

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE
(\$ in millions)
(unaudited)

	Three Months Ended September 30,			
	2019		2018	
	\$	\$/Share	\$	\$/Share
Net loss available to common stockholders (GAAP)	\$ (101)	\$ (0.06)	\$ (169)	\$ (0.19)
Effect of dilutive securities	—	—	—	—
Diluted loss available to common stockholders (GAAP) ^(a)	\$ (101)	\$ (0.06)	\$ (169)	\$ (0.19)
Adjustments:				
Unrealized (gains) losses on oil, natural gas and NGL derivatives	(58)	(0.03)	9	0.01
Provision for legal contingencies, net	—	—	8	0.01
(Gains) losses on sales of assets	(13)	(0.01)	10	0.01
Other operating expense	15	0.01	—	—
Impairments	9	0.01	58	0.06
Losses on investments	4	—	—	—
(Gains) losses on purchases or exchanges of debt	(70)	(0.04)	68	0.08
Loss on exchange of preferred stock	17	0.01	—	—
Other revenue	(15)	(0.01)	(16)	(0.02)
Other	1	—	1	—
Income tax benefit ^(b)	—	—	—	—
Adjusted net loss available to common stockholders^(c) (Non-GAAP)	(211)	(0.12)	(31)	(0.04)
Preferred stock dividends	23	0.01	23	0.03
Total adjusted net loss attributable to Chesapeake^{(a)(c)} (Non-GAAP)	\$ (188)	\$ (0.11)	\$ (8)	\$ (0.01)

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE
(\$ in millions)
(unaudited)

	Nine Months Ended September 30,			
	2019		2018	
	\$	\$/Share	\$	\$/Share
Net loss available to common stockholders (GAAP)	\$ (70)	\$ (0.04)	\$ (447)	\$ (0.49)
Effect of dilutive securities	—	—	—	—
Diluted loss available to common stockholders (GAAP) ^(d)	\$ (70)	\$ (0.04)	\$ (447)	\$ (0.49)
Adjustments:				
Unrealized (gains) losses on oil, natural gas and NGL derivatives	(45)	(0.03)	296	0.33
Restructuring and other termination costs	—	—	38	0.04
Provision for legal contingencies, net	3	—	17	0.02
Gains on sales of assets	(33)	(0.02)	(27)	(0.03)
Other operating (income) expense ^(e)	79	0.05	(1)	—
Impairments	11	0.01	122	0.13
(Gains) losses on investments	28	0.02	(139)	(0.15)
(Gains) losses on purchases or exchanges of debt	(70)	(0.04)	68	0.07
Loss on exchange of preferred stock	17	0.01	—	—
Other revenue	(45)	(0.03)	(48)	(0.05)
Other	(3)	—	(60)	(0.07)
Income tax benefit ^(f)	(314)	(0.20)	—	—
Adjusted net loss available to common stockholders^(c) (Non-GAAP)	(442)	(0.27)	(181)	(0.20)
Preferred stock dividends	69	0.04	69	0.08
Total adjusted net loss attributable to Chesapeake^{(d)(c)} (Non-GAAP)	\$ (373)	\$ (0.23)	\$ (112)	\$ (0.12)

- (a) Our presentation of diluted net losses available to common stockholders per share and diluted adjusted net loss per share excludes 183 million and 208 million shares considered antidilutive for the three months ended September 30, 2019 and 2018. The number of shares used for the non-GAAP calculation was determined in a manner consistent with GAAP.
- (b) No income tax effect from the adjustments has been included in determining adjusted net income for the three months ended September 30, 2019 and 2018. Our effective tax rate was 0% due to our valuation allowance position.
- (c) 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 our calculations 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 measures of other companies.

