

**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.

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.

	<b>Quarter Ended September 30, 2016</b>		
	<b>Before Tax</b>	<b>After Tax</b>	<b>Per Share (diluted)</b>
<i>millions except per-share amounts</i>			
<b>Net income (loss) attributable to common stockholders</b>		<b>\$ (830)</b>	<b>\$ (1.61)</b>
Adjustments for certain items affecting comparability			
Total gains (losses) on derivatives, net, less net cash from settlement of commodity derivatives*	<b>\$ (88)</b>	<b>(56)</b>	<b>(0.11)</b>
Gains (losses) on divestitures, net	<b>(414)</b>	<b>(261)</b>	<b>(0.51)</b>
Impairments - producing properties	<b>(27)</b>	<b>(17)</b>	<b>(0.03)</b>
Restructuring charges	<b>(112)</b>	<b>(71)</b>	<b>(0.14)</b>
Tax indemnification	<b>39</b>	<b>25</b>	<b>0.05</b>
Change in uncertain tax positions (FIN 48)	<b>—</b>	<b>9</b>	<b>0.02</b>
Certain items affecting comparability	<b>\$ (602)</b>	<b>(371)</b>	<b>(0.72)</b>
<b>Adjusted net income (loss)</b>		<b>\$ (459)</b>	<b>\$ (0.89)</b>

\* Includes \$(84) million related to interest-rate derivatives and \$(4) million related to commodity derivatives.

	<b>Quarter Ended September 30, 2015</b>		
	<b>Before Tax</b>	<b>After Tax</b>	<b>Per Share (diluted)</b>
<i>millions except per-share amounts</i>			
<b>Net income (loss) attributable to common stockholders</b>		\$ (2,235)	\$ (4.41)
Adjustments for certain items affecting comparability			
Total gains (losses) on derivatives, net, less net cash from settlement of commodity derivatives*	\$ (360)	(227)	(0.45)
Gains (losses) on divestitures, net (after noncontrolling interest)	(613)	(388)	(0.76)
Impairments			
Producing properties	(758)	(479)	(0.94)
Exploration assets	(787)	(698)	(1.38)
Inventory adjustments	(33)	(22)	(0.04)
Change in uncertain tax positions (FIN 48)	—	(28)	(0.05)
Other adjustments	(40)	(35)	(0.07)
Certain items affecting comparability	\$ (2,591)	(1,877)	(3.69)
<b>Adjusted net income (loss)</b>		\$ (358)	\$ (0.72)

\* Includes \$(407) million related to interest-rate derivatives, \$46 million related to commodity derivatives, and \$1 million related to gathering, processing, and marketing sales.

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

The Company defines DCF as net cash provided by (used in) operating activities before changes in accounts receivable; changes in accounts payable and accrued expenses; other items, net; Tronox settlement payment; certain nonoperating and other excluded items; and current taxes related to asset monetizations and Tronox tax position.

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 accrued expenses; 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 Western Gas Partners, LP (WES)/Western Gas Equity Partners, LP (WGP) distributions to third parties.

The Company defines Adjusted FCF as Adjusted DCF adjusted by capital expenditures excluding WES and cash received from the Algeria exceptional profits tax settlement and monetizations.

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. Management will also use variations of this metric by including significant cash inflows not included in net cash provided by (used in) operating activities, such as proceeds from monetizations, to better measure the Company's ability to generate cash. 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*

<i>millions</i>	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>Net cash provided by (used in) operating activities</b>	\$ 785	\$ 1,127	\$ 1,877	\$ (2,134)
Add back				
Increase (decrease) in accounts receivable	112	(128)	(810)	(23)
(Increase) decrease in accounts payable and accrued expenses	116	375	833	573
Other items, net	(155)	(1,069)	(55)	(800)
Tronox settlement payment	—	—	—	5,215
Certain nonoperating and other excluded items	110	—	278	26
Current taxes related to asset monetizations and Tronox tax position	—	674	—	990
<b>Discretionary cash flow from operations</b>	\$ 968	\$ 979	\$ 2,123	\$ 3,847
Less capital expenditures*	697	1,352	2,321	4,575
<b>Free cash flow**</b>	\$ 271	\$ (373)	\$ (198)	\$ (728)

\* Includes WES capital expenditures of \$95 million for the quarter ended September 30, 2016, and \$127 million for the quarter ended September 30, 2015, \$355 million for the nine months ended September 30, 2016, and \$405 million for the nine months ended September 30, 2015.

\*\* Free cash flow for the three and nine months ended September 30, 2015, includes a \$910 million current tax benefit associated with the Tronox settlement.

*Adjusted Discretionary Cash Flow from Operations and Adjusted Free Cash Flow*

<i>millions</i>	Year Ended December 31,				
	2011	2012	2013	2014	2015
<b>Net cash provided by (used in) operating activities (GAAP)</b>	\$ 2,505	\$ 8,339	\$ 8,888	\$ 8,466	\$ (1,877)
Adjusted by:					
Increase (decrease) in accounts receivable	993	(520)	11	(103)	2
(Increase) decrease in accounts payable and accrued expenses	(284)	476	(150)	(97)	995
Other items, net	16	(126)	(146)	71	(772)
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
Current taxes related to Tronox tax position	—	—	—	—	910
WES/WGP distributions to third parties	(79)	(107)	(158)	(216)	(280)
<b>Adjusted discretionary cash flow from operations (Non-GAAP)</b>	\$ 7,099	\$ 7,050	\$ 7,875	\$ 8,240	\$ 4,289
Adjusted by:					
Capital expenditures excluding WES*	(6,114)	(6,782)	(7,731)	(8,560)	(5,363)
Collection of Algeria exceptional profits of tax receivable	—	1,006	730	—	—
Monetizations	580	1,244	1,033	5,659	1,825
<b>Adjusted free cash flow (Non-GAAP)</b>	\$ 1,565	\$ 2,518	\$ 1,907	\$ 5,339	\$ 751
<i>*WES capital expenditures</i>	439	529	792	696	525

