Anadarko Petroleum Corporation
Non-GAAP Financial Measures

This list of non-GAAP financial measure definitions and related reconciliations is intended to satisfy the requirements of Regulation G of the Securities Exchange Act of 1934, as amended. This information is historical in nature. Anadarko Petroleum Corporation (the "Company") undertakes no obligation to publicly update or revise any non-GAAP financial measure definitions and related reconciliations.

Management may present certain forward-looking non-GAAP financial measures, including Adjusted EBITDAX (Margin), EBITDA, Discretionary Cash Flow from Operations (DCF), Adjusted DCF, and Free Cash Flow (FCF). Due to the forward-looking nature of the aforementioned non-GAAP financial measures, management cannot reliably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as future impairments and future changes in working capital. Accordingly, the company is unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Reconciling items in future periods could be significant.

Management may also present non-GAAP financial measures for specific asset areas and these measures are calculated using the same methodology as the consolidated measure. Corporate general and administrative expenses are included in consolidated Adjusted EBITDAX, but excluded from EBITDAX and EBITDA by asset area as these expenses are not considered an operating expense of the asset area. Income taxes are included in consolidated FCF, but excluded from FCF by asset area as taxes are not allocated to specific asset areas.

This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be comparable to similarly titled measures.

Adjusted Net Income (Loss)

The Company defines adjusted net income (loss) as net income (loss) attributable to common stockholders, less certain items affecting comparability.

Management uses adjusted net income (loss) to evaluate operating and financial performance and believes the measure is useful to investors because it eliminates the impact of certain noncash and/or other items that management does not consider to be indicative of the Company's performance from period to period. Management also believes this non-GAAP measure is useful to investors to evaluate and compare the Company's operating and financial performance across periods, as well as facilitating comparisons to others in the Company's industry.

	Quarter Ended March 31, 2018		
millions except per-share amounts	Before Tax	After Tax	Per Share (diluted)
Net income (loss) attributable to common stockholders (GAAP)		$ 121	$ 0.22
Adjustments for certain items affecting comparability			
Total gains (losses) on derivatives, net, less net cash from settlement of commodity derivatives*	$ 27	21	0.04
Gains (losses) on divestitures, net	(24)	(17)	(0.03)
Impairments			
Producing properties	(19)	(15)	(0.03)
Exploration assets	(53)	(41)	(0.08)
Contingency accruals	(132)	(101)	(0.19)
Change in uncertain tax positions		(5)	(0.01)
Certain items affecting comparability	$ (201)	(158)	(0.30)
Adjusted net income (loss) (Non-GAAP)		$ 279	$ 0.52

* Includes $127 million related to interest-rate derivatives, $(94) million related to commodity derivatives, and $(6) million related to gathering, processing, and marketing sales.

millions except per-share amounts	Quarter Ended March 31, 2017 Before Tax	After Tax	Per Share (diluted)
Net income (loss) attributable to common stockholders (GAAP)		$ (318)	$ (0.58)
Adjustments for certain items affecting comparability			
Total gains (losses) on derivatives, net, less net cash from settlement of commodity derivatives*	$ 155	99	0.18
Gains (losses) on divestitures, net	804	509	0.92
Impairments			
Producing and general properties	(373)	(237)	(0.43)
Exploration assets	(532)	(338)	(0.61)
Change in uncertain tax positions		(21)	(0.04)
Certain items affecting comparability	$ 54	12	0.02
Adjusted net income (loss) (Non-GAAP)		$ (330)	$ (0.60)

* Includes $12 million related to interest-rate derivatives, $141 million related to commodity derivatives, and $2 million related to gathering, processing, and marketing sales.

Net Debt to Adjusted Capitalization Ratio

The Company defines net debt as total debt, less cash and cash equivalents. Net debt for Anadarko excluding WGP is Anadarko's Consolidated net debt, less WGP's net debt.

The Company defines net debt to adjusted capitalization ratio as net debt / (net debt + total equity). Net debt to adjusted capitalization ratio for Anadarko excluding WGP excludes WGP's net debt and noncontrolling interest attributable to WGP.

