

# **Consolidated Financial Statements**

**For the period ended September 30, 2003**

**EnCana Corporation**

# Interim Report

For the period ended September 30, 2003

EnCana Corporation

## CONSOLIDATED STATEMENT OF EARNINGS

		September 30			
		Three Months Ended		Nine Months Ended	
(unaudited) (\$ millions, except per share amounts)		2003	2002	2003	2002
<b>REVENUES, NET OF ROYALTIES AND PRODUCTION TAXES</b>	(Note 3)	\$ 3,116	\$ 2,741	\$ 10,378	\$ 6,388
<b>EXPENSES</b>	(Note 3)				
Transportation and selling		173	174	537	380
Operating		445	350	1,372	869
Purchased product		955	1,041	3,458	2,317
Administrative		56	50	172	111
Interest, net		87	112	257	242
Foreign exchange (gain) loss	(Note 5)	(25)	156	(560)	(24)
Depreciation, depletion and amortization		748	605	2,211	1,392
		2,439	2,488	7,447	5,287
<b>NET EARNINGS BEFORE THE UNDERNOTED</b>		677	253	2,931	1,101
Income tax expense	(Note 6)	278	126	513	361
Distributions on Subsidiary Preferred Securities, net of tax		-	11	-	11
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		399	116	2,418	729
<b>NET EARNINGS FROM DISCONTINUED OPERATIONS</b>	(Note 4)	1	88	294	66
<b>NET EARNINGS</b>		\$ 400	\$ 204	\$ 2,712	\$ 795
<b>DISTRIBUTIONS ON PREFERRED SECURITIES, NET OF TAX</b>		7	1	(8)	2
<b>NET EARNINGS ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>		\$ 393	\$ 203	\$ 2,720	\$ 793
<b>NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE</b>	(Note 9)				
Basic		\$ 0.83	\$ 0.24	\$ 5.08	\$ 1.83
Diluted		\$ 0.82	\$ 0.24	\$ 5.00	\$ 1.80
<b>NET EARNINGS PER COMMON SHARE</b>	(Note 9)				
Basic		\$ 0.83	\$ 0.43	\$ 5.69	\$ 1.99
Diluted		\$ 0.82	\$ 0.42	\$ 5.60	\$ 1.96

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

		Nine Months Ended September 30	
(unaudited) (\$ millions)		2003	2002
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>		\$ 4,684	\$ 3,630
Net Earnings		2,712	795
Dividends on Common Shares and Other Distributions, net of tax		(135)	(122)
Charges for Normal Course Issuer Bid	(Note 8)	(503)	-
<b>RETAINED EARNINGS, END OF PERIOD</b>		\$ 6,758	\$ 4,303

See accompanying Notes to Consolidated Financial Statements.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## CONSOLIDATED BALANCE SHEET

<i>(unaudited)</i> (\$ millions)		As at September 30, 2003	As at December 31, 2002
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$	335	\$ 183
Accounts receivable and accrued revenue		1,295	1,987
Inventories		1,046	528
Assets of discontinued operations	(Note 4)	-	3,422
		2,676	6,120
Capital Assets, net	(Note 3)	24,440	22,356
Investments and Other Assets		627	377
Goodwill		2,469	2,469
	(Note 3)	\$ 30,212	\$ 31,322
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$	1,964	\$ 2,282
Income tax payable		208	20
Liabilities of discontinued operations	(Note 4)	-	1,758
Current portion of long-term debt	(Note 7)	50	212
		2,222	4,272
Long-Term Debt	(Note 7)	7,103	7,395
Deferred Credits and Other Liabilities		557	564
Future Income Taxes		5,377	4,840
Preferred Securities of Subsidiary		-	457
		15,259	17,528
Shareholders' Equity			
Preferred securities		549	126
Share capital	(Note 8)	8,527	8,732
Share options, net		98	133
Paid in surplus		-	61
Retained earnings		6,758	4,684
Foreign currency translation adjustment		(979)	58
		14,953	13,794
		\$ 30,212	\$ 31,322

See accompanying Notes to Consolidated Financial Statements.

