

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON STOCKHOLDERS
(\$ in millions except per share data)
(unaudited)

	Three Months Ended December 31,			
	2017		2016	
	\$	\$/Share ^{(b)(c)}	\$	\$/Share ^{(b)(c)}
Net income (loss) available to common stockholders (GAAP)	\$ 309	\$ 0.34	\$ (740)	\$ 0.83
Effect of dilutive securities	35		—	
Diluted earnings (loss) per common stockholder (GAAP)	\$ 344	\$ 0.33	\$ (740)	\$ (0.83)
Adjustments:				
Unrealized losses on oil, natural gas and NGL derivatives	73	0.07	395	0.45
Restructuring and other termination costs	—	—	3	—
Provision for legal contingencies, net	(73)	(0.07)	11	0.01
Impairments of fixed assets and other	(5)	—	43	0.05
Net gains on sales of fixed assets	(3)	—	(7)	(0.01)
Impairments of investments	—	—	119	0.13
(Gains) losses on purchases or exchanges of debt	(50)	(0.05)	19	0.02
Loss on exchange of preferred stock	—	—	428	0.48
Income tax expense (benefit) ^(a)	—	—	(190)	(0.21)
Other	4	—	13	0.01
Adjusted net income available to common stockholders^(b) (Non-GAAP)	290	0.28	94	0.10
Preferred stock dividends	23	0.02	(30)	(0.03)
Earnings allocated to participating securities	1	—	—	—
Total adjusted net income attributable to Chesapeake^{(b)(c)} (Non-GAAP)	\$ 314	\$ 0.30	\$ 64	\$ 0.07

(a) Due to our valuation allowance position, no income tax effect from the adjustments has been included in determining adjusted net income for the three months ended December 31, 2017. Our effective tax rate in the three months ended December 31, 2016 was 35.7%.

(b) Adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake, both in the aggregate and per dilutive share, are not measures of financial performance under GAAP, and should not be considered as an alternative to, or more meaningful than, net income (loss) available to common stockholders or earnings (loss) per share. Adjusted net income (loss) available to common stockholders and adjusted earnings (loss) per share exclude certain items that management believes affect the comparability of operating results. The company believes these adjusted financial measures are a useful adjunct to earnings calculated in accordance with GAAP because:

- (i) Management uses adjusted net income (loss) available to common stockholders to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- (ii) Adjusted net income (loss) available to common stockholders is more comparable to earnings estimates provided by securities analysts.
- (iii) Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

Because adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake exclude some, but not all, items that affect net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake may vary among companies, our calculation of adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake may not be comparable to similarly titled financial measures of other companies.

(c) Our presentation of diluted net income (loss) available to common stockholders and diluted adjusted net income (loss) per share excludes 60 million and 211 million shares considered antidilutive for the three months ended December 31, 2017 and 2016, respectively and thus excluded from the calculation. The number of shares used for the non-GAAP calculation were determined in a manner consistent with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON STOCKHOLDERS
(\$ in millions except per share data)
(unaudited)

	Years Ended December 31,			
	2017		2016	
	\$	\$/Share ^{(b)(c)}	\$	\$/Share ^{(b)(c)}
Net income (loss) available to common stockholders (GAAP)	\$ 813	\$ 0.90	\$ (4,915)	(6.43)
Adjustments:				
Unrealized losses (gains) on oil, natural gas and NGL derivatives	(354)	(0.39)	818	1.07
Unrealized losses on supply contract derivative	—	—	297	0.39
Restructuring and other termination costs	—	—	6	0.01
Provision for legal contingencies, net	(38)	(0.04)	123	0.16
Impairment of oil, natural gas and NGL properties	—	—	2,564	3.36
Impairments of fixed assets and other	421	0.46	838	1.10
Net gains on sales of fixed assets	(3)	—	(12)	(0.02)
Impairments of investments	—	—	119	0.16
Loss on sale of investment	—	—	10	0.01
Gains on purchases or exchanges of debt	(233)	(0.26)	(236)	(0.31)
Loss on exchange of preferred stock	41	0.04	428	0.56
Income tax expense (benefit) ^(a)	—	—	(190)	(0.25)
Other	—	—	22	0.03
Adjusted net income (loss) available to common stockholders^(b) (Non-GAAP)	647	0.71	(128)	(0.16)
Preferred stock dividends	85	0.10	—	—
Earnings allocated to participating securities	10	0.01	97	0.13
Total adjusted net income (loss) attributable to Chesapeake^{(b)(c)} (Non-GAAP)	\$ 742	\$ 0.82	\$ (31)	\$ (0.03)

(a) Due to our valuation allowance position, no income tax effect from the adjustments has been included in determining adjusted net income for the year ended December 31, 2017. Our effective tax rate in the year ended December 31, 2016 was 4.1%.

