Encana Corporation

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended September 30, 2016

(U.S. Dollars)

($ millions, except per share amounts or as indicated)

Cash Flow, Cash Flow Per Share (CFPS) and Corporate Margin – Cash Flow is defined as cash from operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and cash tax on sale of assets. CFPS is Cash Flow divided by the weighted average number of common shares outstanding. Corporate Margin is 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.

Cash Flow	**Q3 2016**
Cash from (used in) operating activities	186
Deduct (add back):	
Net change in other assets and liabilities	(6)
Net change in non-cash working capital	(60)
Cash tax on sale of assets	-
Cash Flow	252
Per share diluted	0.29

Corporate Margin	
Cash Flow	252
Divided by:	
Production Volumes (MMBOE)	31.10
Corporate Margin ($/BOE)	8.10

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 after-tax items may include, but are not limited to, unrealized hedging gains/losses, impairments, restructuring charges, non-operating foreign exchange gains/losses, gains/losses on divestitures, gains on debt retirement, income taxes related to divestitures and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

Operating Earnings (Loss)	**Q3 2016**
Net earnings (loss)	317
After-tax (addition) deduction:	
Unrealized hedging gain (loss)	32
Impairments	-
Restructuring charges	(1)
Non-operating foreign exchange gain (loss)	(38)
Gain (loss) on divestitures	288
Income tax adjustments	4
Operating Earnings (Loss)	32
Per share diluted	0.04

Net Debt – is defined as long-term debt, including the current portion, less cash and cash equivalents. Management uses this measure as a substitute for total long-term debt in certain internal debt metrics as a measure of the company's ability to service debt obligations and as an indicator of the company's overall financial strength.

Net Debt	**Q3 2016**
Long-term debt, including current portion	4,198
Less:	
Cash and cash equivalents	766
Net Debt	3,432

Upstream Operating Cash Flow, excluding Hedging – Upstream Operating Cash Flow, excluding Hedging is a measure that adjusts the Canadian and USA Operations revenues, net of royalties for production, mineral and other taxes, transportation and processing expense, operating expense and the impacts of realized hedging. Management monitors Upstream Operating Cash Flow, excluding Hedging as it reflects operating performance and measures the amount of cash generated from the company's upstream operations.

Upstream Operating Cash Flow, excluding Hedging	**Q3 2016**
Upstream Operating Cash Flow	
Canadian Operations	67
USA Operations	307
	374
(Add back) deduct:	
Realized Hedging Gain (Loss)	
Canadian Operations	-
USA Operations	55
	55
Upstream Operating Cash Flow, excluding Hedging	
Canadian Operations	67
USA Operations	252
	319

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	**Q3 2016**
Production, mineral and other taxes	20
Transportation and processing	202
Operating*	145
Administrative**	91
Interest	99
	557

* includes long-term incentive costs
** includes long-term incentive and restructuring costs

Normalized Interest – Normalized Interest is 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 – Normalized Administrative Expense is 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) – is defined as 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 resource play.

Operating Margin – is defined as revenues, net of royalties, less production, mineral and other taxes, transportation and processing and operating expenses. When presented on a per BOE basis, Operating Margin is defined as indicated divided by average barrels of oil equivalent production volumes. Operating Margin is used by management as an internal measure of the profitability of a resource play.

Income Margin – is defined as 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 resource play.