

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

THREE MONTHS ENDED:	June 30, 2008	March 31, 2008	June 30, 2007
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,256	\$ 1,498	\$ 1,145
Adjustments:			
Changes in assets and liabilities	<u>187</u>	<u>14</u>	<u>(69)</u>
OPERATING CASH FLOW*	<u>\$ 1,443</u>	<u>\$ 1,512</u>	<u>\$ 1,076</u>

*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 accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of a natural gas and oil company's ability to generate cash which 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 natural gas and oil 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.

THREE MONTHS ENDED:	June 30, 2008	March 31, 2008	June 30, 2007
NET INCOME (LOSS)	\$ (1,597)	\$ (132)	\$ 518
Income tax expense (benefit)	(1,000)	(82)	318
Interest expense	63	101	84
Depreciation and amortization of other assets	40	36	40
Natural gas and oil depreciation, depletion and amortization	<u>523</u>	<u>515</u>	<u>442</u>
EBITDA**	<u>\$ (1,971)</u>	<u>\$ 438</u>	<u>\$ 1,402</u>

**Ebitda represents net income (loss) before income tax expense, interest expense 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 agreement and is used in the financial covenants in our bank credit agreement and our senior note indentures. 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. Ebitda is reconciled to cash provided by operating activities as follows:

THREE MONTHS ENDED:	June 30, 2008	March 31, 2008	June 30, 2007
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,256	\$ 1,498	\$ 1,145
Changes in assets and liabilities	187	14	(69)
Interest expense	63	101	84
Unrealized gains (losses) on natural gas and oil derivatives	(3,404)	(1,132)	152
Other non-cash items	<u>(73)</u>	<u>(43)</u>	<u>90</u>
EBITDA	<u>\$ (1,971)</u>	<u>\$ 438</u>	<u>\$ 1,402</u>

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

SIX MONTHS ENDED:	June 30, 2008	June 30, 2007
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,754	\$ 2,122
Adjustments:		
Changes in assets and liabilities	<u>200</u>	<u>78</u>
OPERATING CASH FLOW*	<u>\$ 2,954</u>	<u>\$ 2,200</u>

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SIX MONTHS ENDED:	June 30, 2008	June 30, 2007
NET INCOME (LOSS)	\$ (1,729)	\$ 776
Income tax expense (benefit)	(1,082)	476
Interest expense	163	162
Depreciation and amortization of other assets	77	76
Natural gas and oil depreciation, depletion and amortization	<u>1,038</u>	<u>835</u>
EBITDA**	<u>\$ (1,533)</u>	<u>\$ 2,325</u>

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SIX MONTHS ENDED:	June 30, 2008	June 30, 2007
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,754	\$ 2,122
Changes in assets and liabilities	200	78
Interest expense	163	162
Unrealized gains (losses) on natural gas and oil derivatives	(4,538)	(158)
Other noncash items	<u>(112)</u>	<u>121</u>
EBITDA	<u>\$ (1,533)</u>	<u>\$ 2,325</u>

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

THREE MONTHS ENDED:	June 30, 2008	March 31, 2008	June 30, 2007
Net income (loss) available to common shareholders	\$ (1,649)	\$ (143)	\$ 492
Adjustments:			
Unrealized (gains) losses on derivatives, net of tax	2,085	704	(99)
Gain on sale of investment, net of cash	—	—	(51)
Loss on conversion/exchange of preferred stock	<u>43</u>	<u>—</u>	<u>—</u>
Adjusted net income available to common shareholders*	479	561	342
Preferred stock dividends	9	11	26
Interest on 2.75% contingent convertible notes, net of tax	<u>3</u>	<u>—</u>	<u>—</u>
Total adjusted net income	<u>\$ 491</u>	<u>\$ 572</u>	<u>\$ 368</u>
Weighted average fully diluted shares outstanding**	553	524	515
Adjusted earnings per share assuming dilution*	<u>\$ 0.89</u>	<u>\$ 1.09</u>	<u>\$ 0.71</u>

*Adjusted net income available to common and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- (a) Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- (b) Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- (c) 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.

**Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

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

THREE MONTHS ENDED:	June 30, 2008	March 31, 2008	June 30, 2007
EBITDA	\$ (1,971)	\$ 438	\$ 1,401
Adjustments, before tax:			
Unrealized (gains) losses on natural gas and oil derivatives	3,406	1,132	(151)
Gain on sale of investment	<u>—</u>	<u>—</u>	<u>(83)</u>
Adjusted ebitda*	<u>\$ 1,435</u>	<u>\$ 1,570</u>	<u>\$ 1,167</u>

*Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:

- (a) Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- (b) Adjusted ebitda is more comparable to estimates provided by securities analysts.
- (c) 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.

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

SIX MONTHS ENDED:	June 30, 2008	June 30, 2007
Net income (loss) available to common shareholders	\$ (1,792)	\$ 724
Adjustments:		
Unrealized (gains) losses on derivatives, net of tax	2,790	94
Gain on sale of investment, net of cash	—	(51)
Loss on conversion/exchange of preferred stock	<u>43</u>	<u>—</u>
Adjusted net income available to common shareholders*	1,041	767
Preferred stock dividends	20	52
Interest on 2.75% contingent convertible notes, net of tax	<u>3</u>	<u>—</u>
Total adjusted net income	<u>\$ 1,064</u>	<u>\$ 819</u>
Weighted average fully diluted shares outstanding**	541	515
Adjusted earnings per share assuming dilution*	<u>\$ 1.97</u>	<u>\$ 1.59</u>

*Adjusted net income available to common and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- (a) Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- (b) Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- (c) 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.

**Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

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

SIX MONTHS ENDED:	June 30, 2008	June 30, 2007
EBITDA	\$ (1,533)	\$ 2,325
Adjustments, before tax:		
Unrealized (gains) losses on natural gas and oil derivatives	4,538	158
Gain on sale of investment	<u>—</u>	<u>(83)</u>
Adjusted ebitda*	<u>\$ 3,005</u>	<u>\$ 2,400</u>

*Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:

- (a) Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- (b) Adjusted ebitda is more comparable to estimates provided by securities analysts.
- (c) 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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2008 ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
(\$ in millions, except per-unit data)
(unaudited)

	Cost	Reserves (in bcfe)	\$/mcf
Exploration and development costs	\$ 2,857	1,569 ^(a)	1.82
Acquisition of proved properties	122	85	1.44
Sale of proved properties	<u>(712)</u>	<u>(129)</u>	<u>5.53</u>
Drilling and net acquisition cost	<u>2,267</u>	<u>1,525</u>	<u>1.49</u>
Revisions – price	—	182	—
Acquisition of unproved properties and leasehold	2,638	—	—
Sale of unproved properties and leasehold	<u>(158)</u>	<u>—</u>	<u>—</u>
Net leasehold and unproved property acquisition	<u>2,480</u>	<u>—</u>	<u>—</u>
Capitalized interest on leasehold and unproved property	168	—	—
Geological and geophysical costs	<u>150</u>	<u>—</u>	<u>—</u>
Geological, geophysical and capitalized interest	<u>318</u>	<u>—</u>	<u>—</u>
Subtotal	<u>5,065</u>	<u>1,707</u>	<u>2.97</u>
Tax basis step-up	12	—	—
Asset retirement obligation and other	<u>6</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 5,083</u>	<u>1,707</u>	<u>2.98</u>

- (a) Includes 779 bcfe of positive performance revisions (703 bcfe relating to infill drilling and increased density locations and 76 bcfe of other performance related revisions) and excludes positive revisions of 182 bcfe resulting from natural gas and oil price increases between December 31, 2007, and June 30, 2008.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
SIX MONTHS ENDED JUNE 30, 2008
(unaudited)

	Bcfe
Beginning balance, 01/01/08	10,879
Production	(416)
Acquisitions	85
Divestitures	(129)
Revisions – performance	779
Revisions – price	182
Extensions and discoveries	<u>790</u>
Ending balance, 06/30/08	<u>12,170</u>
Reserve replacement	1,707
Reserve replacement ratio ^(a)	410%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.