January 31, 2023

Diversified Energy Announces Trading Statement and Annual Results Call Details

BIRMINGHAM, AL / ACCESSWIRE / January 31, 2023 / Diversified Energy Company PLC (LSE:DEC) ("Diversified" or the "Company") is pleased to announce the following operations and trading update confirming 2022 results are in line with market expectations. Diversified will release its 2022 full-year results and host an investor call on March 21, 2023.

Recent Operating and Financial Highlights

- Annual production of 135 Mboepd (808 MMcfepd), up 14% vs. 2021
  - 4Q22 average of 134 Mboepd (805 MMcfepd), which included weather-related downtime
  - 4Q22 average of 138 Mboepd (826 MMcfepd) excluding weather-related downtime [(a)]
  - December 2022 exit rate of 141 Mboepd (846 MMcfepd) excluding weather-related downtime [(a)]
- Total Cash Expenses [(b)] per unit of $10.41/Boe ($1.73/Mcfe)
- Full Year Cash Margins [(c)] of 50%
- ~85% of 2023 production hedged [(d)] at an average natural gas price of $3.63/Mcf [(e)(f)]
  - Represents ~27% price premium and ~70% increase in coverage from year-end 2021
  - Average hedge price ~3% above current NYMEX strip for 2023 [(g)]
- ~2.3x Net Debt / Adjusted EBITDA [(h)] leverage ratio as of December 31, 2022, pro forma for recent acquisitions

Recent Environmental, Social and Governance ("ESG") Highlights

- Asset-Retirement Progress / Update on Next LVL Energy ("Next LVL"), DEC's well retirement subsidiary:
  - Next LVL continues to be awarded retirement contracts from third-party operators and state orphan well programs, with >150 wells contracted in 2023
- DEC retired 200 wells (incl. 72 by Next LVL) during 2022, up 47% vs. 2021 (136 wells)
- Emission Reduction Initiatives:
  - Conducted ~174,000 handheld emissions surveys of upstream Appalachian assets during 2022, completing upstream surveys ahead of original commitment
    - Achieved no-leak rate on >90% of surveys upon completion of site visit
    - Completed 2+ surveys on ~95% of producing sites; no-leak rate of >95%
  - Completed LiDAR aerial surveillance over ~11,000 miles of midstream assets
    - 75% of verified leaks repaired; progressing additional repairs

Rusty Hutson, Jr., CEO of the Company, commented:

"Once again, the team delivered another exceptional year for our stakeholders. In a year marked by volatility underpinned by significant geopolitical activities, we once again delivered on our strategic goals of generating strong cash flows, reducing emissions, and providing tangible value to our stakeholders.

"Protecting our cash flow and, in turn, our dividend and debt payments have always been core to our strategy. We opportunistically capture higher natural gas prices as we add additional hedge protection. We begin 2023 again on solid footing, with ~85% of our natural gas production hedged at an average floor price of $3.63/Mcf, with downside protection ~27% better or $0.78 higher per Mcf compared to the values reported as of year-end 2021.

"In 2022, we navigated a challenging inflationary environment while maintaining strong cash margins by vertically integrating the assets we acquire and realizing synergies, including establishing our Next LVL asset retirement business. Our investment in expertise and equipment positions us as one of the largest full-service well retirement and related activity providers in Appalachia. Importantly, we safely and efficiently retired over 200 wells during the year and ahead of our 2023 target date to reach this milestone. Our progress highlights our long-standing commitment to be a responsible steward of our assets from acquisition to end of life, and we are now using our expertise to help third parties retire their wells, including orphan wells within certain states in which we operate.

"We recognize that energy-company stakeholder expectations continue to evolve and now include energy security and affordability in harmony with expectations around ESG, and Diversified remains committed to and has a track record of responsibly and sustainably producing our assets. Our investments in emissions measurement and tracking technologies were integral to Diversified being awarded the Gold Standard from the United Nations Oil and Gas Methane Partnership. As one of only five U.S.-based companies to receive that achievement, we are proud of this accomplishment and its affirmation of the team's commitment to our stated emission reduction-related goal.

"Today with our more than 1,500-people-strong organization, we achieved strong financial and operational results. I would like to thank this group of talented individuals for their dedication as we continue our work in 2023 and beyond."

