May 9, 2023

Diversified Energy Announces Strong First Quarter Results Delivering Improved Cash Margins, Execution of Strategic Objectives and Sustainability Focused Gains

Company's Advantageous Hedging Profile has Remaining 2023 Pricing at 55% Premium to Current Natural Gas Prices

BIRMINGHAM, AL / ACCESSWIRE / May 9, 2023 / Diversified Energy Company PLC (LSE:DEC) ("Diversified" or "the Company") is pleased to announce it is trading in line with expectations and provided the following operations and trading update for the quarter ended March 31, 2023.

Delivering Reliable Results

- Recorded average 1Q23 production of 139 Mboepd (833 MMcfepd)
    - Exit rate of 145 Mboepd (872 MMcfepd)
- Includes 15% liquids; Up 30% since entering Central Region
- Net income of ~$400 million inclusive of a ~$365 million gain on tax-effected, non-cash unsettled derivative fair value adjustments
- Achieved 1Q23 Adjusted EBITDA of ~$150 million[a]
- Realized 54% Cash Margin[b] benefiting from lower expenses
- Annualized Free Cash Flow Yield[c] of ~37% (1Q23 of ~9%)
- Total Unit Cash Expense[e] of $10.46/Boe ($1.74/Mcfe); ~6% improvement compared to 4Q22
- 2.3x Net Debt / Adjusted EBITDA leverage ratio[f] and ~$110 million of liquidity[g]

Executing Strategic Objectives

- Declared 1Q23 interim dividend of 4.375 cents per share, consistent with 4Q22; up 3% vs. 1Q22
- Completed Tanos II asset acquisition
- Maintained favorable natural gas hedge position; 2023 average floor pricing 35% above strip for remainder of 2023[d]
- Completed ~$6 million in non-core undeveloped acreage sales across the Company's operating footprint

Creating Value Through Stewardship

- Issued 2022 Sustainability Report detailing emissions reductions, safety wins and community investment

- Supported energy transition through surface acreage transaction allowing solar field development
- Tanos assets recently acquired achieved project Canary Gold Rating
- Completed pneumatic device conversion on 22 pads through March 2023
- Next LVL Energy completed 56 well retirements through March 2023, on track for 2023 targets
    - Includes 26 Diversified completions and 30 third-party completions

Rusty Hutson, Jr., CEO of Diversified, commented:

"*Our team performed exceptionally well during the first quarter, once again delivering record production as we optimize our low-decline assets and add the complementary Tanos assets. Concurrently and despite the challenging commodity price environment, we reduced per-unit expenses and increased our cash margins to approximately 54% thanks to our disciplined hedging strategy and greater liquids exposure. Having responsibly hedged over 85% in 2023, approximately 80% in 2024 and approximately 70% in 2025 of our natural gas production, we continue to opportunistically add to our hedge portfolio where the price curve is higher.*

Consistent with our strategy, we continued our consolidation efforts through another accretive acquisition in our Central Region, which also contributed to our undeveloped acreage position. We continue to advance our initiatives to realize value from these assets through outright sales, advantageous joint ventures, or other partnership constructs that will provide a catalyst to unlock upside to our net asset value and drive the opportunity for organic, no-cost production growth.

We remain focused on generating free cash flow to provide dividends and service our amortizing debt while evaluating accretive growth opportunities that provide enhanced scale and synergies. We have built a sizable and resilient Company, and believe our intrinsic value per share significantly exceeds our current share price, offering a compelling value proposition for our current and future shareholders."

Operations and Finance Update

Production and Asset Integration

The Company recorded exit rate production in March 2023 of 145 Mboepd (872 MMcfepd) and delivered 1Q23 average net daily production of 139 Mboepd (833 MMcfepd), both reflecting the partial impact of the Tanos II acquisition. The Company continues to integrate these assets into its Smarter Asset Management programs, and expects to fully complete this work within 2Q23.

Margin and Total Cash Expenses per Unit

Diversified's robust hedge portfolio significantly protects the Company's revenues from the global commodity macro deterioration that began in late 2022 and continues into 2023. Additionally, the Company's vertical integration strategy provides greater control over its expenses to preserve high cash margins.

Cash Margins[b] of 54% (56% unhedged) reflect the benefit of the Company's hedge optimization efforts, lower commodity-price linked expenses and contribution from the recently acquired high-margin Tanos II assets. Price-linked operating expenses drove meaningful reductions in unit production taxes, midstream expense, certain third-party gathering and transportation costs.

Adding production during the quarter without additional administrative requirements from Tanos II effectively held relatively flat Base Lease Operating Expense per unit and reduced Adj. General and Administrative expenses[(f)] per unit during the period.

Total Unit Cash Expense[(e)]	**1Q23**		**4Q22**		
	$/Boe	$/Mcfe	$/Boe	$/Mcfe	**%**
Base Lease Operating Expense [1]	$ 4.03	$ 0.67	$ 3.94	$ 0.66	2%
Midstream Expense	1.40	0.23	1.51	0.25	(7) %
Gathering and Transportation	2.08	0.35	2.49	0.41	(16) %
Production Taxes	1.40	0.23	1.53	0.25	(8) %
Total Lease Operating Expense[1]	**$ 8.92**	**$ 1.49**	$ 9.46	$ 1.58	**(6) %**
General & Administrative Expense (Adj.) [(h)]	1.54	0.26	1.69	0.28	(9) %
Total Unit Cash Expense[1]	**$ 10.46**	**$ 1.74**	$ 11.15	$ 1.86	**(6) %**
Cash Margin[(b)]	**54%**		**51%**		

