



Encana Corporation

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended September 30, 2019

(U.S. Dollars)

For the period ended September 30, 2019
(US\$ millions, except per share amounts or as indicated)

Non-GAAP Cash Flow, Non-GAAP Cash Flow Per Share (CFPS), Non-GAAP Free Cash Flow, Non-GAAP Cash Flow Yield and Non-GAAP Cash Flow Margin – Non-GAAP Cash Flow is defined as cash from (used in) 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. Non-GAAP Free Cash Flow is defined as Non-GAAP Cash Flow in excess of capital expenditures, excluding net acquisitions and divestitures. Non-GAAP Free Cash Flow Yield is annualized Non-GAAP Free Cash Flow compared to current market capitalization. Non-GAAP Cash Flow 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	Q3 2019	YTD 2019
Cash from (used in) operating activities	\$ 756	\$ 2,191
Deduct (add back):		
Net change in other assets and liabilities	(29)	(55)
Net change in non-cash working capital	(32)	130
Current tax on sale of assets	-	-
Non-GAAP Cash Flow	\$ 817	\$ 2,116
Per share - basic and diluted	\$ 0.62	\$ 1.62
Non-GAAP Cash Flow, excluding restructuring and acquisition costs		
Non-GAAP Cash Flow	\$ 817	\$ 2,116
Add back:		
Acquisition costs	-	33
Restructuring costs	4	134
Non-GAAP Cash Flow, excluding restructuring and acquisition costs	\$ 821	\$ 2,283
Non-GAAP Free Cash Flow		
Non-GAAP Cash Flow	\$ 817	\$ 2,116
Deduct:		
Capital expenditures	566	2,052
Non-GAAP Free Cash Flow	\$ 251	\$ 64
Non-GAAP Cash Flow Margin		
Non-GAAP Cash Flow	\$ 817	\$ 2,116
Divided by:		
Production volumes (MMBOE)	55.7	151.7
Non-GAAP Cash Flow Margin (\$/BOE)	\$ 14.67	\$ 13.95
Non-GAAP Cash Flow Margin, excluding restructuring and acquisition costs		
Non-GAAP Cash Flow, excluding restructuring and acquisition costs	\$ 821	\$ 2,283
Divided by:		
Production volumes (MMBOE)	55.7	151.7
Non-GAAP Cash Flow Margin, excluding restructuring and acquisition costs (\$/BOE)	\$ 14.74	\$ 15.05
Non-GAAP Cash Flow Yield		
Non-GAAP Free Cash Flow	\$ 251	
Multiplied by:		
4 (annualized)	1,004	
Divided by:		
Market Cap @ 10/21/19	5,249	
Non-GAAP Cash Flow Yield	19.1%	

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 U.S. tax reform, and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

Non-GAAP Operating Earnings (Loss)	Q3 2019	YTD 2019
Net earnings (loss)	\$ 149	\$ 240
Before-tax (addition) deduction:		
Unrealized gain (loss) on risk management	(41)	(385)
Restructuring charges	(4)	(134)
Non-operating foreign exchange gain (loss)	(41)	42
Gain (loss) on divestitures	5	4
	(81)	(473)
Income tax	35	63
After-tax (Addition) Deduction	(46)	(410)
Non-GAAP Operating Earnings (Loss)	\$ 195	\$ 650
Per share - basic and diluted	\$ 0.15	\$ 0.50

Debt to Capitalization – Debt is defined as long-term debt, including the current portion. Capitalization includes debt and total shareholders' equity. Debt to Capitalization is a non-GAAP measure monitored by management as an indicator of the Company's overall financial strength.

