

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The MD&A is intended to provide a narrative description of the Company’s business from management’s perspective, which includes an overview of Ovintiv’s condensed consolidated results for the three and six months ended June 30, 2024, and period-over-period comparison. This MD&A should be read in conjunction with the unaudited interim Condensed Consolidated Financial Statements and accompanying notes for the period ended June 30, 2024 (“Consolidated Financial Statements”), which are included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and accompanying notes and MD&A for the year ended December 31, 2023, which are included in Items 8 and 7, respectively, of the 2023 Annual Report on Form 10-K.

Common industry terms and abbreviations are used throughout this MD&A and are defined in the Definitions, Conversions and Conventions sections of this Quarterly Report on Form 10-Q. This MD&A includes the following sections:

- [Executive Overview](#)
- [Results of Operations](#)
- [Liquidity and Capital Resources](#)
- [Non-GAAP Measures](#)

Executive Overview

Strategy

Ovintiv aims to be a leading North American energy producer and is focused on developing its high-quality multi-basin portfolio of oil and natural gas producing plays. Ovintiv is committed to delivering quality returns from its capital investment, generating significant cash flows and providing durable cash returns to its shareholders through the commodity price cycle. The Company aims to achieve its strategic priorities through execution excellence, disciplined capital allocation, and commercial acumen and risk management. In addition, the Company is dedicated to driving progress in areas of environmental, social, and governance, aligning with its commitment to corporate responsibility.

In support of the Company’s commitment to enhancing shareholder value, Ovintiv utilizes its capital allocation framework to provide competitive returns to shareholders while strengthening its balance sheet.

Ovintiv continually monitors and evaluates changing market conditions to maximize cash flows, mitigate risks and renew its premium well inventory. The Company’s assets, located in some of the most prolific plays in North America, form a multi-basin, multi-product portfolio which enables flexible and efficient investment of capital that supports the Company’s strategy.

Ovintiv seeks to deliver results in a socially and environmentally responsible manner. Best practices are deployed across its assets, allowing the Company to capitalize on operational efficiencies and decrease emissions intensity. The Company’s sustainability reporting, which outlines its key metrics, targets and relative progress achieved, can be found in the Company Outlook section of this MD&A and on the Company’s sustainability website.

Underpinning Ovintiv’s strategy are core values of one, agile, innovative and driven, which guide the organization to be collaborative, responsive, flexible and determined. The Company is committed to excellence with a passion to drive corporate financial performance and shareholder value.

For additional information on Ovintiv’s strategy, its reporting segments and the plays in which the Company operates, refer to Items 1 and 2 of the 2023 Annual Report on Form 10-K.

In evaluating its operations and assessing its leverage, Ovintiv reviews performance-based measures such as Non-GAAP Cash Flow and debt-based metrics such as Debt to Adjusted Capitalization, Debt to EBITDA and Debt to Adjusted EBITDA, which are non-GAAP measures and do not have any standardized meaning under U.S. GAAP. These measures may not be similar to measures presented by other issuers and should not be viewed as a substitute for measures reported under U.S. GAAP. Additional information regarding these measures, including reconciliations to the closest GAAP measure, can be found in the Non-GAAP Measures section of this MD&A.

Highlights

During the first six months of 2024, the Company focused on executing its 2024 capital investment plan aimed at maximizing profitability through operational and capital efficiencies, and delivering cash from operating activities. Higher upstream product revenues in the first six months of 2024 compared to 2023, primarily resulted from higher production volumes and liquids prices, partially offset by lower average realized natural gas prices, excluding the impact of risk management activities. Production volumes increased eight percent compared to the first six months of 2023 primarily due to the addition of the Permian assets acquired in the second quarter of 2023. Decreases in average realized natural gas prices of 43 percent were primarily due to lower benchmark prices. Ovintiv continues to focus on optimizing realized prices from the diversification of the Company's downstream markets.

Financial Results

Three months ended June 30, 2024

- Reported net earnings of \$340 million, including net gains on risk management in revenues of \$77 million, before tax.
- Generated cash from operating activities of \$1,020 million and Non-GAAP Cash Flow of \$1,025 million.
- Purchased for cancellation, approximately 3.6 million shares of common stock for total consideration of approximately \$184 million.
- Paid dividends of \$0.30 per share of common stock totaling \$80 million.

Six months ended June 30, 2024

- Reported net earnings of \$678 million, including net gains on risk management in revenues of \$23 million, before tax.
- Generated cash from operating activities of \$1,679 million and Non-GAAP Cash Flow of \$2,060 million.
- Purchased for cancellation, approximately 9.0 million shares of common stock for total consideration of approximately \$434 million.
- Paid dividends of \$0.60 per share of common stock totaling \$160 million.
- Had approximately \$3.1 billion in total liquidity as at June 30, 2024, which included available credit facilities of \$3,250 million, available uncommitted demand lines of \$211 million, and cash and cash equivalents of \$8 million, net of outstanding commercial paper of \$384 million.
- Reported Debt to EBITDA of 1.2 times and Non-GAAP Debt to Adjusted EBITDA of 1.2 times.

Capital Investment

During the six months ended June 30, 2024

- Executed the Company's 2024 capital plan with expenditures totaling \$1,213 million.
- Focused on highly efficient capital activity to benefit from short-cycle high margin and/or low-cost projects which provide flexibility to respond to fluctuations in commodity prices.

Production

During the six months ended June 30, 2024

- Produced average liquids volumes of 301.4 Mbbls/d, which accounted for 52 percent of total production volumes. Average oil and plant condensate volumes 211.3 Mbbls/d, represented 70 percent of total liquids production volumes.
- Produced average natural gas volumes of 1,693 MMcf/d, which accounted for 48 percent of total production volumes.
- Produced average total volumes of 583.8 MBOE/d.

Operating Expenses

During the six months ended June 30, 2024

- Incurred total upstream transportation and processing expenses of \$764 million or \$7.20 per BOE, a decrease of \$66 million compared to 2023, primarily due to the sale of the Bakken assets in the second quarter of 2023, the impact of new downstream contracts in Uinta, and lower variable contract rates in Permian, partially offset by higher production volumes in Permian and Uinta.
- Incurred total upstream operating expenses of \$467 million or \$4.40 per BOE, an increase of \$99 million compared to 2023, primarily due to the Permian assets acquired in the second quarter of 2023, partially offset by the sale of the Bakken assets in the second quarter of 2023.
- Incurred total production, mineral and other taxes of \$172 million, which represents approximately 4.6 percent of upstream product revenues. Total production, mineral and other taxes increased \$12 million compared to 2023, primarily due to higher production volumes and property taxes in Permian relating to the assets acquired in the second quarter of 2023, partially offset by the sale of the Bakken assets in the second quarter of 2023.

The Company's upstream operations refers to the summation of the USA and Canadian operating segments. Additional information on the items above and other expenses can be found in the Results of Operations section of this MD&A.

2024 Outlook

Industry Outlook

Oil Markets

The oil and gas industry is cyclical and commodity prices are inherently volatile. Oil prices reflect global supply and demand dynamics as well as the geopolitical and macroeconomic environment.

Oil prices for the remainder of 2024 are expected to be impacted by the interplay between the pace of global economic growth and demand for oil, continued OPEC+ production restraint and continued supply uncertainties resulting from geopolitical events. Recessionary concerns continue to have an impact on global demand outlooks as central banks evaluate and recalibrate their strategies in response to the prevailing economic environment. Supply and the accumulation of global oil inventories are expected to be impacted by changes in OPEC+ production levels, consumer demand behavior and geopolitical volatility.

Natural Gas Markets

Natural gas prices are primarily impacted by structural changes in supply and demand as well as deviations from seasonally normal weather.

