)
 Corporate Margin		
Non-GAAP Cash Flow	\$ 351	\$ 629
Divided by:		
Production Volumes (MMBOE)	28.8	57.4
Corporate Margin (\$/BOE)	\$ 12.19	\$ 10.96

Non-GAAP Operating Earnings (Loss) – is defined as Net Earnings (Loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the company's financial performance between periods. These items may include, but are not limited to, unrealized gains/losses on risk management, impairments, restructuring charges, non-operating foreign exchange gains/losses, gains/losses on divestitures and gains on debt retirement. Income taxes may include valuation allowances and the provision related to the pre-tax items listed, as well as income taxes related to divestitures and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate

Non-GAAP Operating Earnings (Loss)	Q2 2017	YTD 2017
Net earnings (loss)	\$ 331	\$ 762
Before-tax (addition) deduction:		
Unrealized gain (loss) on risk management	110	472
Non-operating foreign exchange gain (loss)	63	97
Gain (loss) on divestitures	-	(1)
	173	568
Income tax	(22)	(90)
After-tax (Addition) Deduction	151	478
Non-GAAP Operating Earnings (Loss)	\$ 180	\$ 284
Per share diluted	\$ 0.18	\$ 0.29

Return on Capital Employed (ROCE) – Adjusted Operating Earnings divided by Capital Employed. Adjusted Operating Earnings is defined as Non-GAAP Operating Earnings (Loss) plus after-tax interest expense. Capital Employed is defined as average net debt plus average shareholders' equity.

Net Debt, Adjusted EBITDA and Net Debt to Adjusted EBITDA – Net Debt is defined as long-term debt, including the current portion, less cash and cash equivalents. Adjusted EBITDA is defined as trailing 12-month net earnings (loss) before income taxes, DD&A, impairments, accretion of asset retirement obligation, interest, unrealized gains/losses on risk management, foreign exchange gains/losses, gains/losses on divestitures and other gains/losses. Net Debt to Adjusted EBITDA is a non-GAAP measure monitored by management as an indicator of the company's overall financial strength and as a measure considered comparable to peers in the industry.

Net Debt	YTD 2017	
Long-term debt, including current portion	\$	4,198
Less:		
Cash and cash equivalents		395
Net Debt	\$	3,803
		YTD 2017
Net Debt	\$	3,803
Net Earnings (Loss)		798
Add (Deduct):		
Interest		354
Income tax expense (recovery)		91
Depreciation, depletion and amortization		748
Accretion of asset retirement obligation		46
Foreign exchange gain (loss), net		62
Unrealized gains (losses) on risk management		(364)
Gain (loss) on divestitures, net		(391)
Other (gains) losses, net		(30)
Adjusted EBITDA	\$	1,314
Net Debt to Adjusted EBITDA (times)		2.9

Upstream Operating Cash Flow, excluding Risk Management – Upstream Operating Cash Flow, excluding Risk Management is a measure that adjusts the Canadian and USA Operations revenues for production, mineral and other taxes, transportation and processing expense, operating expense and the impacts of realized risk management activities. Management monitors Upstream Operating Cash Flow, excluding Risk Management as it reflects operating performance and measures the amount of cash generated from the company's upstream operations.

Upstream Operating Cash Flow, excluding Risk Management	Q2 2017		YTD 2017	
Upstream Operating Cash Flow				
Canadian Operations	\$	107	\$	219
USA Operations		331		605
	\$	438	\$	824
(Add back) deduct:				
Realized Gain (Loss) on Risk Management				
Canadian Operations	\$	2	\$	(19)
USA Operations		17		14
	\$	19	\$	(5)
Upstream Operating Cash Flow, excluding Risk Management				
Canadian Operations	\$	105	\$	238
USA Operations		314		591
	\$	419	\$	829

Cash Costs – are defined as the summation of production, mineral and other taxes, transportation and processing expense, operating expense, administrative expense and interest expense

Cash Costs	Q2 2017		YTD 2017	
Production, mineral and other taxes	\$	24	\$	53
Transportation and processing		206		418
Operating*		113		245
Administrative*		24		82
Interest		79		167
	\$	446	\$	965

* Includes a recovery of long-term incentive costs

Normalized Interest – Interest expense on long-term debt, excluding one-time charges associated with the early retirement of long-term debt. Management believes Normalized Interest is a useful indicator of ongoing interest costs associated with long-term debt that is more comparable between periods as it eliminates certain one-time costs

Normalized Administrative Expense – Administrative expense excluding long-term incentive and restructuring costs. Management believes Normalized Administrative Expense is a useful indicator of ongoing controllable base administrative costs that are more comparable between periods and against other companies in the industry as it eliminates certain one-time and non-cash impacts

After-Tax Rate of Return (ATROR) – The discount rate at which the net present value of the after-tax cash flows is equal to zero. Encana uses nine percent as the discount rate for its standard investment decisions, which is intended to represent the company's long term cost of capital. For project evaluation, cost of capital includes land, drilling and completion costs (D&C), seismic, facilities and gathering. D&C costs include all capital outlay for activities related to drilling and completing the well in addition to permanent production equipment such as site compressors, separation equipment and liquid storage tanks.

Corporate Return – For project evaluation, Corporate Return is defined as the project's ATROR after incorporating a burden rate per BOE to cover corporate overhead costs, such as administrative and interest expenses. Corporate Return is used by management as an internal measure of the profitability of a play.

