

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

THREE MONTHS ENDED:	June 30, 2009	March 31, 2009	June 30, 2008 ^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 737	\$ 1,261	\$ 1,283
Adjustments:			
Changes in assets and liabilities	269	(262)	185
OPERATING CASH FLOW^(b)	<u>\$ 1,006</u>	<u>\$ 999</u>	<u>\$ 1,468</u>

THREE MONTHS ENDED:	June 30, 2009	March 31, 2009	June 30, 2008 ^(a)
NET INCOME (LOSS)	\$ 243	\$ (5,740)	\$ (1,592)
Income tax expense (benefit)	145	(3,444)	(996)
Interest expense	22	(14)	54
Depreciation and amortization of other assets	58	57	40
Natural gas and oil depreciation, depletion and amortization	295	447	523
EBITDA^(c)	<u>\$ 763</u>	<u>\$ (8,694)</u>	<u>\$ (1,971)</u>

THREE MONTHS ENDED:	June 30, 2009	March 31, 2009	June 30, 2008 ^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 737	\$ 1,261	\$ 1,283
Changes in assets and liabilities	269	(262)	185
Interest expense	22	(14)	54
Unrealized gains (losses) on natural gas and oil derivatives	(216)	101	(3,406)
Impairment of natural gas and oil properties and other assets	(5)	(9,630)	—
Impairment of investments	—	(153)	—
Restructuring costs	(29)	—	—
Other non-cash items	(15)	3	(87)
EBITDA^(c)	<u>\$ 763</u>	<u>\$ (8,694)</u>	<u>\$ (1,971)</u>

- (a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."
- (b) 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 a natural gas and oil 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 natural gas and oil 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.
- (c) Ebitda represents net income (loss) before income tax expense, 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 agreements and is used in the financial covenants in our bank credit agreements 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.

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

SIX MONTHS ENDED:	June 30, 2009	June 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,998	\$ 2,798
Adjustments:		
Changes in assets and liabilities	7	202
OPERATING CASH FLOW^(b)	<u>\$ 2,005</u>	<u>\$ 3,000</u>

SIX MONTHS ENDED:	June 30, 2009	June 30, 2008^(a)
NET INCOME (LOSS)	\$ (5,498)	\$ (1,722)
Income tax expense (benefit)	(3,298)	(1,078)
Interest expense	8	153
Depreciation and amortization of other assets	115	76
Natural gas and oil depreciation, depletion and amortization	742	1,038
EBITDA^(c)	<u>\$ (7,931)</u>	<u>\$ (1,533)</u>

SIX MONTHS ENDED:	June 30, 2009	June 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,998	\$ 2,798
Changes in assets and liabilities	7	202
Interest expense	8	153
Unrealized gains (losses) on natural gas and oil derivatives	(116)	(4,538)
Impairment of natural gas and oil properties and other assets	(9,635)	—
Impairment of investments	(153)	—
Restructuring costs	(29)	—
Other non-cash items	(11)	(148)
EBITDA^(c)	<u>\$ (7,931)</u>	<u>\$ (1,533)</u>

- (a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."
- (b) 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 a natural gas and oil 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 natural gas and oil 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.
- (c) Ebitda represents net income (loss) before income tax expense, 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 agreements and is used in the financial covenants in our bank credit agreements 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.

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

THREE MONTHS ENDED:	June 30, 2009	March 31, 2009	June 30, 2008 ^(a)
Net income (loss) available to common shareholders	\$ 237	(5,746)	\$ (1,643)
Adjustments:			
Unrealized (gains) losses on derivatives, net of tax	109	(91)	2,086
Impairment of natural gas and oil properties and other assets, net of tax	3	6,019	—
Impairment of investments, net of tax	6	95	—
Restructuring costs, net of tax	21	—	—
Loss on exchanges of Chesapeake debt, net of tax	1	—	—
Loss on conversions or exchanges of preferred stock	—	—	42
Adjusted net income available to common shareholders ^(b)	377	277	485
Preferred stock dividends	6	6	9
Interest on 2.75% contingent convertible notes, net of tax	—	—	3
Total adjusted net income	<u>\$ 383</u>	<u>\$ 283</u>	<u>\$ 497</u>
Weighted average fully diluted shares outstanding ^(c)	622	613	553
Adjusted earnings per share assuming dilution ^(b)	<u>\$ 0.62</u>	<u>\$ 0.46</u>	<u>\$ 0.90</u>

(a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."

(b) Adjusted net income available to common shareholders and adjusted earnings per share assuming dilution 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 because:

- i. Management uses adjusted net income available to common shareholders to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- ii. Adjusted net income available to common shareholders 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.

(c) Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

THREE MONTHS ENDED:	June 30, 2009	March 31, 2009	June 30, 2008 ^(a)
EBITDA	\$ 763	\$ (8,694)	\$ (1,971)
Adjustments, before tax:			
Unrealized (gains) losses on natural gas and oil derivatives	216	(101)	3,406
Loss on exchanges of Chesapeake debt	2	—	—
Impairment of natural gas and oil properties and other assets	5	9,630	—
Impairment of investments	10	153	—
Restructuring costs	34	—	—
Adjusted ebitda ^(b)	<u>\$ 1,030</u>	<u>\$ 988</u>	<u>\$ 1,435</u>

- (a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."
- (b) Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:
- i. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil 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.