Management uses net debt to determine the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand. Management believes that using net debt in the capitalization ratio is useful to investors in determining the Company's leverage since the Company could choose to use its cash and cash equivalents to retire debt. In addition, management believes that presenting Anadarko's net debt excluding WGP is useful because WGP is a separate public company with its own capital structure.

millions	March 31, 2018 Anadarko Consolidated	WGP * Consolidated	Anadarko excluding WGP
Total debt (GAAP)	**$ 16,404**	**$ 4,204**	**$ 12,200**
Less cash and cash equivalents	**3,361**	**524**	**2,837**
Net debt (Non-GAAP)	**$ 13,043**	**$ 3,680**	**$ 9,363**

millions	Anadarko Consolidated	Anadarko excluding WGP
Net debt	**$ 13,043**	**$ 9,363**
Total equity	**11,756**	**8,741**
Adjusted capitalization	**$ 24,799**	**$ 18,104**
Net debt to adjusted capitalization ratio	**53%**	**52%**

* Western Gas Equity Partners, LP (WGP) is a publicly traded consolidated subsidiary of Anadarko, and Western Gas Partners, LP (WES) is a consolidated subsidiary of WGP.

Discretionary Cash Flow from Operations (DCF), Free Cash Flow (FCF), and Adjusted DCF

The Company defines DCF as net cash provided by (used in) operating activities before changes in accounts receivable; changes in accounts payable and other current liabilities; other items, net; and certain nonoperating and other excluded items.

The Company defines FCF as DCF, less capital expenditures.

The Company defines Adjusted DCF as net cash provided by (used in) operating activities before changes in accounts receivable; changes in accounts payable and other current liabilities; other items, net; Deepwater Horizon and Tronox settlement payments; collections associated with the Algeria exceptional profits tax settlement; certain nonoperating and other excluded items; current taxes related to Tronox tax position; and WES/WGP distributions to third parties.

Management believes that these measures are useful to management and investors as a measure of a company's ability to internally fund its capital expenditures and to service or incur additional debt. These measures eliminate the impact of certain items that management does not consider to be indicative of the Company's performance from period to period. To assist in measuring the Company's performance, management will also evaluate Anadarko on a deconsolidated basis, which excludes WES.

Discretionary Cash Flow from Operations and Free Cash Flow

	Quarter Ended March 31,	
millions	**2018**	2017
Net cash provided by (used in) operating activities (GAAP)	**$ 1,430**	$ 1,123
Add back		
Increase (decrease) in accounts receivable	**(23)**	(68)
(Increase) decrease in accounts payable and other current liabilities	**(45)**	(395)
Other items, net	**40**	29
Discretionary cash flow from operations (Non-GAAP) *	**$ 1,402**	$ 689
Less capital expenditures **	**1,704**	1,255
Free cash flow (Non-GAAP)	**$ (302)**	$ (566)

* Includes $323 million current tax expense for the quarter ended March 31, 2017, related to asset monetizations.

** Includes Western Gas Partners, LP (WES) capital expenditures of $327 million for the quarter ended March 31, 2018, and $286 million for the quarter ended March 31, 2017.

millions	**Year Ended December 31, 2017**
Net cash provided by (used in) operating activities (GAAP)	**$ 4,009**
Add back	
Increase (decrease) in accounts receivable	**147**
(Increase) decrease in accounts payable and other current liabilities	**32**
Other items, net	**127**
Certain nonoperating and other excluded items	**21**
Discretionary cash flow from operations (Non-GAAP) *	**$ 4,336**
Less capital expenditures **	**5,300**
Free cash flow (Non-GAAP)	**$ (964)**

* Includes $147 million current tax expense for the year ended December 31, 2017, related to asset monetizations.

** Includes Western Gas Partners, LP (WES) capital expenditures of $956 million for the year ended December 31, 2017, and $491 million for the year ended December 31, 2016.

Adjusted Discretionary Cash Flow from Operations

	Year Ended December 31,						
millions	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Net cash provided by (used in) operating activities (GAAP)	**$ 2,505**	**$ 8,339**	**$ 8,888**	**$ 8,466**	**$(1,877)**	**$ 3,000**	**$ 4,009**
Adjusted by:							
Increase (decrease) in accounts receivable	993	(520)	11	(103)	2	(677)	147
(Increase) decrease in accounts payable and other current liabilities	(284)	476	(150)	(97)	697	443	32
Other items, net	16	(126)	(146)	71	(474)	142	127
Deepwater Horizon / Tronox settlement payments	3,948	(6)	—	—	5,215	—	—
Algeria exceptional profits tax settlement	—	(1,006)	(730)	—	—	—	—
Certain nonoperating and other excluded items	—	—	160	119	96	299	21
Current taxes related to Tronox tax position	—	—	—	—	910	—	—
WES/WGP distributions to third parties	(79)	(107)	(158)	(216)	(280)	(362)	(444)
Adjusted discretionary cash flow from operations (Non-GAAP)	**$ 7,099**	**$ 7,050**	**$ 7,875**	**$ 8,240**	**$ 4,289**	**$ 2,845**	**$ 3,892**

