



Ovintiv Inc.

Non-GAAP Definitions and Reconciliations
(unaudited)

For the year ended December 31, 2020

(U.S. Dollars)

For the year ended December 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 shares of common stock 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	Q4 2020	YTD 2020
Cash from (used in) Operating Activities	\$ 719	\$ 1,895
Deduct (add back):		
Net change in other assets and liabilities	(6)	(173)
Net change in non-cash working capital	33	139
Current tax on sale of assets	-	-
Non-GAAP Cash Flow	\$ 692	\$ 1,929
Per share - basic and diluted	\$ 2.66	\$ 7.42

Non-GAAP Free Cash Flow		
Non-GAAP Cash Flow	\$ 692	\$ 1,929
Deduct:		
Capital expenditures	343	1,736
Non-GAAP Free Cash Flow	\$ 349	\$ 193

Non-GAAP Cash Flow Margin		
Non-GAAP Cash Flow	\$ 692	\$ 1,929
Divided by:		
Production volumes (MMBOE)	51.3	199.0
Non-GAAP Cash Flow Margin (\$/BOE)	\$ 13.50	\$ 9.69

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 includes adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

Non-GAAP Operating Earnings (Loss)	Q4 2020	YTD 2020
Net Earnings (Loss) (Before Income Tax)	\$ (642)	\$ (5,730)
Before-tax (Addition) Deduction:		
Unrealized gain (loss) on risk management	(186)	(204)
Impairments	(717)	(5,580)
Restructuring charges	(2)	(90)
Non-operating foreign exchange gain (loss)	17	(16)
Gain (loss) on divestitures	-	-
Gain on debt retirement	2	30
Adjusted Net Earnings (Loss) Before Income Tax	244	130
Income tax expense (recovery)	61	39
Non-GAAP Operating Earnings (Loss)	\$ 183	\$ 91
Per share - basic and diluted	\$ 0.70	\$ 0.35

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	\$ 6,885
Total shareholders' equity	3,837
Capitalization	\$ 10,722
Debt to Capitalization	64%

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	\$ 6,885
Total shareholders' equity	3,837
Equity adjustment for impairments at December 31, 2011	7,746
Adjusted Capitalization	\$ 18,468
Debt to Adjusted Capitalization	37%

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	\$ 6,885
Less:	
Cash and cash equivalents	10
Net Debt	\$ 6,875

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YTD 2020
Net Debt				\$	6,875
Net Earnings (Loss)	\$ 421	\$ (4,383)	\$ (1,521)	\$ (614)	(6,097)
Add back (deduct):					
Depreciation, depletion and amortization	534	493	406	401	1,834
Impairments	277	3,250	1,336	717	5,580
Accretion of asset retirement obligation	9	9	8	3	29
Interest	96	86	97	92	371
Unrealized (gains) losses on risk management	(904)	679	243	186	204
Foreign exchange (gain) loss, net	116	(40)	(25)	(34)	17
(Gain) loss on divestitures, net	-	-	-	-	0
Other (gains) losses, net	(14)	(16)	(18)	(7)	(55)
Income tax expense (recovery)	140	294	(39)	(28)	367
Adjusted EBITDA	\$ 675	\$ 372	\$ 487	\$ 716	\$ 2,250
Net Debt to Adjusted EBITDA (times)					3.1

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)	\$ 91
Plus:	
Interest expense, after-tax @ 24%	282
Adjusted Non-GAAP Operating Earnings (trailing 12-month)	\$ 373

Capital Employed	
Average debt	\$ 6,930
Plus:	
Average shareholders' equity	6,884
Capital Employed	\$ 13,814

Return on Capital Employed 2.7%

Upstream Operating Cash Flow, excluding Risk Management, Upstream Operating Free Cash Flow – 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. Upstream Operating Free Cash Flow is defined as Upstream Operating Cash Flow in excess of capital investment, excluding net acquisitions and divestitures. Management monitors these measures 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	Q4 2020	YTD 2020
Upstream Operating Cash Flow, including Risk Management		
USA Operations	\$ 614	\$ 2,102
Canadian Operations	218	612
	\$ 832	\$ 2,714
(Add back) deduct:		
Realized Gain (Loss) on Risk Management		
USA Operations	\$ 85	\$ 497
Canadian Operations	19	207
	\$ 104	\$ 704
Upstream Operating Cash Flow, excluding Risk Management		
USA Operations	\$ 529	\$ 1,605
Canadian Operations	199	405
	\$ 728	\$ 2,010
Upstream Operating Free Cash Flow		YTD 2020
Upstream Operating Cash Flow, excluding Risk Management	\$ 2,010	
Capital Expenditures		1,733
	\$ 277	

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

Corporate Costs	Q4 2020	YTD 2020
Administrative*	\$ 98	395
Interest	92	371
	\$ 190	\$ 766

* Includes long-term incentive costs, restructuring costs and current expected credit losses.