Natural gas prices for the remainder of 2024 are expected to be impacted by the interplay between natural gas production and associated natural gas from oil production, changes in demand from the power generation sector, changes in export levels of U.S. liquefied natural gas, impacts from seasonal weather, as well as supply chain constraints or other disruptions resulting from geopolitical events.

Company Outlook

The Company will continue to exercise discretion and discipline, and intends to optimize capital allocation through the remainder of 2024 as the commodity price environment evolves. Ovintiv pursues innovative ways to maximize cash flows and to reduce upstream operating and administrative expenses.

Markets for oil and natural gas are exposed to different price risks and are inherently volatile. To mitigate price volatility and provide more certainty around cash flows, the Company enters into derivative financial instruments. As at June 30, 2024, the Company has hedged approximately 50.0 Mbbls/d of expected oil production and 800 MMcf/d of expected natural gas production for the remainder of the year. In addition, Ovintiv proactively utilizes transportation contracts to diversify the Company's sales markets, thereby reducing significant exposure to any given market and regional pricing.

Additional information on Ovintiv's hedging program can be found in Note 19 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Capital Investment

The Company continues to execute its 2024 capital investment program, focusing on maximizing returns from high-margin oil and condensate, and generating cash flows in excess of capital expenditures.

During the second quarter of 2024, the Company invested \$622 million, which was in line with the second quarter guidance range of \$610 million to \$650 million. In July 2024, the Company narrowed its full year 2024 capital investment guidance range to \$2,250 million to \$2,350 million.

Ovintiv continually strives to improve well performance and lower costs through innovative techniques. Ovintiv's large-scale cube development model utilizes multi-well pads and advanced completion designs to maximize returns and resource recovery from its reservoirs. The Company continues to enhance its multi-frac technology by shifting, where possible, from simultaneously fracing two wells ("Simulfrac") to fracing three wells ("Trimulfrac") at the same time. Ovintiv's disciplined capital program and continuous innovation create flexibility to allocate capital in changing commodity markets to maximize cash flows while preserving the long-term value of the Company's multi-basin portfolio.

Production

During the second quarter of 2024, total average production volumes were 593.8 MBOE/d, which significantly exceeded the second quarter guidance range of 560.0 MBOE/d to 575.0 MBOE/d, primarily due to the impact of lower than expected royalty rates in the Canadian Operations resulting from lower natural gas benchmark prices, as well as infrastructure royalty credits and allowances in Montney. Average oil and plant condensate production volumes were 211.9 Mbbls/d and average natural gas production volumes were 1,740 MMcf/d, which exceeded second quarter guidance ranges of 205.0 Mbbls/d to 209.0 Mbbls/d and 1,600 MMcf/d to 1,650 MMcf/d, respectively. Average other NGL production volumes were 92.0 Mbbls/d, which were in line with the second quarter guidance range of 89.0 Mbbls/d to 92.0 Mbbls/d.

In July, the Company further updated its full year 2024 total production guidance range to 570.0 MBOE/d to 580.0 MBOE/d, including oil and plant condensate production volumes of approximately 207.0 Mbbls/d to 209.0 Mbbls/d, other NGLs production volumes of approximately 89.0 Mbbls/d to 91.0 Mbbls/d and natural gas production volumes of approximately 1,660 MMcf/d to 1,690 MMcf/d.

Operating Expenses

Ovintiv promotes a collaborative culture that values knowledge exchange, open communication, continuous improvement and learning. This culture stimulates innovation and fosters the creation of best practices resulting in efficiency improvements and enhanced operational performance for the Company.

The Company is on track to achieve its full year upstream transportation and processing cost guidance range of approximately \$7.50 per BOE to \$8.00 per BOE, based on commodity price assumptions of \$75.00 per barrel for WTI oil and \$2.50 per MMBtu for NYMEX natural gas. Upstream transportation and processing costs of \$7.15 per BOE during the three months ended June 30, 2024, was significantly lower than guidance, primarily due to lower than expected natural gas commodity prices.

The Company is also on track to meet the full year guidance for operating expenses of approximately \$4.25 per BOE to \$4.75 per BOE, and total production, mineral and other taxes of approximately four to five percent of upstream product revenues. The Company's upstream operations refers to the summation of the USA and Canadian operating segments.

Additional information on Ovintiv's third quarter and updated full year 2024 Corporate Guidance can be accessed on the Company's website at www.ovintiv.com.

Environmental, Social and Governance

Ovintiv recognizes climate change as a global concern and the importance of reducing its environmental footprint as part of the solution. The Company voluntarily participates in emission reduction programs and has adopted a range of strategies to help reduce emissions from its operations. These strategies include incorporating new and proven technologies, optimizing processes in its operations and working closely with third-party providers to develop best practices. The Company continues to look for innovative techniques and efficiencies in support of its commitment to emission reductions.

In May 2024, Ovintiv published its 2023 Sustainability Report. The report highlights the Company's 2023 environmental, social and governance results, and its progress in emissions intensity reductions with the goal to meet its Scope 1&2 GHG emissions target by 2030. As at the end of 2023, the Company had achieved a greater than 40 percent reduction in the Scope 1&2 GHG emissions intensity from 2019 levels and is on track to meet its emissions intensity reduction target of 50 percent by 2030 measured against the 2019 baseline. The GHG emissions reduction target is tied to the annual compensation program for all employees.

During the second quarter of 2023, the Company acquired assets in Permian which increased both oil production volumes and net premium well inventory. Ovintiv is undergoing an integration period to align the emissions profile of the acquired inventory with the World Bank Zero Routine Flaring initiative. Ovintiv remains committed to its emissions reduction targets.

Ovintiv is committed to diversity, equity and inclusion ("DEI"). The Company's social commitment framework, which is rooted in the Company's foundational values of integrity, safety, sustainability, trust and respect, reflects Ovintiv's positive contributions to the communities where it operates and highlights the Company's approach to enabling an inclusive culture that embraces diversity of thought, background and experience.

Ovintiv remains committed to protecting the health and safety of its workforce. Safety is a foundational value at Ovintiv and plays a critical role in the Company's belief that a safe workplace is a strong indicator of a well-managed business. This safety-oriented mindset enables the Company to quickly respond to emergencies and minimize any impacts to employees and business continuity. Safety performance goals are incorporated into the Company's annual compensation program. Additional information on DEI and employee safety can be found in the Human Capital section of Items 1 and 2 of the 2023 Annual Report on Form 10-K.

Additional information on Ovintiv's sustainable business practices are included in its most recent Sustainability Report on the Company's sustainability website at <https://sustainability.ovintiv.com>.

Results of Operations

Selected Financial Information

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Product and Service Revenues				
Upstream product revenues	\$ 1,842	\$ 1,646	\$ 3,771	\$ 3,521
Market optimization	350	703	806	1,419
Service revenues ⁽¹⁾	1	3	3	4
Total Product and Service Revenues	2,193	2,352	4,580	4,944
Gains (Losses) on Risk Management, Net	77	147	23	89
Sublease Revenues	18	18	37	35
Total Revenues	2,288	2,517	4,640	5,068
Total Operating Expenses ⁽²⁾	1,732	1,986	3,590	3,859
Operating Income (Loss)	556	531	1,050	1,209
Total Other (Income) Expenses	90	94	156	159
Net Earnings (Loss) Before Income Tax	466	437	894	1,050
Income Tax Expense (Recovery)	126	101	216	227
Net Earnings (Loss)	\$ 340	\$ 336	\$ 678	\$ 823

(1) Service revenues include amounts related to the USA and Canadian Operations.

(2) Total Operating Expenses include non-cash items such as DD&A, accretion of asset retirement obligations and long-term incentive costs.

