EnCana Corporation

Interim Consolidated Financial Statements
(unaudited)
For the period ended December 31, 2008

(U.S. Dollars)

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*

($ millions, except per share amounts)		Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
REVENUES, NET OF ROYALTIES	*(Note 5)*	**$ 6,359**	$ 5,875	**$ 30,064**	$ 21,700
EXPENSES	*(Note 5)*				
Production and mineral taxes		**72**	63	**478**	291
Transportation and selling		**422**	352	**1,704**	1,264
Operating		**549**	632	**2,475**	2,278
Purchased product		**2,466**	2,704	**11,186**	8,583
Depreciation, depletion and amortization		**996**	1,086	**4,223**	3,816
Administrative		**74**	121	**473**	384
Interest, net	*(Note 8)*	**158**	131	**586**	428
Accretion of asset retirement obligation	*(Note 13)*	**18**	18	**79**	64
Foreign exchange (gain) loss, net	*(Note 9)*	**253**	(233)	**423**	(164)
(Gain) loss on divestitures	*(Note 7)*	**1**	22	**(140)**	(65)
		5,009	4,896	**21,487**	16,879
NET EARNINGS BEFORE INCOME TAX		**1,350**	979	**8,577**	4,821
Income tax expense	*(Note 10)*	**273**	(28)	**2,633**	937
NET EARNINGS FROM CONTINUING OPERATIONS		**1,077**	1,007	**5,944**	3,884
NET EARNINGS FROM DISCONTINUED OPERATIONS	*(Note 6)*	**-**	75	**-**	75
NET EARNINGS		**$ 1,077**	$ 1,082	**$ 5,944**	$ 3,959
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	*(Note 17)*				
Basic		**$ 1.44**	$ 1.34	**$ 7.92**	$ 5.13
Diluted		**$ 1.43**	$ 1.33	**$ 7.91**	$ 5.08
NET EARNINGS PER COMMON SHARE	*(Note 17)*				
Basic		**$ 1.44**	$ 1.44	**$ 7.92**	$ 5.23
Diluted		**$ 1.43**	$ 1.43	**$ 7.91**	$ 5.18

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*

($ millions)		Twelve Months Ended December 31, **2008**	2007
RETAINED EARNINGS, BEGINNING OF YEAR		**$ 13,082**	$ 11,344
Net Earnings		**5,944**	3,959
Dividends on Common Shares		**(1,199)**	(603)
Charges for Normal Course Issuer Bid	*(Note 14)*	**(243)**	(1,618)
RETAINED EARNINGS, END OF YEAR		**$ 17,584**	$ 13,082

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ millions)	**2008**	2007	**2008**	2007
NET EARNINGS	**$ 1,077**	$ 1,082	**$ 5,944**	$ 3,959
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Foreign Currency Translation Adjustment	**(1,448)**	(110)	**(2,230)**	1,688
COMPREHENSIVE INCOME	**$ (371)**	$ 972	**$ 3,714**	$ 5,647

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME *(unaudited)*

($ millions)	Twelve Months Ended December 31, **2008**	2007
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	**$ 3,063**	$ 1,375
Foreign Currency Translation Adjustment	**(2,230)**	1,688
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	**$ 833**	$ 3,063

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET *(unaudited)*

($ millions)		As at December 31, 2008	As at December 31, 2007
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 383**	$ 553
Accounts receivable and accrued revenues		**1,568**	2,381
Current portion of partnership contribution receivable		**313**	297
Risk management	*(Note 18)*	**2,818**	385
Inventories	*(Note 11)*	**520**	828
		5,602	4,444
Property, Plant and Equipment, net	*(Note 5)*	**35,424**	35,865
Investments and Other Assets		**727**	607
Partnership Contribution Receivable		**2,834**	3,147
Risk Management	*(Note 18)*	**234**	18
Goodwill		**2,426**	2,893
	(Note 5)	**$ 47,247**	$ 46,974
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,871**	$ 3,982
Income tax payable		**424**	1,150
Current portion of partnership contribution payable		**306**	288
Risk management	*(Note 18)*	**43**	207
Current portion of long-term debt	*(Note 12)*	**250**	703
		3,894	6,330
Long-Term Debt	*(Note 12)*	**8,755**	8,840
Other Liabilities		**576**	242
Partnership Contribution Payable		**2,857**	3,163
Risk Management	*(Note 18)*	**7**	29
Asset Retirement Obligation	*(Note 13)*	**1,265**	1,458
Future Income Taxes		**6,919**	6,208
		24,273	26,270
Shareholders' Equity			
Share capital	*(Note 14)*	**4,557**	4,479
Paid in surplus		**-**	80
Retained earnings		**17,584**	13,082
Accumulated other comprehensive income		**833**	3,063
Total Shareholders' Equity		**22,974**	20,704
		$ 47,247	$ 46,974

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*

($ millions)		Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
OPERATING ACTIVITIES					
Net earnings from continuing operations		**$ 1,077**	$ 1,007	**$ 5,944**	$ 3,884
Depreciation, depletion and amortization		**996**	1,086	**4,223**	3,816
Future income taxes	*(Note 10)*	**155**	(608)	**1,646**	(617)
Cash tax on sale of assets	*(Note 10)*	**-**	-	**25**	-
Unrealized (gain) loss on risk management	*(Note 18)*	**(1,090)**	569	**(2,729)**	1,235
Unrealized foreign exchange (gain) loss		**268**	(52)	**417**	41
Accretion of asset retirement obligation	*(Note 13)*	**18**	18	**79**	64
(Gain) loss on divestitures	*(Note 7)*	**1**	22	**(140)**	(65)
Other		**(126)**	(108)	**(79)**	95
Net change in other assets and liabilities		**21**	(21)	**(262)**	(16)
Net change in non-cash working capital from continuing operations		**723**	280	**(269)**	(8)
Cash From Operating Activities		**2,043**	2,193	**8,855**	8,429
INVESTING ACTIVITIES					
Capital expenditures	*(Note 5)*	**(1,885)**	(4,408)	**(8,254)**	(8,737)
Proceeds from divestitures	*(Note 7)*	**311**	(24)	**904**	481
Cash tax on sale of assets	*(Note 10)*	**-**	-	**(25)**	-
Net change in investments and other		**(101)**	(31)	**(267)**	(5)
Net change in non-cash working capital from continuing operations		**18**	120	**89**	86
Cash (Used in) Investing Activities		**(1,657)**	(4,343)	**(7,553)**	(8,175)
FINANCING ACTIVITIES					
Net issuance (repayment) of revolving long-term debt		**(304)**	1,090	**(53)**	181
Issuance of long-term debt	*(Note 12)*	**-**	1,485	**723**	2,409
Repayment of long-term debt		**-**	(257)	**(664)**	(257)
Issuance of common shares	*(Note 14)*	**2**	18	**80**	176
Purchase of common shares	*(Note 14)*	**-**	-	**(326)**	(2,025)
Dividends on common shares		**(300)**	(150)	**(1,199)**	(603)
Other		**-**	1	**-**	-
Cash From (Used in) Financing Activities		**(602)**	2,187	**(1,439)**	(119)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		**(23)**	1	**(33)**	16
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(239)**	38	**(170)**	151
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**622**	515	**553**	402
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 383**	$ 553	**$ 383**	$ 553

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in $ millions unless otherwise specified)

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation and its subsidiaries ("EnCana" or the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. EnCana's operations are in the business of the exploration for, the development of, and the production and marketing of natural gas, crude oil and natural gas liquids ("NGLs"), refining operations 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, 2007, except as noted below. 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, 2007.

