

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ in millions, except per share data)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,019	\$ 1,079
Restricted cash	76	74
Accounts receivable, net	350	593
Derivative assets	361	637
Other current assets	207	226
Total current assets	2,013	2,609
Property and equipment:		
Natural gas and oil properties, successful efforts method		
Proved natural gas and oil properties	12,105	11,468
Unproved properties	1,800	1,806
Other property and equipment	512	497
Total property and equipment	14,417	13,771
Less: accumulated depreciation, depletion and amortization	(4,413)	(3,674)
Total property and equipment, net	10,004	10,097
Long-term derivative assets	19	74
Deferred income tax assets	995	933
Other long-term assets	577	663
Total assets	\$ 13,608	\$ 14,376
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 274	\$ 425
Accrued interest	39	39
Derivative liabilities	7	3
Other current liabilities	611	847
Total current liabilities	931	1,314
Long-term debt, net	2,021	2,028
Long-term derivative liabilities	3	9
Asset retirement obligations, net of current portion	264	265
Other long-term liabilities	19	31
Total liabilities	3,238	3,647
Contingencies and commitments		
Stockholders' equity:		
Common stock, \$0.01 par value, 450,000,000 shares authorized: 131,252,107 and 130,789,936 shares issued	1	1
Additional paid-in capital	5,768	5,754
Retained earnings	4,601	4,974
Total stockholders' equity	10,370	10,729
Total liabilities and stockholders' equity	\$ 13,608	\$ 14,376

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(\$ in millions, except per share data)</i>				
Revenues and other:				
Natural gas, oil and NGL	\$ 378	\$ 649	\$ 967	\$ 2,102
Marketing	136	611	448	1,263
Natural gas and oil derivatives	(11)	159	161	1,089
Gains on sales of assets	2	472	10	807
Total revenues and other	505	1,891	1,586	5,261
Operating expenses:				
Production	49	89	108	220
Gathering, processing and transportation	154	207	327	471
Severance and ad valorem taxes	18	40	47	109
Exploration	3	8	5	15
Marketing	141	611	464	1,262
General and administrative	47	31	94	66
Separation and other termination costs	23	3	23	3
Depreciation, depletion and amortization	348	376	747	766
Other operating expense, net	16	9	33	12
Total operating expenses	799	1,374	1,848	2,924
Income (loss) from operations	(294)	517	(262)	2,337
Other income (expense):				
Interest expense	(20)	(22)	(39)	(59)
Losses on purchases, exchanges or extinguishments of debt	(2)	—	(2)	—
Other income	21	23	41	33
Total other income (expense)	(1)	1	—	(26)
Income (loss) before income taxes	(295)	518	(262)	2,311
Income tax expense (benefit)	(68)	127	(61)	531
Net income (loss)	\$ (227)	\$ 391	\$ (201)	\$ 1,780
Earnings (loss) per common share:				
Basic	\$ (1.73)	\$ 2.93	\$ (1.53)	\$ 13.27
Diluted	\$ (1.73)	\$ 2.73	\$ (1.53)	\$ 12.36
Weighted average common shares outstanding (in thousands):				
Basic	131,168	133,514	131,030	134,125
Diluted	131,168	143,267	131,030	144,007