# Interim Report

For the period ended September 30, 2003

EnCana Corporation

## CONSOLIDATED STATEMENT OF CASH FLOWS

	September 30			
	Three Months Ended		Nine Months Ended	
(unaudited) (\$ millions)	2003	2002	2003	2002
<b>OPERATING ACTIVITIES</b>				
Net earnings from continuing operations	\$ 399	\$ 116	\$ 2,418	\$ 729
Depreciation, depletion and amortization	748	605	2,211	1,392
Future income taxes	(Note 6) 203	97	475	245
Other	(3)	98	(467)	(159)
Cash flow from continuing operations	1,347	916	4,637	2,207
Cash flow from discontinued operations	5	106	5	142
Cash flow	1,352	1,022	4,642	2,349
Net change in other assets and liabilities	(92)	-	(115)	(22)
Net change in non-cash working capital from continuing operations	168	(322)	229	(811)
Net change in non-cash working capital from discontinued operations	(4)	45	78	74
	1,424	745	4,834	1,590
<b>INVESTING ACTIVITIES</b>				
Business combination	-	-	-	(128)
Capital expenditures	(Note 3) (1,849)	(1,440)	(4,880)	(3,311)
Proceeds on disposal of capital assets	-	133	27	376
Corporate acquisitions	(Note 2) (128)	-	(307)	-
Equity investments	(34)	-	(222)	-
Net change in investments and other	(56)	27	(96)	15
Net change in non-cash working capital from continuing operations	63	83	(173)	(167)
Discontinued operations	424	(65)	2,372	(134)
	(1,580)	(1,262)	(3,279)	(3,349)
<b>FINANCING ACTIVITIES</b>				
Net issuance of long-term debt	896	813	56	1,305
Issuance of common shares	(Note 8) 16	27	136	96
Repurchase of common shares	(Note 8) (772)	-	(940)	-
Dividends on common shares	(47)	(47)	(143)	(120)
Payments to preferred securities holders	(20)	(24)	(32)	(31)
Net change in non-cash working capital from continuing operations	(5)	3	(13)	2
Discontinued operations	-	(4)	(438)	(9)
Other	11	7	(7)	(25)
	79	775	(1,381)	1,218
<b>DEDUCT: FOREIGN EXCHANGE (GAIN) LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY</b>	(6)	(4)	22	7
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(71)	262	152	(548)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	406	153	183	963
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 335	\$ 415	\$ 335	\$ 415

See accompanying Notes to Consolidated Financial Statements.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements *(unaudited)*

### 1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation and its subsidiaries (the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The Company is in the business of exploration, production and marketing of natural gas, natural gas liquids and crude oil, as well as natural gas storage operations, natural gas liquids processing and power generation operations.

The interim Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2002. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. The interim Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2002.

### 2. CORPORATE ACQUISITIONS

On January 31, 2003, the Company acquired the Ecuadorian interests of Vintage Petroleum Inc. (Vintage) for net cash consideration of \$179 million (US\$116 million).

On July 18, 2003, the Company acquired the common shares of Savannah Energy Inc. (Savannah) for net cash consideration of \$128 million (US\$91 million). Savannah's operations are in Texas, USA.

These purchases were accounted for using the purchase method with the results reflected in the consolidated results of EnCana from the dates of acquisition. These acquisitions were accounted for as follows:

(\$ millions)	Vintage		Savannah	
Working Capital	\$	2	\$	1
Capital Assets		194		155
Future Income Taxes		(17)		(28)
	\$	179	\$	128

### 3. SEGMENTED INFORMATION

The Company has defined its continuing operations into the following segments:

- Upstream includes the Company's exploration for and production of natural gas, natural gas liquids and crude oil and related Non-producing activities. The Company's Upstream operations are located in Canada, the United States, the U.K. central North Sea, Ecuador and International New Ventures exploration activity in the Gulf of Mexico, the U.K. central North Sea, the Middle East, Africa, Australia, Latin America, as well as, the Canadian East Coast and the North American northern frontier.
- Midstream & Marketing includes natural gas storage operations, natural gas liquids processing and power generation operations, as well as, marketing activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

The Company reports its segmented financial results showing revenue prior to all royalty payments, both cash and in-kind, consistent with Canadian disclosure practices for the oil and gas industry.

Operations that have been discontinued are disclosed in Note 4.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 3. SEGMENTED INFORMATION (continued)

#### Results of Operations (For the three months ended September 30)

(\$ millions)	Upstream		Midstream & Marketing	
	2003	2002	2003	2002
<b>Revenues</b>				
Gross revenue	\$ 2,410	\$ 1,828	\$ 1,077	\$ 1,165
Royalties and production taxes	373	256	-	-
Revenues, net of royalties and production taxes	2,037	1,572	1,077	1,165
<b>Expenses</b>				
Transportation and selling	158	126	15	48
Operating	357	296	88	54
Purchased product	-	-	955	1,041
Depreciation, depletion and amortization	716	579	12	10
<b>Segment Income</b>	<b>\$ 806</b>	<b>\$ 571</b>	<b>\$ 7</b>	<b>\$ 12</b>

  