Operations Update

Production

In 2022, Diversified once again delivered record annual production of 135 Mboepd (808 MMcfepd), an increase from the prior period of 14%.

Supported by the Company's low, industry-leading annual declines of ~8.5% and continued growth in the Central Region, the Diversified's stable production profile continues to be a key component of our strategy to generate consistent, reliable cash flows that underpin our ongoing stakeholder returns.

Net Production (Mboepd)	2022	2021	Change #	Change %
Average Annual Production	135	119	16	14%

Margins and Total Cash Expenses per Unit

The Company maintained robust Cash Margins[(c)] of 50% in 2022, reflecting the impact of Diversified's investment in Central Region assets that feature favourable end-market pricing and the improved commodity price environment during 2022, largely offsetting year-over-year increases in Total Cash Expense [(b)] per-unit. These expense increases were largely driven by the full-year inclusion of higher variable costs in the Central Region related to commodity price linked production taxes and certain processing costs impacted by the elevated commodity price environment during the year.

General inflationary pressures led to higher base Lease Operating Expense and Midstream Expense in 2022, while increases in Production Taxes were directly linked to the elevated commodity prices experienced during the year.

Total Unit Cash Expense [(b)]	**2022** $/Boe	**2022** $/Mcfe	**2021** $/Boe	**2021** $/Mcfe	%
Base Lease Operating Expense [1]	$ 3.51	$ 0.59	$ 2.76	$ 0.46	28%
Midstream Expense	1.44	0.24	1.40	0.23	4%
Gathering and Transportation	2.40	0.40	1.86	0.31	29%
Production Taxes	1.50	0.25	0.71	0.12	108%
Total Lease Operating Expense [1]	**$ 8.85**	**$ 1.47**	**$ 6.73**	**$ 1.12**	**31** %
General & Administrative Expense (Adj.) [(i)]	1.56	0.26	1.21	0.20	30%
Total Unit Cash Expense [1]	**$ 10.41**	**$ 1.73**	**$ 7.95**	**$ 1.32**	**31%**
Cash Margin [(c)]	**50 %**		**50 %**		

Amounts may not sum due to rounding

[(1)] 2022 excludes $(0.21)/Boe ($(0.04)/Mcfe) of expenses attributable to Next LVL Energy

Capturing Rising Commodity Prices in the Hedging Programme

Diversified enters 2023 with significant hedge protection to sustain stable revenues and cash margins that strategically minimize the risk of commodity price volatility. The Company's recent hedge optimisation activities have increased the Diversified's weighted average floor by 27% and 3% since the previously disclosed positions at December 31, 2021 and October 26, 2022, respectively.

Consistent with its stated coverage targets and the long-term hedge profile of Diversified's amortizing debt, the Company continues to opportunistically add hedge protection for 2024 and thereafter.

The table below reflects the results of recent enhancements for 2023[e][f] .

	Wtd Avg. Hedge Price at Dec. 31, 2022	Wtd Avg. Hedge Price at Dec. 31, 2021	% Increase in Wtd. Avg. Hedge Price	Wtd Avg. Hedge Price at Oct. 26, 2022	% Increase in Wtd. Avg. Hedge Price
2023	$3.63	$ 2.85	27%	$ 3.53	3%

The table below represents the Company's full-year hedge positions by commodity for 2023:

	GAS (Mcf)		**NGL (Bbl)**		**OIL (Bbl)**	
	Wtd. Avg. Hedge Price [e][f]	~ % of Production Hedged [d]	Wtd. Avg. Hedge Price [f]	~ % of Production Hedged [d]	Wtd. Avg. Hedge Price [f]	~ % of Production Hedged [d]
2023	$3.63	85%	$36.65	85%	$69.39	70%

ESG Update

Asset Retirement Update

Following Diversified's vertical integration of its asset retirement capabilities through investment into its wholly-owned Next LVL well retirement subsidiary, the Company safely retired 200 wells in 2022, including 72 wells by Next LVL. Accordingly, Diversified achieved its goal of retiring 200 wells per year ahead of its goal to begin doing by 2023.

In addition to achieving this important milestone, Next LVL has largely completed its integration of the retirement companies it acquired in 2022. Next LVL will open its regional headquarters in Bridgeport, West Virginia, in early February 2023 as it continues to win additional revenue-generating well retirement contracts for 2023. To date, Next LVL has been awarded >150 contracts to retire state orphan wells and wells for third-party operators.

