

ANADARKO

NON-GAAP FINANCIAL MEASURE DEFINITIONS

EBITDA

Management believes that the presentation of EBITDA provides information useful in assessing the Company's financial condition and results of operations and that EBITDA is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures and make distributions to shareholders.

The Company defines EBITDA as income from continuing operations before interest expense, income taxes, DD&A expense and impairments.

Discretionary Cash Flow and Free Cash Flow

Management uses discretionary cash flow to demonstrate the Company's ability to internally fund capital expenditures and to service or incur additional debt. It is useful in comparisons of oil and gas exploration and production companies because it excludes fluctuations in assets and liabilities.

The Company defines discretionary cash flow as net cash provided by operating activities before changes in accounts receivable, changes in accounts payable and accrued expenses, and changes in other items.

The Company defines free cash flow as discretionary cash flow less capital expenditures.

Net Debt

Management uses net debt as a measure of the Company's outstanding debt obligations relative to its cash and cash equivalents on hand.

The Company defines net debt as total current and long-term debt less cash and cash equivalents.