- (d) Our presentation of diluted net losses available to common stockholders per share and diluted adjusted net loss per share excludes 184 million and 207 million shares considered antidilutive for the nine months ended September 30, 2019 and 2018. The number of shares used for the non-GAAP calculation was determined in a manner consistent with GAAP.
- (e) The nine months ended September 30, 2019 includes \$34 million in integration and acquisition costs as a result of Chesapeake's merger with WildHorse Resource Development Corporation (WRD). Additionally, most WRD executives and employees were terminated and entitled to severance benefits of approximately \$38 million in accordance with certain provisions of existing employment agreements that were triggered by the change in control.
- (f) For the nine months ended September 30, 2019, we recorded a net deferred tax liability of \$314 million associated with the acquisition of WildHorse Resource Development Corporation. As a result of recording this net deferred tax liability through business combination accounting, we released a corresponding amount of the valuation allowance that we maintain against our net deferred tax asset position. This release resulted in an income tax benefit of \$314 million. Further, no income tax expense or benefit is shown for the adjustments being made to arrive at adjusted net loss available to common stockholders as a result of not recording an income tax expense or benefit on current period results due to maintaining a full valuation allowance against our net deferred tax asset position.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED EBITDAX
(\$ in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
CASH PROVIDED BY OPERATING ACTIVITIES (GAAP)	\$ 329	\$ 444	\$ 1,182	\$ 1,395
Adjustments:				
Changes in assets and liabilities	77	(7)	214	(69)
Other revenue	(15)	(16)	(45)	(48)
Interest expense	177	165	513	482
Exploration	7	14	21	42
Income tax expense	(1)	2	(1)	2
Stock-based compensation	(7)	(7)	(24)	(25)
Restructuring and other termination costs	—	—	—	38
Losses on investments	—	—	6	—
Net income attributable to noncontrolling interests	—	—	—	(1)
Other items	10	(11)	(1)	3
Adjusted EBITDAX (Non-GAAP)^(a)	\$ 577	\$ 584	\$ 1,865	\$ 1,819

(a) Adjusted EBITDAX is not a measure of financial performance under GAAP, and should not be considered as an alternative to, or more meaningful than, cash flow provided by operating activities prepared in accordance with GAAP. Adjusted EBITDAX excludes certain items that management believes affect the comparability of operating results. The company believes this non-GAAP financial measure is a useful adjunct to cash flow provided by operating activities because:

- (i) Management uses adjusted EBITDAX to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- (ii) Adjusted EBITDAX 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.

Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss), our calculations of adjusted EBITDAX may not be comparable to similarly titled measures of other companies.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDAX
(\$ in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NET INCOME (LOSS) (GAAP)	\$ (61)	\$ (146)	\$ 16	\$ (377)
Adjustments:				
Interest expense	177	165	513	482
Income tax expense (benefit)	(1)	1	(315)	(8)
Depreciation, depletion and amortization	573	405	1,672	1,335
Exploration	17	22	56	123
Unrealized (gains) losses on oil, natural gas and NGL derivatives	(58)	9	(45)	296
Restructuring and other termination costs	—	—	—	38
Provision for legal contingencies, net	—	8	3	17
(Gains) losses on sales of assets	(13)	10	(33)	(27)
Other operating (income) expense	15	—	79	(1)
Impairments	9	58	11	122
(Gains) losses on investments	4	—	28	(139)
(Gains) losses on purchases or exchanges of debt	(70)	68	(70)	68
Net (income) loss attributable to noncontrolling interests	—	—	—	(1)
Other revenue	(15)	(16)	(45)	(48)
Other	—	—	(5)	(61)
Adjusted EBITDAX (Non-GAAP)^(a)	<u>\$ 577</u>	<u>\$ 584</u>	<u>\$ 1,865</u>	<u>\$ 1,819</u>

(a) Adjusted EBITDAX is not a measure of financial performance under GAAP, and should not be considered as an alternative to, or more meaningful than, net income (loss) prepared in accordance with GAAP. Adjusted EBITDAX excludes certain items that management believes affect the comparability of operating results. The company believes this non-GAAP financial measure is a useful adjunct to net income (loss) because:

- (i) Management uses adjusted EBITDAX to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- (ii) Adjusted EBITDAX 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.

Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss), our calculations of adjusted EBITDAX may not be comparable to similarly titled measures of other companies.