



Encana Corporation

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended March 31, 2018

(U.S. Dollars)

For the period ended March 31, 2018
(US\$ millions, except per share amounts or as indicated)

Non-GAAP Cash Flow, Non-GAAP Cash Flow Per Share (CFPS), 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. 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 2018 |
|---|-----------------|
| Cash from (used in) operating activities | \$ 381 |
| Deduct (add back): | |
| Net change in other assets and liabilities | (11) |
| Net change in non-cash working capital | (8) |
| Current tax on sale of assets | - |
| Non-GAAP Cash Flow | \$ 400 |
| Per share diluted | \$ 0.41 |
| Free Cash Flow | |
| Non-GAAP Cash Flow | \$ 400 |
| Less: | |
| Capital Expenditures | 508 |
| Free Cash Flow | \$ (108) |
| Non-GAAP Cash Flow Margin ⁽¹⁾ | |
| Non-GAAP Cash Flow | \$ 400 |
| Divided by: | |
| Production Volumes (MMBOE) | 29.2 |
| Non-GAAP Cash Flow Margin (\$/BOE) | \$ 13.70 |

⁽¹⁾ Non-GAAP Cash Flow Margin was previously presented as Corporate Margin.

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 2018 |
|--|-----------------|
| Net earnings (loss) | \$ 151 |
| Before-tax (addition) deduction: | |
| Unrealized gain (loss) on risk management | 68 |
| Non-operating foreign exchange gain (loss) | (100) |
| Gain (loss) on divestitures | 3 |
| | (29) |
| Income tax | 24 |
| After-tax (Addition) Deduction | (5) |
| Non-GAAP Operating Earnings (Loss) | \$ 156 |
| Per share diluted | \$ 0.16 |

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 2018 |
|---|------------------|
| Long-term debt, including current portion | \$ 4,198 |
| Total shareholders' equity | 6,776 |
| Capitalization | \$ 10,974 |

Debt to Capitalization 38%

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 2018 |
|--|------------------|
| Long-term debt, including current portion | \$ 4,198 |
| Total shareholders' equity | 6,776 |
| Equity adjustment for impairments at December 31, 2011 | 7,746 |
| Adjusted Capitalization | \$ 18,720 |

Debt to Adjusted Capitalization 22%

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 and as a measure considered comparable to peers in the industry.

| Net Debt | YTD 2018 |
|---|-----------------|
| Long-term debt, including current portion | \$ 4,198 |
| Less: | |
| Cash and cash equivalents | 433 |
| Net Debt | \$ 3,765 |

| | YTD 2018 |
|--|-----------------|
| Net Debt | \$ 3,765 |
| Net Earnings (Loss) | 547 |
| Add (Deduct): | |
| Depreciation, depletion and amortization | 921 |
| Impairments | - |
| Accretion of asset retirement obligation | 34 |
| Interest | 367 |
| Unrealized (gains) losses on risk management | (148) |
| Foreign exchange (gain) loss, net | (162) |
| (Gain) loss on divestitures, net | (408) |
| Other (gains) losses, net | (37) |
| Income tax expense (recovery) | 609 |
| Adjusted EBITDA | \$ 1,723 |
| Net Debt to Adjusted EBITDA (times) | 2.2 |

Return on Capital Employed (ROCE) – ROCE is defined as Adjusted Operating Earnings divided by Capital Employed. Adjusted Operating Earnings is defined as 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 2018 |
|--|------------------|
| Non-GAAP Operating Earnings (Loss) | \$ 474 |
| Plus: | |
| Interest expense, after-tax @ 27% | 268 |
| Adjusted Non-GAAP Operating Earnings | \$ 742 |
| <hr/> | |
| Capital Employed | YTD 2018 |
| Average debt | \$ 4,198 |
| Plus: | |
| Average Shareholders' Equity | 6,651 |
| Capital Employed | \$ 10,849 |
| <hr/> | |
| Return on Capital Employed (ROCE) | 6.8% |

Upstream Operating Cash Flow, excluding Risk Management – Upstream Operating Cash Flow, excluding Risk Management is a measure that adjusts the Canadian and USA 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, excluding Risk Management | YTD 2018 |
|--|-----------------|
| Upstream Operating Cash Flow | |
| Canadian Operations | \$ 193 |
| USA Operations | 385 |
| | <hr/> \$ 578 |
| (Add back) deduct: | |
| Realized Gain (Loss) on Risk Management | |
| Canadian Operations | \$ 12 |
| USA Operations | (44) |
| | <hr/> \$ (32) |
| Upstream Operating Cash Flow, excluding Risk Management | |
| Canadian Operations | \$ 181 |
| USA Operations | 429 |
| | <hr/> \$ 610 |

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 2018 |
|-------------------------------------|-----------------|
| Production, mineral and other taxes | \$ 29 |
| Transportation and processing | 249 |
| Operating* | 111 |
| Administrative* | 31 |
| Interest | 92 |
| | <hr/> \$ 512 |

* Includes long-term incentive costs

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

| Corporate Costs | YTD 2018 |
|------------------------|-----------------|
| Administrative* | \$ 31 |
| Interest | 92 |
| | <hr/> \$ 123 |

* Includes long-term incentive costs

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(s).