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

SIX MONTHS ENDED:	June 30, 2009	June 30, 2008 ^(a)
Net income (loss) available to common shareholders	\$ (5,510)	\$ (1,785)
Adjustments:		
Unrealized (gains) losses on derivatives, net of tax	19	2,790
Impairment of natural gas and oil properties and other assets, net of tax	6,022	—
Impairment of investments, net of tax	102	—
Restructuring cost, net of tax	21	—
Loss on exchanges of Chesapeake debt, net of tax	1	—
Loss on conversions or exchanges of preferred stock	—	42
Adjusted net income available to common shareholders ^(b)	655	1,047
Preferred stock dividends	12	21
Interest on 2.75% contingent convertible notes, net of tax	—	3
Total adjusted net income	\$ 667	\$ 1,071
Weighted average fully diluted shares outstanding ^(c)	618	541
Adjusted earnings per share assuming dilution ^(b)	\$ 1.08	\$ 1.98

(a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."

(b) Adjusted net income available to common shareholders and adjusted earnings per share assuming dilution 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 because:

- i. Management uses adjusted net income available to common shareholders to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- ii. Adjusted net income available to common shareholders 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.

(c) Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

SIX MONTHS ENDED:	June 30, 2009	June 30, 2008 ^(a)
EBITDA	\$ (7,931)	\$ (1,533)
Adjustments, before tax:		
Unrealized (gains) losses on natural gas and oil derivatives	116	4,538
Loss on exchanges of Chesapeake debt	2	—
Impairment of natural gas and oil properties and other assets	9,635	—
Impairment of investments	162	—
Restructuring costs	34	—
Adjusted ebitda ^(b)	<u>\$ 2,018</u>	<u>\$ 3,005</u>

- (a) Adjusted for the retrospective application of FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion."
- (b) Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:
- i. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil 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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
(\$ in millions, except per-unit data)
(unaudited)

THREE MONTHS ENDED JUNE 30, 2009	Cost	Reserves (in bcfe)	\$/mcf
Exploration and development costs	\$ 724	836 ^(a)	0.87
Acquisition of proved properties	—	4	—
Divestitures of proved properties	(193)	(99)	1.96
Other	2 ^(b)	—	—
Drilling and net acquisition cost	533	741	0.72
Revisions – price	—	156	—
Acquisition of unproved properties and leasehold	236	—	—
Capitalized interest	153 ^(c)	—	—
Geological and geophysical costs	30	—	—
Leasehold, capitalized interest, geological and geophysical	419	—	—
Subtotal	952	897	1.06
Asset retirement obligation and other	(4)	—	—
Total	\$ 948	897	1.06

- (a) Includes 343 bcfe of performance revisions (247 bcfe relating to infill drilling and increased density locations and 96 bcfe of other performance related revisions) and excludes upward revisions of 156 bcfe resulting from natural gas and oil price increases between March 31, 2009 and June 30, 2009.
- (b) Includes adjustments to certain acquisitions and divestitures that closed during prior periods.
- (c) Includes capitalized interest on unproved leasehold and geological and geophysical costs.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
(\$ in millions, except per-unit data)
(unaudited)

SIX MONTHS ENDED JUNE 30, 2009	Cost	Reserves (in bcfe)	\$/mcf
Exploration and development costs	\$ 1,910	1,660 ^(a)	1.15
Acquisition of proved properties	17	13	1.30
Divestitures of proved properties	(193)	(99)	1.96
Other	118 ^(b)	—	—
Drilling and net acquisition cost	1,852	1,574	1.18
Revisions – price	—	(664)	—
Acquisition of unproved properties and leasehold	746	—	—
Capitalized interest	314 ^(c)	—	—
Geological and geophysical costs	97	—	—
Leasehold, capitalized interest, geological and geophysical	1,157	—	—
Subtotal	3,009	910	3.30
Asset retirement obligation and other	(2)	—	—
Total	\$ 3,007	910	3.30

- (a) Includes 740 bcfe of performance revisions (564 bcfe relating to infill drilling and increased density locations and 176 bcfe of other performance related revisions) and excludes downward revisions of 664 bcfe resulting from natural gas and oil price declines between December 31, 2008 and June 30, 2009.
- (b) Includes adjustments to certain acquisitions and divestitures that closed during prior periods.
- (c) Includes capitalized interest on unproved leasehold and geological and geophysical costs.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
THREE MONTHS ENDED JUNE 30, 2009
(unaudited)

	Bcfe
Beginning balance, 04/01/09	11,851
Production	(223)
Acquisitions	4
Divestitures	(99)
Revisions – performance	343
Revisions – price	156
Extensions and discoveries	493
Ending balance, 06/30/09	<u>12,525</u>
Reserve replacement	897
Reserve replacement ratio ^(a)	402%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
SIX MONTHS ENDED JUNE 30, 2009
(unaudited)

	Bcfe
Beginning balance, 01/01/09	12,051
Production	(436)
Acquisitions	13
Divestitures	(99)
Revisions – performance	740
Revisions – price	(664)
Extensions and discoveries	920
Ending balance, 06/30/09	<u>12,525</u>
Reserve replacement	910
Reserve replacement ratio ^(a)	209%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.