	Corporate		Consolidated	
	2003	2002	2003	2002
<b>Revenues</b>				
Gross revenue	\$ 2	\$ 4	\$ 3,489	\$ 2,997
Royalties and production taxes	-	-	373	256
Revenues, net of royalties and production taxes	2	4	3,116	2,741
<b>Expenses</b>				
Transportation and selling	-	-	173	174
Operating	-	-	445	350
Purchased product	-	-	955	1,041
Depreciation, depletion and amortization	20	16	748	605
<b>Segment Income</b>	<b>\$ (18)</b>	<b>\$ (12)</b>	<b>795</b>	<b>571</b>
Administrative			56	50
Interest, net			87	112
Foreign exchange (gain) loss			(25)	156
			118	318
<b>Net Earnings Before Income Tax</b>			<b>677</b>	<b>253</b>
Income tax expense			278	126
Distributions on subsidiary preferred securities, net of tax			-	11
<b>Net Earnings from Continuing Operations</b>			<b>\$ 399</b>	<b>\$ 116</b>

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements *(unaudited)*

### 3. SEGMENTED INFORMATION *(continued)*

#### **Geographic and Product Information** (For the three months ended September 30)

Upstream	North America					
	Produced Gas and NGLs				Crude Oil	
	Canada		U.S. Rockies			
(\$ millions)	2003	2002	2003	2002	2003	2002
<b>Revenues</b>						
Gross revenue	\$ 1,324	\$ 881	\$ 480	\$ 260	\$ 359	\$ 438
Royalties and production taxes	180	83	130	55	21	54
Revenues, net of royalties and production taxes	1,144	798	350	205	338	384
<b>Expenses</b>						
Transportation and selling	99	58	30	32	12	17
Operating	128	123	26	18	113	91
Depreciation, depletion and amortization	377	290	107	103	167	116
<b>Segment Income</b>	\$ 540	\$ 327	\$ 187	\$ 52	\$ 46	\$ 160

	Ecuador		U.K. North Sea		Non-Producing		Total Upstream	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Revenues</b>								
Gross revenue	\$ 152	\$ 186	\$ 23	\$ 37	\$ 72	\$ 26	\$ 2,410	\$ 1,828
Royalties and production taxes	42	64	-	-	-	-	373	256
Revenues, net of royalties and production taxes	110	122	23	37	72	26	2,037	1,572
<b>Expenses</b>								
Transportation and selling	12	14	5	5	-	-	158	126
Operating	22	24	4	5	64	35	357	296
Depreciation, depletion and amortization	46	37	16	29	3	4	716	579
<b>Segment Income</b>	\$ 30	\$ 47	\$ (2)	\$ (2)	\$ 5	\$ (13)	\$ 806	\$ 571

#### **Midstream & Marketing**

	Midstream		Marketing *		Total Midstream & Marketing	
	2003	2002	2003	2002	2003	2002
(\$ millions)						
<b>Revenues</b>						
Gross revenue	\$ 248	\$ 156	\$ 829	\$ 1,009	\$ 1,077	\$ 1,165
<b>Expenses</b>						
Transportation and selling	-	-	15	48	15	48
Operating	79	48	9	6	88	54
Purchased product	155	72	800	969	955	1,041
Depreciation, depletion and amortization	10	9	2	1	12	10
<b>Segment Income</b>	\$ 4	\$ 27	\$ 3	\$ (15)	\$ 7	\$ 12

\* Includes transportation cost optimization activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 3. SEGMENTED INFORMATION (continued)

#### Results of Operations (For the nine months ended September 30)

(\$ millions)	Upstream		Midstream & Marketing	
	2003	2002	2003	2002
<b>Revenues</b>				
Gross revenue	\$ 7,779	\$ 4,255	\$ 3,901	\$ 2,735
Royalties and production taxes	1,306	605	-	-
Revenues, net of royalties and production taxes	6,473	3,650	3,901	2,735
<b>Expenses</b>				
Transportation and selling	474	277	63	103
Operating	1,026	676	346	193
Purchased product	-	-	3,458	2,317
Depreciation, depletion and amortization	2,136	1,317	30	41
<b>Segment Income</b>	\$ 2,837	\$ 1,380	\$ 4	\$ 81

  

	Corporate		Consolidated	
	2003	2002	2003	2002
<b>Revenues</b>				
Gross revenue	\$ 4	\$ 3	\$ 11,684	\$ 6,993
Royalties and production taxes	-	-	1,306	605
Revenues, net of royalties and production taxes	4	3	10,378	6,388
<b>Expenses</b>				
Transportation and selling	-	-	537	380
Operating	-	-	1,372	869
Purchased product	-	-	3,458	2,317
Depreciation, depletion and amortization	45	34	2,211	1,392
<b>Segment Income</b>	\$ (41)	\$ (31)	2,800	1,430
Administrative			172	111
Interest, net			257	242
Foreign exchange (gain)			(560)	(24)
			(131)	329
<b>Net Earnings Before Income Tax</b>			2,931	1,101
Income tax expense			513	361
Distributions on subsidiary preferred securities, net of tax			-	11
<b>Net Earnings from Continuing Operations</b>			\$ 2,418	\$ 729



## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 3. SEGMENTED INFORMATION (continued)

#### Geographic and Product Information (For the nine months ended September 30)

Upstream	North America					
	Produced Gas and NGLs				Crude Oil	
	Canada		U.S. Rockies			
(\$ millions)	2003	2002	2003	2002	2003	2002
<b>Revenues</b>						
Gross revenue	\$ 4,377	\$ 2,193	\$ 1,491	\$ 467	\$ 1,150	\$ 1,040
Royalties and production taxes	625	243	393	104	136	135
Revenues, net of royalties and production taxes	3,752	1,950	1,098	363	1,014	905
<b>Expenses</b>						
Transportation and selling	277	146	79	57	69	35
Operating	384	274	63	38	322	227
Depreciation, depletion and amortization	1,164	697	301	195	464	279
<b>Segment Income</b>	\$ 1,927	\$ 833	\$ 655	\$ 73	\$ 159	\$ 364

	Ecuador		U.K. North Sea		Non-Producing		Total Upstream	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Revenues</b>								
Gross revenue	\$ 475	\$ 368	\$ 105	\$ 126	\$ 181	\$ 61	\$ 7,779	\$ 4,255
Royalties and production taxes	152	123	-	-	-	-	1,306	605
Revenues, net of royalties and production taxes	323	245	105	126	181	61	6,473	3,650
<b>Expenses</b>								
Transportation and selling	33	24	16	15	-	-	474	277
Operating	70	55	13	11	174	71	1,026	676
Depreciation, depletion and amortization	124	88	76	48	7	10	2,136	1,317
<b>Segment Income</b>	\$ 96	\$ 78	\$ -	\$ 52	\$ -	\$ (20)	\$ 2,837	\$ 1,380

#### Midstream & Marketing

	Midstream		Marketing *		Total Midstream & Marketing	
	2003	2002	2003	2002	2003	2002
(\$ millions)						
<b>Revenues</b>						
Gross revenue	\$ 940	\$ 386	\$ 2,961	\$ 2,349	\$ 3,901	\$ 2,735
<b>Expenses</b>						
Transportation and selling	-	-	63	103	63	103
Operating	272	181	74	12	346	193
Purchased product	613	123	2,845	2,194	3,458	2,317
Depreciation, depletion and amortization	27	33	3	8	30	41
<b>Segment Income</b>	\$ 28	\$ 49	\$ (24)	\$ 32	\$ 4	\$ 81

\* Includes transportation cost optimization activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

**Interim Report**

For the period ended September 30, 2003

EnCana Corporation

**Notes to Consolidated Financial Statements** *(unaudited)***3. SEGMENTED INFORMATION** (continued)**Capital Expenditures**

(\$ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Upstream				
Canada	\$ 1,238	\$ 359	\$ 3,250	\$ 1,406
United States	384	876	885	1,500
Ecuador	90	96	247	168
United Kingdom	26	41	64	103
Other Countries	21	27	89	66
Midstream & Marketing	80	22	290	39
Corporate	10	19	55	29
Total	\$ 1,849	\$ 1,440	\$ 4,880	\$ 3,311

**Capital and Total Assets**

(\$ millions)	Capital Assets		Total Assets	
	As at		As at	
	September 30, 2003	December 31, 2002	September 30, 2003	December 31, 2002
Upstream	\$ 23,252	\$ 21,422	\$ 24,585	\$ 25,192
Midstream & Marketing	970	742	2,469	2,216
Corporate	218	192	3,158	492
Assets of Discontinued Operations			-	3,422
Total	\$ 24,440	\$ 22,356	\$ 30,212	\$ 31,322

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

### Notes to Consolidated Financial Statements (unaudited)

#### 4. DISCONTINUED OPERATIONS

On February 28, 2003, the Company completed the sale of its 10 percent working interest in the Syncrude Joint Venture ("Syncrude") to Canadian Oil Sands Limited for net cash consideration of \$1,026 million plus closing adjustments. The Company also granted Canadian Oil Sands Limited an option to purchase its remaining 3.75 percent working interest in Syncrude and a gross-overriding royalty interest. On July 10, 2003, the Company completed the sale of the remaining interest in Syncrude for net cash consideration of \$427 million, subject to closing adjustments. This transaction completed the Company's disposition of its interest in Syncrude and, as a result, these operations have been accounted for as discontinued operations. There was no gain or loss on this sale.

