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

	Three Months Ended December 31,			
	2019		2018*	
	$	$/Share	$	$/Share
Net income (loss) available to common stockholders (GAAP)	$ (346)	$ (0.18)	$ 576	$ 0.63
Effect of dilutive securities	—		59	
Diluted net income (loss) available to common stockholders[(a)] (GAAP)	$ (346)	$ (0.18)	$ 635	$ 0.57
Adjustments:				
Unrealized (gains) losses on oil, natural gas and NGL derivatives	197	0.10	(596)	(0.54)
Restructuring and other termination costs	12	0.01	—	—
Provision for legal contingencies, net	16	0.01	9	0.01
(Gains) losses on sales of assets	(10)	(0.01)	291	0.26
Other operating expense	11	0.01	1	—
Impairments	—	—	9	0.01
Losses on investments	43	0.02	—	—
Gains on purchases or exchanges of debt	(5)	—	(331)	(0.30)
Other revenue	(14)	(0.01)	(15)	(0.01)
Other	(1)	—	1	—
Tax effect of adjustments[(b)]	(5)	—	—	—
Adjusted net income (loss) available to common stockholders[(c)] (Non-GAAP)	(102)	(0.05)	4	—
Preferred stock dividends	22	0.01	23	0.02
Earnings allocated to participating securities	—	—	5	0.01
Total adjusted net income (loss) attributable to Chesapeake[(a)(c)] (Non-GAAP)	$ (80)	$ (0.04)	$ 32	$ 0.03

* Financial information for 2018 has been recast to reflect the retrospective application of the successful efforts method of accounting.

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

	Years Ended December 31,			
	2019		2018*	
	$	$/Share	$	$/Share
Net income (loss) available to common stockholders (GAAP)	$ (416)	$ (0.25)	$ 133	$ 0.15
Effect of dilutive securities	—	—	—	—
Diluted net income (loss) available to common stockholders[(a)] (GAAP)	$ (416)	$ (0.25)	$ 133	$ 0.15
Adjustments:				
Unrealized (gains) losses on oil, natural gas and NGL derivatives	152	0.09	(300)	(0.33)
Restructuring and other termination costs	12	0.01	38	0.04
Provision for legal contingencies, net	19	0.01	26	0.03
(Gains) losses on sales of assets	(43)	(0.03)	264	0.29
Other operating expense[(d)]	90	0.05	—	—
Impairments	11	0.01	131	0.14
(Gains) losses on investments	71	0.04	(139)	(0.15)
Gains on purchases or exchanges of debt	(75)	(0.04)	(263)	(0.29)
Loss on exchange of preferred stock	17	0.01	—	—
Other revenue	(59)	(0.04)	(63)	(0.07)
Other	(5)	—	(60)	(0.06)
Income tax benefit[(e)]	(314)	(0.19)	—	—
Tax effect of adjustments[(b)]	(5)	—	—	—
Adjusted net loss available to common stockholders[(c)] (Non-GAAP)	(545)	(0.33)	(233)	(0.25)
Preferred stock dividends	91	0.06	92	0.10
Earnings allocated to participating securities	—	—	1	—
Total adjusted net loss attributable to Chesapeake[(a)(c)] (Non-GAAP)	$ (454)	$ (0.27)	$ (140)	$ (0.15)

* Financial information for 2018 has been recast to reflect the retrospective application of the successful efforts method of accounting.

(a) Our presentation of diluted net income (loss) available to common stockholders per share and total adjusted net income (loss) attributable to Chesapeake per share excludes 183 million and 1 million shares considered antidilutive for the three months ended December 31, 2019 and 2018, respectively. Our presentation of diluted net income (loss) available to common stockholders per share and total adjusted net loss attributable to Chesapeake per share excludes 183 million and 207 million shares, respectively, considered antidilutive for the years ended December 31, 2019 and 2018. The number of shares used for the non-GAAP calculation was determined in a manner consistent with GAAP.

(b) Tax effect is computed by applying an effective tax rate of 2.5% for the year ended December 31, 2019 to the pre-tax amount of adjustments. This effective tax rate is computed without regard to the separately itemized discrete tax benefit of $314 million associated with the Wildhorse acquisition. No income tax effect from adjustments is included in determining adjusted net income for the year ended December 31, 2018 as 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) The year ended December 31, 2019 includes $37 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.

(e) For the year ended December 31, 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.

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

	Three Months Ended December 31,		Years Ended December 31,	
	2019	**2018***	**2019**	**2018***
CASH PROVIDED BY OPERATING ACTIVITIES (GAAP)	$ 441	$ 335	$ 1,623	$ 1,730
Adjustments:				
Changes in assets and liabilities	40	(22)	254	(91)
Other revenue	(14)	(15)	(59)	(63)
Interest expense	138	151	651	633
Exploration	14	24	35	66
Income tax benefit	(25)	(2)	(26)	—
Stock-based compensation	(6)	(7)	(30)	(32)
Restructuring and other termination costs	12	—	12	38
Losses on investments	—	—	7	—
Losses on purchases or exchanges of debt	5	—	5	—
Net income attributable to noncontrolling interests	—	(1)	—	(2)
Other items	60	98	58	101
Adjusted EBITDAX[(a)] (Non-GAAP)	$ 665	$ 561	$ 2,530	$ 2,380

* Financial information for 2018 has been recast to reflect the retrospective application of the successful efforts method of accounting.

(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 December 31,		Years Ended December 31,	
	2019	**2018***	**2019**	**2018***
NET INCOME (LOSS) (GAAP)	$ (324)	$ 605	$ (308)	$ 228
Adjustments:				
Interest expense	138	151	651	633
Income tax benefit	(16)	(2)	(331)	(10)
Depreciation, depletion and amortization	592	402	2,264	1,737
Exploration	28	39	84	162
Unrealized (gains) losses on derivatives	197	(596)	152	(300)
Restructuring and other termination costs	12	—	12	38
Provision for legal contingencies, net	16	9	19	26
(Gains) losses on sales of assets	(10)	291	(43)	264
Other operating expense	11	1	90	—
Impairments	—	9	11	131
(Gains) losses on investments	43	—	71	(139)
Gains on purchases or exchanges of debt	(5)	(331)	(75)	(263)
Net income attributable to noncontrolling interests	—	(1)	—	(2)
Other revenue	(14)	(15)	(59)	(63)
Other	(3)	(1)	(8)	(62)
Adjusted EBITDAX[(a)] (Non-GAAP)	$ 665	$ 561	$ 2,530	$ 2,380

* Financial information for 2018 has been recast to reflect the retrospective application of the successful efforts method of accounting.

(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.