

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

THREE MONTHS ENDED:	June 30, 2004	June 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 328,787	\$ 277,581
Adjustments:		
Changes in assets and liabilities	<u>(20,614)</u>	<u>(51,512)</u>
OPERATING CASH FLOW*	<u>\$ 308,173</u>	<u>\$ 226,069</u>
SIX MONTHS ENDED:	June 30, 2004	June 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 670,557	\$ 376,633
Adjustments:		
Changes in assets and liabilities	<u>(28,830)</u>	<u>17,149</u>
OPERATING CASH FLOW*	<u>\$ 641,727</u>	<u>\$ 393,782</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:	June 30, 2004	June 30, 2003
Net income before cumulative effect of accounting change	\$ 97,155	\$ 82,240
Deferred income tax expense	54,654	50,407
Interest expense	28,806	38,036
Depreciation and amortization of other assets	6,716	4,122
Oil and gas depreciation, depletion and amortization	<u>136,743</u>	<u>91,570</u>
EBITDA**	<u>\$ 324,074</u>	<u>\$ 266,375</u>
SIX MONTHS ENDED:	June 30, 2004	June 30, 2003
Net income before cumulative effect of accounting change	\$ 209,745	\$ 153,360
Deferred income tax expense	117,981	93,998
Interest expense	75,351	75,040
Depreciation and amortization of other assets	12,455	7,806
Oil and gas depreciation, depletion and amortization	<u>256,651</u>	<u>168,184</u>
EBITDA**	<u>\$ 672,183</u>	<u>\$ 498,388</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 banks under our bank credit facilities and is used in our financial covenants under our bank credit facilities and our indentures governing our senior notes. 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:	June 30, 2004	June 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 328,787	\$ 277,581
Changes in assets and liabilities	(20,614)	(51,512)
Interest expense, realized	37,866	37,770
Unrealized gains (losses) on oil and gas derivatives	(20,150)	3,347
Other non-cash items	<u>(1,815)</u>	<u>(811)</u>
EBITDA	<u>\$ 324,074</u>	<u>\$ 266,375</u>
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SIX MONTHS ENDED:	June 30, 2004	June 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 670,557	\$ 376,633
Changes in assets and liabilities	(28,830)	17,149
Interest expense, realized	75,672	72,800
Unrealized gains (losses) on oil and gas derivatives	(34,150)	33,034
Other non-cash items	<u>(11,066)</u>	<u>(1,228)</u>
EBITDA	<u>\$ 672,183</u>	<u>\$ 498,388</u>

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

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Net income to common shareholders	\$ 85,811	\$ 190,233
Adjustments, net of tax:		
Unrealized (gains) losses from hedging	7,097	21,651
Loss on repurchases or exchanges of debt	—	4,432
Adjusted earnings*	\$ 92,908	\$ 216,316
Adjusted earnings per share assuming dilution	\$ 0.33	\$ 0.77
EBITDA	\$ 324,074	\$ 672,183
Adjustments, before tax:		
Unrealized (gains) losses from oil and gas hedging	20,150	34,150
Loss on repurchases or exchanges of debt	—	6,925
Adjusted EBITDA*	\$ 344,224	\$ 713,258

*Adjusted earnings and adjusted EBITDA, both 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.