On April 24, 2002, the Company adopted formal plans to exit from the Houston-based merchant energy operation, which was included in the Midstream & Marketing segment. Accordingly, these operations have been accounted for as discontinued operations. The wind-down of these operations was substantially completed at December 31, 2002.

On July 9, 2002, the Company announced that it planned to sell its 70 percent equity investment in the Cold Lake Pipeline System and its 100 percent interest in the Express Pipeline System. Accordingly, these operations have been accounted for as discontinued operations. On January 2, 2003 and January 9, 2003, the Company completed the sale of its interest in the Cold Lake Pipeline System and Express Pipeline System for total consideration of approximately \$1.6 billion, including assumption of related long-term debt, and recorded an after-tax gain on sale of \$263 million.

The following table presents the effect of the discontinued operations on the Consolidated Financial Statements:

#### Consolidated Statement of Earnings

For the three months ended September 30

	Syncrude		Merchant Energy		Midstream - Pipelines		Total	
(\$ millions)	2003	2002	2003	2002	2003	2002	2003	2002
<b>Revenues, net of royalties and production taxes</b>	<b>\$ 11</b>	<b>\$ 141</b>	<b>\$ -</b>	<b>\$ 154</b>	<b>\$ -</b>	<b>\$ 91</b>	<b>\$ 11</b>	<b>\$ 386</b>
<b>Expenses</b>								
Transportation and selling	-	2	-	-	-	-	-	2
Operating	6	44	-	-	-	33	6	77
Purchased product	-	-	-	162	-	-	-	162
Administrative	-	-	-	16	-	-	-	16
Interest, net	-	-	-	-	-	11	-	11
Foreign exchange loss	-	-	-	-	-	7	-	7
Depreciation, depletion and amortization	1	11	-	-	-	12	1	23
(Gain) loss on discontinuance	-	-	-	(29)	-	-	-	(29)
	7	57	-	149	-	63	7	269
<b>Net Earnings Before Income Tax</b>	<b>4</b>	<b>84</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>28</b>	<b>4</b>	<b>117</b>
Income tax expense	3	16	-	2	-	11	3	29
<b>Net Earnings from Discontinued Operations</b>	<b>\$ 1</b>	<b>\$ 68</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ 17</b>	<b>\$ 1</b>	<b>\$ 88</b>

#### Consolidated Statement of Earnings

For the nine months ended September 30

	Syncrude *		Merchant Energy		Midstream - Pipelines *		Total	
(\$ millions)	2003	2002	2003	2002	2003	2002	2003	2002
<b>Revenues, net of royalties and production taxes</b>	<b>\$ 129</b>	<b>\$ 231</b>	<b>\$ -</b>	<b>\$ 1,463</b>	<b>\$ -</b>	<b>\$ 149</b>	<b>\$ 129</b>	<b>\$ 1,843</b>
<b>Expenses</b>								
Transportation and selling	2	3	-	-	-	-	2	3
Operating	69	112	-	-	-	53	69	165
Purchased product	-	-	-	1,475	-	-	-	1,475
Administrative	-	-	-	34	-	-	-	34
Interest, net	-	-	-	-	-	22	-	22
Foreign exchange (gain)	-	-	-	-	-	(3)	-	(3)
Depreciation, depletion and amortization	10	18	-	1	-	23	10	42
(Gain) loss on discontinuance	-	-	-	24	(343)	-	(343)	24
	81	133	-	1,534	(343)	95	(262)	1,762
<b>Net Earnings (Loss) Before Income Tax</b>	<b>48</b>	<b>98</b>	<b>-</b>	<b>(71)</b>	<b>343</b>	<b>54</b>	<b>391</b>	<b>81</b>
Income tax expense (recovery)	17	18	-	(25)	80	22	97	15
<b>Net Earnings (Loss) from Discontinued Operations</b>	<b>\$ 31</b>	<b>\$ 80</b>	<b>\$ -</b>	<b>\$ (46)</b>	<b>\$ 263</b>	<b>\$ 32</b>	<b>\$ 294</b>	<b>\$ 66</b>

\* Reflects only six months of earnings for 2002 as EnCana did not, at that time, own the operations which have been discontinued.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

