



Ovintiv Inc.

Non-GAAP Definitions and Reconciliations  
*(unaudited)*

For the year ended December 31, 2021

(U.S. Dollars)

For the year ended December 31, 2021  
*(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.

<b>Non-GAAP Cash Flow</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
<b>Cash from (used in) Operating Activities</b>	\$ 740	\$ 3,129
Deduct (add back):		
Net change in other assets and liabilities	(18)	(39)
Net change in non-cash working capital	17	(41)
Current tax on sale of assets	-	-
<b>Non-GAAP Cash Flow</b>	<b>\$ 741</b>	<b>\$ 3,209</b>
Per Share - Basic	\$ 2.86	\$ 12.32
Per Share - Diluted	2.79	12.05

**Non-GAAP Free Cash Flow**

Non-GAAP Cash Flow	\$ 741	\$ 3,209
Deduct:		
Capital expenditures	421	1,519
<b>Non-GAAP Free Cash Flow</b>	<b>\$ 320</b>	<b>\$ 1,690</b>

**Non-GAAP Cash Flow Margin**

Non-GAAP Cash Flow	\$ 741	\$ 3,209
Divided by:		
Production volumes (MMBOE)	46.8	194.9
<b>Non-GAAP Cash Flow Margin (\$/BOE)</b>	<b>\$ 15.85</b>	<b>\$ 16.46</b>

**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. In addition, any valuation allowances are excluded in the calculation of income taxes.

<b>Non-GAAP Operating Earnings (Loss)</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
<b>Net Earnings (Loss) Before Income Tax</b>	<b>\$ 1,382</b>	<b>\$ 1,239</b>
Before-tax (Addition) Deduction:		
Unrealized gain (loss) on risk management	938	(488)
Impairments	-	-
Restructuring charges	(1)	(14)
Non-operating foreign exchange gain (loss)	(1)	(18)
Gain (loss) on divestitures	-	-
Gain on debt retirement	-	-
Adjusted Net Earnings (Loss) Before Income Tax	446	1,759
Income tax expense (recovery)	115	454
<b>Non-GAAP Operating Earnings (Loss)</b>	<b>\$ 331</b>	<b>\$ 1,305</b>
Per Share - Basic	\$ 1.28	\$ 5.01
Per Share - Diluted	1.25	4.90

**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.

<b>Debt to Capitalization</b>	<b>YTD 2021</b>
Long-term debt, including current portion	\$ 4,786
Total shareholders' equity	5,074
<b>Capitalization</b>	<b>\$ 9,860</b>
<b>Debt to Capitalization</b>	<b>49%</b>

**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.

<b>Debt to Adjusted Capitalization</b>	<b>YTD 2021</b>
Long-term debt, including current portion	\$ 4,786
Total shareholders' equity	5,074
Equity adjustment for impairments at December 31, 2011	7,746
<b>Adjusted Capitalization</b>	<b>\$ 17,606</b>
<b>Debt to Adjusted Capitalization</b>	<b>27%</b>

**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.

<b>Net Debt</b>	<b>YTD 2021</b>
Long-term debt, including current portion	\$ 4,786
Less:	
Cash and cash equivalents	195
<b>Net Debt</b>	<b>\$ 4,591</b>

	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Net Debt					\$ 4,591
Net Earnings (Loss)	\$ 309	\$ (205)	\$ (72)	\$ 1,384	1,416
Add back (deduct):					
Depreciation, depletion and amortization	308	311	297	274	1,190
Impairments	-	-	-	-	-
Accretion of asset retirement obligation	6	6	5	5	22
Interest	87	99	77	77	340
Unrealized (gains) losses on risk management	271	576	579	(938)	488
Foreign exchange (gain) loss, net	(7)	(8)	-	(8)	(23)
(Gain) loss on divestitures, net	-	-	-	-	-
Other (gains) losses, net	(18)	(7)	(6)	(6)	(37)
Income tax expense (recovery)	(176)	-	1	(2)	(177)
<b>Adjusted EBITDA</b>	<b>\$ 780</b>	<b>\$ 772</b>	<b>\$ 881</b>	<b>\$ 786</b>	<b>\$ 3,219</b>
<b>Net Debt to Adjusted EBITDA (times)</b>					<b>1.4</b>

**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.

<b>Adjusted Non-GAAP Operating Earnings (Loss)</b>	<b>YTD 2021</b>	
Non-GAAP Operating Earnings (Loss)	\$	1,305
Plus:		
Interest expense, after-tax @ 24%		258
<b>Adjusted Non-GAAP Operating Earnings (trailing 12-month)</b>	<b>\$</b>	<b>1,563</b>
<b>Capital Employed</b>		
Average debt	\$	5,836
Plus:		
Average shareholders' equity		4,456
<b>Capital Employed</b>	<b>\$</b>	<b>10,292</b>
<b>Return on Capital Employed</b>		<b>15.2%</b>

**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. It is calculated as total upstream operating income excluding upstream depreciation, depletion and amortization, and the impact of risk management activities. Upstream Operating Free Cash Flow is defined as Upstream Operating Cash Flow, excluding Risk Management, in excess of upstream capital expenditures, 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.