Revenues

Ovintiv's revenues are substantially derived from sales of oil, NGLs and natural gas production. Increases or decreases in Ovintiv's revenue, profitability and future production are highly dependent on the commodity prices the Company receives. Prices are market driven and fluctuate due to factors beyond the Company's control, such as supply and demand, seasonality and geopolitical and economic factors. The Company's realized prices generally reflect WTI, NYMEX, Edmonton Condensate and AECO benchmark prices, as well as other downstream benchmarks, including Houston and Dawn. The Company proactively mitigates price risk and optimizes margins by entering into firm transportation contracts to diversify market access to different sales points. Realized prices, excluding the impact of risk management activities, may differ from the benchmarks for many reasons, including quality, location, or production being sold at different market hubs.

Benchmark prices relevant to the Company are shown in the table below.

Benchmark Prices

(average for the period)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Oil & NGLs				
WTI (\$/bbl)	\$ 80.57	\$ 73.78	\$ 78.77	\$ 74.95
Houston (\$/bbl)	82.21	74.94	80.53	76.26
Edmonton Condensate (C\$/bbl)	105.72	97.39	102.32	102.82
Natural Gas				
NYMEX (\$/MMBtu)	\$ 1.89	\$ 2.10	\$ 2.07	\$ 2.76
AECO (C\$/Mcf)	1.44	2.35	1.74	3.34
Dawn (C\$/MMBtu)	2.29	2.77	2.84	3.22

Production Volumes and Realized Prices

	Three months ended June 30,				Six months ended June 30,			
	Production Volumes ⁽¹⁾		Realized Prices ⁽²⁾		Production Volumes ⁽¹⁾		Realized Prices ⁽²⁾	
	2024	2023	2024	2023	2024	2023	2024	2023
Oil (Mbbbls/d, \$/bbl)								
USA Operations	166.8	142.4	\$ 78.20	\$ 72.83	168.5	134.8	\$ 77.18	\$ 73.41
Canadian Operations	0.5	-	74.86	-	0.3	0.1	74.07	71.44
Total	167.3	142.4	78.19	72.83	168.8	134.9	77.17	73.41
NGLs - Plant Condensate (Mbbbls/d, \$/bbl)								
USA Operations	10.9	10.5	59.43	55.09	10.7	10.6	58.71	58.46
Canadian Operations	33.7	33.0	75.61	70.99	31.8	30.6	73.77	73.84
Total	44.6	43.5	71.66	67.14	42.5	41.2	69.96	69.89
NGLs - Other (Mbbbls/d, \$/bbl)								
USA Operations	75.7	78.1	16.84	13.43	75.1	76.0	18.09	15.99
Canadian Operations	16.3	18.7	25.36	18.62	15.0	15.6	27.54	25.20
Total	92.0	96.8	18.35	14.43	90.1	91.6	19.67	17.56
Total Oil & NGLs (Mbbbls/d, \$/bbl)								
USA Operations	253.4	231.0	59.09	51.94	254.3	221.4	58.94	52.99
Canadian Operations	50.5	51.7	59.35	52.06	47.1	46.3	59.03	57.43
Total	303.9	282.7	59.13	51.96	301.4	267.7	58.95	53.76
Natural Gas (MMcfd, \$/Mcf)								
USA Operations	531	530	1.16	1.79	528	518	1.59	2.57
Canadian Operations	1,209	1,213	1.36	2.02	1,165	1,131	1.81	3.30
Total	1,740	1,743	1.30	1.95	1,693	1,649	1.74	3.07
Total Production (MBOE/d, \$/BOE)								
USA Operations	341.9	319.2	45.61	40.56	342.5	307.7	46.23	42.45
Canadian Operations	251.9	253.8	18.40	20.26	241.3	234.7	20.27	27.21
Total	593.8	573.0	34.08	31.56	583.8	542.4	35.49	35.86
Production Mix (%)								
Oil & Plant Condensate	36	32			36	32		
NGLs - Other	15	17			16	17		
Total Oil & NGLs	51	49			52	49		
Natural Gas	49	51			48	51		
Production Change Period Over Period (%) ⁽³⁾								
Total Oil & NGLs	7	8			13	4		
Natural Gas	-	22			3	13		
Total Production	4	15			8	8		

(1) Average daily.

(2) Average per-unit prices, excluding the impact of risk management activities.

(3) Includes production impacts of acquisitions and divestitures.

Upstream Product Revenues

Three months ended June 30,					
(\$ millions)	Oil	NGLs - Plant Condensate	NGLs - Other	Natural Gas	Total
2023 Upstream Product Revenues	\$ 944	\$ 265	\$ 129	\$ 308	\$ 1,646
Increase (decrease) due to:					
Sales prices	87	20	32	(103)	36
Production volumes	162	6	(7)	(1)	160
2024 Upstream Product Revenues	\$ 1,193	\$ 291	\$ 154	\$ 204	\$ 1,842

Six months ended June 30,					
(\$ millions)	Oil	NGLs - Plant Condensate	NGLs - Other	Natural Gas	Total
2023 Upstream Product Revenues	\$ 1,792	\$ 520	\$ 293	\$ 916	\$ 3,521
Increase (decrease) due to:					
Sales prices	119	1	33	(411)	(258)
Production volumes	460	21	(3)	30	508
2024 Upstream Product Revenues	\$ 2,371	\$ 542	\$ 323	\$ 535	\$ 3,771

Oil Revenues

Three months ended June 30, 2024 versus June 30, 2023

Oil revenues were higher by \$249 million compared to the second quarter of 2023 primarily due to:

- Higher average oil production volumes of 24.9 Mbbls/d increased revenues by \$162 million. Higher volumes were primarily due to the Permian assets acquired in the second quarter of 2023 (37.6 Mbbls/d) and successful drilling in Uinta and Permian (14.1 Mbbls/d), partially offset by the sale of the Bakken assets in the second quarter of 2023 (16.1 Mbbls/d) and natural declines in Anadarko (11.1 Mbbls/d); and
- An increase of \$5.36 per bbl, or seven percent, in the average realized oil prices which increased revenues by \$87 million. The increase reflected higher Houston and WTI benchmark prices which were up 10 percent and nine percent, respectively, partially offset by lower regional pricing relative to the benchmark prices.

Six months ended June 30, 2024 versus June 30, 2023

Oil revenues were higher by \$579 million compared to the first six months of 2023 primarily due to:

- Higher average oil production volumes of 33.9 Mbbls/d increased revenues by \$460 million. Higher volumes were primarily due to the Permian assets acquired in the second quarter of 2023 (42.6 Mbbls/d) and successful drilling in Permian and Uinta (20.5 Mbbls/d), partially offset by the sale of the Bakken assets in the second quarter of 2023 (18.8 Mbbls/d) and natural declines in Anadarko (10.0 Mbbls/d); and
- An increase of \$3.76 per bbl, or five percent, in the average realized oil prices which increased revenues by \$119 million. The increase reflected higher Houston and WTI benchmark prices which were up six percent and five percent, respectively.

NGL Revenues

Three months ended June 30, 2024 versus June 30, 2023

NGL revenues were higher by \$51 million compared to the second quarter of 2023 primarily due to:

- An increase of \$3.92 per bbl, or 27 percent, in the average realized other NGL prices which increased revenues by \$32 million. The increase reflected higher regional pricing and Other NGL benchmark prices; and
- An increase of \$4.52 per bbl, or seven percent, in the average realized plant condensate prices which increased revenues by \$20 million. The increase reflected the higher Edmonton Condensate benchmark price which was up nine percent.

Six months ended June 30, 2024 versus June 30, 2023

NGL revenues were higher by \$52 million compared to the first six months of 2023 primarily due to:

- An increase of \$2.11 per bbl, or 12 percent, in the average realized other NGL prices which increased revenues by \$33 million. The increase reflected higher regional pricing and Other NGL benchmark prices; and
- Higher average plant condensate production volumes of 1.3 Mbbls/d increased revenues by \$21 million. Higher volumes were primarily due to successful drilling in Permian and Montney (2.2 Mbbls/d), and lower effective royalty rates resulting from lower commodity prices in Montney (1.6 Mbbls/d), partially offset by natural declines in Montney (2.3 Mbbls/d) and the sale of the Bakken assets in the second quarter of 2023 (1.2 Mbbls/d).

