

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

THREE MONTHS ENDED:	March 31, 2017		
	\$	Shares^(a)	\$/Share^{(c) (d)}
Net income available to common stockholders	\$ 75	907	\$ 0.08
Adjustments:			
Unrealized gains on commodity derivatives	(326)		(0.36)
Provision for legal contingencies	(2)		—
Impairments of fixed assets and other	391		0.43
Losses on purchases or exchanges of debt	7		0.01
Loss on exchange of preferred stock	41		0.05
Income tax expense (benefit) ^(b)	—		—
Other	2		—
Adjusted net income available to common stockholders^(c) (Non-GAAP)	<u>188</u>	<u>907</u>	<u>0.21</u>
Preferred stock dividends	23		0.02
Earnings allocated to participating securities	1		—
Total adjusted net income attributable to Chesapeake^{(c) (d)} (Non-GAAP)	<u>\$ 212</u>	<u>907</u>	<u>\$ 0.23</u>

- (a) Weighted average common and common equivalent shares outstanding for GAAP and non-GAAP purposes do not include 208 million shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.
- (b) Due to our valuation allowance position, no income tax effect from the adjustments has been included in determining adjusted net income.
- (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) Our presentation of diluted adjusted net income (loss) per share excludes shares considered antidilutive when calculating diluted earnings per share in accordance with GAAP.

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

THREE MONTHS ENDED:	March 31, 2016		
	\$	Shares^(a)	\$/Share^{(b) (c)}
Net loss available to common stockholders	\$ (1,111)	668	\$ (1.66)
Adjustments:			
Unrealized losses on commodity derivatives	42		0.06
Unrealized gains on supply contract derivatives	(20)		(0.03)
Provision for legal contingencies	33		0.05
Impairment of oil and natural gas properties	997		1.49
Impairments of fixed assets and other	38		0.06
Net gains on sales of fixed assets	(4)		(0.01)
Loss on sale of investment	10		0.01
Gains on purchases or exchanges of debt	(100)		(0.14)
Income tax expense (benefit) ^(b)	—		—
Other	3		—
Adjusted net loss available to common stockholders^(c) (Non-GAAP)	<u>(112)</u>	<u>668</u>	<u>(0.17)</u>
Preferred stock dividends	43		0.06
Total adjusted net loss attributable to Chesapeake^{(c) (d)} (Non-GAAP)	<u>\$ (69)</u>	<u>668</u>	<u>\$ (0.11)</u>

- (a) Weighted average common and common equivalent shares outstanding for GAAP and non-GAAP purposes do not include 113 million shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.
- (b) Due to our valuation allowance position, no income tax effect from the adjustments has been included in determining adjusted net income.
- (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) Our presentation of diluted adjusted net income (loss) per share excludes shares considered antidilutive when calculating diluted earnings per share in accordance with GAAP.

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

THREE MONTHS ENDED:	March 31, 2017	March 31, 2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 99	\$ (421)
Changes in assets and liabilities	(113)	684
OPERATING CASH FLOW^(a)	<u>\$ (14)</u>	<u>\$ 263</u>

THREE MONTHS ENDED:	March 31, 2017	March 31, 2016
NET INCOME (LOSS)	\$ 141	\$ (1,068)
Interest expense	95	62
Income tax expense	1	—
Depreciation and amortization of other assets	21	29
Oil, natural gas and NGL depreciation, depletion and amortization	197	263
EBITDA^(b)	<u>\$ 455</u>	<u>\$ (714)</u>

THREE MONTHS ENDED:	March 31, 2017	March 31, 2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 99	\$ (421)
Changes in assets and liabilities	(113)	684
Interest expense, net of unrealized gains (losses) on derivatives	93	59
Gains (losses) on commodity derivatives, net	322	181
Gains on supply contract derivatives, net	—	20
Cash (receipts) payments on commodity and supply contract derivative settlements, net	34	(267)
Stock-based compensation	(11)	(12)
Provision for legal contingencies	2	(33)
Impairment of oil and natural gas properties	—	(997)
Impairments of fixed assets and other	3	(33)
Net gains on sales of fixed assets	—	4
Investment activity	—	(10)
Gains (losses) on purchases or exchanges of debt	(6)	100
Other items	32	11
EBITDA^(b)	<u>\$ 455</u>	<u>\$ (714)</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 activities as an indicator of cash flows, or as a measure of liquidity. Operating cash flow for the three months ended March 31, 2017 includes \$290 million paid to assign an oil transportation agreement to a third party and \$103 million paid to terminate future natural gas transportation commitments.

(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:	March 31, 2017	March 31, 2016
EBITDA	\$ 455	\$ (714)
Adjustments:		
Unrealized gains on commodity derivatives	(326)	42
Unrealized gains on supply contract derivatives	—	(20)
Provision for legal contingencies	(2)	33
Impairment of oil and natural gas properties	—	997
Impairments of fixed assets and other	391	38
Net (gains) losses on sales of fixed assets	—	(4)
Loss on sale of investment	—	10
(Gains) losses on purchases or exchanges of debt	7	(100)
Net income attributable to noncontrolling interests	(1)	—
Other	1	—
Adjusted EBITDA^(a)	\$ 525	\$ 282

(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. 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, 2016 and for the interim period ended March 31, 2017. 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 – March 31, 2017 @ NYMEX Strip	\$	9,237
Less: Change in discount factor from 9 to 10		<u>(503)</u>
PV-10 – March 31, 2017 @ NYMEX Strip		8,734
Less: Change in pricing assumption from NYMEX Strip to SEC		<u>(2,281)</u>
PV-10 – March 31, 2017 @ SEC		6,453
Less: Change in PV-10 from 12/31/16 to 3/31/2017		<u>(2,048)</u>
PV-10 – December 31, 2016 @ SEC		4,405
Less: Present value of future income tax discounted at 10%		<u>(26)</u>
Standardized measure of discounted future cash flows – December 31, 2016	<u>\$</u>	<u>4,379</u>