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities:				
Net income (loss)	\$ (227)	\$ 391	\$ (201)	\$ 1,780
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization	348	376	747	766
Deferred income tax expense (benefit)	(68)	21	(61)	399
Derivative (gains) losses, net	11	(159)	(161)	(1,089)
Cash receipts (payments) on derivative settlements, net	260	236	488	(49)
Share-based compensation	10	9	19	16
Gains on sales of assets	(2)	(472)	(10)	(807)
Losses on purchases, exchanges or extinguishments of debt	2	—	2	—
Other	6	17	(7)	29
Changes in assets and liabilities	(131)	96	(55)	359
Net cash provided by operating activities	209	515	761	1,404
Cash flows from investing activities:				
Capital expenditures	(302)	(530)	(723)	(1,027)
Receipts of deferred consideration	56	—	116	—
Contributions to investments	(26)	(49)	(45)	(88)
Proceeds from divestitures of property and equipment	6	1,032	12	1,963
Net cash provided by (used in) investing activities	(266)	453	(640)	848
Cash flows from financing activities:				
Proceeds from Credit Facility	—	125	—	1,125
Payments on Credit Facility	—	(125)	—	(2,175)
Funds held for transition services	—	97	—	97
Proceeds from warrant exercise	1	—	1	—
Debt issuance and other financing costs	(4)	—	(4)	—
Cash paid to repurchase and retire common stock	—	(127)	—	(181)
Cash paid for common stock dividends	(99)	(160)	(176)	(335)
Net cash used in financing activities	(102)	(190)	(179)	(1,469)
Net increase (decrease) in cash, cash equivalents and restricted cash	(159)	778	(58)	783
Cash, cash equivalents and restricted cash, beginning of period	1,254	197	1,153	192
Cash, cash equivalents and restricted cash, end of period	\$ 1,095	\$ 975	\$ 1,095	\$ 975
Cash and cash equivalents	\$ 1,019	\$ 903	\$ 1,019	\$ 903
Restricted cash	76	72	76	72
Total cash, cash equivalents and restricted cash	\$ 1,095	\$ 975	\$ 1,095	\$ 975

NATURAL GAS, OIL AND NGL PRODUCTION AND AVERAGE SALES PRICES (unaudited)

	Three Months Ended June 30, 2024							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,554	1.35	—	—	—	—	1,554	1.35
Haynesville	1,191	1.70	—	—	—	—	1,191	1.70
Total	<u>2,745</u>	1.51	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,745</u>	1.51
Average NYMEX Price		1.89		—				
Average Realized Price (including realized derivatives)		2.51		—		—		2.51
	Three Months Ended June 30, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,830	1.51	—	—	—	—	1,830	1.51
Haynesville	1,590	1.77	—	—	—	—	1,590	1.77
Eagle Ford	85	2.32	15	76.39	10	23.67	233	6.73
Total	<u>3,505</u>	1.65	<u>15</u>	76.39	<u>10</u>	23.67	<u>3,653</u>	1.97
Average NYMEX Price		2.10		73.78				
Average Realized Price (including realized derivatives)		2.36		84.58		23.67		2.67
	Six Months Ended June 30, 2024							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,637	1.71	—	—	—	—	1,637	1.71
Haynesville	1,334	1.88	—	—	—	—	1,334	1.88
Total	<u>2,971</u>	1.79	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,971</u>	1.79
Average NYMEX Price		2.07		—				
Average Realized Price (including realized derivatives)		2.69		—		—		2.69

	Six Months Ended June 30, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,901	2.52	—	—	—	—	1,901	2.52
Haynesville	1,570	2.32	—	—	—	—	1,570	2.32
Eagle Ford	106	2.11	34	76.72	13	25.54	389	8.19
Total	<u>3,577</u>	2.42	<u>34</u>	76.72	<u>13</u>	25.54	<u>3,860</u>	3.01
Average NYMEX Price		2.76		74.96				
Average Realized Price (including realized derivatives)		2.55		70.67		25.54		3.08

CAPITAL EXPENDITURES ACCRUED (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(\$ in millions)</i>				
Drilling and completion capital expenditures:				
Marcellus	\$ 93	\$ 115	\$ 198	\$ 233
Haynesville	131	254	326	513
Eagle Ford	—	90	—	213
Total drilling and completion capital expenditures	<u>224</u>	<u>459</u>	<u>524</u>	<u>959</u>
Non-drilling and completion - field	39	28	74	52
Non-drilling and completion - corporate	30	18	49	38
Total capital expenditures	<u>\$ 293</u>	<u>\$ 505</u>	<u>\$ 647</u>	<u>\$ 1,049</u>

NON-GAAP FINANCIAL MEASURES

As a supplement to the financial results prepared in accordance with U.S. GAAP, Chesapeake's quarterly earnings releases contain certain financial measures that are not prepared or presented in accordance with U.S. GAAP. These non-GAAP financial measures include Adjusted Net Income, Adjusted Diluted Earnings Per Common Share, Adjusted EBITDAX, Free Cash Flow, Adjusted Free Cash Flow and Net Debt. A reconciliation of each financial measure to its most directly comparable GAAP financial measure is included in the tables below. Management believes these adjusted financial measures are a meaningful adjunct to earnings and cash flows calculated in accordance with GAAP because (a) management uses these financial measures to evaluate the company's trends and performance, (b) these financial measures are comparable to estimates provided by certain securities analysts, and (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.