Natural Gas Revenues

Three months ended June 30, 2024 versus June 30, 2023

Natural gas revenues were lower by \$104 million compared to the second quarter of 2023 primarily due to:

- A decrease of \$0.65 per Mcf, or 33 percent, in the average realized natural gas prices which decreased revenues by \$103 million. The decrease reflected lower AECO, Dawn and NYMEX benchmark prices which were down 39 percent, 17 percent and 10 percent, respectively, and lower regional pricing relative to benchmark prices; and
- Lower average natural gas production volumes of 3 MMcf/d decreased revenues by \$1 million. Lower volumes were primarily due to natural declines in Montney and Anadarko (67 MMcf/d), the sale of the Bakken assets in the second quarter of 2023 (44 MMcf/d), and the shut-in of production in Other Canadian Operations in the second quarter of 2024 due to low commodity prices (27 MMcf/d). The lower production volumes were partially offset by higher volumes in Montney due to lower effective royalty rates resulting from lower commodity prices (61 MMcf/d), successful drilling in Permian and Uinta (54 MMcf/d), and the Permian assets acquired in the second quarter of 2023 (21 MMcf/d).

Six months ended June 30, 2024 versus June 30, 2023

Natural gas revenues were lower by \$381 million compared to the first six months of 2023 primarily due to:

- A decrease of \$1.33 per Mcf, or 43 percent, in the average realized natural gas prices which decreased revenues by \$411 million. The decrease reflected lower AECO, NYMEX and Dawn benchmark prices which were down 48 percent, 25 percent and 12 percent, respectively, and lower regional pricing relative to benchmark prices in the USA Operations; and
- Higher average natural gas production volumes of 44 MMcf/d increased revenues by \$30 million. Higher volumes were primarily due to lower effective royalty rates resulting from lower commodity prices in Montney (91 MMcf/d), successful drilling in Permian and Uinta (55 MMcf/d), and the Permian assets acquired in the second quarter of 2023 (23 MMcf/d). The higher production volumes were partially offset by natural declines in Montney and Anadarko (69 MMcf/d), the sale of the Bakken assets in the second quarter of 2023 (46 MMcf/d), and the shut-in of production in Other Canadian Operations in the second quarter of 2024 due to low commodity prices (14 MMcf/d).

Gains (Losses) on Risk Management, Net

As a means of managing commodity price volatility, Ovintiv enters into commodity derivative financial instruments on a portion of its expected oil, NGLs and natural gas production volumes. Additional information on the Company's commodity price positions as at June 30, 2024, can be found in Note 19 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following tables provide the effects of the Company's risk management activities on revenues.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Realized Gains (Losses) on Risk Management				
Commodity Price ⁽¹⁾				
Oil	\$ (25)	\$ -	\$ (33)	\$ -
NGLs - Other	1	-	2	-
Natural Gas	89	5	142	(71)
Other ⁽²⁾	4	-	4	-
Total	69	5	115	(71)
Unrealized Gains (Losses) on Risk Management	8	142	(92)	160
Total Gains (Losses) on Risk Management, Net	\$ 77	\$ 147	\$ 23	\$ 89

(Per-unit)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Realized Gains (Losses) on Risk Management				
Commodity Price ⁽¹⁾				
Oil (\$/bbl)	\$ (1.61)	\$ -	\$ (1.06)	\$ -
NGLs - Other (\$/bbl)	\$ 0.12	\$ -	\$ 0.12	\$ -
Natural Gas (\$/Mcf)	\$ 0.56	\$ 0.03	\$ 0.46	\$ (0.24)
Total (\$/BOE)	\$ 1.21	\$ 0.10	\$ 1.05	\$ (0.72)

(1) Primarily includes realized gains and losses related to the USA and Canadian Operations.

(2) Other primarily includes realized gains from other derivative contracts with no associated production volumes.

Ovintiv recognizes fair value changes from its risk management activities each reporting period. The changes in fair value result from new positions and settlements that occur during each period, as well as the relationship between contract prices and the associated forward curves. Realized gains or losses on risk management activities related to commodity price mitigation are included in the USA Operations, Canadian Operations and Market Optimization revenues as the contracts are cash settled. Unrealized gains or losses on fair value changes of unsettled contracts are included in the Corporate and Other segment. Additional information on fair value changes can be found in Note 18 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Market Optimization Revenues

Market Optimization product revenues relate to activities that provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. Ovintiv also purchases and sells third-party volumes under marketing arrangements associated with the Company's previous divestitures.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Market Optimization	\$ 350	\$ 703	\$ 806	\$ 1,419

Three months ended June 30, 2024 versus June 30, 2023

Market Optimization product revenues decreased \$353 million compared to the second quarter of 2023 primarily due to:

- Lower sales of third-party purchased volumes primarily relating to price optimization activities in the USA Operations (\$355 million) and lower natural gas benchmark prices (\$27 million);

partially offset by:

- Higher oil benchmark prices (\$29 million).

Six months ended June 30, 2024 versus June 30, 2023

Market Optimization product revenues decreased \$613 million compared to the first six months of 2023 primarily due to:

- Lower sales of third-party purchased volumes primarily relating to price optimization activities in the USA Operations (\$595 million) and lower natural gas benchmark prices (\$53 million);

partially offset by:

- Higher oil benchmark prices (\$35 million).

Sublease Revenues

Sublease revenues primarily include amounts related to the sublease of office space in The Bow office building recorded in the Corporate and Other segment. Additional information on office sublease income can be found in Note 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Operating Expenses

Production, Mineral and Other Taxes

Production, mineral and other taxes include production and property taxes. Production taxes are generally assessed as a percentage of oil, NGLs and natural gas production revenues. Property taxes are generally assessed based on the value of the underlying assets.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 85	\$ 73	\$ 165	\$ 153
Canadian Operations	4	3	7	7
Total	\$ 89	\$ 76	\$ 172	\$ 160

(\$/BOE)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 2.74	\$ 2.49	\$ 2.65	\$ 2.74
Canadian Operations	\$ 0.17	\$ 0.14	\$ 0.17	\$ 0.17
Production, Mineral and Other Taxes	\$ 1.65	\$ 1.43	\$ 1.62	\$ 1.63

Three months ended June 30, 2024 versus June 30, 2023

Production, mineral and other taxes increased \$13 million compared to the second quarter of 2023 primarily due to:

- Higher production volumes and property taxes in Permian primarily due to the assets acquired in the second quarter of 2023 (\$21 million), and higher oil and NGLs commodity prices (\$6 million);

partially offset by:

- The sale of the Bakken assets in the second quarter of 2023 (\$10 million) and lower production volumes in Anadarko (\$5 million).

Six months ended June 30, 2024 versus June 30, 2023

Production, mineral and other taxes increased \$12 million compared to the first six months of 2023 primarily due to:

- Higher production volumes and property taxes in Permian primarily due to the assets acquired in the second quarter of 2023 (\$51 million);

partially offset by:

- The sale of the Bakken assets in the second quarter of 2023 (\$25 million), and production tax recoveries and lower production volumes in Anadarko (\$13 million).