### Notes to Consolidated Financial Statements *(unaudited)*

#### 4. DISCONTINUED OPERATIONS (continued)

##### Consolidated Balance Sheet

Consolidated Balance Sheet		As at September 30														
		Syncrude		Merchant Energy		Midstream - Pipelines		Total								
(\$ millions)	2003	2002	2003	2002	2003	2002	2003	2002								
<b>Assets</b>																
Cash and cash equivalents	\$	-	\$	15	\$	-	\$	60	\$	-	\$	75				
Accounts receivable and accrued revenue		-		54		-		55		-		32		-		141
Inventories		-		17		-		-		-		1		-		18
		-		86		-		55		-		93		-		234
Capital assets, net		-		1,332		-		-		-		819		-		2,151
Investments and other assets		-		-		-		-		-		369		-		369
Goodwill		-		417		-		-		-		-		-		417
		-		1,835		-		55		-		1,281		-		3,171
<b>Liabilities</b>																
Accounts payable and accrued liabilities		-		96		-		30		-		44		-		170
Income tax payable		-		(2)		-		-		-		5		-		3
Current portion of long-term debt		-		-		-		-		-		25		-		25
		-		94		-		30		-		74		-		198
Deferred credits and other liabilities		-		21		-		-		-		-		-		21
Long-term debt		-		-		-		-		-		583		-		583
Future income taxes		-		341		-		-		-		155		-		496
		-		456		-		30		-		812		-		1,298
<b>Net Assets of Discontinued Operations</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,379</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>25</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>469</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,873</b>

##### Consolidated Balance Sheet

		As at December 31	
(\$ millions)		2002	2001
<b>Assets</b>			
Cash and cash equivalents	\$	97	\$ -
Accounts receivable and accrued revenue		96	632
Inventories		16	70
		209	702
Capital assets, net		2,231	9
Investments and other assets		374	17
Goodwill		608	-
		3,422	728
<b>Liabilities</b>			
Accounts payable and accrued liabilities		153	584
Income tax payable		11	-
Short-term debt		438	-
Current portion of long-term debt		23	-
		625	584
Long-term debt		576	-
Deferred credits and other liabilities		21	2
Future income taxes		536	-
		1,758	586
<b>Net Assets of Discontinued Operations</b>	<b>\$</b>	<b>1,664</b>	<b>\$ 142</b>

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 5. FOREIGN EXCHANGE (GAIN) LOSS

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ millions)	2003	2002	2003	2002
Unrealized foreign exchange (gain) loss on translation of U.S. dollar debt	\$ (18)	\$ 183	\$ (511)	\$ (21)
Other foreign exchange (gains)	(7)	(27)	(49)	(3)
	\$ (25)	\$ 156	\$ (560)	\$ (24)

### 6. INCOME TAXES

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ millions)	2003	2002	2003	2002
Provision for Income Taxes				
Current				
Canada	\$ 47	\$ 73	\$ (12)	\$ 137
United States	14	(57)	14	(49)
Ecuador	11	7	30	14
United Kingdom	2	4	5	12
Other Countries	1	2	1	2
	75	29	38	116
Future	203	97	961	287
Future tax rate reductions *	-	-	(486)	(42)
	\$ 278	\$ 126	\$ 513	\$ 361

\* During the second quarter of 2003, both the Canadian federal and Alberta governments substantively enacted income tax rate reductions previously announced.

### 7. LONG-TERM DEBT

	As at September 30, 2003	As at December 31, 2002
(\$ millions)		
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 1,624	\$ 1,388
Unsecured notes and debentures	1,725	1,825
	3,349	3,213
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	728	696
Unsecured notes and debentures	2,989	3,608
	3,717	4,304
Increase in Value of Debt Acquired *	87	90
Current Portion of Long-term Debt	(50)	(212)
	\$ 7,103	\$ 7,395

On October 2, 2003, the Company completed the issuance of US\$500 million unsecured notes with a coupon rate of 4.75%. These notes mature in 2013. Proceeds from the offering were used to repay amounts recorded as revolving credit and term loan borrowings.

\* Certain of the notes and debentures of the Company were acquired in the business combination with Alberta Energy Company Ltd. on April 5, 2002 and were accounted for at their fair value at the date of acquisition. The difference between the fair value and the principal amount of the debt is being amortized over the remaining life of the outstanding debt acquired, approximately 23 years.

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements *(unaudited)*

### 8. SHARE CAPITAL

<i>(millions)</i>	September 30, 2003		December 31, 2002	
	Number	Amount	Number	Amount
Common Shares Outstanding, Beginning of Year	478.9	\$ 8,732	254.9	\$ 196
Shares Issued to AEC Shareholders	-	-	218.5	8,397
Shares Issued under Option Plans	4.7	136	5.5	139
Shares Repurchased	(18.6)	(341)	-	-
Common Shares Outstanding, End of Period	465.0	\$ 8,527	478.9	\$ 8,732

During the quarter, the Company purchased, for cancellation, 15,281,500 common shares (Year-to-date - 18,624,400 common shares) for total consideration of approximately \$772 million (Year-to-date - \$940 million). Of the \$940 million paid this year, \$341 million was charged to Share capital, \$96 million was charged to Paid in surplus and \$503 million was charged to Retained earnings.