Total Costs – is a non-GAAP measure which includes 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. It is calculated as total operating expenses excluding non-upstream operating costs and non-cash items which include operating expenses from the Market Optimization and Corporate and Other segments, depreciation, depletion and amortization, impairments, accretion of asset retirement obligation, long-term incentive costs, restructuring costs and current expected credit losses. When presented on a per BOE basis, Total Costs is divided by production volumes. Management believes this measure is useful to the Company and its investors as a measure of operational efficiency across periods.

Total Costs per BOE	Q4 2020	YTD 2020
Total Operating Expenses	\$ 2,119	\$ 11,484
Deduct (add back):		
Market optimization operating expenses	384	1,608
Corporate & other operating expense	-	(2)
Depreciation, depletion and amortization	401	1,834
Impairments	717	5,580
Accretion of asset retirement obligation	3	29
Long-term incentive costs	39	31
Restructuring costs	2	90
Current expected credit losses	-	1
Total Costs	573	2,313
Divided by:		
Production volumes (MMBOE)	51.3	199.0
Total Costs per BOE *	\$ 11.13	\$ 11.60

* Calculated using whole dollars and volumes.

Total Costs per BOE (alternate presentation disclosed in prior periods)	Q4 2020	YTD 2020
Production, mineral and other taxes	\$ 47	\$ 173
Upstream transportation and processing	323	1,282
Upstream operating	146	585
Administrative	98	395
Deduct (add back):		
Long-term incentive costs	39	31
Restructuring costs	2	90
Current expected credit losses	-	1
Total Costs	573	2,313
Divided by:		
Production volumes (MMBOE)	51.3	199.0
Total Costs per BOE *	\$ 11.13	\$ 11.60

* 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.

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				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
USA Operations										
Upstream Product Revenue ^(2,3)	2,698	799	670	429	800	4,161	1,101	1,098	1,186	776
Production, mineral and other taxes	158	43	43	24	48	238	62	63	69	44
Transportation and processing	453	108	109	115	121	466	126	125	136	79
Operating ⁽⁵⁾	485	121	104	121	139	566	152	151	148	115
	1,602	527	414	169	492	2,891	761	759	833	538
Canadian Operations										
Upstream Product Revenue ^(2,3)	1,346	442	309	244	351	1,636	430	373	383	450
Production, mineral and other taxes	15	4	4	3	4	16	5	3	4	4
Transportation and processing	829	215	203	198	213	859	219	211	217	212
Operating ⁽⁵⁾	100	25	24	25	26	125	29	32	27	37
	402	198	78	18	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)	4,044	1,241	979	673	1,151	5,834	1,531	1,474	1,590	1,239
Production, mineral and other taxes	173	47	47	27	52	254	67	66	73	48
Transportation and processing	1,282	323	312	313	334	1,325	345	336	353	291
Operating ⁽⁵⁾	585	146	128	146	165	707	181	187	183	156
	2,004	725	492	187	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⁾ Effective July 31, 2019, the production sharing contract with China National Offshore Oil Corporation ("CNOOC") was terminated and the Company exited its China Operations. production from China Operations is 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				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
USA Operations	117,309,222	29,378,268	28,024,304	28,525,770	31,380,804	121,135,835	33,028,000	33,844,868	33,091,513	21,171,420
Canadian Operations	81,944,472	21,933,996	18,979,968	20,375,355	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	199,253,694	51,312,264	47,004,272	48,901,125	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 period.

⁽²⁾ Effective July 31, 2019, the production sharing contract with CNOOC was terminated and the Company exited its China Operations. production from China Operations is 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				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total USA Operations										
Price	23.00	27.20	23.91	15.04	25.49	34.35	33.34	32.44	35.84	36.65
Production, mineral and other taxes	1.35	1.46	1.53	0.84	1.53	1.96	1.88	1.86	2.09	2.08
Transportation and processing	3.86	3.68	3.89	4.03	3.86	3.85	3.81	3.69	4.11	3.73
Operating	4.13	4.12	3.71	4.24	4.43	4.67	4.60	4.46	4.47	5.43
Netback	13.66	17.94	14.77	5.92	15.68	23.87	23.04	22.43	25.17	25.41
Total Canadian Operations										
Price	16.43	20.15	16.28	11.98	16.99	19.35	19.99	17.12	18.71	21.66
Production, mineral and other taxes	0.18	0.18	0.21	0.15	0.19	0.19	0.23	0.14	0.20	0.19
Transportation and processing	10.12	9.80	10.70	9.72	10.31	10.16	10.18	9.68	10.60	10.20
Operating	1.22	1.14	1.26	1.23	1.26	1.48	1.35	1.47	1.32	1.78
Netback	4.91	9.03	4.11	0.88	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	20.30	24.19	20.83	13.76	22.12	28.29	28.07	26.47	29.52	29.40
Production, mineral and other taxes	0.87	0.92	1.00	0.55	1.00	1.23	1.23	1.19	1.36	1.14
Transportation and processing	6.43	6.29	6.64	6.40	6.42	6.42	6.33	6.03	6.55	6.90
Operating	2.94	2.85	2.72	2.99	3.17	3.43	3.32	3.36	3.40	3.70
Netback	10.06	14.13	10.47	3.82	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.