

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

THREE MONTHS ENDED:	June 30, 2016	June 30, 2015
Net loss available to common stockholders	\$ (1,792)	\$ (4,151)
Weighted average common and common equivalent shares outstanding ^(a)	724	662
Loss per common share (diluted)	\$ (2.48)	\$ (6.27)
Adjustments:		
Unrealized losses on commodity and interest rate derivatives	\$ 546	\$ 301
Unrealized (gains) losses on supply contract derivatives	37	(220)
Restructuring and other termination costs	3	(4)
Provision for legal contingencies	82	334
Impairment of oil and natural gas properties	1,045	5,015
Impairments of fixed assets and other	6	84
Net (gains) losses on sales of fixed assets	(1)	1
Gains on purchases or exchanges of debt	(68)	—
Other	(3)	(3)
Tax effect of above items ^(b)	—	(1,483)
Adjusted net loss available to common stockholders^(c)	<u>\$ (145)</u>	<u>\$ (126)</u>
Preferred stock dividends	42	43
Total adjusted net loss attributable to Chesapeake	<u>\$ (103)</u>	<u>\$ (83)</u>
Adjusted loss per share^{(c) (d)}	\$ (0.14)	\$ (0.13)

(a) Weighted average common and common equivalent shares outstanding do not include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

(b) Our effective tax rate in the three months ended June 30, 2016 was 0%; thus, there is no tax effect on the reconciling adjustments.

(c) Adjusted net income and adjusted earnings per common 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 net income available to common stockholders or earnings per share. Adjusted net income available to common stockholders and adjusted earnings 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 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 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.

(d) We have revised our presentation of adjusted loss per share to exclude shares considered antidilutive when calculating earnings per share in accordance with GAAP.

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

SIX MONTHS ENDED:	June 30, 2016	June 30, 2015
Net loss available to common stockholders	\$ (2,756)	\$ (7,933)
Weighted average common and common equivalent shares outstanding^(a)	695	662
Loss per common share (diluted)	\$ (3.97)	\$ (11.99)
Adjustments:		
Unrealized losses on commodity and interest rate derivatives	\$ 591	\$ 565
Unrealized (gains) losses on supply contract derivatives	17	(220)
Restructuring and other termination costs	3	(14)
Provision for legal contingencies	104	359
Impairment of oil and natural gas properties	1,898	9,991
Impairments of fixed assets and other	44	88
Net (gains) losses on sales of fixed assets	(5)	4
Loss on sale of investment	10	—
Gains on purchases or exchanges of debt	(168)	—
Tax rate adjustment	—	(17)
Other	(2)	(7)
Tax effect of above items ^(b)	—	(2,900)
Adjusted net loss available to common stockholders^(c)	<u>\$ (264)</u>	<u>\$ (84)</u>
Preferred stock dividends	85	86
Total adjusted net income (loss) attributable to Chesapeake	<u>\$ (179)</u>	<u>\$ 2</u>
Adjusted earnings (loss) per common share^{(c) (d)}	\$ (0.26)	\$ 0.00

(a) Weighted average common and common equivalent shares outstanding do not include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

(b) Our effective tax rate in the six months ended June 30, 2016 was 0%; thus, there is no tax effect on the reconciling adjustments.

(c) Adjusted net income and adjusted earnings per 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 net income available to common stockholders or earnings per share. Adjusted net income available to common stockholders and adjusted earnings 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 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 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.

(d) We have revised our presentation of adjusted loss per share to exclude shares considered antidilutive when calculating earnings per share in accordance with GAAP.

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

THREE MONTHS ENDED:	June 30, 2016	June 30, 2015
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 95	\$ 314
Changes in assets and liabilities	81	258
OPERATING CASH FLOW^(a)	<u>\$ 176</u>	<u>\$ 572</u>

THREE MONTHS ENDED:	June 30, 2016	June 30, 2015
NET LOSS	\$ (1,750)	\$ (4,090)
Interest expense	62	71
Income tax benefit	—	(1,506)
Depreciation and amortization of other assets	29	34
Oil, natural gas and NGL depreciation, depletion and amortization	265	601
EBITDA^(b)	<u>\$ (1,394)</u>	<u>\$ (4,890)</u>

THREE MONTHS ENDED:	June 30, 2016	June 30, 2015
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 95	\$ 314
Changes in assets and liabilities	81	258
Interest expense, net of unrealized gains (losses) on derivatives	59	71
Losses on commodity derivatives, net	(444)	(48)
Gains (losses) on supply contract derivatives, net	(37)	220
Cash receipts on commodity derivative settlements, net	(119)	(223)
Stock-based compensation	(13)	(20)
Restructuring and other termination costs	(3)	4
Provision for legal contingencies	(82)	(334)
Impairment of oil and natural gas properties	(1,045)	(5,015)
Impairments of fixed assets and other	(1)	(79)
Net gains (losses) on sales of fixed assets	1	(1)
Investment activity	(2)	(17)
Gains on purchases or exchanges of debt	68	—
Other items	48	(20)
EBITDA^(b)	<u>\$ (1,394)</u>	<u>\$ (4,890)</u>

- (a) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under GAAP. 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, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.
- (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 under GAAP. Accordingly, it 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.