2. CHANGES IN ACCOUNTING POLICIES AND PRACTICES

As disclosed in the December 31, 2007 annual audited Consolidated Financial Statements, on January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- "Inventories", Section 3031. The new standard replaces the previous inventories standard and requires inventory to be valued on a first-in, first-out or weighted average cost basis, which is consistent with EnCana's former accounting policy. The new standard allows the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard has had no material impact on EnCana's Consolidated Financial Statements.
- "Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862. The new disclosure standard increases EnCana's disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (See Note 18). The new presentation standard carries forward the former presentation requirements.
- "Capital Disclosures", Section 1535. The new standard requires EnCana to disclose its objectives, policies and processes for managing its capital structure (See Note 15).

3. RECENT ACCOUNTING PRONOUNCEMENTS

As of January 1, 2009, EnCana will be required to adopt the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on EnCana's Consolidated Financial Statements.

In February 2008, the CICA's Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles in 2011 for profit-oriented Canadian publicly accountable enterprises. EnCana will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information.

The key elements of EnCana's changeover plan include:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements;
- communicate collateral impacts to internal business groups; and
- educate and train internal and external stakeholders.

The Company is currently analyzing accounting policy alternatives and identifying implementation options for the corresponding process changes. EnCana will update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board. As IFRS is expected to change prior to 2011, the impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time.

Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in $ millions unless otherwise specified)

4. PROPOSED CORPORATE REORGANIZATION

On May 11, 2008, EnCana announced its plans to split into two independent energy companies - one a North American natural gas company and the other a fully integrated oil company with in-situ oil properties and refineries supplemented by reliable production from various natural gas and crude oil resource plays.

The proposed corporate reorganization (the "Arrangement") would be implemented through a court approved Plan of Arrangement and is subject to shareholder approval. The Arrangement would result in two publicly traded entities with the names of Cenovus Energy Inc. ("Cenovus") and EnCana Corporation. Each EnCana shareholder would receive one share of each entity in exchange for each EnCana Common Share held. On October 15, 2008, EnCana announced the proposed Arrangement would be delayed until the global debt and equity markets regain stability.

5. SEGMENTED INFORMATION

The Company's reportable segments are as follows:

- **Canada** includes the Company's exploration for, and development and production of natural gas, crude oil and NGLs and other related activities within the Canadian cost centre.
- **USA** includes the Company's exploration for, and development and production of natural gas, NGLs and other related activities within the United States cost centre.
- **Downstream Refining** is focused on the refining of crude oil into petroleum and chemical products at two refineries located in the United States. The refineries are jointly owned with ConocoPhillips.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canada and USA segments. Market optimization activities include third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment.
- **Corporate and Other** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization markets substantially all of the Company's upstream production to third-party customers. Transactions between segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

EnCana has updated its segmented reporting to present the upstream Canadian and United States cost centres and Downstream Refining as separate reportable segments. This results in EnCana presenting the Canadian portion of the Integrated Oil Division as part of the Canada segment. Previously, this was aggregated and presented in the Integrated Oil segment. Prior periods have been restated to reflect the new presentation.

EnCana has a decentralized decision making and reporting structure. Accordingly, the Company is organized into Divisions as follows:

- **Canadian Plains** Division includes natural gas production and crude oil development and production assets located in eastern Alberta and Saskatchewan.
- **Canadian Foothills** Division includes natural gas development and production assets located in western Alberta and British Columbia as well as the Company's Canadian offshore assets.
- **USA** Division includes the assets located in the United States and comprises the USA segment described above.
- **Integrated Oil** Division is the combined total of Integrated Oil – Canada and Downstream Refining. Integrated Oil – Canada includes the Company's exploration for, and development and production of bitumen using in-situ recovery methods. Integrated Oil – Canada is composed of EnCana's interests in the FCCL Oil Sands Partnership jointly owned with ConocoPhillips, the Athabasca natural gas assets and other bitumen interests.

Operations that have been discontinued are disclosed in Note 6.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the three months ended December 31)

Segment and Geographic Information

	Canada		USA		Downstream Refining	
	2008	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 1,961**	$ 2,220	**$ 1,273**	$ 1,178	**$ 1,497**	$ 2,206
Expenses						
Production and mineral taxes	**13**	16	**59**	47	**-**	-
Transportation and selling	**287**	265	**135**	87	**-**	-
Operating	**280**	338	**136**	154	**117**	111
Purchased product	**(25)**	(27)	**-**	-	**1,960**	1,915
	1,406	1,628	**943**	890	**(580)**	180
Depreciation, depletion and amortization	**481**	634	**438**	330	**50**	44
Segment Income (Loss)	**$ 925**	$ 994	**$ 505**	$ 560	**$ (630)**	$ 136

	Market Optimization		Corporate & Other		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 543**	$ 837	**$ 1,085**	$ (566)	**$ 6,359**	$ 5,875
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**72**	63
Transportation and selling	**-**	-	**-**	-	**422**	352
Operating	**18**	9	**(2)**	20	**549**	632
Purchased product	**531**	816	**-**	-	**2,466**	2,704
	(6)	12	**1,087**	(586)	**2,850**	2,124
Depreciation, depletion and amortization	**3**	6	**24**	72	**996**	1,086
Segment Income (Loss)	**$ (9)**	$ 6	**$ 1,063**	$ (658)	**1,854**	1,038
Administrative					**74**	121
Interest, net					**158**	131
Accretion of asset retirement obligation					**18**	18
Foreign exchange (gain) loss, net					**253**	(233)
(Gain) loss on divestitures					**1**	22
					504	59
Net Earnings Before Income Tax					**1,350**	979
Income tax expense					**273**	(28)
Net Earnings From Continuing Operations					**$ 1,077**	$ 1,007

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the three months ended December 31)

Product and Divisional Information

Canada Segment

	Canadian Plains		Canadian Foothills		Integrated Oil - Canada		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 789**	$ 964	**$ 923**	$ 1,017	**$ 249**	$ 239	**$ 1,961**	$ 2,220
Expenses								
Production and mineral taxes	**10**	11	**3**	5	**-**	-	**13**	16
Transportation and selling	**62**	97	**72**	52	**153**	116	**287**	265
Operating	**99**	128	**131**	152	**50**	58	**280**	338
Purchased product	**-**	-	**-**	-	**(25)**	(27)	**(25)**	(27)
Operating Cash Flow	**$ 618**	$ 728	**$ 717**	$ 808	**$ 71**	$ 92	**$ 1,406**	$ 1,628

