

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,045,144	\$ 1,019,917
Adjustments:		
Changes in assets and liabilities	<u>(84,115)</u>	<u>(61,561)</u>
OPERATING CASH FLOW*	<u>\$ 1,961,029</u>	<u>\$ 958,356</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 an oil and natural gas 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 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.

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
NET INCOME	\$ 983,626	\$ 318,789
Income tax expense	627,062	183,243
Interest expense	146,114	97,030
Depreciation and amortization of other assets	47,035	21,889
Oil and natural gas depreciation, depletion and amortization	<u>633,116</u>	<u>390,339</u>
EBITDA**	<u>\$ 2,436,953</u>	<u>\$ 1,011,290</u>

**Ebitda represents net income 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:

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,045,144	\$ 1,019,917
Changes in assets and liabilities	(84,115)	(61,561)
Interest expense	146,114	97,030
Unrealized gains (losses) on oil and natural gas derivatives	214,075	(33,073)
Other non-cash items	<u>115,735</u>	<u>(11,023)</u>
EBITDA	<u>\$ 2,436,953</u>	<u>\$ 1,011,290</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON
(\$ in 000's, except per share amounts)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
Net income available to common shareholders	\$ 332,128	\$ 603,902	\$ 179,177
Adjustments:			
Loss on conversion/exchange of preferred stock	9,547	1,009	4,743
Unrealized (gains) losses on derivatives, net of tax	(9,720)	(121,899)	(53,458)
Cumulative impact of new Texas margin tax	15,000	—	—
Reversal of severance tax accrual, net of tax	(7,192)	—	—
Gain on sale of investment, net of tax	—	(72,786)	—
Employee retirement expense, net of tax	—	33,947	—
Loss on repurchases or exchanges of debt, net of tax	—	—	43,434
Adjusted net income available to common shareholders*	339,763	444,173	173,896
Preferred dividends	<u>18,228</u>	<u>18,812</u>	<u>9,859</u>
Total adjusted net income	\$ 357,991	\$ 462,985	\$ 183,755
Weighted average fully diluted shares outstanding**	434,915	431,723	366,677
Adjusted earnings per share assuming dilution	\$ 0.82	\$ 1.07	\$ 0.50

*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 oil and natural gas 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 includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in 000's)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
EBITDA	\$ 1,029,460	\$ 1,407,493	\$ 580,246
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(16,460)	(197,615)	(84,054)
Reversal of severance tax accrual	(11,600)	—	—
Gain on sale of investment	—	(117,396)	—
Employee retirement expense	—	54,753	—
Loss on repurchases or exchanges of debt	—	—	68,400
Adjusted EBITDA*	\$ 1,001,400	\$ 1,147,235	\$ 564,592

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- b. Adjusted EBITDA is more comparable to earnings estimates provided by securities analysts.
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RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON
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(unaudited)

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
Net income available to common shareholders	\$ 936,030	\$ 298,724
Adjustments:		
Loss on conversion/exchange of preferred stock	10,556	4,743
Unrealized (gains) losses on derivatives, net of tax	(131,619)	18,985
Cumulative impact of new Texas margin tax	15,000	—
Reversal of severance tax accrual, net of tax	(7,192)	—
Gain on sale of investment, net of tax	(72,786)	—
Employee retirement expense, net of tax	33,947	—
Loss on repurchases or exchanges of debt, net of tax	<u>—</u>	<u>44,006</u>
Adjusted net income available to common shareholders*	783,936	366,458
Preferred dividends	<u>37,040</u>	<u>15,322</u>
Total adjusted net income	\$ <u>820,976</u>	\$ <u>381,780</u>
Weighted average fully diluted shares outstanding**	433,414	359,136
Adjusted earnings per share assuming dilution	\$ <u>1.89</u>	\$ <u>1.06</u>

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- a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
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**Weighted average fully diluted shares outstanding includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

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SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
EBITDA	\$ 2,436,953	\$ 1,011,290
Adjustments, before tax:		
Unrealized (gains) losses on oil and natural gas derivatives	(214,075)	33,073
Reversal of severance tax accrual	(11,600)	—
Gain on sale of investment	(117,396)	—
Employee retirement expense	54,753	—
Loss on repurchases or exchanges of debt	<u>—</u>	<u>69,300</u>
Adjusted EBITDA*	\$ <u>2,148,635</u>	\$ <u>1,113,663</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:

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- b. Adjusted EBITDA 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.