Transportation and Processing

Transportation and processing expense includes transportation costs incurred to move product from production points to sales points including gathering, compression, pipeline tariffs, trucking and storage costs. Ovintiv also incurs costs related to processing provided by third parties or through ownership interests in processing facilities.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 126	\$ 148	\$ 253	\$ 295
Canadian Operations	260	268	511	535
Upstream Transportation and Processing	386	416	764	830
Market Optimization	27	36	68	77
Total	\$ 413	\$ 452	\$ 832	\$ 907

(\$/BOE)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 4.05	\$ 5.10	\$ 4.06	\$ 5.29
Canadian Operations	\$ 11.37	\$ 11.57	\$ 11.65	\$ 12.59
Upstream Transportation and Processing	\$ 7.15	\$ 7.97	\$ 7.20	\$ 8.45

Three months ended June 30, 2024 versus June 30, 2023

Transportation and processing expense decreased \$39 million compared to the second quarter of 2023 primarily due to:

- The impact of new contracts in Uinta (\$23 million), the sale of the Bakken assets in the second quarter of 2023 (\$21 million), an expired contract relating to previously divested assets (\$16 million), lower midstream transportation costs in Montney (\$9 million), lower variable contract rates in Permian (\$6 million), lower production volumes in Anadarko (\$5 million), and a higher U.S./Canadian dollar exchange rate (\$5 million);

partially offset by:

- Higher production volumes in Permian and Uinta (\$32 million), and higher downstream transportation costs in Montney due to third-party adjustments (\$11 million).

Six months ended June 30, 2024 versus June 30, 2023

Transportation and processing expense decreased \$75 million compared to the first six months of 2023 primarily due to:

- The sale of the Bakken assets in the second quarter of 2023 (\$45 million), the impact of new contracts in Uinta (\$33 million), lower variable contract rates in Permian (\$30 million), an expired contract relating to previously divested assets (\$16 million), lower production volumes in Anadarko (\$9 million), and a higher U.S./Canadian dollar exchange rate (\$5 million);

partially offset by:

- Higher production volumes in Permian and Uinta (\$69 million).

Operating

Operating expense includes costs paid by the Company, net of amounts capitalized, on oil and natural gas properties in which Ovintiv has a working interest. These costs primarily include labor, service contract fees, chemicals, fuel, water hauling, electricity and workovers.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 205	\$ 167	\$ 416	\$ 337
Canadian Operations	26	2	51	31
Upstream Operating Expense	231	169	467	368
Market Optimization	6	6	13	13
Total	\$ 237	\$ 175	\$ 480	\$ 381

(\$/BOE)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 6.58	\$ 5.73	\$ 6.67	\$ 6.05
Canadian Operations	1.18	0.10	1.19	0.73
Upstream Operating Expense	4.29	3.23	4.40	3.75

Three months ended June 30, 2024 versus June 30, 2023

Operating expense increased \$62 million compared to the second quarter of 2023 primarily due to:

- Higher activity in Permian primarily related to the assets acquired in the second quarter of 2023 (\$56 million) and updates to operating contract terms, including a recovery of prior years' costs in 2023 (\$23 million);

partially offset by:

- The sale of the Bakken assets in the second quarter of 2023 (\$18 million) and decreased activity in Anadarko (\$8 million).

Six months ended June 30, 2024 versus June 30, 2023

Operating expense increased \$99 million compared to the first six months of 2023 primarily due to:

- Higher activity in Permian primarily related to the assets acquired in the second quarter of 2023 (\$124 million) and updates to operating contracts terms, including a recovery of prior years' costs in 2023 (\$23 million);

partially offset by:

- The sale of the Bakken assets in the second quarter of 2023 (\$41 million) and decreased activity in Anadarko (\$17 million).

Purchased Product

Purchased product expense includes purchases of oil, NGLs and natural gas from third parties that are used to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. Ovintiv also purchases and sells third-party volumes under marketing arrangements associated with the Company's previous divestitures.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Market Optimization	\$ 333	\$ 692	\$ 773	\$ 1,393

Three months ended June 30, 2024 versus June 30, 2023

Purchased product expense decreased \$359 million compared to the second quarter of 2023 primarily due to:

- Lower third-party purchased volumes primarily relating to price optimization activities in the USA Operations (\$356 million) and lower natural gas benchmark prices (\$32 million);

partially offset by:

- Higher oil benchmark prices (\$29 million).

Six months ended June 30, 2024 versus June 30, 2023

Purchased product expense decreased \$620 million compared to the first six months of 2023 primarily due to:

- Lower third-party purchased volumes primarily relating to price optimization activities in the USA Operations (\$596 million) and lower natural gas benchmark prices (\$59 million);

partially offset by:

- Higher oil benchmark prices (\$35 million).

Depreciation, Depletion & Amortization

Proved properties within each country cost center are depleted using the unit-of-production method based on proved reserves as discussed in Note 1 to the Consolidated Financial Statements included in Item 8 of the 2023 Annual Report on Form 10-K. Depletion rates are impacted by impairments, acquisitions, divestitures and foreign exchange rates, as well as fluctuations in 12-month average trailing prices which affect proved reserves volumes. Corporate assets are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets.

Additional information can be found under Upstream Assets and Reserve Estimates in the Critical Accounting Estimates section of the MD&A included in Item 7 of the 2023 Annual Report on Form 10-K.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 498	\$ 336	\$ 987	\$ 630
Canadian Operations	76	78	148	143
Upstream DD&A	574	414	1,135	773
Corporate & Other	6	5	11	10
Total	\$ 580	\$ 419	\$ 1,146	\$ 783

(\$/BOE)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
USA Operations	\$ 15.99	\$ 11.56	\$ 15.84	\$ 11.31
Canadian Operations	3.34	3.36	3.38	3.37
Upstream DD&A	10.62	7.93	10.69	7.87

Three months ended June 30, 2024 versus June 30, 2023

DD&A increased \$161 million compared to the second quarter of 2023 primarily due to:

- Higher depletion rates and production volumes in the USA Operations (\$137 million and \$25 million, respectively).

The depletion rate in the USA Operations increased \$4.43 per BOE compared to the second quarter of 2023 primarily due to a higher depletable base associated with the Permian assets acquired in the second quarter of 2023.

Six months ended June 30, 2024 versus June 30, 2023

DD&A increased \$363 million compared to the first six months of 2023 primarily due to:

- Higher depletion rates and production volumes in the USA Operations (\$282 million and \$75 million, respectively).

The depletion rate in the USA Operations increased \$4.53 per BOE compared to the first six months of 2023 primarily due to a higher depletable base associated with the Permian assets acquired in the second quarter of 2023.

Administrative

Administrative expense represents costs associated with corporate functions provided by Ovintiv staff. These expenses primarily include salaries and benefits, operating lease, office, information technology, legal and long-term incentive costs.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Administrative, excluding Long-Term Incentive, and Transaction and Legal Costs ⁽¹⁾	\$ 69	\$ 66	\$ 144	\$ 137
Long-term incentive costs	8	16	23	(3)
Transaction and legal costs	(1)	86	11	92
Total Administrative	\$ 76	\$ 168	\$ 178	\$ 226

(\$/BOE)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Administrative, excluding Long-Term Incentive, and Transaction and Legal Costs ⁽¹⁾	\$ 1.28	\$ 1.28	\$ 1.34	\$ 1.39
Long-term incentive costs	0.14	0.30	0.22	(0.03)
Transaction and legal costs	(0.01)	1.65	0.11	0.94
Total Administrative	\$ 1.41	\$ 3.23	\$ 1.67	\$ 2.30

(1) The second quarter and first six months of 2024 includes costs related to The Bow office lease of \$29 million and \$58 million, respectively (2023 - \$29 million and \$57 million, respectively), half of which is recovered from sublease revenues.

Three months ended June 30, 2024 versus June 30, 2023

Administrative expense decreased \$92 million compared to the second quarter of 2023 primarily due to:

- Transaction costs incurred mainly related to the Permian assets acquired in the second quarter of 2023 (\$82 million) and lower long-term incentive costs resulting from changes in the Company's share price in the second quarter of 2024 (\$8 million).

Six months ended June 30, 2024 versus June 30, 2023

Administrative expense decreased \$48 million compared to the first six months of 2023 primarily due to:

- Transaction costs incurred mainly related to the Permian assets acquired in the second quarter of 2023 (\$82 million); partially offset by:
 - Higher long-term incentive costs resulting from changes in the Company's share price in 2023 (\$26 million).