Canadian Plains Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 506**	$ 567	**$ 280**	$ 393	**$ 3**	$ 4	**$ 789**	$ 964
Expenses								
Production and mineral taxes	**4**	3	**6**	8	**-**	-	**10**	11
Transportation and selling	**16**	21	**46**	76	**-**	-	**62**	97
Operating	**50**	65	**48**	62	**1**	1	**99**	128
Operating Cash Flow	**$ 436**	$ 478	**$ 180**	$ 247	**$ 2**	$ 3	**$ 618**	$ 728

Canadian Foothills Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 829**	$ 880	**$ 84**	$ 122	**$ 10**	$ 15	**$ 923**	$ 1,017
Expenses								
Production and mineral taxes	**2**	4	**1**	1	**-**	-	**3**	5
Transportation and selling	**43**	50	**3**	2	**26**	-	**72**	52
Operating	**117**	137	**9**	10	**5**	5	**131**	152
Operating Cash Flow	**$ 667**	$ 689	**$ 71**	$ 109	**$ (21)**	$ 10	**$ 717**	$ 808

USA Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 1,180**	$ 1,011	**$ 54**	$ 99	**$ 39**	$ 68	**$ 1,273**	$ 1,178
Expenses								
Production and mineral taxes	**54**	40	**5**	7	**-**	-	**59**	47
Transportation and selling	**135**	87	**-**	-	**-**	-	**135**	87
Operating	**86**	95	**-**	-	**50**	59	**136**	154
Operating Cash Flow	**$ 905**	$ 789	**$ 49**	$ 92	**$ (11)**	$ 9	**$ 943**	$ 890

Integrated Oil Division

	Oil *		Downstream Refining		Other *		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 219**	$ 186	**$ 1,497**	$ 2,206	**$ 30**	$ 53	**$ 1,746**	$ 2,445
Expenses								
Production and mineral taxes	**-**	-	**-**	-	**-**	-	**-**	-
Transportation and selling	**146**	108	**-**	-	**7**	8	**153**	116
Operating	**37**	36	**117**	111	**13**	22	**167**	169
Purchased product	**-**	-	**1,960**	1,915	**(25)**	(27)	**1,935**	1,888
Operating Cash Flow	**$ 36**	$ 42	**$ (580)**	$ 180	**$ 35**	$ 50	**$ (509)**	$ 272

* Oil and Other comprise Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the twelve months ended December 31)

Segment and Geographic Information

	Canada		USA		Downstream Refining	
	2008	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 10,050**	$ 8,308	**$ 5,629**	$ 4,372	**$ 9,011**	$ 7,315
Expenses						
Production and mineral taxes	**108**	102	**370**	189	**-**	-
Transportation and selling	**1,202**	947	**502**	307	**-**	-
Operating	**1,333**	1,204	**618**	595	**492**	428
Purchased product	**(151)**	(88)	**-**	-	**8,760**	5,813
	7,558	6,143	**4,139**	3,281	**(241)**	1,074
Depreciation, depletion and amortization	**2,198**	2,298	**1,691**	1,181	**188**	159
Segment Income (Loss)	**$ 5,360**	$ 3,845	**$ 2,448**	$ 2,100	**$ (429)**	$ 915

	Market Optimization		Corporate & Other		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 2,655**	$ 2,944	**$ 2,719**	$ (1,239)	**$ 30,064**	$ 21,700
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**478**	291
Transportation and selling	**-**	10	**-**	-	**1,704**	1,264
Operating	**45**	37	**(13)**	14	**2,475**	2,278
Purchased product	**2,577**	2,858	**-**	-	**11,186**	8,583
	33	39	**2,732**	(1,253)	**14,221**	9,284
Depreciation, depletion and amortization	**15**	17	**131**	161	**4,223**	3,816
Segment Income (Loss)	**$ 18**	$ 22	**$ 2,601**	$ (1,414)	**9,998**	5,468
Administrative					**473**	384
Interest, net					**586**	428
Accretion of asset retirement obligation					**79**	64
Foreign exchange (gain) loss, net					**423**	(164)
(Gain) loss on divestitures					**(140)**	(65)
					1,421	647
Net Earnings Before Income Tax					**8,577**	4,821
Income tax expense					**2,633**	937
Net Earnings From Continuing Operations					**$ 5,944**	$ 3,884

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the twelve months ended December 31)

Product and Divisional Information

Canada Segment

	Canadian Plains		Canadian Foothills		Integrated Oil - Canada		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 4,418**	$ 3,652	**$ 4,355**	$ 3,679	**$ 1,277**	$ 977	**$ 10,050**	$ 8,308
Expenses								
Production and mineral taxes	**74**	63	**33**	39	**1**	-	**108**	102
Transportation and selling	**392**	345	**239**	201	**571**	401	**1,202**	947
Operating	**484**	440	**609**	535	**240**	229	**1,333**	1,204
Purchased product	**-**	-	**-**	-	**(151)**	(88)	**(151)**	(88)
Operating Cash Flow	**$ 3,468**	$ 2,804	**$ 3,474**	$ 2,904	**$ 616**	$ 435	**$ 7,558**	$ 6,143

Canadian Plains Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 2,301**	$ 2,186	**$ 2,106**	$ 1,453	**$ 11**	$ 13	**$ 4,418**	$ 3,652
Expenses								
Production and mineral taxes	**36**	34	**38**	29	**-**	-	**74**	63
Transportation and selling	**71**	82	**321**	263	**-**	-	**392**	345
Operating	**241**	221	**239**	215	**4**	4	**484**	440
Operating Cash Flow	**$ 1,953**	$ 1,849	**$ 1,508**	$ 946	**$ 7**	$ 9	**$ 3,468**	$ 2,804

Canadian Foothills Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 3,720**	$ 3,232	**$ 578**	$ 390	**$ 57**	$ 57	**$ 4,355**	$ 3,679
Expenses								
Production and mineral taxes	**28**	36	**5**	3	**-**	-	**33**	39
Transportation and selling	**201**	192	**12**	9	**26**	-	**239**	201
Operating	**549**	482	**39**	33	**21**	20	**609**	535
Operating Cash Flow	**$ 2,942**	$ 2,522	**$ 522**	$ 345	**$ 10**	$ 37	**$ 3,474**	$ 2,904

USA Division

	Gas		Oil & NGLs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 4,934**	$ 3,765	**$ 407**	$ 309	**$ 288**	$ 298	**$ 5,629**	$ 4,372
Expenses								
Production and mineral taxes	**334**	167	**36**	22	**-**	-	**370**	189
Transportation and selling	**502**	307	**-**	-	**-**	-	**502**	307
Operating	**352**	323	**-**	-	**266**	272	**618**	595
Operating Cash Flow	**$ 3,746**	$ 2,968	**$ 371**	$ 287	**$ 22**	$ 26	**$ 4,139**	$ 3,281