<b>Upstream Operating Cash Flow, excluding Risk Management</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Operating Income		
USA Operations	\$ 482	\$ 1,789
Canadian Operations	145	734
	<b>\$ 627</b>	<b>\$ 2,523</b>
(Add back) deduct:		
Depreciation, Depletion and Amortization		
USA Operations	\$ (202)	\$ (837)
Canadian Operations	(67)	(332)
	<b>\$ (269)</b>	<b>\$ (1,169)</b>
(Add back) deduct:		
Realized Gain (Loss) on Risk Management		
USA Operations	\$ (393)	\$ (982)
Canadian Operations	(249)	(413)
	<b>\$ (642)</b>	<b>\$ (1,395)</b>
 <b>Upstream Operating Cash Flow, excluding Risk Management</b>		
USA Operations	\$ 1,077	\$ 3,608
Canadian Operations	461	1,479
	<b>\$ 1,538</b>	<b>\$ 5,087</b>
<b>Upstream Operating Free Cash Flow</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Upstream Operating Cash Flow, excluding Risk Management	\$ 1,538	\$ 5,087
Less: Upstream Capital Expenditures	420	1,516
	<b>\$ 1,118</b>	<b>\$ 3,571</b>

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

<b>Corporate Costs</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Administrative *	\$ 96	\$ 442
Interest	77	340
	<u>\$ 173</u>	<u>\$ 782</u>
* Includes the following:		
Administrative, excluding Long-Term Incentive, Restructuring and Legal Costs, and Current Expected Credit Losses	\$ 81	\$ 300
Long-term incentive costs	16	107
Restructuring and legal costs	(3)	34
Current expected credit losses	2	1
<b>Total Administrative</b>	<u>\$ 96</u>	<u>\$ 442</u>

**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, restructuring and legal 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, restructuring and legal 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.

<b>Total Costs per BOE</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Total Operating Expenses	\$ 1,894	\$ 7,139
Deduct (add back):		
Market optimization operating expenses	903	3,148
Corporate & other operating expenses	(2)	(1)
Depreciation, depletion and amortization	274	1,190
Impairments	-	-
Accretion of asset retirement obligation	5	22
Long-term incentive costs	20	132
Restructuring and legal costs	(3)	34
Current expected credit losses	2	1
<b>Total Costs</b>	<u>695</u>	<u>2,613</u>
Divided by:		
Production volumes (MMBOE)	46.8	194.9
<b>Total Costs per BOE *</b>	<u>\$ 14.89</u>	<u>\$ 13.42</u>

\* Calculated using whole dollars and volumes.

<b>Total Costs per BOE (alternate presentation disclosed in prior periods)</b>	<b>Q4 2021</b>	<b>YTD 2021</b>
Production, mineral and other taxes	\$ 83	\$ 293
Upstream transportation and processing	380	1,444
Upstream operating	155	601
Administrative	96	442
Deduct (add back):		
Long-term incentive costs	20	132
Restructuring and legal costs	(3)	34
Current expected credit losses	2	1
<b>Total Costs</b>	<u>695</u>	<u>2,613</u>
Divided by:		
Production volumes (MMBOE)	46.8	194.9
<b>Total Costs per BOE *</b>	<u>\$ 14.89</u>	<u>\$ 13.42</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, restructuring and legal 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 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 Netback is used by management as an internal measure of the profitability of a play.

**Free Cash Flow Yield** – Annualized Non-GAAP Free Cash Flow compared to the Company's market capitalization.

**Cash Return Yield** – The sum of Ovintiv's base dividend and expected cash returned to shareholders under the Company's capital allocation framework, which was announced on September 9, 2021, divided by the Company's market capitalization.