Additional information on the Company's long-term incentive costs can be found in Note 17 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Other (Income) Expenses

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest	\$ 105	\$ 80	\$ 203	\$ 151
Foreign Exchange (Gain) Loss, Net	(10)	25	(38)	22
Other (Gains) Losses, Net	(5)	(11)	(9)	(14)
Total Other (Income) Expenses	\$ 90	\$ 94	\$ 156	\$ 159

Interest

Interest expense primarily includes interest on Ovintiv's short-term and long-term debt. Additional information on changes in interest can be found in Note 5 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Three months ended June 30, 2024 versus June 30, 2023

Interest expense increased \$25 million compared to the second quarter of 2023 primarily due to:

- Interest expense related to the senior unsecured notes issued in May 2023 (\$21 million).

Six months ended June 30, 2024 versus June 30, 2023

Interest expense increased \$52 million compared to the first six months of 2023 primarily due to:

- Interest expense related to the senior unsecured notes issued in May 2023 (\$57 million);

partially offset by:

- An assessment related to certain prior years' tax items in the first quarter of 2023 (\$8 million).

Foreign Exchange (Gain) Loss, Net

Foreign exchange gains and losses primarily result from the impact of fluctuations in the Canadian to U.S. dollar exchange rate. Additional information on changes in foreign exchange gains or losses can be found in Note 6 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Additional information on foreign exchange rates and the effects of foreign exchange rate changes can be found in Part I, Item 3 of this Quarterly Report on Form 10-Q.

Three months ended June 30, 2024 versus June 30, 2023

Net foreign exchange gain of \$10 million compared to a loss of \$25 million during the second quarter of 2023 primarily due to:

- Unrealized foreign exchange gains on the translation of intercompany notes compared to losses in 2023 (\$25 million), realized foreign exchange gains on the settlement of intercompany notes compared to losses in 2023 (\$11 million) and gains on other monetary revaluations compared to losses in 2023 (\$9 million);

partially offset by:

- Unrealized foreign exchange losses on the translation of U.S. dollar risk management contracts issued from Canada compared to gains in 2023 (\$10 million).

Six months ended June 30, 2024 versus June 30, 2023

Net foreign exchange gain of \$38 million compared to a loss of \$22 million during the first six months of 2023 primarily due to:

- Unrealized foreign exchange gains on the translation of intercompany notes compared to losses in 2023 (\$55 million), realized foreign exchange gains on the settlement of intercompany notes compared to losses in 2023 (\$13 million) and gains on other monetary revaluations compared to losses in 2023 (\$11 million);

partially offset by:

- Unrealized foreign exchange losses on the translation of U.S. dollar risk management contracts issued from Canada compared to gains in 2023 (\$22 million).

Other (Gains) Losses, Net

Other (gains) losses, net, primarily includes other non-recurring revenues or expenses and may also include items such as interest income, interest received from tax authorities, reclamation charges relating to decommissioned assets, and adjustments related to other assets.

Income Tax

During the three and six months ended June 30, 2024, current income tax expense in the U.S. of \$10 million and \$24 million, respectively, is higher than the comparative periods in 2023 primarily due to the impact of the corporate alternative minimum tax. In Canada, the current income tax expense for the three and six months ended June 30, 2024 of \$13 million and \$31 million, respectively, is lower than the comparative periods in 2023 due to lower expected full year taxable earnings.

The determination of income and other tax liabilities of the Company and its subsidiaries requires interpretation of complex domestic and foreign tax laws and regulations, that are subject to change. The Company's interpretation of tax laws may differ from the interpretation of the tax authorities. As a result, there are tax matters under review for which the timing of resolution is uncertain. The Company believes that the provision for income taxes is adequate.

On June 20, 2024, Canada enacted its Global Minimum Tax Act ("GMTA"), which implements the Organization for Economic Cooperation and Development Pillar II framework, providing a global minimum tax of 15 percent. The Company continues to evaluate the GMTA but does not anticipate any material impact in 2024.

Additional information on income taxes can be found in Note 7 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

Sources of Liquidity

The Company has the flexibility to access cash equivalents and a range of funding alternatives at competitive rates through committed revolving credit facilities as well as debt and equity capital markets. Ovintiv closely monitors the accessibility of cost-effective credit and ensures that sufficient liquidity is in place to fund capital expenditures and dividend payments. In addition, the Company may use cash and cash equivalents, cash from operating activities, or proceeds from asset divestitures to fund its operations and capital allocation framework or to manage its capital structure as discussed below.

The Company's capital structure consists of total shareholders' equity plus long-term debt, including any current portion. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve Ovintiv's access to capital markets and its ability to meet financial obligations and finance internally generated growth, as well as potential acquisitions. Ovintiv has a practice of maintaining capital discipline and strategically managing its capital structure by adjusting capital spending, adjusting dividends paid to shareholders, issuing new shares of common stock, purchasing shares of common stock for cancellation or return to treasury, issuing new debt and repaying or repurchasing existing debt.

(\$ millions, except as indicated)	As at June 30,	
	2024	2023
Cash and Cash Equivalents	\$ 8	\$ 52
Available Credit Facilities	3,250	3,150
Available Uncommitted Demand Lines ⁽¹⁾	211	278
Issuance of U.S. Commercial Paper	(384)	(330)
Total Liquidity	\$ 3,085	\$ 3,150
Long-Term Debt, including current portion	\$ 6,087	\$ 6,134
Total Shareholders' Equity	\$ 10,328	\$ 9,316
Debt to Capitalization (%) ⁽²⁾	37	40
Debt to Adjusted Capitalization (%) ⁽²⁾	25	26

(1) Includes three uncommitted demand lines totaling \$283 million, net of \$72 million in related undrawn letters of credit (2023 - \$326 million and \$48 million, respectively).

(2) These measures are defined in the Non-GAAP Measures section of this MD&A.

The Company has full access to two committed revolving U.S. dollar denominated credit facilities totaling \$3.5 billion, which include a \$2.2 billion revolving credit facility for Ovintiv Inc. and a \$1.3 billion revolving credit facility for a Canadian subsidiary (collectively, the "Credit Facilities"). The Credit Facilities, which mature in July 2026, provide financial flexibility and allow the Company to fund its operations or capital investment program. At June 30, 2024, \$250 million was outstanding under the revolving Credit Facilities.

Depending on the Company's credit rating and market demand, the Company may issue from its two U.S. CP programs, which include a \$1.5 billion program for Ovintiv Inc. and a \$1.0 billion program for a Canadian subsidiary. As at June 30, 2024, the Company had \$384 million of commercial paper outstanding under its U.S. CP program maturing at various dates with a weighted average interest rate of approximately 6.13 percent, which is supported by the Company's Credit Facilities. All of Ovintiv's credit ratings are investment grade as at June 30, 2024.

The available Credit Facilities, uncommitted demand lines, and cash and cash equivalents, net of outstanding commercial paper, provide Ovintiv with total liquidity of approximately \$3.1 billion as at June 30, 2024. At June 30, 2024, Ovintiv also had approximately \$72 million in undrawn letters of credit issued in the normal course of business primarily as collateral security related to sales arrangements.

Ovintiv has a U.S. shelf registration statement under which the Company may issue from time to time, debt securities, common stock, preferred stock, warrants, units, share purchase contracts and share purchase units in the U.S. The U.S. shelf registration statement expires in March 2026.

The obligations under the Company's existing debt securities are fully and unconditionally guaranteed on a senior unsecured basis by Ovintiv Canada ULC, an indirect wholly-owned subsidiary of the Company. Additional information on the Company's Canadian Operations segment and the Bow office lease can be found in the Results of Operations section in this MD&A and

the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the MD&A and audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2023, which are included in Items 7 and 8, respectively, of the 2023 Annual Report on Form 10-K.