### 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.

	<b>September 30, 2016</b>		
<i>millions</i>	<b>Anadarko Consolidated</b>	<b>WGP* Consolidated</b>	<b>Anadarko excluding WGP</b>
<b>Total debt</b>	\$ 15,878	\$ 2,935	\$ 12,943
Less cash and cash equivalents	3,980	146	3,834
<b>Net debt</b>	<b>\$ 11,898</b>	<b>\$ 2,789</b>	<b>\$ 9,109</b>
		<b>Anadarko Consolidated</b>	<b>Anadarko excluding WGP</b>
<i>millions</i>			
Net debt		\$ 11,898	\$ 9,109
Total equity		15,912	12,600
<b>Adjusted capitalization</b>		<b>\$ 27,810</b>	<b>\$ 21,709</b>
<b>Net debt to adjusted capitalization ratio</b>		<b>43%</b>	<b>42%</b>

\* WGP is a publicly traded consolidated subsidiary of Anadarko and WES is a consolidated subsidiary of WGP.

## Adjusted EBITDAX

The Company defines Adjusted EBITDAX as income (loss) before income taxes; gains (losses) on divestitures, net; exploration expense; depreciation, depletion, and amortization (DD&A); impairments; interest expense; 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, less net income (loss) attributable to noncontrolling interests. During the periods presented, items not related to the Company's normal operations included restructuring charges related to the workforce reduction program included in general and administrative expenses, Deepwater Horizon settlement and related costs included in other operating expenses, loss on early extinguishment of debt, Tronox-related contingent loss, and certain other nonoperating items included in other (income) expense, net. The Company's definition of Adjusted EBITDAX excludes gains (losses) on divestitures, net and exploration expense as they are not indicators of operating efficiency for a given reporting period. However, exploration expense is monitored by management as part of costs incurred in exploration and development activities. Similarly, DD&A and impairments are excluded from Adjusted EBITDAX as a measure of operating performance because capital expenditures are evaluated at the time capital costs are incurred. Adjusted EBITDAX also excludes interest expense to allow for assessment of operating results without regard to Anadarko's financing methods or capital structure. Total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives are excluded from Adjusted EBITDAX because these (gains) losses are not considered a measure of asset operating performance. Finally, net income (loss) attributable to noncontrolling interests is excluded from the Company's measure of Adjusted EBITDAX because it represents earnings that are not attributable to the Company's common stockholders.

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

<i>millions</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Income (loss) before income taxes</b>	<b>\$ (1,007)</b>	<b>\$ (3,077)</b>	<b>\$ (3,313)</b>	<b>\$ (7,520)</b>
(Gains) losses on divestitures, net	<b>414</b>	578	<b>516</b>	1,003
Exploration expense	<b>304</b>	1,074	<b>506</b>	2,260
DD&A	<b>1,069</b>	1,111	<b>3,202</b>	3,581
Impairments	<b>27</b>	758	<b>61</b>	3,571
Interest expense	<b>220</b>	199	<b>657</b>	616
Total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives	<b>88</b>	360	<b>863</b>	374
Restructuring charges	<b>112</b>	—	<b>363</b>	—
Other operating expense	—	—	<b>1</b>	4
Loss on early extinguishment of debt	—	—	<b>124</b>	—
Tronox-related contingent loss	—	—	—	5
Certain other nonoperating items	—	—	<b>(56)</b>	22
Less net income (loss) attributable to noncontrolling interests	<b>83</b>	75	<b>200</b>	154
<b>Consolidated Adjusted EBITDAX</b>	<b>\$ 1,144</b>	<b>\$ 928</b>	<b>\$ 2,724</b>	<b>\$ 3,762</b>

<i>millions</i>	<b>Year Ended</b> <b>December 31, 2015</b>
<b>Income (loss) before income taxes</b>	<b>\$ (9,689)</b>
(Gains) losses on divestitures, net	1,022
Exploration expense	2,644
DD&A	4,603
Impairments	5,075
Interest expense	825
Total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives	235
Other operating expense	74
Tronox-related contingent loss	5
Certain other nonoperating items	22
Less net income (loss) attributable to noncontrolling interests	(120)
<b>Consolidated Adjusted EBITDAX</b>	<b>\$ 4,936</b>

### **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 certain obligations to be paid in future periods.

### **Finding and Development Costs**

The Company defines finding and development (F&D) costs as oil and natural gas exploration and development costs divided by non-price related reserve additions before divestitures. The Company uses several variations of this calculation, including isolating development costs per producing areas and incorporating price-related and non-price-related reserve additions.

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

<i>millions</i>	<b>Year Ended</b> <b>December 31, 2015</b>
<b>Costs incurred (GAAP)</b>	<b>\$ 5,753</b>
Asset retirement obligation liabilities incurred	(207)
Cash expenditures for asset retirement obligations	298
<b>Oil and natural gas exploration and development costs (Non-GAAP)</b>	<b>\$ 5,844</b>
Non-price related additions before divestitures (MMBOE)	407
<b>Finding and development costs (\$/BOE) (Non-GAAP)</b>	<b>\$ 14.36</b>
Additions including price-related revisions (MMBOE)	(216)
<b>Finding &amp; development costs including price-related revisions (\$/BOE) (Non-GAAP)</b>	<b>NM*</b>

\* NM—not meaningful