



Ovintiv Inc.

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended March 31, 2022

(U.S. Dollars)

For the period ended March 31, 2022
(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	YTD 2022
Cash from (used in) Operating Activities	\$ 685
Deduct (add back):	
Net change in other assets and liabilities	(12)
Net change in non-cash working capital	(346)
Current tax on sale of assets	-
Non-GAAP Cash Flow	\$ 1,043
Per Share - Basic	\$ 4.05
Per Share - Diluted	4.05

Non-GAAP Free Cash Flow	
Non-GAAP Cash Flow	\$ 1,043
Deduct:	
Capital expenditures	451
Non-GAAP Free Cash Flow	\$ 592

Non-GAAP Cash Flow Margin	
Non-GAAP Cash Flow	\$ 1,043
Divided by:	
Production volumes (MMBOE)	45.0
Non-GAAP Cash Flow Margin (\$/BOE)	\$ 23.18

Non-GAAP Operating Earnings – 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.

Non-GAAP Operating Earnings	YTD 2022
Net Earnings (Loss) Before Income Tax	\$ (246)
Before-tax (Addition) Deduction:	
Unrealized gain (loss) on risk management	(1,012)
Restructuring charges	1
Non-operating foreign exchange gain (loss)	3
Adjusted Net Earnings (Loss) Before Income Tax	762
Income tax expense (recovery)	203
Non-GAAP Operating Earnings	\$ 559
Per Share - Basic	\$ 2.17
Per Share - Diluted	2.17

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 2022
Long-term debt, including current portion	\$ 4,775
Total shareholders' equity	4,684
Capitalization	\$ 9,459
Debt to Capitalization	50%

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 2022
Long-term debt, including current portion	\$ 4,775
Total shareholders' equity	4,684
Equity adjustment for impairments at December 31, 2011	7,746
Adjusted Capitalization	\$ 17,205
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 2022
Long-term debt, including current portion	\$ 4,775
Less:	
Cash and cash equivalents	271
Net Debt	\$ 4,504

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Trailing 12-months
Net Debt				\$	4,504
Net Earnings (Loss)	\$ (205)	\$ (72)	\$ 1,384	\$ (241)	866
Add back (deduct):					
Depreciation, depletion and amortization	311	297	274	264	1,146
Accretion of asset retirement obligation	6	5	5	5	21
Interest	99	77	77	74	327
Unrealized (gains) losses on risk management	576	579	(938)	1,012	1,229
Foreign exchange (gain) loss, net	(8)	-	(8)	(1)	(17)
Other (gains) losses, net	(7)	(6)	(6)	(27)	(46)
Income tax expense (recovery)	-	1	(2)	(5)	(6)
Adjusted EBITDA	\$ 772	\$ 881	\$ 786	\$ 1,081	\$ 3,520
Net Debt to Adjusted EBITDA (times)					1.3

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 plus after-tax interest expense. Capital Employed is defined as average debt plus average shareholders' equity.

Adjusted Non-GAAP Operating Earnings	YTD 2022
Non-GAAP Operating Earnings	\$ 1,571
Plus:	
Interest expense, after-tax @ 23%	249
Adjusted Non-GAAP Operating Earnings (trailing 12-month)	\$ 1,820

Capital Employed	
Average debt	\$ 5,597
Plus:	
Average shareholders' equity	4,409
Capital Employed	\$ 10,006

Return on Capital Employed 18.2%

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.

Upstream Operating Cash Flow, excluding Risk Management	YTD 2022
Operating Income	
USA Operations	\$ 761
Canadian Operations	220
	\$ 981
(Add back) deduct:	
Depreciation, Depletion and Amortization	
USA Operations	\$ (200)
Canadian Operations	(59)
	\$ (259)
(Add back) deduct:	
Realized Gain (Loss) on Risk Management	
USA Operations	\$ (219)
Canadian Operations	(227)
	\$ (446)
Upstream Operating Cash Flow, excluding Risk Management	
USA Operations	\$ 1,180
Canadian Operations	506
	\$ 1,686

Upstream Operating Free Cash Flow	YTD 2022
Upstream Operating Cash Flow, excluding Risk Management	\$ 1,686
Less: Upstream Capital Expenditures	450
	\$ 1,236

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

Corporate Costs	YTD 2022
Administrative *	\$ 144
Interest	74
	<u>\$ 218</u>
* Includes the following:	
Administrative, excluding Long-Term Incentive, Restructuring and Legal Costs, and Current Expected Credit Losses	\$ 66
Long-term incentive costs	79
Restructuring and legal costs	(1)
Current expected credit losses	-
<u>Total Administrative</u>	<u>\$ 144</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.