Ovintiv is currently in compliance with all financial covenants under the Credit Facilities. Management monitors Debt to Adjusted Capitalization, which is a non-GAAP measure defined in the Non-GAAP Measures section of this MD&A, as a proxy for Ovintiv's financial covenant under the Credit Facilities, which requires Debt to Adjusted Capitalization to be less than 60 percent. As at June 30, 2024, the Company's Debt to Adjusted Capitalization was 25 percent. The definitions used in the covenant under the Credit Facilities adjust capitalization for cumulative historical ceiling test impairments recorded in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP. Additional information on financial covenants can be found in Note 15 to the Consolidated Financial Statements included in Item 8 of the 2023 Annual Report on Form 10-K.

Sources and Uses of Cash

In the first six months of 2024, Ovintiv primarily generated cash through operating activities. The following table summarizes the sources and uses of the Company's cash and cash equivalents.

(\$ millions)	Activity Type	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Sources of Cash and Cash Equivalents					
Cash from operating activities	Operating	\$ 1,020	\$ 831	\$ 1,679	\$ 1,899
Proceeds from divestitures	Investing	2	717	4	729
Corporate acquisition	Investing	-	-	12	-
Net issuance of revolving debt	Financing	-	100	350	287
Issuance of long-term debt	Financing	-	2,278	-	2,278
Other	Investing	-	155	-	89
		1,022	4,081	2,045	5,282
Uses of Cash and Cash Equivalents					
Capital expenditures	Investing	622	640	1,213	1,250
Acquisitions	Investing	5	15	195	214
Net repayment of revolving debt	Financing	111	-	-	-
Corporate acquisition, net of cash acquired	Investing	-	3,225	-	3,225
Purchase of shares of common stock	Financing	184	89	434	328
Dividends on shares of common stock	Financing	80	82	160	143
Other	Investing/Financing	17	1	40	72
		1,019	4,052	2,042	5,232
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency		-	(3)	2	(3)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		\$ 3	\$ 26	\$ 5	\$ 47

Operating Activities

Net cash from operating activities in the second quarter and first six months of 2024 was \$1,020 million and \$1,679 million, respectively, and was primarily a reflection of the impacts from production volumes, average realized commodity prices, realized gains/losses on risk management and changes in non-cash working capital.

Additional detail on changes in non-cash working capital can be found in Note 20 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Ovintiv expects it will continue to meet the payment terms of its suppliers.

Non-GAAP Cash Flow in the second quarter and first six months of 2024 was \$1,025 million and \$2,060 million, respectively, and was primarily impacted by the items affecting cash from operating activities which are discussed below and in the Results of Operations section of this MD&A.

Three months ended June 30, 2024 versus June 30, 2023

Net cash from operating activities increased \$189 million compared to the second quarter of 2023 primarily due to:

- Higher production volumes (\$160 million), lower administrative expense, excluding non-cash long-term incentive costs (\$86 million), higher realized gains on risk management in revenues compared to 2023 (\$64 million), lower transportation and processing expense (\$39 million), higher realized commodity prices (\$36 million), and a decrease in current income tax expense (\$31 million);

partially offset by:

- Changes in non-cash working capital (\$107 million), higher operating expense, excluding non-cash long-term incentive costs (\$64 million), and higher interest expense (\$24 million).

Six months ended June 30, 2024 versus June 30, 2023

Net cash from operating activities decreased \$220 million compared to the first six months of 2023 primarily due to:

- Changes in non-cash working capital (\$693 million), lower realized commodity prices (\$258 million), higher operating expense, excluding non-cash long-term incentive costs (\$106 million) and higher interest expense (\$51 million);

partially offset by:

- Higher production volumes (\$508 million), realized gains on risk management in revenues compared to losses in 2023 (\$186 million), lower administrative expense, excluding non-cash long-term incentive costs (\$86 million), lower transportation and processing expense (\$75 million), and a decrease in current income tax expense (\$61 million).

Investing Activities

Cash used in investing activities in the first six months of 2024 was \$1,402 million primarily due to capital expenditures and acquisitions in the USA Operations. Capital expenditures, and acquisition and divestiture activities are summarized in Notes 3 and 8, respectively, to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Capital expenditures decreased \$37 million compared to the first six months of 2023, primarily due to decreased activity in Anadarko and Montney, and the sale of the Bakken assets in the second quarter of 2023, partially offset by increased activity in Permian and Uinta.

Acquisitions in the first six months of 2024 were \$195 million, which primarily included property purchases with oil and liquids-rich potential in the USA Operations (2023 - \$214 million).

Corporate acquisitions in the first six months of 2024 reflect the final cash settlements of \$12 million completed in the first quarter of 2024 related to the Permian assets acquired in the second quarter of 2023. Additional information regarding the Permian Acquisition can be found in Note 9 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Financing Activities

Net cash from and/or used in financing activities has been impacted by Ovintiv's strategic objective to return value to shareholders by repaying or repurchasing existing debt, purchasing shares of common stock and paying dividends.

Net cash used in financing activities in the first six months of 2024 was \$274 million compared to net cash from financing activities in 2023 of \$2,022 million. The change was primarily due to the net issuance of long-term debt in 2023 of \$2,278 million and increased purchases of shares of common stock in 2024 compared to 2023 (\$106 million), partially offset by an increase in the net issuance of revolving debt (\$63 million).

From time to time, Ovintiv may seek to retire or purchase the Company's outstanding debt through cash purchases and/or exchanges for other debt or equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors.

The Company's long-term debt, including the current portion of \$1,234 million, totaled \$6,087 million at June 30, 2024. The Company's long-term debt at December 31, 2023, including the current portion of \$284 million, totaled \$5,737 million. As at June 30, 2024, the Company has \$600 million of fixed rate long-term debt due within the next year.

In support of the Company's commitment to enhancing shareholder value, Ovintiv utilizes its capital allocation framework to provide competitive returns to shareholders while strengthening its balance sheet. Ovintiv expects to continue to deliver shareholder returns through share buybacks.

For additional information on long-term debt, refer to Note 12 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Further details on the Company's debt-based metrics can be found in the Non-GAAP measures section of this MD&A.

Dividends

The Company pays quarterly dividends to common shareholders at the discretion of the Board of Directors.

(\$ millions, except as indicated)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Dividend Payments	\$ 80	\$ 82	\$ 160	\$ 143
Dividend Payments (\$/share)	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.55

On July 30, 2024, the Board of Directors declared a dividend of \$0.30 per share of common stock payable on September 27, 2024, to common shareholders of record as of September 13, 2024.

Dividends increased \$17 million compared to the first six months of 2023 as a result of Ovintiv increasing its annualized dividend to \$1.20 per share of common stock in the second quarter of 2023. The dividend increase reflects the Company's commitment to returning capital to shareholders.

Normal Course Issuer Bid

In the second quarter and first six months of 2024, under the NCIB program, the Company purchased, for cancellation, approximately 3.6 million and 9.0 million shares of common stock, respectively, for total consideration of approximately \$184 million and \$434 million, respectively. The Company expects to continue to execute the NCIB program in conjunction with its capital allocation framework. For additional information on the NCIB, refer to Note 14 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Material Cash Requirements

For information on material cash requirements, refer to the Material Cash Requirements section of the MD&A included in Item 7 of the 2023 Annual Report on Form 10-K.

Commitments and Contingencies

For information on commitments and contingencies, refer to Note 21 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies and use of estimates from the disclosures reported in the "Critical Accounting Estimates" section of the MD&A included in Item 7 of the 2023 Annual Report on Form 10-K.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by U.S. GAAP and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under U.S. GAAP. These measures are commonly used in the oil and gas industry and by Orintiv to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures include: Non-GAAP Cash Flow, Debt to Adjusted Capitalization, Debt to EBITDA and Debt to Adjusted EBITDA. Management's use of these measures is discussed further below.