Integrated Oil Division

	Oil *		Downstream Refining		Other *		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues, Net of Royalties	**$ 1,117**	$ 738	**$ 9,011**	$ 7,315	**$ 160**	$ 239	**$ 10,288**	$ 8,292
Expenses								
Production and mineral taxes	**-**	-	**-**	-	**1**	-	**1**	-
Transportation and selling	**526**	366	**-**	-	**45**	35	**571**	401
Operating	**170**	159	**492**	428	**70**	70	**732**	657
Purchased product	**-**	-	**8,760**	5,813	**(151)**	(88)	**8,609**	5,725
Operating Cash Flow	**$ 421**	$ 213	**$ (241)**	$ 1,074	**$ 195**	$ 222	**$ 375**	$ 1,509

* Oil and Other comprise Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Capital				
Canadian Plains	**$ 254**	$ 288	**$ 847**	$ 846
Canadian Foothills	**463**	625	**2,299**	2,439
Integrated Oil - Canada	**162**	194	**656**	451
Canada	**879**	1,107	**3,802**	3,736
USA	**815**	606	**2,615**	1,919
Downstream Refining	**168**	53	**478**	220
Market Optimization	**6**	1	**17**	6
Corporate & Other	**57**	38	**168**	154
	1,925	1,805	**7,080**	6,035
Acquisition Capital				
Canadian Foothills	**31**	8	**151**	75
Integrated Oil - Canada	**-**	-	**-**	14
Canada	**31**	8	**151**	89
USA	**(71)**	2,595	**1,023**	2,613
	(40)	2,603	**1,174**	2,702
Total	**$ 1,885**	$ 4,408	**$ 8,254**	$ 8,737

On September 25, 2008, EnCana acquired certain land and property in Louisiana for approximately $101 million before closing adjustments. The purchase was facilitated by an unrelated party, Brown Haynesville Leasehold LLC ("Brown Haynesville"), which holds the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes.

On July 23, 2008, EnCana acquired certain land and mineral interests in Louisiana for approximately $457 million before closing adjustments. The purchase was facilitated by an unrelated party, Brown Southwest Minerals LLC ("Brown Southwest"), which holds the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes. On November 12, 2008, an unrelated party exercised an option to purchase certain interests as part of the above acquisition for approximately $157 million, reducing the qualifying like kind exchange to approximately $300 million.

Pursuant to the agreements with Brown Haynesville and Brown Southwest, EnCana operates the properties, receives all the revenue and pays all of the expenses associated with the properties. The arrangements with Brown Haynesville and Brown Southwest will be completed on March 24, 2009 and January 19, 2009 respectively and the assets will be transferred to EnCana at that time. EnCana has determined that each relationship with Brown Haynesville and Brown Southwest represents an interest in a Variable Interest Entity ("VIE") and that EnCana is the primary beneficiary of the VIE. EnCana has consolidated Brown Haynesville and Brown Southwest from the dates of acquisition.

On November 20, 2007, EnCana acquired certain natural gas and land interests in Texas for approximately $2.55 billion before closing adjustments. The purchase was facilitated by an unrelated party, Brown Kilgore Properties LLC ("Brown Kilgore"), which held the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes. The relationship with Brown Kilgore represented an interest in a VIE from November 20, 2007 to May 18, 2008. During this period, EnCana was the primary beneficiary of the VIE and consolidated Brown Kilgore. On May 18, 2008, when the arrangement with Brown Kilgore was completed, the assets were transferred to EnCana.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	December 31, 2008	December 31, 2007	**December 31, 2008**	December 31, 2007
Canada	**$ 17,105**	$ 19,519	**$ 23,441**	$ 27,014
USA	**13,541**	11,879	**14,635**	12,948
Downstream Refining	**4,032**	3,706	**4,637**	4,887
Market Optimization	**140**	171	**429**	478
Corporate & Other	**606**	590	**4,105**	1,647
Total	**$ 35,424**	$ 35,865	**$ 47,247**	$ 46,974

On February 9, 2007, EnCana announced that it had completed the next phase in the development of The Bow office project with the sale of project assets and has entered into a 25 year lease agreement with a third party developer. As at December 31, 2008, Corporate and Other Property, Plant and Equipment and Total Assets includes EnCana's accrual to date of $252 million (2007 - $147 million) related to this office project as an asset under construction.

On January 4, 2008, EnCana signed the contract for the design and construction of the Production Field Centre ("PFC") for the Deep Panuke project. As at December 31, 2008, Canada Property, Plant, and Equipment and Total Assets includes EnCana's accrual to date of $199 million related to this offshore facility as an asset under construction.

Corresponding liabilities for these projects are included in Other Liabilities in the Consolidated Balance Sheet. There is no effect on the Company's net earnings or cash flows related to the capitalization of The Bow office project or the Deep Panuke PFC.

6. DISCONTINUED OPERATIONS

Midstream

The $75 million gain on discontinuance in 2007 was the result of an expired clause included in the December 2005 sale of the Company’s Midstream natural gas liquids processing operations. The clause provided potential market price support for the facilities and was accrued for in 2005.

Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in $ millions unless otherwise specified)

7. DIVESTITURES

Proceeds received on the sale of assets and investments were $904 million (2007 - $481 million). The significant items are described below.

Canada
In 2008, the Company completed the divestiture of mature conventional oil and natural gas assets for proceeds of $39 million (2007 - nil) in Canadian Plains and $400 million (2007 - $213 million) in Canadian Foothills.

In May 2007, the Company completed the sale of its assets in the Mackenzie Delta and Beaufort Sea for proceeds of $159 million, which were credited to property, plant and equipment in the Canadian cost centre and reported in Canadian Foothills.

USA
In 2008, the Company completed the divestiture of mature conventional natural gas assets for proceeds of $251 million (2007 - $10 million).

Corporate and Other
In September 2008, the Company completed the sale of its interests in Brazil for net proceeds of $164 million, before closing ajdustments, resulting in a gain on sale of $124 million. After recording income tax of $25 million, EnCana recorded an after-tax gain of $99 million.

In August 2007, the Company closed the sale of its Australia assets for proceeds of $31 million resulting in a gain on sale of $30 million. After recording income tax of $5 million, EnCana recorded an after-tax gain of $25 million.

In February 2007, the Company sold The Bow office project assets for proceeds of approximately $57 million, representing its investment at the date of sale. Refer to Note 5 for further discussion of The Bow office project assets.

In January 2007, the Company completed the sale of its interests in Chad, properties that were in the pre-production stage, for proceeds of $208 million which resulted in a gain on sale of $59 million.