Total Costs per BOE	YTD 2022
Total Operating Expenses	\$ 2,167
Deduct (add back):	
Market optimization operating expenses	1,115
Depreciation, depletion and amortization	264
Accretion of asset retirement obligation	5
Long-term incentive costs	87
Restructuring and legal costs	(1)
<u>Total Costs</u>	<u>697</u>
Divided by:	
Production volumes (MMBOE)	45.0
Total Costs per BOE *	\$ 15.48

* Calculated using whole dollars and volumes.

Total Costs per BOE (alternate presentation disclosed in prior periods)	YTD 2022
Production, mineral and other taxes	\$ 94
Upstream transportation and processing	366
Upstream operating	179
Administrative	144
Deduct (add back):	
Long-term incentive costs	87
Restructuring and legal costs	(1)
<u>Total Costs</u>	<u>697</u>
Divided by:	
Production volumes (MMBOE)	45.0
Total Costs per BOE *	\$ 15.48

* 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 ⁽¹⁾

(US\$ millions)	2022		2021			
	Q1	Year	Q4	Q3	Q2	Q1
USA Operations						
Upstream Product Revenue ^(2,3)	1,547	4,883	1,424	1,286	1,155	1,018
Production, mineral and other taxes	90	278	79	75	69	55
Transportation and processing	135	507	146	122	126	113
Operating ⁽⁴⁾	142	490	122	122	117	129
	1,180	3,608	1,077	967	843	721
Canadian Operations						
Upstream Product Revenue ^(2,3)	775	2,533	731	661	567	574
Production, mineral and other taxes	4	15	4	2	4	5
Transportation and processing	231	937	234	231	248	224
Operating ⁽⁴⁾	37	111	33	25	25	28
	503	1,470	460	403	290	317
Total Operations						
Upstream Product Revenue ^(2,3)	2,322	7,416	2,155	1,947	1,722	1,592
Production, mineral and other taxes	94	293	83	77	73	60
Transportation and processing	366	1,444	380	353	374	337
Operating ⁽⁴⁾	179	601	155	147	142	157
	1,683	5,078	1,537	1,370	1,133	1,038

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

Sales Volumes ⁽¹⁾

(BOE)	2022		2021			
	Q1	Year	Q4	Q3	Q2	Q1
USA Operations	25,317,450	109,363,490	27,137,332	27,599,724	28,278,705	26,347,680
Canadian Operations	19,677,060	85,420,585	19,616,516	21,592,952	22,098,531	22,112,820
Total	44,994,510	194,784,075	46,753,848	49,192,676	50,377,236	48,460,500

⁽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)	2022	2021				
	Q1	Year	Q4	Q3	Q2	Q1
Total USA Operations						
Price	61.10	44.65	52.47	46.59	40.84	38.64
Production, mineral and other taxes	3.55	2.54	2.91	2.72	2.44	2.09
Transportation and processing	5.33	4.64	5.38	4.42	4.46	4.29
Operating	5.61	4.48	4.50	4.42	4.14	4.90
Netback	46.61	32.99	39.69	35.04	29.81	27.36
Total Canadian Operations						
Price	39.39	29.65	37.26	30.61	25.66	25.96
Production, mineral and other taxes	0.20	0.18	0.20	0.09	0.18	0.23
Transportation and processing	11.74	10.97	11.93	10.70	11.22	10.13
Operating	1.88	1.30	1.68	1.16	1.13	1.27
Netback	25.56	17.21	23.45	18.66	13.12	14.34
Total Operations						
Price	51.61	38.07	46.09	39.58	34.18	32.85
Production, mineral and other taxes	2.09	1.50	1.78	1.57	1.45	1.24
Transportation and processing	8.13	7.41	8.13	7.18	7.42	6.95
Operating	3.98	3.09	3.32	2.99	2.82	3.24
Netback	37.40	26.07	32.87	27.85	22.49	21.42

⁽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.