Cash from Operating Activities and Non-GAAP Cash Flow

Non-GAAP Cash Flow is a non-GAAP measure defined as cash from (used in) operating activities excluding net change in other assets and liabilities, and net change in non-cash working capital.

Management believes this measure is 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 is an indication of the Company's ability to generate cash to finance capital investment programs, to service debt and to meet other financial obligations. This measure is used, along with other measures, in the calculation of certain performance targets for the Company's management and employees.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash From (Used in) Operating Activities	\$ 1,020	\$ 831	\$ 1,679	\$ 1,899
(Add back) deduct:				
Net change in other assets and liabilities	(42)	(12)	(54)	(17)
Net change in non-cash working capital	37	144	(327)	366
Non-GAAP Cash Flow	\$ 1,025	\$ 699	\$ 2,060	\$ 1,550

Debt to Capitalization and Debt to Adjusted Capitalization

Debt to Adjusted Capitalization is a non-GAAP measure which adjusts capitalization for historical ceiling test impairments that were recorded as at December 31, 2011. Management monitors Debt to Adjusted Capitalization as a proxy for the Company's financial covenant under the 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.

(\$ millions, except as indicated)	June 30, 2024		December 31, 2023	
Debt (Long-Term Debt, including Current Portion)	\$	6,087	\$	5,737
Total Shareholders' Equity		10,328		10,370
Capitalization	\$	16,415	\$	16,107
Debt to Capitalization		37%		36%
Debt (Long-Term Debt, including Current Portion)	\$	6,087	\$	5,737
Total Shareholders' Equity		10,328		10,370
Equity Adjustment for Impairments at December 31, 2011		7,746		7,746
Adjusted Capitalization	\$	24,161	\$	23,853
Debt to Adjusted Capitalization		25%		24%

Debt to EBITDA and Debt to Adjusted EBITDA

Debt to EBITDA and Debt to Adjusted EBITDA are non-GAAP measures. EBITDA is defined as trailing 12-month net earnings (loss) before income taxes, depreciation, depletion and amortization, and interest. Adjusted EBITDA is EBITDA adjusted for impairments, accretion of asset retirement obligation, unrealized gains/losses on risk management, foreign exchange gains/losses, gains/losses on divestitures and other gains/losses.

Management believes these measures are useful to the Company and its investors as a measure of financial leverage and the Company's ability to service its debt and other financial obligations. These measures are used, along with other measures, in the calculation of certain financial performance targets for the Company's management and employees.

(\$ millions, except as indicated)	June 30, 2024	December 31, 2023
Debt (Long-Term Debt, including Current Portion)	\$ 6,087	\$ 5,737
Net Earnings (Loss)	1,940	2,085
Add back (deduct):		
Depreciation, depletion and amortization	2,188	1,825
Interest	407	355
Income tax expense (recovery)	414	425
EBITDA	\$ 4,949	\$ 4,690
Debt to EBITDA (times)	1.2	1.2
Debt (Long-Term Debt, including Current Portion)	\$ 6,087	\$ 5,737
Net Earnings (Loss)	1,940	2,085
Add back (deduct):		
Depreciation, depletion and amortization	2,188	1,825
Accretion of asset retirement obligation	19	19
Interest	407	355
Unrealized (gains) losses on risk management	58	(194)
Foreign exchange (gain) loss, net	(41)	19
Other (gains) losses, net	(15)	(20)
Income tax expense (recovery)	414	425
Adjusted EBITDA	\$ 4,970	\$ 4,514
Debt to Adjusted EBITDA (times)	1.2	1.3

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about Ovintiv’s potential exposure to market risks. The term “market risk” refers to the Company’s risk of loss arising from adverse changes in oil, NGL and natural gas prices, foreign currency exchange rates and interest rates. The following disclosures are not meant to be precise indicators of expected future losses but rather indicators of reasonably possible losses. The forward-looking information provides indicators of how the Company views and manages ongoing market risk exposures.

COMMODITY PRICE RISK

Commodity price risk arises from the effect fluctuations in future commodity prices, including oil, NGLs and natural gas, may have on future revenues, expenses and cash flows. Realized pricing is primarily driven by the prevailing worldwide price for oil and spot market prices applicable to the Company’s natural gas production. Pricing for oil, NGLs and natural gas production is volatile and unpredictable as discussed in Part 1, Item 2 of this Quarterly Report on Form 10-Q in the Executive Overview section in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A. “Risk Factors” of the 2023 Annual Report on Form 10-K. To partially mitigate exposure to commodity price risk, the Company may enter into various derivative financial instruments including futures, forwards, swaps, options and costless collars. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors and may vary from time to time. Both exchange traded and over-the-counter traded derivative instruments may be subject to margin-deposit requirements, and the Company may be required from time to time to deposit cash or provide letters of credit with exchange brokers or counterparties to satisfy these margin requirements. For additional information relating to the Company’s derivative and financial instruments, see Note 19 to the Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

The table below summarizes the sensitivity of the fair value of the Company’s risk management positions to fluctuations in commodity prices, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting pre-tax net earnings as follows:

(US\$ millions)	June 30, 2024	
	10% Price Increase	10% Price Decrease
Oil price	\$ (64)	\$ 46
NGL price	(1)	1
Natural gas price	(44)	43

FOREIGN EXCHANGE RISK

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows from the Company’s financial assets or liabilities. As Ovintiv operates primarily in the United States and Canada, fluctuations in the exchange rate between the U.S. and Canadian dollars can have a significant effect on the Company’s reported results.

The table below summarizes selected foreign exchange impacts on Ovintiv’s financial results when compared to the same periods in 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	\$ millions	\$/BOE	\$ millions	\$/BOE
Increase (Decrease) in:				
Capital Investment	\$ (2)		\$ (2)	
Transportation and Processing Expense ⁽¹⁾	(5)	\$ (0.10)	(4)	\$ (0.04)
Operating Expense ⁽¹⁾	-	-	-	-
Administrative Expense	-	-	-	-
Depreciation, Depletion and Amortization ⁽¹⁾	(1)	(0.03)	(1)	(0.01)

(1) Reflects upstream operations.

Foreign exchange gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated and settled, and primarily include:

- U.S. dollar denominated financing debt issued from Canada
- U.S. dollar denominated risk management assets and liabilities held in Canada
- U.S. dollar denominated cash and short-term investments held in Canada
- Foreign denominated intercompany loans

To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at June 30, 2024, Ovintiv has entered into \$236 million notional U.S. dollar denominated currency swaps at an average exchange rate of C\$1.3697 to US\$1, which mature monthly through the remainder of 2024.

As at June 30, 2024, Ovintiv did not have any U.S. dollar denominated financing debt issued from Canada that was subject to foreign exchange exposure.

The table below summarizes the sensitivity to foreign exchange rate fluctuations, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact from Canadian to U.S. foreign currency exchange rate changes. Fluctuations in foreign currency exchange rates could have resulted in unrealized gains (losses) impacting pre-tax net earnings as follows:

(US\$ millions)	June 30, 2024	
	10% Rate Increase	10% Rate Decrease
Foreign currency exchange	\$ 122	\$ (149)

INTEREST RATE RISK

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company may partially mitigate its exposure to interest rate changes by holding a mix of both fixed and floating rate debt and may also enter into interest rate derivatives to partially mitigate effects of fluctuations in market interest rates.

As at June 30, 2024, Ovintiv had floating rate revolving credit and term loan borrowings of \$634 million. Accordingly, on a before-tax basis, the sensitivity for each one percent change in interest rates on floating rate revolving credit and term loan borrowings was \$6 million.

Item 4: Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Ovintiv's Chief Executive Officer and Chief Financial Officer performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2024.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the second quarter of 2024 that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.