Operating Margin/Operating Cash Flow/Operating Netback – Product revenues less costs associated with delivering the product to market, including production, mineral and other taxes, transportation and processing and operating expenses. When presented on a per BOE basis, Operating Netback is defined as indicated divided by average barrels of oil equivalent sales volumes. Operating Margin/Operating Cash Flow/Operating Netback is used by management as an internal measure of the profitability of a play(s).

Income Margin – Operating Margin less finding and development costs, non-well capital costs and allocated overhead costs, such as administrative and interest expenses. When presented on a per BOE basis, Income Margin is defined as indicated divided by average barrels of oil equivalent production volumes. Income Margin is used by management as an internal measure of the profitability of a play.

Development Capital – Includes drilling, completion and facility costs, but excludes land and lease, seismic, appraisal and capitalized internal costs. Capitalized internal costs include salaries, benefits and other costs directly identifiable with acquisition, exploration and developmen

Non-well Capital – All capital, excluding drilling, completions, equipment and tie-in capital.

Debt to Debt Adjusted Cash Flow (D/DACF) – A measure monitored by management as an indicator of the company's overall financial strength. DACF is defined as Cash Flow on a trailing 12-month basis excluding interest expense before tax.

Netback Calculation

Netback is a common metric used in the oil and gas industry to measure operating performance on a per-unit basis and is considered a non-GAAP measure. The netbacks disclosed below do not meet the requirements outlined in National Instrument 51-101 and have been calculated on a BOE basis using product revenues, excluding the impact of realized gains and losses on risk management, less costs associated with delivering the product to market, including production, mineral and other taxes, transportation and processing expense and operating expense.

Selected Financial Data ⁽¹⁾

(US\$ millions)	2017			2016				
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations								
Product Revenue ⁽²⁾	561	264	297	952	288	244	196	224
Production, mineral and other taxes	10	5	5	23	6	5	6	6
Transportation and processing	265	133	132	576	136	136	155	149
Operating ⁽³⁾	51	21	30	149	36	37	37	39
	235	105	130	204	110	66	(2)	30
USA Operations								
Product Revenue ⁽²⁾	905	464	441	1,491	417	397	382	295
Production, mineral and other taxes	43	19	24	76	20	15	24	17
Transportation and processing	110	51	59	260	46	43	73	98
Operating ⁽³⁾	166	82	84	388	98	92	86	112
	586	312	274	767	253	247	199	68
Total Operations								
Product Revenue ⁽²⁾	1,466	728	738	2,443	705	641	578	519
Production, mineral and other taxes	53	24	29	99	26	20	30	23
Transportation and processing	375	184	191	836	182	179	228	247
Operating ⁽³⁾	217	103	114	537	134	129	123	151
	821	417	404	971	363	313	197	98

⁽¹⁾ Segmented financial information per the notes to Encana's financial statements.

⁽²⁾ Excludes the impact of realized gains and losses on risk management.

⁽³⁾ Excludes other operating expenses with no associated production volumes.

Sales Volumes ⁽¹⁾

(BOE)	2017			2016				
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations	29,724,906	14,258,699	15,466,320	68,866,560	15,886,560	16,576,652	17,485,832	18,917,353
USA Operations	27,664,221	14,543,893	13,120,290	60,204,804	13,688,220	14,515,576	16,028,285	15,972,957
Total	57,389,127	28,802,592	28,586,610	129,071,364	29,574,780	31,092,228	33,514,117	34,890,310

⁽¹⁾ Numbers may not add due to the calculation of volumes, which is based on sales volumes per day on a BOE basis times the number of days in the period.

Calculated Operating Netback, excluding the Impact of Realized Gains (Losses) on Risk Management ⁽¹⁾

(US\$/BOE)	2017			2016				
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total - Canadian Operations								
Price	18.87	18.52	19.20	13.82	18.13	14.72	11.21	11.84
Production, mineral and other taxes	0.34	0.35	0.32	0.33	0.38	0.30	0.34	0.32
Transportation and processing	8.92	9.33	8.53	8.36	8.56	8.20	8.86	7.88
Operating	1.72	1.47	1.94	2.16	2.27	2.23	2.12	2.06
Netback	7.91	7.36	8.41	2.96	6.92	3.98	(0.11)	1.59
Total - USA Operations								
Price	32.71	31.90	33.61	24.77	30.46	27.35	23.83	18.47
Production, mineral and other taxes	1.55	1.31	1.83	1.26	1.46	1.03	1.50	1.06
Transportation and processing	3.98	3.51	4.50	4.32	3.36	2.96	4.55	6.14
Operating	6.00	5.64	6.40	6.44	7.16	6.34	5.37	7.01
Netback	21.18	21.45	20.88	12.74	18.48	17.02	12.42	4.26
Total Operations								
Price	25.54	25.28	25.82	18.93	23.84	20.62	17.25	14.88
Production, mineral and other taxes	0.92	0.83	1.01	0.77	0.88	0.64	0.90	0.66
Transportation and processing	6.53	6.39	6.68	6.48	6.15	5.76	6.80	7.08
Operating	3.78	3.58	3.99	4.16	4.53	4.15	3.67	4.33
Netback	14.31	14.48	14.13	7.52	12.27	10.07	5.88	2.81

⁽¹⁾ May not add due to rounding. Encana calculates reported netbacks using whole dollars and sales volumes. Accordingly, the calculations above may differ from the reported netbacks due to the effects of rounding both dollars and volumes.