The Company has stock-based compensation plans that allow employees and directors to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted under the plan are generally fully exercisable after three years and expire five years after the grant date. Options granted under previous successor and/or related company replacement plans expire ten years from the date the options were granted.

The following tables summarize the information about options to purchase common shares at September 30, 2003:

	Stock Options <i>(millions)</i>	Weighted Average Exercise Price (\$)
Outstanding, Beginning of Year	29.6	39.74
Granted under EnCana Plans	6.1	47.98
Exercised	(4.7)	28.59
Forfeited	(1.1)	47.44
Outstanding, End of Period	29.9	42.89
Exercisable, End of Period	16.2	38.54

	Outstanding Options			Exercisable Options	
	Number of Options Outstanding <i>(millions)</i>	Weighted Average Remaining Contractual Life <i>(years)</i>	Weighted Average Exercise Price (\$)	Number of Options Outstanding <i>(millions)</i>	Weighted Average Exercise Price (\$)
<i>Range of Exercise Price (\$)</i>					
13.50 to 19.99	1.8	0.8	18.87	1.8	18.87
20.00 to 24.99	1.4	1.7	22.35	1.4	22.35
25.00 to 29.99	2.3	1.7	26.51	2.3	26.51
30.00 to 43.99	1.4	2.5	38.78	1.2	38.30
44.00 to 53.00	23.0	3.8	47.93	9.5	47.69
	29.9	2.8	42.89	16.2	38.54

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements *(unaudited)*

### 8. SHARE CAPITAL *(continued)*

The Company does not record compensation expense in the Consolidated Financial Statements for share options granted to employees and directors. If the fair-value method had been used, the Company's Net Earnings and Net Earnings per Common Share would approximate the following pro forma amounts:

(\$ millions, except per share amounts)	Nine Months Ended September 30	
	2003	2002
Compensation Costs	53	65
Net Earnings		
As reported	2,712	795
Pro forma	2,659	730
Net Earnings per Common Share		
Basic		
As reported	5.69	1.99
Pro forma	5.58	1.83
Diluted		
As reported	5.60	1.96
Pro forma	5.49	1.80

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	Nine Months Ended September 30	
	2003	2002
Weighted Average Fair Value of Options Granted	\$ 12.21	\$ 13.35
Risk Free Interest Rate	3.89%	4.36%
Expected Lives (years)	3.00	3.00
Expected Volatility	0.33	0.35
Annual Dividend per Share	\$ 0.40	\$ 0.40

### 9. PER SHARE AMOUNTS

The following table summarizes the common shares used in calculating net earnings per common share:

	Three Months Ended				Nine Months Ended	
	March 31 2003	June 30 2003	September 30 2003	September 30 2002	September 30 2003	September 30 2002
(millions)						
Weighted Average Common Shares Outstanding - Basic	479.9	480.6	473.4	476.8	478.0	397.8
Effect of Dilutive Securities	7.0	6.3	7.1	5.4	8.3	6.9
Weighted Average Common Shares Outstanding - Diluted	486.9	486.9	480.5	482.2	486.3	404.7

## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Unrecognized gains (losses) on risk management activities are as follows:

(\$ millions)	As at September 30, 2003
Commodity Price Risk	
Crude oil	\$ (224)
Gas storage optimization	82
Natural gas	374
Power	4
Foreign Currency Risk	23
Interest Rate Risk	59
Unrecognized Gains	\$ 318

Information with respect to power, foreign currency risk and interest rate risk contracts in place at December 31, 2002, is disclosed in Note 19 to the Company's annual audited Consolidated Financial Statements. No significant new contracts have been entered into as at September 30, 2003.

#### Crude Oil

As at September 30, 2003, the Company's corporate oil risk management activities had an unrecognized loss of \$224 million. The contracts were as follows:

	Notional Volumes (bbl/d)	Term	Average Price (US\$/bbl)	Unrecognized Gain/(Loss) (Cdn\$ millions)
Fixed WTI NYMEX Price	85,000	2003	25.28	\$ (37)
Fixed WTI NYMEX Price	62,500	2004	23.13	(109)
Collars on WTI NYMEX	40,000	2003	21.95-29.00	(5)
Collars on WTI NYMEX	62,500	2004	20.00-25.69	(73)
				\$ (224)

#### Gas Storage Optimization

As part of the Company's gas storage optimization program, the Company has entered into financial contracts at various locations and terms over the next 13 months to manage the price volatility of the corresponding physical transactions and inventory.