(b) Adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake, both in the aggregate and per dilutive share, are not measures of financial performance under accounting principles generally accepted in the United States (GAAP), and should not be considered as an alternative to, or more meaningful than, net income (loss) available to common stockholders or earnings (loss) per share. Adjusted net income (loss) available to common stockholders and adjusted earnings (loss) per share exclude certain items that management believes affect the comparability of operating results. The company believes these adjusted financial measures are a useful adjunct to earnings calculated in accordance with GAAP because:

- (i) Management uses adjusted net income (loss) available to common stockholders to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- (ii) Adjusted net income (loss) available to common stockholders is more comparable to earnings estimates provided by securities analysts.
- (iii) Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

Because adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake exclude some, but not all, items that affect net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake may vary among companies, our calculation of adjusted net income (loss) available to common stockholders and total adjusted net income (loss) attributable to Chesapeake may not be comparable to similarly titled financial measures of other companies.

(c) Our presentation of diluted net income (loss) available to common stockholders and diluted adjusted net income (loss) attributable to Chesapeake per share excludes 207 million and 247 million shares considered antidilutive for the years ended December 31, 2017 and 2016, respectively and thus excluded from the calculation. The number of shares used for the non-GAAP calculation were determined in a manner consistent with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(\$ in millions)
(unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (GAAP)	\$ 472	\$ (254)	\$ 745	\$ (204)
Changes in components of working capital and other assets and liabilities	105	147	471	761
OPERATING CASH FLOW (Non-GAAP)^(a)	<u>\$ 577</u>	<u>\$ (107)</u>	<u>\$ 1,216</u>	<u>\$ 557</u>

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
NET INCOME (LOSS) (GAAP)	\$ 334	\$ (341)	\$ 953	\$ (4,399)
Interest expense	124	99	426	296
Income tax expense (benefit)	—	(190)	2	(190)
Depreciation and amortization of other assets	20	21	82	104
Oil, natural gas and NGL depreciation, depletion and amortization	286	212	913	1,003
EBITDA (Non-GAAP)^(b)	<u>\$ 764</u>	<u>\$ (199)</u>	<u>\$ 2,376</u>	<u>\$ (3,186)</u>

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (GAAP)	\$ 472	\$ (254)	\$ 745	\$ (204)
Changes in assets and liabilities	105	147	471	761
Interest expense, net of unrealized gains (losses) on derivatives	123	85	422	275
Gains (losses) on oil, natural gas and NGL derivatives, net	(41)	(444)	411	(578)
Losses on supply contract derivative, net	—	—	—	(151)
Cash (receipts) payments on derivative settlements, net	(28)	39	18	(448)
Renegotiation of natural gas gathering contract	—	49	—	115
Stock-based compensation	(11)	(12)	(49)	(52)
Restructuring and other termination costs	—	(2)	—	(3)
Provision for legal contingencies, net	77	(10)	42	(87)
Impairment of oil and natural gas properties	—	—	—	(2,564)
Impairments of fixed assets and other	5	318	(4)	(467)
Net gains on sales of fixed assets	3	7	3	12
Investment activity	—	(5)	—	(18)
Impairments of investments	—	(119)	—	(119)
Gains (losses) on purchases or exchanges of debt	50	(19)	235	236
Other items	9	21	82	106
EBITDA (Non-GAAP)^(b)	<u>\$ 764</u>	<u>\$ (199)</u>	<u>\$ 2,376</u>	<u>\$ (3,186)</u>

