



Ovintiv Inc.

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended March 31, 2020

(U.S. Dollars)

For the period ended March 31, 2020
(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 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 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	YTD 2020
Cash from (used in) operating activities	\$ 566
Deduct (add back):	
Net change in other assets and liabilities	(52)
Net change in non-cash working capital	83
Current tax on sale of assets	-
Non-GAAP Cash Flow	\$ 535
Per share - basic and diluted ⁽¹⁾	\$ 2.06

⁽¹⁾ Non-GAAP Cash Flow per share is presented on a post-Share Consolidation basis (see Note 1 of the interim Condensed Consolidated Financial Statements included in Part 1, Item 1 of Ovintiv's Quarterly Report on Form 10-Q).

Non-GAAP Free Cash Flow

Non-GAAP Cash Flow	\$ 535
Deduct:	
Capital expenditures	790
Non-GAAP Free Cash Flow	\$ (255)

Non-GAAP Cash Flow Margin

Non-GAAP Cash Flow	\$ 535
Divided by:	
Production volumes (MMBOE)	52.0
Non-GAAP Cash Flow Margin (\$/BOE)	\$ 10.29

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)	YTD 2020
Net earnings (loss)	\$ 421
Before-tax (addition) deduction:	
Unrealized gain (loss) on risk management	904
Impairments	(277)
Non-operating foreign exchange gain (loss)	(104)
Gain (loss) on divestitures	-
Gain on debt retirement	11
	534
Income tax	(140)
After-tax (Addition) Deduction	394
Non-GAAP Operating Earnings (Loss)	\$ 27
Per share - basic and diluted ⁽¹⁾	\$ 0.10

⁽¹⁾ Non-GAAP Operating Earnings (Loss) per share is presented on a post-Share Consolidation basis (see Note 1 of the interim Condensed Consolidated Financial Statements included in Part 1, Item 1 of Ovintiv's Quarterly Report on Form 10-Q).

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 2020
Long-term debt, including current portion	\$ 7,006
Total shareholders' equity	10,191
Capitalization	\$ 17,197
Debt to Capitalization	41%

Debt to Adjusted Capitalization – Debt to Adjusted Capitalization is a proxy for Ovintiv'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 2020
Long-term debt, including current portion	\$ 7,006
Total shareholders' equity	10,191
Equity adjustment for impairments at December 31, 2011	7,746
Adjusted Capitalization	\$ 24,943
Debt to Adjusted Capitalization	28%

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.

Net Debt	YTD 2020
Long-term debt, including current portion	\$ 7,006
Less:	
Cash and cash equivalents	82
Net Debt	\$ 6,924

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Trailing 12-months
Net Debt				\$	6,924
Net Earnings (Loss)	\$ 336	\$ 149	\$ (6)	\$ 421	900
Add back (deduct):					
Depreciation, depletion and amortization	532	545	561	534	2,172
Impairments	-	-	-	277	277
Accretion of asset retirement obligation	10	9	9	9	37
Interest	99	99	97	96	391
Unrealized (gains) losses on risk management	(83)	41	345	(904)	(601)
Foreign exchange (gain) loss, net	(55)	30	(57)	116	34
(Gain) loss on divestitures, net	-	(5)	1	-	(4)
Other (gains) losses, net	(3)	(1)	(1)	(14)	(19)
Income tax expense (recovery)	161	43	(62)	140	282
Adjusted EBITDA	\$ 997	\$ 910	\$ 887	\$ 675	\$ 3,469
Net Debt to Adjusted EBITDA (times)					2.0

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 2020
Non-GAAP Operating Earnings (Loss)	\$ 722
Plus:	
Interest expense, after-tax @ 24%	297
Adjusted Non-GAAP Operating Earnings (trailing 12-month)	\$ 1,019

Capital Employed

Average debt	\$ 6,903
Plus:	
Average shareholders' equity	10,276
Capital Employed	\$ 17,179

Return on Capital Employed 5.9%

Upstream Operating Cash Flow, excluding Risk Management – Upstream Operating Cash Flow, excluding Risk Management, is a measure that adjusts the USA and Canadian 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 **YTD 2020**

Upstream Operating Cash Flow, including Risk Management	
USA Operations	\$ 606
Canadian Operations	144
	\$ 750
(Add back) deduct:	
Realized Gain (Loss) on Risk Management	
USA Operations	\$ 114
Canadian Operations	36
	\$ 150
Upstream Operating Cash Flow, excluding Risk Management	
USA Operations	\$ 492
Canadian Operations	108
	\$ 600

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	YTD 2020
Production, mineral and other taxes	\$ 52
Transportation and processing	396
Operating **	165
Administrative **	53
Interest	96
	<u>\$ 762</u>

** Includes long-term incentive costs.

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

Corporate Costs	YTD 2020
Administrative*	\$ 53
Interest	96
	<u>\$ 149</u>

* 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 costs, restructuring costs and current expected credit losses, per BOE of production. Management believes this measure is useful to the company and its investors as a measure of operational efficiency across periods.