8. INTEREST, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Interest Expense - Long-Term Debt	**$ 130**	$ 129	**$ 556**	$ 460
Interest Expense - Other *	**80**	66	**246**	244
Interest Income *	**(52)**	(64)	**(216)**	(276)
	$ 158	$ 131	**$ 586**	$ 428

* Interest Expense - Other and Interest Income are primarily due to the Partnership Contribution Payable and Receivable, respectively.

9. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	**$ 663**	$ (75)	**$ 1,033**	$ (683)
Translation of U.S. dollar partnership contribution receivable issued from Canada	**(390)**	22	**(608)**	617
Other Foreign Exchange (Gain) Loss	**(20)**	(180)	**(2)**	(98)
	$ 253	$ (233)	**$ 423**	$ (164)

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

10. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Current				
Canada	**$ 102**	$ 415	**$ 548**	$ 900
United States	**11**	163	**396**	647
Other Countries	**5**	2	**43**	7
Total Current Tax	**118**	580	**987**	1,554
Future	**155**	(344)	**1,646**	(316)
Future Tax Rate Reductions	**-**	(264)	**-**	(301)
	$ 273	$ (28)	**$ 2,633**	$ 937

Included in current tax for 2008 is $25 million related to the sale of assets in Brazil (2007 - nil).

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual income taxes:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Net Earnings Before Income Tax	**$ 1,350**	$ 979	**$ 8,577**	$ 4,821
Canadian Statutory Rate	**29.7%**	32.3%	**29.7%**	32.3%
Expected Income Tax	**400**	316	**2,544**	1,557
Effect on Taxes Resulting from:				
Statutory and other rate differences	**(30)**	40	**167**	76
Effect of tax rate changes *	**-**	(264)	**-**	(301)
Effect of legislative changes	**-**	52	**-**	(179)
Non-taxable downstream partnership (income) loss	**16**	(30)	**6**	(70)
International financing	**(76)**	(17)	**(309)**	(62)
Foreign exchange (gains) losses not included in net earnings	**(92)**	-	**49**	-
Non-taxable capital (gains) losses	**54**	(80)	**84**	(124)
Other	**1**	(45)	**92**	40
	$ 273	$ (28)	**$ 2,633**	$ 937
Effective Tax Rate	**20.2%**	(2.9%)	**30.7%**	19.4%

* The Canadian federal government, during the second quarter of 2007, enacted income tax rate changes.

11. INVENTORIES

	As at December 31, 2008	As at December 31, 2007
Product		
Canada	**$ 46**	$ 65
USA	**8**	2
Downstream Refining	**323**	570
Market Optimization	**127**	180
Parts and Supplies	**16**	11
	$ 520	$ 828

As a result of a significant decline in commodity prices in the latter half of 2008, EnCana has written down its product inventory by $152 million from cost to net realizable value.

The total amount of inventories recognized as an expense during the year, including the write-down, was $8,749 million (2007 - $5,752 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. LONG-TERM DEBT

	As at December 31, 2008	As at December 31, 2007
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 1,410**	$ 1,506
Unsecured notes	**1,020**	1,138
	2,430	2,644
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**247**	495
Unsecured notes	**6,350**	6,421
	6,597	6,916
Increase in Value of Debt Acquired *	**49**	66
Debt Discounts and Financing Costs	**(71)**	(83)
Current Portion of Long-Term Debt	**(250)**	(703)
	$ 8,755	$ 8,840

* Certain of the notes and debentures of EnCana were acquired in business combinations and were accounted for at their fair value at the dates 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 20 years.

On January 18, 2008, EnCana completed a public offering in Canada of senior unsecured medium term notes in the aggregate principal amount of C$750 million. The notes have a coupon rate of 5.80 percent and mature on January 18, 2018.

13. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas assets and refining facilities:

	As at December 31, 2008	As at December 31, 2007
Asset Retirement Obligation, Beginning of Year	**$ 1,458**	$ 1,051
Liabilities Incurred	**54**	89
Liabilities Settled	**(115)**	(100)
Liabilities Divested	**(38)**	-
Change in Estimated Future Cash Flows	**54**	184
Accretion Expense	**79**	64
Foreign Currency Translation	**(227)**	163
Other	**-**	7
Asset Retirement Obligation, End of Year	**$ 1,265**	$ 1,458

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. SHARE CAPITAL

	December 31, 2008			December 31, 2007		
(millions)	**Number**		**Amount**	Number		Amount
Common Shares Outstanding, Beginning of Year	**750.2**	**$**	**4,479**	777.9	$	4,587
Common Shares Issued under Option Plans	**3.0**		**80**	8.3		176
Stock-Based Compensation	**-**		**11**	-		17
Common Shares Purchased	**(2.8)**		**(13)**	(36.0)		(301)
Common Shares Outstanding, End of Year	**750.4**	**$**	**4,557**	750.2	$	4,479

Normal Course Issuer Bid

EnCana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under seven consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to approximately 75.0 million Common Shares under the renewed Bid which commenced on November 13, 2008 and terminates on November 12, 2009.

In 2008, the Company purchased 4.8 million Common Shares for total consideration of approximately $326 million. Of the amount paid, $29 million was charged to Share capital and $297 million was charged to Retained earnings. Included in the Common Shares Purchased in 2008 are 2.0 million Common Shares distributed, valued at $16 million, from the EnCana Employee Benefit Plan Trust that vested under EnCana's Performance Share Unit Plan (See Note 16). For these Common Shares distributed, there was a $54 million adjustment to Retained earnings with a reduction to Paid in surplus of $70 million.

In 2007, the Company purchased 38.9 million Common Shares for total consideration of approximately $2,025 million. Of the amount paid, $325 million was charged to Share capital and $1,700 million was charged to Retained earnings. Included in the Common Shares Purchased in 2007 are 2.9 million Common Shares distributed, valued at $24 million, from the EnCana Employee Benefit Plan Trust that vested under EnCana's Performance Share Unit Plan (See Note 16). For these Common Shares distributed, there was an $82 million adjustment to Retained earnings with a reduction to Paid in surplus of $106 million.

Stock Options

EnCana has stock-based compensation plans that allow employees to purchase Common Shares of the Company. Option exercise prices approximate the market price for the Common Shares on the date the options were granted. Options granted under the plans are generally fully exercisable after three years and expire five years after the date granted. Options granted under predecessor and/or related company replacement plans expire up to 10 years from the date the options were granted.

The following tables summarize the information related to options to purchase Common Shares that do not have Tandem Share Appreciation Rights ("TSARs") attached to them at December 31, 2008. Information related to TSARs is included in Note 16.