**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 directly attributable internal costs. Capitalized directly attributable 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 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 <sup>(1)</sup>

(US\$ millions)	2021					2020				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
USA Operations										
Upstream Product Revenue <sup>(2,3)</sup>	4,883	1,424	1,286	1,155	1,018	2,698	799	670	429	800
Production, mineral and other taxes	278	79	75	69	55	158	43	43	24	48
Transportation and processing	507	146	122	126	113	453	108	109	115	121
Operating <sup>(4)</sup>	490	122	122	117	129	485	121	104	121	139
	<b>3,608</b>	<b>1,077</b>	967	843	721	1,602	527	414	169	492
Canadian Operations										
Upstream Product Revenue <sup>(2,3)</sup>	2,533	731	661	567	574	1,346	442	309	244	351
Production, mineral and other taxes	15	4	2	4	5	15	4	4	3	4
Transportation and processing	937	234	231	248	224	829	215	203	198	213
Operating <sup>(4)</sup>	111	33	25	25	28	100	25	24	25	26
	<b>1,470</b>	<b>460</b>	403	290	317	402	198	78	18	108
Total Operations										
Upstream Product Revenue <sup>(2,3)</sup>	7,416	2,155	1,947	1,722	1,592	4,044	1,241	979	673	1,151
Production, mineral and other taxes	293	83	77	73	60	173	47	47	27	52
Transportation and processing	1,444	380	353	374	337	1,282	323	312	313	334
Operating <sup>(4)</sup>	601	155	147	142	157	585	146	128	146	165
	<b>5,078</b>	<b>1,537</b>	1,370	1,133	1,038	2,004	725	492	187	600

<sup>(1)</sup> Segmented financial information per the notes to Ovintiv's financial statements.

<sup>(2)</sup> Excludes the impact of realized gains and losses on risk management.

<sup>(3)</sup> Excludes service revenues, certain other revenues and royalty adjustments with no associated production volumes.

<sup>(4)</sup> Excludes other operating expenses with no associated production volumes.

### Sales Volumes <sup>(1)</sup>

(BOE)	2021					2020				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
USA Operations	109,363,490	27,137,332	27,599,724	28,278,705	26,347,680	117,309,222	29,378,268	28,024,304	28,525,770	31,380,804
Canadian Operations	85,420,585	19,616,516	21,592,952	22,098,531	22,112,820	81,944,472	21,933,996	18,979,968	20,375,355	20,655,180
Total	<b>194,784,075</b>	<b>46,753,848</b>	49,192,676	50,377,236	48,460,500	199,253,694	51,312,264	47,004,272	48,901,125	52,035,984

<sup>(1)</sup> 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 <sup>(1)</sup>

(US\$/BOE)	2021					2020				
	Year	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total USA Operations										
Price	44.65	52.47	46.59	40.84	38.64	23.00	27.20	23.91	15.04	25.49
Production, mineral and other taxes	2.54	2.91	2.72	2.44	2.09	1.35	1.46	1.53	0.84	1.53
Transportation and processing	4.64	5.38	4.42	4.46	4.29	3.86	3.68	3.89	4.03	3.86
Operating	4.48	4.50	4.42	4.14	4.90	4.13	4.12	3.71	4.24	4.43
Netback	<b>32.99</b>	<b>39.69</b>	35.04	29.81	27.36	13.66	17.94	14.77	5.92	15.68
Total Canadian Operations										
Price	29.65	37.26	30.61	25.66	25.96	16.43	20.15	16.28	11.98	16.99
Production, mineral and other taxes	0.18	0.20	0.09	0.18	0.23	0.18	0.18	0.21	0.15	0.19
Transportation and processing	10.97	11.93	10.70	11.22	10.13	10.12	9.80	10.70	9.72	10.31
Operating	1.30	1.68	1.16	1.13	1.27	1.22	1.14	1.26	1.23	1.26
Netback	<b>17.21</b>	<b>23.45</b>	18.66	13.12	14.34	4.91	9.03	4.11	0.88	5.23
Total Operations										
Price	38.07	46.09	39.58	34.18	32.85	20.30	24.19	20.83	13.76	22.12
Production, mineral and other taxes	1.50	1.78	1.57	1.45	1.24	0.87	0.92	1.00	0.55	1.00
Transportation and processing	7.41	8.13	7.18	7.42	6.95	6.43	6.29	6.64	6.40	6.42
Operating	3.09	3.32	2.99	2.82	3.24	2.94	2.85	2.72	2.99	3.17
Netback	<b>26.07</b>	<b>32.87</b>	27.85	22.49	21.42	10.06	14.13	10.47	3.82	11.53

<sup>(1)</sup> 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.