As at September 30, 2003, the unrecognized gain on gas storage optimization contracts was \$82 million. The contracts are as follows:

	Notional Volumes (bcf)	Price (US\$/mcf)	Unrecognized Gain/(Loss) (Cdn\$ millions)
Financial Instruments			
Purchases	213.1	5.21	\$ (77)
Sales	251.4	5.44	125
			48
Physical Contracts			34
			\$ 82

The unrecognized gain does not reflect unrealized gains on physical inventory in storage.



## Interim Report

For the period ended September 30, 2003

EnCana Corporation

## Notes to Consolidated Financial Statements (unaudited)

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Natural Gas

At September 30, 2003, the fair value of financial instruments and physical contracts that related to the corporate gas risk management activities was \$374 million. The contracts are as follows:

	Notional Volumes (MMcf/d)	Physical/ Financial	Term	Price		Unrecognized Gain/(Loss) (\$Cdn\$ millions)
<b>Fixed Price Contracts</b>						
<b>Sales Contracts</b>						
Fixed AECO price	561	Financial	2003	6.36	Cdn\$/mcf \$	27
Fixed AECO price	10	Financial	2003	3.37	US\$/mmbtu	(1)
Fixed AECO price	10	Physical	2003	3.34	US\$/mmbtu	(1)
NYMEX Fixed price*	536	Financial	2003	4.50	US\$/mmbtu	(19)
NYMEX Collars	50	Physical	2003	2.46-4.90	US\$/mmbtu	(1)
Fixed AECO price	453	Financial	2004	6.20	Cdn\$/mcf	77
AECO Collars	71	Financial	2004	5.34-7.52	Cdn\$/mcf	8
NYMEX Fixed price*	536	Financial	2004	5.06	US\$/mmbtu	48
Chicago Fixed price	40	Financial	2004	5.42	US\$/mmbtu	9
NYMEX Collars	10	Financial	2004	4.60-6.55	US\$/mmbtu	2
NYMEX Collars	50	Physical	2004	2.46-4.90	US\$/mmbtu	(16)
NYMEX Collars	47	Physical	2005-2007	2.46-4.90	US\$/mmbtu	(40)
<b>Basis Contracts</b>						
<b>Sales Contracts</b>						
Fixed NYMEX to AECO basis*	364	Financial	2003	(0.55)	US\$/mmbtu	(2)
Fixed NYMEX to Rockies basis	280	Financial	2003	(0.50)	US\$/mmbtu	(2)
Fixed NYMEX to Rockies basis	418	Physical	2003	(0.52)	US\$/mmbtu	(5)
Fixed NYMEX to San Juan basis	33	Financial	2003	(0.63)	US\$/mmbtu	(1)
Fixed NYMEX to San Juan basis	33	Physical	2003	(0.64)	US\$/mmbtu	(1)
Fixed NYMEX to AECO basis*	336	Financial	2004	(0.54)	US\$/mmbtu	24
Fixed NYMEX to Rockies basis	190	Financial	2004	(0.42)	US\$/mmbtu	16
Fixed NYMEX to Rockies basis	403	Physical	2004	(0.49)	US\$/mmbtu	20
Fixed NYMEX to San Juan basis	60	Financial	2004	(0.63)	US\$/mmbtu	(1)
Fixed NYMEX to San Juan basis	50	Physical	2004	(0.64)	US\$/mmbtu	(1)
Fixed NYMEX to AECO basis*	677	Financial	2005-2007	(0.65)	US\$/mmbtu	69
Fixed NYMEX to Rockies basis	132	Financial	2005-2007	(0.44)	US\$/mmbtu	49
Fixed NYMEX to Rockies basis	250	Physical	2005-2007	(0.47)	US\$/mmbtu	83
Fixed NYMEX to San Juan basis	69	Financial	2005-2006	(0.63)	US\$/mmbtu	-
Fixed NYMEX to San Juan basis	46	Physical	2005-2006	(0.64)	US\$/mmbtu	(1)
<b>Purchase Contracts</b>						
Fixed Nymex to AECO basis*	119	Financial	2003	(0.77)	US\$/mmbtu	2
<b>Alliance Pipeline Mitigation</b>						
Sale Contracts	14	Financial	2003	3.92	US\$/mmbtu	(1)
Purchase Contracts	15	Physical	2003	3.24	Cdn\$/mcf	3
						344
Gas Marketing Financial Positions <sup>(1)</sup>						(3)
Gas Marketing Physical Positions <sup>(1)</sup>						33
					\$	374

\* Certain Fixed NYMEX to AECO basis and NYMEX Fixed price contracts have previously been combined and reported as Fixed AECO prices. They are now reclassified and reported separately.

<sup>(1)</sup> The gas marketing activities are part of the daily ongoing operations of the Company's proprietary production management.

### 11. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2003.