Debt to Capitalization	YTD 2019
Long-term debt, including current portion	\$ 7,024
Total shareholders' equity	9,921
Capitalization	\$ 16,945
Debt to Capitalization	41%

Debt to Adjusted Capitalization – Debt to Adjusted Capitalization is a proxy for Encana’s financial covenant under the Company’s credit facilities which require debt to adjusted capitalization to be less than 60 percent. Adjusted Capitalization includes debt, total shareholders' equity and an equity adjustment for cumulative historical ceiling test impairments recorded as at December 31, 2011 in conjunction with the Company’s January 1, 2012 adoption of U.S. GAAP.

Debt to Adjusted Capitalization	YTD 2019
Long-term debt, including current portion	\$ 7,024
Total shareholders' equity	9,921
Equity adjustment for impairments at December 31, 2011	7,746
Adjusted Capitalization	\$ 24,691
Debt to Adjusted Capitalization	28%

Net Debt, Adjusted EBITDA, Net Debt to Adjusted EBITDA and Annualized Leverage – 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. Annualized leverage is defined as net debt to adjusted EBITDA based on Adjusted EBITDA generated in the period(s) on an annualized basis.

Net Debt	YTD 2019
Long-term debt, including current portion	\$ 7,024
Less:	
Cash and cash equivalents	138
Net Debt	\$ 6,886

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Trailing 12-Months
Net Debt					\$ 6,886
Net Earnings (Loss)	\$ 1,030	\$ (245)	\$ 336	\$ 149	1,270
Add back (deduct):					
Depreciation, depletion and amortization	348	377	532	545	1,802
Impairments	-	-	-	-	-
Accretion of asset retirement obligation	8	9	10	9	36
Interest	86	87	99	99	371
Unrealized (gains) losses on risk management	(941)	427	(83)	41	(556)
Foreign exchange (gain) loss, net	75	(37)	(55)	30	13
(Gain) loss on divestitures, net	(1)	1	-	(5)	(5)
Other (gains) losses, net	15	28	(3)	(1)	39
Income tax expense (recovery)	149	(61)	161	43	292
Adjusted EBITDA	\$ 769	\$ 586	\$ 997	\$ 910	\$ 3,262
Net Debt to Adjusted EBITDA (times)					2.1
Annualized Leverage (adjusted EBITDA generated in Q219 and Q319, annualized)					1.8

Return on Capital Employed (ROCE) – ROCE is defined as Adjusted Operating Earnings divided by Capital Employed. Adjusted Operating Earnings is defined as trailing 12-month Non-GAAP Operating Earnings (Loss) plus after-tax interest expense. Capital Employed is defined as average debt plus average shareholders’ equity.

Adjusted Non-GAAP Operating Earnings (Loss)	YTD 2019
Non-GAAP Operating Earnings (Loss)	\$ 955
Plus:	
Interest expense, after-tax @ 24%	279
Adjusted Non-GAAP Operating Earnings (trailing 12-month)	\$ 1,234

Capital Employed	
Average debt	\$ 5,611
Plus:	
Average shareholders' equity	8,208
Capital Employed	\$ 13,819

Return on Capital Employed (ROCE)	8.9%
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Upstream Operating Cash Flow, excluding Risk Management – Upstream Operating Cash Flow, excluding Risk Management, is a measure that adjusts the Canadian, USA and China 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, including/excluding Risk Management	Q3 2019	YTD 2019
Upstream Operating Cash Flow, including Risk Management		
Canadian Operations	\$ 218	\$ 649
USA Operations	793	2,260
China Operations *	(1)	21
	\$ 1,010	\$ 2,930
(Add back) deduct:		
Realized Gain (Loss) on Risk Management		
Canadian Operations	\$ 87	\$ 174
USA Operations	35	128
	\$ 122	\$ 302
Upstream Operating Cash Flow, excluding Risk Management		
Canadian Operations	\$ 131	\$ 475
USA Operations	758	2,132
China Operations *	(1)	21
	\$ 888	\$ 2,628

* The Company acquired its China Operations as part of the Newfield Exploration Company ("Newfield") business combination on February 13, 2019. Subsequently, the Company terminated its production sharing contract with the China National Offshore Oil Corporation ("CNOOC") and exited its China Operations effective July 31, 2019. Results from China Operations are presented for the period from February 14, 2019 through July 31, 2019. There were no realized gains (losses) on risk management associated with China Operations in Q3 2019.