Chesapeake's definitions of each non-GAAP measure presented herein are provided below. Because not all companies or securities analysts use identical calculations, Chesapeake's non-GAAP measures may not be comparable to similarly titled measures of other companies or securities analysts.

Adjusted Net Income: Adjusted Net Income is defined as net income (loss) adjusted to exclude unrealized (gains) losses on natural gas and oil derivatives, (gains) losses on sales of assets, and certain items management believes affect the comparability of operating results, less a tax effect using applicable rates. Chesapeake believes that Adjusted Net Income facilitates comparisons of the company's period-over-period performance, which many investors use in making investment decisions and evaluating operational trends and performance. Adjusted Net Income should not be considered an alternative to, or more meaningful than, net income (loss) as presented in accordance with GAAP.

Adjusted Diluted Earnings Per Common Share: Adjusted Diluted Earnings Per Common Share is defined as diluted earnings (loss) per common share adjusted to exclude the per diluted share amounts attributed to unrealized (gains) losses on natural gas and oil derivatives, (gains) losses on sales of assets, and certain items management believes affect the comparability of operating results, less a tax effect using applicable rates. Chesapeake believes that Adjusted Diluted Earnings Per Common Share facilitates comparisons of the company's period-over-period performance, which many investors use in making investment decisions and evaluating operational trends and performance. Adjusted Diluted Earnings Per Common Share should not be considered an alternative to, or more meaningful than, earnings (loss) per common share as presented in accordance with GAAP.

Adjusted EBITDAX: Adjusted EBITDAX is defined as net income (loss) before interest expense, income tax expense (benefit), depreciation, depletion and amortization expense, exploration expense, unrealized (gains) losses on natural gas and oil derivatives, separation and other termination costs, (gains) losses on sales of assets, and certain items management believes affect the comparability of operating results. Adjusted EBITDAX is presented as it provides investors an indication of the company's ability to internally fund exploration and development activities and service or incur debt. Adjusted EBITDAX should not be considered an alternative to, or more meaningful than, net income (loss) as presented in accordance with GAAP.

Free Cash Flow: Free Cash Flow is defined as net cash provided by (used in) operating activities less cash capital expenditures. Free Cash Flow is a liquidity measure that provides investors additional information regarding the company's ability to service or incur debt and return cash to shareholders. Free Cash Flow should not be considered an alternative to, or more meaningful than, net cash provided by (used in) operating activities, or any other measure of liquidity presented in accordance with GAAP.

Adjusted Free Cash Flow: Adjusted Free Cash Flow is defined as net cash provided by (used in) operating activities less cash capital expenditures and cash contributions to investments, adjusted to exclude certain items management believes affect the comparability of operating results. Adjusted Free Cash Flow is a liquidity measure that provides investors additional information regarding the company's ability to service or incur debt and return cash to shareholders and is used to determine Chesapeake's quarterly variable dividend. Adjusted Free Cash Flow should not be considered an alternative to, or more meaningful than, net cash provided by (used in) operating activities, or any other measure of liquidity presented in accordance with GAAP.

Net Debt: Net Debt is defined as GAAP total debt excluding premiums, discounts, and deferred issuance costs less cash and cash equivalents. Net Debt is useful to investors as a widely understood measure of liquidity and leverage, but this measure should not be considered as an alternative to, or more meaningful than, total debt presented in accordance with GAAP.