Progress on Emissions Reductions Initiatives

<u>Upstream Efforts</u>

During 2022, Diversified completed ~174,000 unique voluntary emissions surveys of Appalachia upstream wells, including more than 58,000 well repeat surveys. Diversified completed these emissions-related surveys more than nine months ahead of its committed plans. Importantly, the surveys demonstrated that ~90% of its wells had no-leaks upon initial inspection, which increased to 95% upon reinspection, demonstrating the effectiveness of the Company's Smarter Asset Management ("SAM") programmes and alignment with its ESG commitments. Building on these results, the Company expects to expand handheld device implementation to Central Region operations in 1Q23.

As previously reported, Diversified expects to report a further reduction in greenhouse gas emissions of approximately 10% in direct relation to completed handheld emissions surveys.

Midstream Efforts

Through its partnership with Bridger Photonics, the Company progressed in 2022 its aerial midstream assets surveillance by evaluating ~11,000 miles or ~60% of its owned Appalachian midstream assets, subsequently repairing ~75% of confirmed leaks at a minimal cost and actively progressing the remaining repairs.

As part of its 2022 aerial surveillance program and commitment to the broader community, Diversified shared with third-party midstream operators ~250 potential leaks the Company identified on their assets to aid in those operators efforts to reduce their own emissions. Additionally, the Company voluntarily surveyed ~800 miles related to natural disaster recovery efforts.

Conference Call Details

The Company will host a conference call that day at 8:00a.m. BST (3:00a.m. EDT) to discuss the Interim Results and will make an audio replay of the event available shortly thereafter.

Date	March 21, 2023
Time	8:00a.m. (BST) / 3:00a.m. EDT
US (Toll-Free)	+1 877 836 0271
UK (Toll-Free)	+44 (0) 800 756 3429
Audio Webcast	div.energy/news-events/events

Footnotes (for Company-specific items, refer also to the Glossary of Terms and/or Alternative Performance Measures found in the Company's 2022 Interim Report):

(a) Weather-related downtime primarily due to Winter Storm Elliot in December 2022 resulted in a reduction of ~10 Mboepd in December and ~4 Mboepd for the fourth quarter 2022.

(b) Total Cash Expenses represent total lease operating costs plus recurring administrative costs. Total lease operating costs include base lease operating expense, owned gathering and compression (midstream) expense, third-party gathering and transportation expense, and production taxes. Recurring administrative expenses is a non-IFRS financial measure defined as total administrative expenses excluding non-recurring acquisition & integration costs and non-cash equity compensation.

(c) As used herein, Cash Margin is measured as Adjusted EBITDA, as a percentage of Adjusted Total Revenue. The key distinction between Cash Operating Margin and Cash Margin is the inclusion of Adjusted G&A. The Directors believe that Cash Margin is a useful measure of DEC's profitability and efficiency as well as its earnings quality.

(d) Illustrative percent hedged, calculated using December 2022 Exit Rate and assuming a consolidated annual corporate decline rate of 8.5%.

(e) Mcf volumes have been converted to MMBtu using a richness factor of 1Mcf=1.07MMBtu.

(f) Weighted average price reflects the weighted average of the swap price and floor price for collar contracts as applicable.

(g) Source: Bloomberg; Calculated as the settled contract price for January 2023 and February 2023, and NYMEX strip pricing for March 2023 - December 2023 as of January 30, 2023

(h) As used herein, Net Debt-to-Adjusted EBITDA, or "Leverage" or "Leverage Ratio", is measured as Net Debt at 31 December 2022, adjusted for the estimated impact of working capital, divided by pro forma Adjusted EBITDA for the twelve months ended December 31, 2022, adjusted for the annualized impact of the previously announced East Texas and ConocoPhillips acquisitions.

(i) As used herein, Adjusted G&A represents Base G&A plus recurring allowances for expected credit losses. The Directors use Adjusted G&A because this measure excludes items that affect the comparability of results or that are not indicative of trends in the ongoing business.

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About Diversified Energy Company PLC

Diversified Energy Company PLC is an independent energy company engaged in the production, marketing and transportation of primarily natural gas related to its synergistic US onshore upstream and midstream assets.

SOURCE: Diversified Energy Company PLC