Total Costs per BOE	YTD 2020
Production, mineral and other taxes	\$ 52
Upstream transportation and processing	334
Upstream operating	165
Administrative	53
Deduct (add back):	
Long-term incentive costs	(35)
Current expected credit losses	5
<u>Total Costs</u>	<u>634</u>
Divided by:	
Production volumes (MMBOE)	52.0
Total Costs per BOE *	<u>\$ 12.17</u>

* 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 costs, restructuring costs and current expected credit losses. 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. Ovintiv 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)	2020	2019				
	Q1	Year	Q4	Q3	Q2	Q1
USA Operations						
Upstream Product Revenue ^(2,3)	800	4,161	1,101	1,098	1,186	776
Production, mineral and other taxes	48	238	62	63	69	44
Transportation and processing	121	466	126	125	136	79
Operating ⁽⁵⁾	139	566	152	151	148	115
	492	2,891	761	759	833	538
Canadian Operations						
Upstream Product Revenue ^(2,3)	351	1,636	430	373	383	450
Production, mineral and other taxes	4	16	5	3	4	4
Transportation and processing	213	859	219	211	217	212
Operating ⁽⁵⁾	26	125	29	32	27	37
	108	636	177	127	135	197
China Operations ⁽⁴⁾						
Upstream Product Revenue ^(2,3)	-	37	-	3	21	13
Production, mineral and other taxes	-	-	-	-	-	-
Transportation and processing	-	-	-	-	-	-
Operating ⁽⁵⁾	-	16	-	4	8	4
	-	21	-	(1)	13	9
Total Operations						
Upstream Product Revenue ^(2,3)	1,151	5,834	1,531	1,474	1,590	1,239
Production, mineral and other taxes	52	254	67	66	73	48
Transportation and processing	334	1,325	345	336	353	291
Operating ⁽⁵⁾	165	707	181	187	183	156
	600	3,548	938	885	981	744

⁽¹⁾ Segmented financial information per the notes to Ovintiv'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⁾ 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.

⁽⁵⁾ Excludes other operating expenses with no associated production volumes.

Sales Volumes ⁽¹⁾

(BOE)	2020	2019				
	Q1	Year	Q4	Q3	Q2	Q1
USA Operations	31,380,804	121,135,835	33,028,000	33,844,868	33,091,513	21,171,420
Canadian Operations	20,655,180	84,539,110	21,508,864	21,787,256	20,468,721	20,774,250
China Operations ⁽²⁾	-	556,260	-	49,128	305,305	201,870
Total	52,035,984	206,231,205	54,536,864	55,681,252	53,865,539	42,147,540

⁽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

⁽²⁾ 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)	2020	2019				
	Q1	Year	Q4	Q3	Q2	Q1
Total USA Operations						
Price	25.49	34.35	33.34	32.44	35.84	36.65
Production, mineral and other taxes	1.53	1.96	1.88	1.86	2.09	2.08
Transportation and processing	3.86	3.85	3.81	3.69	4.11	3.73
Operating	4.43	4.67	4.60	4.46	4.47	5.43
Netback	15.68	23.87	23.04	22.43	25.17	25.41
Total Canadian Operations						
Price	16.99	19.35	19.99	17.12	18.71	21.66
Production, mineral and other taxes	0.19	0.19	0.23	0.14	0.20	0.19
Transportation and processing	10.31	10.16	10.18	9.68	10.60	10.20
Operating	1.26	1.48	1.35	1.47	1.32	1.78
Netback	5.23	7.52	8.23	5.83	6.60	9.48
Total China Operations ⁽²⁾						
Price	-	66.52	-	61.06	68.78	64.40
Production, mineral and other taxes	-	-	-	-	-	-
Transportation and processing	-	-	-	-	-	-
Operating	-	28.76	-	81.42	26.20	19.81
Netback	-	37.75	-	(20.35)	42.58	44.58
Total Operations						
Price	22.12	28.29	28.07	26.47	29.52	29.40
Production, mineral and other taxes	1.00	1.23	1.23	1.19	1.36	1.14
Transportation and processing	6.42	6.42	6.33	6.03	6.55	6.90
Operating	3.17	3.43	3.32	3.36	3.40	3.70
Netback	11.53	17.20	17.20	15.89	18.21	17.65

⁽¹⁾ May not add due to rounding. Ovintiv 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⁾ 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.