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME (unaudited)

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss) (GAAP)	\$ (227)	\$ 391	\$ (201)	\$ 1,780
Adjustments:				
Unrealized (gains) losses on natural gas and oil derivatives	262	78	329	(1,041)
Separation and other termination costs	23	3	23	3
Gains on sales of assets	(2)	(472)	(10)	(807)
Other operating expense, net	16	8	35	15
Losses on purchases, exchanges or extinguishments of debt	2	—	2	—
Other	(5)	(9)	(13)	(15)
Tax effect of adjustments ^(a)	(68)	93	(84)	427
Adjusted net income (Non-GAAP)	\$ 1	\$ 92	\$ 81	\$ 362

(a) The three- and six-month periods ended June 30, 2024 and June 30, 2023 include a tax effect attributed to the reconciling adjustments using a statutory rate of 23%.

RECONCILIATION OF EARNINGS (LOSS) PER COMMON SHARE TO ADJUSTED DILUTED EARNINGS PER COMMON SHARE (unaudited)

(\$/share)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings (loss) per common share (GAAP)	\$ (1.73)	\$ 2.93	\$ (1.53)	\$ 13.27
Effect of dilutive securities	—	(0.20)	—	(0.91)
Diluted earnings (loss) per common share (GAAP)	\$ (1.73)	\$ 2.73	\$ (1.53)	\$ 12.36
Adjustments:				
Unrealized (gains) losses on natural gas and oil derivatives	1.99	0.54	2.51	(7.24)
Separation and other termination costs	0.17	0.02	0.17	0.02
Gains on sales of assets	(0.01)	(3.30)	(0.08)	(5.60)
Other operating expense, net	0.13	0.06	0.27	0.11
Losses on purchases, exchanges or extinguishments of debt	0.01	—	0.01	—
Other	(0.03)	(0.06)	(0.10)	(0.11)
Tax effect of adjustments ^(a)	(0.52)	0.65	(0.64)	2.97
Effect of dilutive securities	—	—	(0.04)	—
Adjusted diluted earnings per common share (Non-GAAP)	\$ 0.01	\$ 0.64	\$ 0.57	\$ 2.51

(a) The three- and six-month periods ended June 30, 2024 and June 30, 2023 include a tax effect attributed to the reconciling adjustments using a statutory rate of 23%.

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDAX (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(\$ in millions)				
Net income (loss) (GAAP)	\$ (227)	\$ 391	\$ (201)	\$ 1,780
Adjustments:				
Interest expense	20	22	39	59
Income tax expense (benefit)	(68)	127	(61)	531
Depreciation, depletion and amortization	348	376	747	766
Exploration	3	8	5	15
Unrealized (gains) losses on natural gas and oil derivatives	262	78	329	(1,041)
Separation and other termination costs	23	3	23	3
Gains on sales of assets	(2)	(472)	(10)	(807)
Other operating expense, net	16	8	35	15
Losses on purchases, exchanges or extinguishments of debt	2	—	2	—
Other	(19)	(17)	(42)	(23)
Adjusted EBITDAX (Non-GAAP)	\$ 358	\$ 524	\$ 866	\$ 1,298

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED FREE CASH FLOW (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(\$ in millions)				
Net cash provided by operating activities (GAAP)	\$ 209	\$ 515	\$ 761	\$ 1,404
Cash capital expenditures	(302)	(530)	(723)	(1,027)
Free cash flow (Non-GAAP)	(93)	(15)	38	377
Cash contributions to investments	(26)	(49)	(45)	(88)
Free cash flow associated with divested assets ^(a)	—	(26)	—	(138)
Adjusted free cash flow (Non-GAAP)	\$ (119)	\$ (90)	\$ (7)	\$ 151

(a) In March and April of 2023, we closed two divestitures of certain Eagle Ford assets. Due to the structure of these transactions, both of which had an effective date of October 1, 2022, the cash generated by these assets was delivered to the respective buyers through a reduction in the proceeds we received at the closing of each transaction.

RECONCILIATION OF TOTAL DEBT TO NET DEBT (unaudited)

	June 30, 2024
Total debt (GAAP)	\$ 2,021
Premiums and issuance costs on debt	(71)
Principal amount of debt	1,950
Cash and cash equivalents	(1,019)
Net debt (Non-GAAP)	\$ 931