- (a) Operating cash flow represents net cash provided by operating activities before changes in components of working capital and other. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under GAAP and provides useful information to investors for analysis of the Company's ability to generate cash to fund exploration and development, and to service debt. Operating cash flow is widely accepted as a financial indicator of an oil and natural gas company's ability to generate cash that is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the oil and natural gas exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating activities as an indicator of cash flows, or as a measure of liquidity. Because operating cash flow excludes some, but not all, items that affect net cash provided by operating activities and may vary among companies, our calculation of operating cash flow may not be comparable to similarly titled measures of other companies. The increase in operating cash flow for the three months ended December 31, 2017 is mainly due to an increase in prices and volumes. Operating cash flow for the year ended December 31, 2017 includes \$290 million paid to assign an oil transportation agreement to a third party and \$126 million paid to terminate future natural gas transportation commitments.
- (b) EBITDA represents net income before interest expense, income taxes, and depreciation, depletion and amortization expense. EBITDA is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. EBITDA is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreements and is used in the financial covenants in our bank credit agreements. EBITDA is not a measure of financial performance (or liquidity) under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations or cash flows from operating activities prepared in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA

(\$ in millions)
(unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
EBITDA (Non-GAAP)	\$ 764	\$ (199)	\$ 2,376	\$ (3,186)
Adjustments:				
Unrealized losses (gains) on oil, natural gas and NGL derivatives	73	395	(354)	818
Unrealized losses on supply contract derivative	—	—	—	297
Restructuring and other termination costs	—	3	—	6
Provision for legal contingencies, net	(73)	11	(38)	123
Impairment of oil and natural gas properties	—	—	—	2,564
Impairments of fixed assets and other	(5)	43	421	838
Net gains on sales of fixed assets	(3)	(7)	(3)	(12)
Impairments of investments	—	119	—	119
Loss on sale of investment	—	—	—	10
(Gains) losses on purchases or exchanges of debt	(50)	19	(233)	(236)
Net loss (income) attributable to noncontrolling interests	(1)	(1)	(4)	9
Other	1	2	(5)	—
Adjusted EBITDA (Non-GAAP)^(a)	\$ 706	\$ 385	\$ 2,160	\$ 1,350

(a) Adjusted EBITDA excludes certain items that management believes affect the comparability of operating results. The company believes these non-GAAP financial measures are a useful adjunct to EBITDA because:

- (i) Management uses adjusted EBITDA to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- (ii) Adjusted EBITDA is more comparable to estimates provided by securities analysts.
- (iii) Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

Accordingly, adjusted EBITDA should not be considered as a substitute for net income, income from operations or cash flow provided by operating activities prepared in accordance with GAAP. Because adjusted EBITDA excludes some, but not all, items that affect net income (loss from continuing operations) attributable to common stockholders, our calculations of adjusted EBITDA may not be comparable to similarly titled measures of other companies.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF PV-9 AND PV-10 TO STANDARDIZED MEASURE

(\$ in millions)
(unaudited)

PV-9 – December 31, 2017 @ NYMEX Strip	\$	8,026
Less: Change in discount factor from 9 to 10		(386)
		7,640
PV-10 – December 31, 2017 @ NYMEX Strip		7,640
Less: Change in pricing assumption from NYMEX Strip to SEC		(150)
		7,490
PV-10 – December 31, 2017 @ SEC		7,490
Less: Present value of future income tax discounted at 10%		—
		—
Standardized measure of discounted future cash flows – December 31, 2017 ^(a)	\$	7,490

- (a) PV-9 is a non-GAAP metric used in the determination of the value of collateral under Chesapeake's credit facility. PV-10 is a non-GAAP metric used by the industry, investors and analysts to estimate the present value, discounted at 10% per annum, of estimated future cash flows of the company's estimated proved reserves before income tax. The table above shows the reconciliation of PV-9 and PV-10 to the company's standardized measure of discounted future net cash flows, the most directly comparable GAAP measure, for the year ended December 31, 2017. Management believes that PV-9 provides useful information to investors regarding the company's collateral position and that PV-10 provides useful information to investors because it is widely used by professional analysts and sophisticated investors in evaluating oil and natural gas companies. Because there are many unique factors that can impact an individual company when estimating the amount of future income taxes to be paid, management believes the use of a pre-tax measure is valuable for evaluating the company. Neither PV-9 nor PV-10 should be considered as an alternative to the standardized measure of discounted future net cash flows as computed under GAAP.