

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF CERTAIN FINANCIAL MEASURES
(in 000's)
(unaudited)

THREE MONTHS ENDED:	December 31, 2004	December 31, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 410,349	\$ 292,085
Adjustments:		
Changes in assets and liabilities	<u>13,330</u>	<u>(29,647)</u>
OPERATING CASH FLOW*	<u>\$ 423,679</u>	<u>\$ 262,438</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 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 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.

THREE MONTHS ENDED:	December 31, 2004	December 31, 2003
Net income	\$ 208,538	\$ 69,373
Income tax expense	117,301	42,519
Interest expense	43,288	38,465
Depreciation and amortization of other assets	9,030	4,146
Oil and gas depreciation, depletion and amortization	<u>171,900</u>	<u>103,334</u>
EBITDA**	<u>\$ 550,057</u>	<u>\$ 257,837</u>

**Ebitda represents net income (loss) before cumulative effect of accounting change, income tax expense (benefit), 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:	December 31, 2004	December 31, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 410,349	\$ 292,085
Changes in assets and liabilities	13,330	(29,647)
Interest expense	43,288	38,465
Unrealized gains (losses) on oil and gas derivatives	107,510	(23,137)
Other non-cash items	<u>(24,420)</u>	<u>(19,929)</u>
EBITDA	<u>\$ 550,057</u>	<u>\$ 257,837</u>

TWELVE MONTHS ENDED:	December 31, 2004	December 31, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,448,555	\$ 945,602
Adjustments:		
Changes in assets and liabilities	<u>(29,752)</u>	<u>(41,673)</u>
OPERATING CASH FLOW*	<u>\$ 1,418,803</u>	<u>\$ 903,929</u>

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TWELVE MONTHS ENDED:	December 31, 2004	December 31, 2003
Net income before cumulative effect of accounting change	\$ 515,155	\$ 310,592
Income tax expense	289,771	190,360
Interest expense	167,328	154,356
Depreciation and amortization of other assets	29,185	16,793
Oil and gas depreciation, depletion and amortization	<u>582,137</u>	<u>369,465</u>
EBITDA**	<u>\$ 1,583,576</u>	<u>\$ 1,041,566</u>

**Ebitda represents net income (loss) before cumulative effect of accounting change, income tax expense (benefit), 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:

TWELVE MONTHS ENDED:	December 31, 2004	December 31, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,448,555	\$ 945,602
Changes in assets and liabilities	(29,752)	(41,673)
Interest expense	167,328	154,356
Unrealized gains (losses) on oil and gas derivatives	40,887	10,531
Other non-cash items	<u>(43,442)</u>	<u>(27,250)</u>
EBITDA**	<u>\$ 1,583,576</u>	<u>\$ 1,041,566</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EARNINGS & ADJUSTED EBITDA
(\$ In 000's, except per share amounts)

	Three Months Ended December 31, 2004	Twelve Months Ended December 31, 2004
Net income available to common shareholders	\$ 163,153	\$ 438,971
Adjustments:		
Preferred stock dividends	8,707	39,506
Loss on conversion/exchange of preferred stock**	<u>36,678</u>	<u>36,678</u>
Net income	\$ 208,538	\$ 515,155
Adjustments, net of tax:		
Unrealized (gains) losses on derivatives	(69,159)	(22,751)
Loss on repurchases or exchanges of debt	11,284	15,716
Provision for legal settlements	<u>2,880</u>	<u>2,880</u>
Adjusted earnings*	<u>\$ 153,543</u>	<u>\$ 511,000</u>
Adjusted earnings per share assuming dilution**	<u>\$ 0.44</u>	<u>\$ 1.56</u>
EBITDA	\$ 550,057	\$ 1,583,576
Adjustments, before tax:		
Unrealized (gains) losses on oil and gas derivatives	(107,510)	(40,887)
Loss on repurchases or exchanges of debt	17,632	24,557
Provision for legal settlements	<u>4,500</u>	<u>4,500</u>
Adjusted EBITDA*	<u>\$ 464,679</u>	<u>\$ 1,571,746</u>

*Adjusted earnings and adjusted earnings per share assuming dilution and adjusted EBITDA, non-GAAP financial measures, 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 and EBITDA because:

- a. Management uses adjusted earnings and adjusted EBITDA to evaluate the Company's operational trends and performance relative to other oil and gas producing companies.
- b. Adjusted earnings and adjusted EBITDA are more comparable to earnings and EBITDA 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.

**For purposes of calculating fully diluted shares and earnings per share assuming dilution for the fourth quarter and full-year 2004, accounting rules prohibit the company from assuming the conversion of the 6.0% preferred stock for common shares prior to conversion or exchange for either period since the effect would have been anti-dilutive. In determining adjusted earnings per share, we have reflected the converted shares as though they were converted at the beginning of the period (fully diluted share count of 347.8 million for the fourth quarter and 327.1 million for the full-year).