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.

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 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) | 2018 | | 2017 | | | |
|---|------|-------|------|-----|-----|-----|
| | Q1 | Year | Q4 | Q3 | Q2 | Q1 |
| Canadian Operations | | | | | | |
| Upstream Product Revenue ^(2,3) | 391 | 1,150 | 363 | 226 | 264 | 297 |
| Production, mineral and other taxes | 4 | 20 | 4 | 6 | 5 | 5 |
| Transportation and processing | 190 | 578 | 175 | 138 | 133 | 132 |
| Operating ⁽⁴⁾ | 28 | 119 | 33 | 35 | 21 | 30 |
| | 169 | 433 | 151 | 47 | 105 | 130 |
| USA Operations | | | | | | |
| Upstream Product Revenue ^(2,3) | 555 | 1,849 | 524 | 420 | 464 | 441 |
| Production, mineral and other taxes | 25 | 92 | 28 | 21 | 19 | 24 |
| Transportation and processing | 27 | 164 | 23 | 31 | 51 | 59 |
| Operating ⁽⁴⁾ | 74 | 325 | 78 | 81 | 82 | 84 |
| | 429 | 1,268 | 395 | 287 | 312 | 274 |
| Total Operations | | | | | | |
| Upstream Product Revenue ^(2,3) | 946 | 2,999 | 887 | 646 | 728 | 738 |
| Production, mineral and other taxes | 29 | 112 | 32 | 27 | 24 | 29 |
| Transportation and processing | 217 | 742 | 198 | 169 | 184 | 191 |
| Operating ⁽⁴⁾ | 102 | 444 | 111 | 116 | 103 | 114 |
| | 598 | 1,701 | 546 | 334 | 417 | 404 |

⁽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 and royalty adjustments with no associated production volumes.

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

Sales Volumes ⁽¹⁾

| (BOE) | 2018 | | 2017 | | | |
|---------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Q1 | Year | Q4 | Q3 | Q2 | Q1 |
| Canadian Operations | 17,496,180 | 61,765,665 | 18,190,608 | 13,850,324 | 14,258,699 | 15,466,320 |
| USA Operations | 11,709,000 | 52,599,785 | 12,647,700 | 12,287,704 | 14,543,893 | 13,120,290 |
| Total | 29,205,180 | 114,365,450 | 30,838,308 | 26,138,028 | 28,802,592 | 28,586,610 |

⁽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) | 2018 | | 2017 | | | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| | Q1 | Year | Q4 | Q3 | Q2 | Q1 |
| Total - Canadian Operations | | | | | | |
| Price | 22.35 | 18.62 | 19.96 | 16.32 | 18.52 | 19.20 |
| Production, mineral and other taxes | 0.23 | 0.32 | 0.22 | 0.43 | 0.35 | 0.32 |
| Transportation and processing | 10.86 | 9.36 | 9.62 | 9.96 | 9.33 | 8.53 |
| Operating | 1.60 | 1.93 | 1.81 | 2.53 | 1.47 | 1.94 |
| Netback | 9.66 | 7.01 | 8.30 | 3.39 | 7.36 | 8.41 |
| Total - USA Operations | | | | | | |
| Price | 47.40 | 35.15 | 41.43 | 34.18 | 31.90 | 33.61 |
| Production, mineral and other taxes | 2.14 | 1.75 | 2.21 | 1.71 | 1.31 | 1.83 |
| Transportation and processing | 2.31 | 3.12 | 1.82 | 2.52 | 3.51 | 4.50 |
| Operating | 6.32 | 6.18 | 6.17 | 6.59 | 5.64 | 6.40 |
| Netback | 36.64 | 24.11 | 31.23 | 23.36 | 21.45 | 20.88 |
| Total Operations | | | | | | |
| Price | 32.39 | 26.22 | 28.76 | 24.71 | 25.28 | 25.82 |
| Production, mineral and other taxes | 0.99 | 0.98 | 1.04 | 1.03 | 0.83 | 1.01 |
| Transportation and processing | 7.43 | 6.49 | 6.42 | 6.47 | 6.39 | 6.68 |
| Operating | 3.49 | 3.88 | 3.60 | 4.44 | 3.58 | 3.99 |
| Netback | 20.48 | 14.87 | 17.71 | 12.78 | 14.48 | 14.13 |

⁽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.