[1] 1Q23 excludes $(0.28)/Boe ($(0.05)/Mcfe) and 4Q22 excludes $(0.34)/Boe ($(0.06)/Mcfe) of expenses attributable to Next LVL Energy

Values may not sum due to rounding

Results of Hedging and Current Financial Derivatives Portfolio

Diversified's use of hedges to minimize commodity price risk and match stable production with stable revenues underpinned the Company's average 1Q23 hedge floor price of $3.79/Mcf, 4% higher than the average settled price for NYMEX Henry Hub During the quarter[(d)]. Diversified's hedging strategy continues to advantageously position the Company for the balance of the year with remaining 2023 average natural gas hedge floors of $3.79/Mcf currently situated at a ~35% premium to current strip pricing[(d)] and a ~55% premium to the $2.48/Mcf active contract price[(d)].

Having proactively established its 2023 and a majority of its 2024 hedge portfolio, Diversified is focused on adding hedges to 2025 and beyond where forward natural gas prices remain strong. The table below represents the Company's full-year hedge positions at May 1, 2023:

	GAS (Mcf)			NGL (Bbl)			OIL (Bbl)		
	Wtd. Avg. Hedge Price[i][j]	~ % of Production Hedged[k]		Wtd. Avg. Hedge Price[i]	~ % of Production Hedged[k]		Wtd. Avg. Hedge Price[i]	~ % of Production Hedged[k]	
FY23	$ 3.79	85 %		$ 37.37	70 %		$ 69.31	70 %	
FY24	$ 3.30	80 %		$ 38.25	50 %		$ 62.54	40 %	
FY25	$ 3.23	70 %		$ 30.22	35 %		$ 59.01	35 %	

Environmental Update

Emissions Reductions Activity

During the quarter, Diversified completed the Company's previously announced deployment of handheld emissions devices in the Central Region and has performed more than 4,000 emissions inspections to date in the region, with initial no-leak rates of 90% of sites surveyed consistent with the Company's Appalachian portfolio.

Upstream and midstream emissions detection activities in the Appalachian region continue to progress, with upstream emissions testing via handheld devices yielding a consistent no-leak rate of <95% and aerial testing over midstream assets to date having covered more than 1,000 miles of pipelines. As previously announced, Diversified expanded pneumatic device replacement during the quarter, with 22 well sites successfully converted to electric or solar devices.

Asset Retirement Progress

Through Diversified's wholly owned asset retirement subsidiary Next LVL Energy, the Company has safely retired 56 wells, of which 26 were operated by Diversified and 30 were owned or operated by third-party companies or state plugging programmes. Next LVL Energy's ability to provide full-scope asset retirement and well services continues to benefit the Company's asset retirement goals and capabilities achieved through scale and efficiencies as one of the largest asset retirement service providers in the Appalachian region.

Diversified expects to retire 200+ operated wells in 2023 including the 43 operated wells (including 26 by Next LVL Energy) retired year-to-date.

Solar Field Development

During the past year, the Company has been in discussions with several large solar project developers in the United States. These projects involve using surface acres owned by the Company as part of the land used to house solar panels and equipment for renewable power development. These acreage positions have primarily been located in Texas and Southern Appalachia to date, with some parcels located near the Barnett operating area. Diversified continues to have ongoing discussions with a number of solar project developers across its operational areas to realize value for acreage that would otherwise not be in any near-term development plans, anticipating additional partnership agreements to be consummated in the future.

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

(a) Calculated as earnings before interest, taxes, depletion, depreciation and amortisation, and includes adjustments for items that are not comparable period-over-period, non-cash items such as gains on the sale of assets, acquisition related expenses and integration costs, mark-to-market adjustments related to our hedge portfolio, non-cash equity compensation charges and items of a similar nature.

(b) As used herein, Cash Margin is measured as Adjusted EBITDA, as a percentage of Total Revenue, Inclusive of Hedges; which includes the impact of derivatives settled in cash during the period; excludes the effect of Next LVL Energy.

(c) Annualized amount calculated using the Free Cash Flow per average share outstanding, divided by the average share price for the three months ended March 31, 2023. Free Cash Flow calculated as net cash provided by operating activities less expenditures on natural gas and oil properties and equipment and cash paid for interest; excluding the impact of working capital.

(d) Calculated using settled prices and NYMEX Henry Hub strip and Diversified hedge portfolio as of May 1, 2023; Diversified average hedge floors have been converted from MMBtu to Mcf using a richness factor of 1MCF=1.07MMBtu.

(e) 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 (Adjusted G&A) is a non-IFRS financial measure defined as total administrative expenses excluding non-recurring acquisition & integration costs and non-cash equity compensation.

(f) As used herein, Net Debt-to-Adjusted EBITDA, or "Leverage" , is measured as current Net Debt, divided by pro forma Adjusted EBITDA for the twelve months ended March 31, 2023, adjusted for the annualized impact of the previously announced East Texas, ConocoPhillips and Tanos II acquisitions.

(g) Calculated as the availability on the Company's Revolving Credit Facility and inclusive of cash on hand and letters of credit as of March 31, 2023.

(h) As used herein, Adjusted G&A represents total administrative expenses excluding non-recurring acquisition & integration costs and non-cash equity compensation.

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

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

(k) Illustrative percent hedged, calculated using March 2023 Exit Rate and assuming a consolidated pro-forma annual corporate decline rate of 11% (including the impact of recently acquired Tanos II assets).

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About Diversified Energy Company PLC

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

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