	Stock Options *(millions)*	**Weighted Average Exercise Price *(C$)***
Outstanding, Beginning of Year	**3.4**	**21.82**
Exercised	**(2.9)**	**23.68**
Outstanding, End of Year	**0.5**	**11.62**
Exercisable, End of Year	**0.5**	**11.62**

	Outstanding Options			**Exercisable Options**	
Range of Exercise Price (C$)	Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(C$)*	Number of Options Outstanding *(millions)*	Weighted Average Exercise Price *(C$)*
11.00 to 14.50	0.5	0.9	11.62	0.5	11.62

At December 31, 2007, the balance in Paid in surplus related to stock-based compensation programs.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. CAPITAL STRUCTURE

The Company's capital structure is comprised of Shareholders' Equity plus Long-Term Debt. The Company's objectives when managing its capital structure are to:

i) maintain financial flexibility to preserve EnCana's access to capital markets and its ability to meet its financial obligations; and
ii) finance internally generated growth as well as potential acquisitions.

The Company monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). These metrics are used to steward the Company's overall debt position as measures of the Company's overall financial strength.

To provide a more conservative measure of liquidity, the Company has changed its calculation of these metrics as follows: Net Debt to Capitalization has been changed to Debt to Capitalization and Net Debt to Adjusted EBITDA has been changed to Debt to Adjusted EBITDA. Debt is defined as the current and long-term portions of Long-Term Debt. Previously, Net Debt was defined as Long-Term Debt plus Current Liabilities less Current Assets. The Company believes this presentation is more comparable between periods by excluding the impact of unrealized mark-to-market accounting gains and losses on working capital.

EnCana targets a Debt to Capitalization ratio of between 30 and 40 percent. At December 31, 2008, EnCana's Debt to Capitalization ratio was 28 percent (December 31, 2007 - 32 percent) calculated as follows:

	As at	
	December 31, 2008	December 31, 2007
Debt	**$ 9,005**	$ 9,543
Total Shareholders' Equity	**22,974**	20,704
Total Capitalization	**$ 31,979**	$ 30,247
Debt to Capitalization ratio	**28%**	32%

Without giving effect to the change in calculation as described above, EnCana's Net Debt to Capitalization ratio would have been 23 percent at December 31, 2008 (December 31, 2007 - 34 percent).

EnCana targets a Debt to Adjusted EBITDA of 1.0 to 2.0 times. At December 31, 2008, Debt to Adjusted EBITDA was 0.7x (December 31, 2007 - 1.1x) calculated on a trailing twelve-month basis as follows:

	As at	
	December 31, 2008	December 31, 2007
Debt	**$ 9,005**	$ 9,543
Net Earnings from Continuing Operations	**$ 5,944**	$ 3,884
Add (deduct):		
Interest, net	**586**	428
Income tax expense	**2,633**	937
Depreciation, depletion and amortization	**4,223**	3,816
Accretion of asset retirement obligation	**79**	64
Foreign exchange (gain) loss, net	**423**	(164)
(Gain) loss on divestitures	**(140)**	(65)
Adjusted EBITDA	**$ 13,748**	$ 8,900
Debt to Adjusted EBITDA	**0.7x**	1.1x

Without giving effect to the change in calculation as described above, EnCana's Net Debt to Adjusted EBITDA would have been 0.5x at December 31, 2008 (December 31, 2007 - 1.2x).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. CAPITAL STRUCTURE (continued)

EnCana has a long-standing practice of maintaining capital discipline, managing its capital structure and adjusting its capital structure according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

The Company's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented, except as noted above. EnCana is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

16. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at December 31, 2008. Additional information is contained in Note 17 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2007.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Current Service Cost	**$ 3**	$ 5	**$ 15**	$ 16
Interest Cost	**5**	5	**21**	19
Expected Return on Plan Assets	**(5)**	(5)	**(19)**	(19)
Amortization of Net Actuarial Losses	**1**	1	**4**	4
Expected Amortization of Past Service Costs	**1**	1	**2**	2
Amortization of Transitional Obligation	**(1)**	(1)	**(2)**	(2)
Expense for Defined Contribution Plan	**14**	9	**44**	34
Net Benefit Plan Expense	**$ 18**	$ 15	**$ 65**	$ 54

For the year ended December 31, 2008, contributions of $8 million have been made to the defined benefit pension plans (2007 - $8 million).

B) Tandem Share Appreciation Rights ("TSARs")

The following table summarizes the information related to the TSARs at December 31, 2008:

	Outstanding TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**18,854,141**	**48.44**
Granted	**4,420,272**	**70.11**
Exercised - SARs	**(3,173,443)**	**43.68**
Exercised - Options	**(82,936)**	**42.00**
Forfeited	**(606,095)**	**55.27**
Outstanding, End of Year	**19,411,939**	**53.97**
Exercisable, End of Year	**8,452,111**	**46.45**

For the year ended December 31, 2008, EnCana recorded a reduction of compensation costs of $47 million related to the outstanding TSARs (2007 - costs of $225 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. COMPENSATION PLANS (continued)

C) Performance Tandem Share Appreciation Rights ("Performance TSARs")

The following table summarizes the information related to the Performance TSARs at December 31, 2008:

	Outstanding TSARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**6,930,925**	**56.09**
Granted	**7,058,538**	**69.40**
Exercised - SARs	**(287,299)**	**56.09**
Exercised - Options	**(5,123)**	**56.09**
Forfeited	**(717,316)**	**59.65**
Outstanding, End of Year	**12,979,725**	**63.13**
Exercisable, End of Year	**1,461,276**	**56.09**

For the year ended December 31, 2008, EnCana recorded a reduction of compensation costs of $6 million related to the outstanding Performance TSARs (2007 - costs of $21 million).

D) Share Appreciation Rights ("SARs")

In 2008, EnCana granted SARs to certain employees which entitles the employee to receive a cash payment equal to the excess of the market price of EnCana's Common Shares at the time of exercise over the grant price. SARs are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years and are fully exercisable after three years and expire five years after the grant date.

The following table summarizes the information related to the SARs at December 31, 2008:

	Outstanding SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**-**	**-**
Granted	**1,314,115**	**72.07**
Forfeited	**(29,050)**	**69.42**
Outstanding, End of Year	**1,285,065**	**72.13**
Exercisable, End of Year	**-**	**-**

For the year ended December 31, 2008, EnCana has not recorded any compensation costs related to the outstanding SARs.

E) Performance Share Appreciation Rights ("Performance SARs")

In 2008, EnCana granted Performance SARs to certain employees which entitles the employee to receive a cash payment equal to the excess of the market price of EnCana's Common Shares at the time of exercise over the grant price. Performance SARs vest and expire under the same terms and service conditions as SARs and are also subject to EnCana attaining prescribed performance relative to pre-determined key measures. Performance SARs that do not vest when eligible are forfeited.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. COMPENSATION PLANS (continued)

The following table summarizes the information related to the Performance SARs at December 31, 2008:

	Outstanding SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**-**	**-**
Granted	**1,677,030**	**69.40**
Forfeited	**(56,100)**	**69.40**
Outstanding, End of Year	**1,620,930**	**69.40**
Exercisable, End of Year	**-**	**-**

For the year ended December 31, 2008, EnCana has not recorded any compensation costs related to the outstanding Performance SARs.