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	Q3 2019	YTD 2019
Production, mineral and other taxes	\$ 66	\$ 187
Transportation and processing	398	1,148
Operating **	193	545
Administrative **	81	389
Interest	99	285
	\$ 837	\$ 2,554

** Includes long-term incentive costs.

Corporate Costs – are defined as the summation of administrative expense and interest expense.

Corporate Costs	Q3 2019	YTD 2019
Administrative*	\$ 81	\$ 389
Interest	99	285
	\$ 180	\$ 674

* Includes long-term incentive costs.

Total Costs per BOE – defined as the summation of production, mineral and other taxes, upstream transportation and processing expense, upstream operating expense and administrative expense, excluding the impact of long-term incentive and restructuring costs, per BOE of production. Management monitors Total Costs per BOE as a measure of operating performance.

Total Costs per BOE	Q3 2019	YTD 2019
Production, mineral and other taxes	\$ 66	\$ 187
Upstream transportation and processing	336	980
Upstream operating	187	526
Administrative	81	389
Deduct (add back):		
Restructuring costs	4	134
Long-term incentive costs	1	27
Total Costs	665	1,921
Divided by:		
Production volumes (MMBOE)	55.7	151.7
Total Costs per BOE (\$/BOE) *	\$ 11.95	\$ 12.66

* Calculated using whole dollars and volumes.

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.

Free Operating Cash Flow – Operating Cash Flow in excess of capital investment, excluding net acquisitions and divestitures.

Free Upstream Operating Cash Flow – Upstream Operating Cash Flow in excess of capital investment, excluding net acquisitions and divestitures.

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 development activities.

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 Non-GAAP Cash Flow on a trailing 12-month basis excluding interest expense before tax.

Annualized Leverage – Represents normalized leverage for the period presented, calculated by annualizing net debt to adjusted EBITDA using adjusted EBITDA generated in the period.

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 upstream 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)	2019				2018				
	Year	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations									
Upstream Product Revenue ^(2,3)	1,206	373	383	450	1,696	485	446	374	391
Production, mineral and other taxes	11	3	4	4	16	4	4	4	4
Transportation and processing	640	211	217	212	828	220	211	207	190
Operating ⁽⁴⁾	96	32	27	37	116	20	33	35	28
	459	127	135	197	736	241	198	128	169
USA Operations ⁽⁵⁾									
Upstream Product Revenue ^(2,3)	3,060	1,098	1,186	776	2,508	632	714	607	555
Production, mineral and other taxes	176	63	69	44	131	34	41	31	25
Transportation and processing	340	125	136	79	124	32	34	31	27
Operating ⁽⁴⁾	414	151	148	115	304	67	79	84	74
	2,130	759	833	538	1,949	499	560	461	429
China Operations ⁽⁵⁾									
Upstream Product Revenue ^(2,3)	37	3	21	13	-	-	-	-	-
Production, mineral and other taxes	-	-	-	-	-	-	-	-	-
Transportation and processing	-	-	-	-	-	-	-	-	-
Operating ⁽⁴⁾	16	4	8	4	-	-	-	-	-
	21	(1)	13	9	-	-	-	-	-
Total Operations ⁽⁵⁾									
Upstream Product Revenue ^(2,3)	4,303	1,474	1,590	1,239	4,204	1,117	1,160	981	946
Production, mineral and other taxes	187	66	73	48	147	38	45	35	29
Transportation and processing	980	336	353	291	952	252	245	238	217
Operating ⁽⁴⁾	526	187	183	156	420	87	112	119	102
	2,610	885	981	744	2,685	740	758	589	598

⁽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 service revenues, certain other revenues and royalty adjustments with no associated production volumes.