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

SIX MONTHS ENDED:	June 30, 2016	June 30, 2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (326)	\$ 737
Changes in assets and liabilities	765	719
OPERATING CASH FLOW^(a)	<u>\$ 439</u>	<u>\$ 1,456</u>

SIX MONTHS ENDED:	June 30, 2016	June 30, 2015
NET LOSS	\$ (2,671)	\$ (7,810)
Interest expense	124	122
Income tax benefit	—	(2,878)
Depreciation and amortization of other assets	58	69
Oil, natural gas and NGL depreciation, depletion and amortization	536	1,285
EBITDA^(b)	<u>\$ (1,953)</u>	<u>\$ (9,212)</u>

SIX MONTHS ENDED:	June 30, 2016	June 30, 2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (326)	\$ 737
Changes in assets and liabilities	765	719
Interest expense, net of unrealized gains (losses) on derivatives	119	132
Gains (losses) on commodity derivatives, net	(263)	113
Gains (losses) on supply contract derivatives, net	(17)	220
Cash receipts on commodity derivative settlements, net	(386)	(636)
Stock-based compensation	(25)	(43)
Restructuring and other termination costs	(3)	14
Provision for legal contingencies	(104)	(359)
Impairment of oil and natural gas properties	(1,898)	(9,991)
Impairments of fixed assets and other	(34)	(81)
Net gains (losses) on sales of fixed assets	5	(4)
Investment activity	(12)	(24)
Gains on purchases or exchanges of debt	168	—
Other items	58	(9)
EBITDA^(b)	<u>\$ (1,953)</u>	<u>\$ (9,212)</u>

- (a) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under GAAP. 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, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.
- (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 under GAAP. Accordingly, it 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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

THREE MONTHS ENDED:	June 30, 2016	June 30, 2015
EBITDA	\$ (1,394)	\$ (4,890)
Adjustments:		
Unrealized losses on commodity derivatives	544	301
Unrealized (gains) losses on supply contract derivatives	37	(220)
Restructuring and other termination costs	3	(4)
Provision for legal contingencies	82	334
Impairment of oil and natural gas properties	1,045	5,015
Impairments of fixed assets and other	6	84
Net (gains) losses on sales of fixed assets	(1)	1
Gains on purchases or exchanges of debt	(68)	—
Net income attributable to noncontrolling interests	—	(18)
Other	(2)	(3)
Adjusted EBITDA^(a)	\$ 252	\$ 600

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

SIX MONTHS ENDED:	June 30, 2016	June 30, 2015
EBITDA	\$ (1,953)	\$ (9,212)
Adjustments:		
Unrealized losses on commodity derivatives	586	575
Unrealized (gains) losses on supply contract derivatives	17	(220)
Restructuring and other termination costs	3	(14)
Provision for legal contingencies	104	359
Impairment of oil and natural gas properties	1,898	9,991
Impairments of fixed assets and other	44	88
Net (gains) losses on sales of fixed assets	(5)	4
Loss on sale of investment	10	—
Gains on purchases or exchanges of debt	(168)	—
Net income attributable to noncontrolling interests	—	(37)
Other	(2)	(6)
Adjusted EBITDA^(a)	\$ 534	\$ 1,528

(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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF PV-9 AND PV-10 TO STANDARDIZED MEASURE
(\$ in millions)
(unaudited)

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 and asset retirement obligations. The following table 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, 2015 and for the interim period ended June 30, 2016. 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. With respect to PV-9 and PV-10 calculated as of an interim date, it is not practical to calculate taxes for the related interim period because GAAP does not provide for disclosure of standardized measure on an interim basis.

PV-9 – June 30, 2016 @ NYMEX Strip	\$ 11,857
Less: Change in discount factor from 9 to 10	<u>(807)</u>
PV-10 – June 30, 2016 @ NYMEX Strip	11,050
Less: Change in pricing assumption from NYMEX Strip to SEC	<u>(7,995)</u>
PV-10 – June 30, 2016 @ SEC	3,055
Change in PV-10 from 12/31/15 to 6/30/16	<u>1,672</u>
PV-10 – December 31, 2015 @ SEC	4,727
Less: Present value of future income tax discounted at 10%	<u>(34)</u>
Standardized measure of discounted future cash flows – December 31, 2015	<u>\$ 4,693</u>