

Building the leading North American oil & gas company

Fellow Shareholders,

2018 was a very exciting and pivotal year for our company. We delivered strong production growth, generated free cash flow, returned capital to our shareholders, announced the merger with Newfield and completed our safest year in company history for the fifth consecutive year.

We built a strategy more than five years ago designed to create the premier E&P company in North America — a company that could prosper through the commodity cycles. Our actions in 2018 continued to advance that strategy and are delivering results. We have a portfolio concentrated in the core of three of North America's best liquids-rich plays, a track record of innovation and operational excellence, a highly disciplined capital allocation process and a relentless focus on efficiency.

In 2018, we delivered total production growth of 15 percent and liquids production growth of 30 percent. Our cash flow margin was 17 percent higher than five years ago when oil prices were \$100 per barrel. We delivered over \$2.1 billion in non-GAAP cash flow, up 57 percent

from 2017. We generated \$140 million of free cash flow, which was one year ahead of our plan. In addition, over the last five years we have reduced our debt by approximately \$3 billion, ending 2018 with a leverage ratio of 1.3x.

We demonstrated the quality and strength of the business by delivering strong production growth and free cash flow. We also returned significant cash to shareholders through \$57 million in dividends and a \$250 million share buyback program. We accomplished all of this despite another year of volatile commodity prices.

In February 2019, we closed the merger with Newfield. This transaction adds a large, high-quality, liquids-rich asset in the Anadarko basin to our other core positions in the Permian and Montney. This high-quality position, combined with Encana's proven development expertise with unconventional plays, is expected to unlock new value and reduce risk. We expect to deliver annual G&A synergies of greater than \$125 million and reduce STACK drilling and completion costs in the Anadarko by \$1 million per well. We are making excellent

progress with integrating the two companies. Within eight days of closing we had announced and implemented the new organization, giving us confidence in delivering the G&A savings.

We deeply believe that successful and sustainable E&P companies need to be able to deliver modest growth and generate free cash flow at mid-cycle commodity prices. They need to be disciplined and focused on returns. We have a company that can do that today. We demonstrated this in 2018 and our 2019 plans further highlight this capability:

- **Invest \$2.7 to \$2.9 billion of full-year pro-forma capital with more than 75 percent allocated to the three core growth positions, with the remainder being allocated to other assets to maximize free cash flow.**
- **Increase our pro-forma liquids production from our three core growth assets by 15 percent over the prior year.**
- **Deliver annualized G&A savings of more than \$125 million and STACK well cost savings of \$1 million per well.**

- **Generate free cash flow in a low \$50s per barrel oil price and sub \$3 per million cubic feet gas price environment.**
- **Increase the dividend by 25 percent as compared to 2018.**
- **Execute a \$1.25 billion share buyback program.**

We know we are successful due to the efforts of our people. We have worked hard to build a culture of discipline, innovation and teamwork. All of us at Encana are excited to show what the combination of Encana and Newfield can do in 2019!

Thank you for your investment in Encana.

Sincerely,



CLAYTON WOITAS
Chairman of the Board



DOUG SUTTLES
President & CEO

“In 2018, we delivered strong production growth and free cash flow and returned significant cash to shareholders. We accomplished all of this despite another year of volatile commodity prices, demonstrating the quality and strength of the business.”