F) Deferred Share Units ("DSUs")

The following table summarizes the information related to the DSUs at December 31, 2008:

	Outstanding DSUs
Canadian Dollar Denominated	
Outstanding, Beginning of Year	**589,174**
Granted	**85,792**
Redeemed	**(34,008)**
Units, in Lieu of Dividends	**15,883**
Outstanding, End of Year	**656,841**

For the year ended December 31, 2008, EnCana recorded compensation costs of $2 million related to the outstanding DSUs (2007 - $14 million).

G) Performance Share Units ("PSUs")

The following table summarizes the information related to the PSUs at December 31, 2008:

	Outstanding PSUs	Average Share Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**1,685,036**	**38.79**
Granted	**408,686**	**70.77**
Distributed	**(2,042,541)**	**45.34**
Forfeited	**(51,181)**	**38.32**
Outstanding, End of Year	**-**	**-**

For the year ended December 31, 2008, EnCana recorded compensation costs of $1 million related to the outstanding PSUs (2007 - $43 million).

17. PER SHARE AMOUNTS

The following table summarizes the Common Shares used in calculating Net Earnings per Common Share:

	Three Months Ended					Twelve Months Ended	
	March 31,	June 30,	September 30,	December 31,		December 31,	
(millions)	2008	2008	2008	**2008**	2007	**2008**	2007
Weighted Average Common Shares Outstanding - Basic	749.5	750.2	750.3	**750.3**	749.8	**750.1**	756.8
Effect of Dilutive Securities	3.5	1.1	1.0	**1.0**	5.3	**1.7**	7.8
Weighted Average Common Shares Outstanding - Diluted	753.0	751.3	751.3	**751.3**	755.1	**751.8**	764.6

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

EnCana's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, the partnership contribution receivable and payable, risk management assets and liabilities, and long-term debt. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

A) Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments.

The fair values of the partnership contribution receivable and partnership contribution payable approximate their carrying amount due to the specific nature of these instruments in relation to the creation of the integrated oil joint venture. Further information about these notes is disclosed in Note 10 to the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2007.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts.

Long-term debt is carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings have been determined based on market information where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company at period end.

The fair value of financial assets and liabilities were as follows:

	As at December 31, 2008		As at December 31, 2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	**$ 383**	**$ 383**	$ 553	$ 553
Risk management assets *	**3,052**	**3,052**	403	403
Loans and Receivables:				
Accounts receivable and accrued revenues	**1,568**	**1,568**	2,381	2,381
Partnership contribution receivable *	**3,147**	**3,147**	3,444	3,444
Financial Liabilities				
Held-for-Trading:				
Risk management liabilities *	**$ 50**	**$ 50**	$ 236	$ 236
Other Financial Liabilities:				
Accounts payable and accrued liabilities	**2,871**	**2,871**	3,982	3,982
Long-term debt *	**9,005**	**8,242**	9,543	9,763
Partnership contribution payable *	**3,163**	**3,163**	3,451	3,451

* Including current portion.

B) Risk Management Assets and Liabilities

Net Risk Management Position	**As at December 31, 2008**	As at December 31, 2007
Risk Management		
Current asset	**$ 2,818**	$ 385
Long-term asset	**234**	18
	3,052	403
Risk Management		
Current liability	**43**	207
Long-term liability	**7**	29
	50	236
Net Risk Management Asset (Liability)	**$ 3,002**	$ 167

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

B) Risk Management Assets and Liabilities (continued)

Summary of Unrealized Risk Management Positions

	As at December 31, 2008			As at December 31, 2007		
	Risk Management			Risk Management		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Natural gas	**$ 2,941**	**$ 10**	**$ 2,931**	$ 375	$ 29	$ 346
Crude oil	**92**	**40**	**52**	6	205	(199)
Power	**19**	**-**	**19**	19	-	19
Interest Rates	**-**	**-**	**-**	2	-	2
Credit	**-**	**-**	**-**	1	2	(1)
Total Fair Value	**$ 3,052**	**$ 50**	**$ 3,002**	$ 403	$ 236	$ 167

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

	As at December 31, 2008	As at December 31, 2007
Prices actively quoted	**$ 2,055**	$ 105
Prices sourced from observable data or market corroboration	**947**	62
Total Fair Value	**$ 3,002**	$ 167

Prices actively quoted refers to the fair value of contracts valued using quoted prices in an active market. Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data.

Net Fair Value of Commodity Price Positions at December 31, 2008

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	1,648 MMcf/d	2009	9.28 US$/Mcf	$ 1,981
NYMEX Fixed Price	35 MMcf/d	2010	9.21 US$/Mcf	23
Purchased Options				
NYMEX Call	(150) MMcf/d	2009	11.67 US$/Mcf	(22)
NYMEX Put	516 MMcf/d	2009	9.10 US$/Mcf	536
Basis Contracts				
Canada	71 MMcf/d	2009		-
United States	917 MMcf/d	2009		111
Canada and United States *		2010-2013		193
				2,822
Other Financial Positions **				(1)
Total Unrealized Gain on Financial Contracts				2,821
Premiums Paid on Unexpired Options				110
Natural Gas Fair Value Position				$ 2,931

* EnCana has entered into swaps to protect against widening natural gas price differentials between production areas, including Canada, the U.S. Rockies and Texas, and various sales points. These basis swaps are priced using both fixed prices and basis prices determined as a percentage of NYMEX.

** Other financial positions are part of the ongoing operations of the Company's proprietary production management.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

B) Risk Management Assets and Liabilities (continued)

Net Fair Value of Commodity Price Positions at December 31, 2008 (continued)

	Fair Value
Crude Oil Contracts	
Crude Oil Fair Value Position *	$ 52

* The Crude Oil financial positions are part of the ongoing operations of the Company's proprietary production and condensate management and its share of downstream refining positions.

	Fair Value
Power Purchase Contracts	
Power Fair Value Position	$ 19

Net Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Realized Gain (Loss)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Revenues, Net of Royalties	**$ 646**	$ 408	**$ (309)**	$ 1,601
Operating Expenses and Other	**30**	(1)	**28**	3
Gain (Loss) on Risk Management	**$ 676**	$ 407	**$ (281)**	$ 1,604

	Unrealized Gain (Loss)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	**2008**	2007
Revenues, Net of Royalties	**$ 1,084**	$ (566)	**$ 2,717**	$ (1,239)
Operating Expenses and Other	**6**	(3)	**12**	4
Gain (Loss) on Risk Management	**$ 1,090**	$ (569)	**$ 2,729**	$ (1,235)

Reconciliation of Unrealized Risk Management Positions from January 1 to December 31, 2008

	2008		2007
	Fair Value	**Total Unrealized Gain (Loss)**	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ 167**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Year	**2,448**	**$ 2,448**	$ 353
Fair Value of Contracts in Place at Transition that Expired During the Year	**-**	**-**	16
Foreign Exchange Loss on Canadian Dollar Contracts	**(4)**	**-**	-
Fair Value of Contracts Realized During the Year	**281**	**281**	(1,604)
Fair Value of Contracts Outstanding	**$ 2,892**	**$ 2,729**	$ (1,235)
Premiums Paid on Unexpired Options	**110**		
Fair Value of Contracts and Premiums Paid, End of Year	**$ 3,002**		

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

B) Risk Management Assets and Liabilities (continued)

Commodity Price Sensitivities

The following table 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. When assessing the potential impact of these commodity price changes, the Company believes 10% volatility is a reasonable measure. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting net earnings as at December 31, 2008 as follows:

	Favorable 10% Change	Unfavorable 10% Change
Natural gas price	$ 424	$ (418)
Crude oil price	7	(7)
Power price	9	(9)

C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The fair value or future cash flows of financial assets or liabilities may fluctuate due to movement in market prices and the exposure to credit and liquidity risks.