⁽⁴⁾ Excludes other operating expenses with no associated production volumes.

⁽⁵⁾ No reportable results from operations in 2018 for legacy Newfield assets as the Company acquired them as part of the business combination on February 13, 2019. Results from operations for legacy Newfield assets are presented beginning February 14, 2019. Subsequent to the business combination, the Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019. Results from China Operations are presented for the period from February 14, 2019 through July 31, 2019.

Sales Volumes ⁽¹⁾

(BOE)	2019				2018				
	Year	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations	63,030,240	21,787,256	20,468,721	20,774,250	79,450,645	23,026,588	20,625,848	18,301,738	17,496,180
USA Operations ⁽²⁾	88,107,747	33,844,868	33,091,513	21,171,420	52,457,435	14,103,784	14,180,328	12,464,452	11,709,000
China Operations ⁽²⁾	556,374	49,128	305,305	201,870	-	-	-	-	-
Total	151,694,361	55,681,252	53,865,539	42,147,540	131,908,080	37,130,372	34,806,176	30,766,190	29,205,180

⁽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.

⁽²⁾ No reportable sales volumes for legacy Newfield assets in 2018 as they were acquired as part of the business combination on February 13, 2019. Sales volumes for legacy Newfield assets are presented beginning February 14, 2019. Subsequent to the business combination, the Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019. Sales volumes for China Operations are presented for the period from February 14, 2019 through July 31, 2019.

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

(US\$/BOE)	2019				2018				
	Year	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total Canadian Operations									
Price	19.13	17.12	18.71	21.66	21.35	21.06	21.62	20.44	22.35
Production, mineral and other taxes	0.17	0.14	0.20	0.19	0.20	0.17	0.19	0.22	0.23
Transportation and processing	10.15	9.68	10.60	10.20	10.42	9.55	10.23	11.31	10.86
Operating	1.52	1.47	1.32	1.78	1.46	0.87	1.60	1.91	1.60
Netback	7.28	5.83	6.60	9.48	9.26	10.47	9.60	6.99	9.66
Total USA Operations⁽²⁾									
Price	34.73	32.44	35.84	36.65	47.81	44.81	50.35	48.70	47.40
Production, mineral and other taxes	2.00	1.86	2.09	2.08	2.50	2.41	2.89	2.49	2.14
Transportation and processing	3.86	3.69	4.11	3.73	2.36	2.27	2.40	2.49	2.31
Operating	4.70	4.46	4.47	5.43	5.80	4.75	5.57	6.74	6.32
Netback	24.17	22.43	25.17	25.41	37.15	35.38	39.49	36.99	36.64
Total China Operations⁽²⁾									
Price	66.50	61.06	68.78	64.40	-	-	-	-	-
Production, mineral and other taxes	-	-	-	-	-	-	-	-	-
Transportation and processing	-	-	-	-	-	-	-	-	-
Operating	28.76	81.42	26.20	19.81	-	-	-	-	-
Netback	37.74	(20.35)	42.58	44.58	-	-	-	-	-
Total Operations⁽²⁾									
Price	28.37	26.47	29.52	29.40	31.87	30.08	33.33	31.89	32.39
Production, mineral and other taxes	1.23	1.19	1.36	1.14	1.11	1.02	1.29	1.14	0.99
Transportation and processing	6.46	6.03	6.55	6.90	7.22	6.79	7.04	7.74	7.43
Operating	3.47	3.36	3.40	3.70	3.18	2.34	3.22	3.87	3.49
Netback	17.21	15.89	18.21	17.65	20.36	19.93	21.78	19.14	20.48

⁽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.

⁽²⁾ No reportable sales volumes for legacy Newfield assets in 2018 as they were acquired as part of the business combination on February 13, 2019. Sales volumes for legacy Newfield assets are presented beginning February 14, 2019. Subsequent to the business combination, the Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019. Sales volumes for China Operations are presented for the period from February 14, 2019 through July 31, 2019.