Adjusted EBITDAX (Margin)

The Company defines Adjusted EBITDAX (Margin) as net income (loss) attributable to common stockholders before interest expense; income taxes; depreciation, depletion, and amortization (DD&A); exploration expense; gains (losses) on divestitures, net; impairments; total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives; and certain items not related to the Company's normal operations. During the periods presented, items not related to the Company's normal operations included restructuring charges related to the workforce reduction program included in G&A, loss on early extinguishment of debt, and certain other nonoperating items included in other (income) expense, net.

The Company's definition of Adjusted EBITDAX (Margin) excludes gains (losses) on divestitures, net and exploration expense as they are not indicators of operating efficiency for a given reporting period. DD&A and impairments are excluded from Adjusted EBITDAX (Margin) as a measure of operating performance because capital expenditures are evaluated at the time capital costs are incurred. Adjusted EBITDAX (Margin) also excludes interest expense to allow for assessment of operating results without regard to Anadarko's financing methods or capital structure. Finally, income tax expense (benefit) and total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives are excluded from Adjusted EBITDAX (Margin) because these items are not considered a measure of asset operating performance.

Management believes that the presentation of Adjusted EBITDAX (Margin) provides information useful in assessing the Company's operating and financial performance across periods.

	Quarter Ended March 31,	
millions	**2018**	2017
Net income (loss) attributable to common stockholders (GAAP)	**$ 121**	$ (318)
Interest expense	**228**	223
Income tax expense (benefit)	**126**	97
DD&A	**990**	1,115
Exploration expense	**168**	1,084
(Gains) losses on divestitures, net	**24**	(804)
Impairments	**19**	373
Total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives	**(27)**	(155)
Restructuring charges	**—**	(1)
Consolidated Adjusted EBITDAX (Margin) (Non-GAAP)	**$ 1,649**	$ 1,614
Total Barrels of Oil Equivalent (BOE)	**58**	72
Consolidated Adjusted EBITDAX (Margin) per BOE (Non-GAAP)	**$ 28.43**	$ 22.42

Adjusted EBITDAX (Margin) - Price-Normalized

Adjusted EBITDAX (Margin) for 2017 was adjusted to reflect market index prices (WTI and Brent $50/Bbl and HH $3/Mcf). Management believes that this presentation provides a better comparison to expected 2018 Adjusted EBITDAX (Margin) using the same pricing. Price-normalization adjustment also removes the impact of commodity hedges.

millions	Year Ended December 31, 2017	
Net income (loss) attributable to common stockholders (GAAP)	$	(456)
Interest expense		932
Income tax expense (benefit)		(1,477)
DD&A		4,279
Exploration expense		2,541
(Gains) losses on divestitures, net		(674)
Impairments		408
Total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives		156
Restructuring charges		21
Other operating expense		—
Loss on early extinguishment of debt		2
Certain other nonoperating items		—
Consolidated Adjusted EBITDAX (Margin) (Non-GAAP)	$	5,732
Price-normalization adjustment		(209)
Adjusted EBITDAX (Margin) - Price-Normalized (Non-GAAP)	$	5,523

Oil and Natural Gas Exploration and Development Costs

The Company defines oil and natural gas exploration and development costs as costs incurred, less asset retirement obligation liabilities incurred, plus cash expenditures for asset retirement obligations.

Management believes oil and natural gas exploration and development costs is a more accurate reflection of the expenditures incurred during the current year excluding acquisition costs and certain obligations to be paid in future periods.

Finding and Development (F&D) Costs

The Company defines F&D costs as oil and natural gas exploration and development costs divided by non-price related reserve additions before acquisitions and divestitures.

Management believes that the presentation of F&D costs provides useful information in assessing the Company's ability to efficiently manage its capital programs.

millions	Year Ended December 31, 2017	
Costs incurred (GAAP)*	**$**	**4,093**
Asset retirement obligation liabilities incurred		(5)
Cash expenditures for asset retirement obligations		131
Oil and natural gas exploration and development costs (Non-GAAP)	**$**	**4,219**
Non-price related additions before acquisition and divestitures (MMBOE)		244
Finding and development costs ($/BOE) (Non-GAAP)	**$**	**17.29**

* Includes $499 million of unproved property acquisitions.