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities. To partially mitigate exposure to commodity price risk, the Company has entered into various financial derivative instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is to not use derivative financial instruments for speculative purposes.

Natural Gas - To partially mitigate the natural gas commodity price risk, the Company has entered into option contracts and swaps, which fix the NYMEX prices. To help protect against widening natural gas price differentials in various production areas, EnCana has entered into swaps to manage the price differentials between these production areas and various sales points.

Crude Oil - The Company has partially mitigated its exposure to commodity price risk on its condensate supply with fixed price swaps.

Power - The Company has in place two Canadian dollar denominated derivative contracts, which commenced January 1, 2007 for a period of 11 years, to manage its electricity consumption costs.

Credit Risk

Credit risk arises from the potential the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparties' credit quality. All foreign currency agreements are with major financial institutions in Canada and the United States or with counterparties having investment grade credit ratings. A substantial portion of the Company’s accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2008, over 95% of EnCana's accounts receivable and financial derivative credit exposures are with investment grade counterparties.

At December 31, 2008, EnCana had 2 counterparties whose net settlement position individually account for more than 10 percent of the fair value of the outstanding in-the-money net financial instrument contracts by counterparty. The maximum credit risk exposure associated with accounts receivable and accrued revenues, risk management assets and the partnership contribution receivable is the total carrying value.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages its liquidity risk through cash and debt management. As disclosed in Note 15, EnCana targets a Debt to Capitalization ratio between 30 and 40 percent and a Debt to Adjusted EBITDA of 1.0 to 2.0 times to steward the Company's overall debt position.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through commercial paper, capital markets and banks. As at December 31, 2008, EnCana had available unused committed bank credit facilities in the amount of $2.6 billion and unused capacity under shelf prospectuses, the availability of which is dependent on market conditions, for $5.0 billion. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

EnCana maintains investment grade credit ratings on its senior unsecured debt. On May 12, 2008, following the announcement of the proposed Arrangement (See Note 4), Standard & Poor's Ratings Service assigned a rating of A- and placed the Company on "CreditWatch Negative", DBRS Limited assigned a rating of A(low) and placed the Company "Under Review with Developing Implications", and Moody's Investors Service assigned a rating of Baa2 and changed the outlook to "Stable" from "Positive".

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	$ 2,871	$ -	$ -	$ -	$ 2,871
Risk Management Liabilities	43	7	-	-	50
Long-Term Debt *	727	1,589	3,344	10,392	16,052
Partnership Contribution Payable *	489	978	978	1,588	4,033

* Principal and interest, including current portion.

Included in EnCana's total long-term debt obligations of $16,052 million at December 31, 2008 are $1,657 million in principal obligations related to Bankers' Acceptances, Commercial Paper and LIBOR loans. These amounts are fully supported and Management expects that they will continue to be supported by revolving credit and term loan facilities that have no repayment requirements within the next year. The revolving credit and term loan facilities are fully revolving for a period of up to five years. Based on the current maturity dates of the credit facilities, these amounts are included in cash outflows for the period disclosed as 4 - 5 Years. Further information on Long-term Debt is contained in Note 12.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company’s financial assets or liabilities. As EnCana operates primarily in North America, fluctuations in the exchange rate between the U.S./Canadian dollar can have a significant effect on the Company's reported results. EnCana's functional currency is Canadian dollars, however, the Company reports its results in U.S. dollars as most of its revenue is closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American oil and gas companies. As the effects of foreign exchange fluctuations are embedded in the Company's results, the total effect of foreign exchange fluctuations are not separately identifiable.

To mitigate the exposure to the fluctuating U.S./Canadian exchange rate, EnCana maintains a mix of both U.S. dollar and Canadian dollar debt.

As disclosed in Note 9, EnCana's foreign exchange (gain) loss is primarily comprised of unrealized foreign exchange gains and losses on the translation of U.S. dollar debt issued from Canada and the translation of the U.S. dollar partnership contribution receivable issued from Canada. At December 31, 2008, EnCana had $5,350 million in U.S. dollar debt issued from Canada ($5,421 million at December 31, 2007) and $3,147 million related to the U.S. dollar partnership contribution receivable ($3,444 million at December 31, 2007). A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in an $18 million change in foreign exchange (gain) loss at December 31, 2008.

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 partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

At December 31, 2008, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt amounts to $12 million (2007 - $14 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

19. CONTINGENCIES

Legal Proceedings

The Company is involved in various legal claims associated with the normal course of operations. The Company believes it has made adequate provision for such legal claims.

Discontinued Merchant Energy Operations

During the period between 2003 and 2005, EnCana and its indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. ("WD"), along with other energy companies, were named as defendants in several lawsuits, some of which were class action lawsuits, relating to sales of natural gas from 1999 to 2002. The lawsuits allege that the defendants engaged in a conspiracy with unnamed competitors in the natural gas markets in California in violation of U.S. and California anti-trust and unfair competition laws.

Without admitting any liability in the lawsuits, WD agreed to settle all of the class action lawsuits in both state and federal court for payment of $20.5 million and $2.4 million, respectively. Also, as previously disclosed, without admitting any liability whatsoever, WD concluded settlements with the U.S. Commodity Futures Trading Commission ("CFTC") for $20 million and of a previously disclosed consolidated class action lawsuit in the United States District Court in New York for $8.2 million. Also, without admitting any liability whatsoever, WD concluded settlements with a group of individual plaintiffs for $23 million.

The remaining lawsuit was commenced by E. & J. Gallo Winery ("Gallo"). The Gallo lawsuit claims damages in excess of $30 million. California law allows for the possibility that the amount of damages assessed could be tripled.

The Company and WD intend to vigorously defend against this outstanding claim; however, the Company cannot predict the outcome of these proceedings or any future proceedings against the Company, whether these proceedings would lead to monetary damages which could have a material adverse effect on the Company's financial position, or whether there will be other proceedings arising out of these allegations.

20. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2008.