



NASDAQ:LINE • NASDAQ:LNCO

LINN Energy Response to Another Round of Short Seller Comments April 1, 2013

Introduction



This presentation addresses the following three topics:

1. Cash flow from operating activities

- Historical cash flow from operating activities was prepared in accordance with generally accepted accounting principles ("GAAP").
 In accordance with GAAP, premiums paid for derivatives are included in cash flow from operating activities.
- Historical GAAP cash flow from operating activities was sufficient to cover the distribution with only one material reconciling item, premiums paid for derivatives, in calculating the non-GAAP financial metric of distributable cash flow ("DCF"). As stated before, LINN views puts as a "capital" cost and considers the premiums it pays for derivatives as part of the investment in its business.
- LINN has not purchased any puts in 2013 and currently has no plans to do so. If it does not buy additional puts, GAAP cash flow from operating activities is expected to support LINN's distribution and the maintenance portion of its development capital expenditures ("maintenance capex") going forward.
- Further evidence of this stability is included in the 3-year forecast provided in the Joint Proxy Statement / Form S-4 ("proxy") filed on March 22, which shows an implied distribution coverage ratio of 1.13x, 1.13x and 1.18x for LINN on a stand-alone basis (pre-Berry acquisition) for 2013E, 2014E and 2015E, respectively, without any adjustments related to put purchases.

2. Maintenance capex

- Maintenance is defined as the cost to hold reserves and production flat and is a supportable metric. LINN continually ranks its extensive inventory of future drilling locations and other maintenance activities based on efficiency and implements the most efficient projects in its maintenance program.
- Maintenance capex alone understates the amount of money LINN spends on maintenance activities. Maintenance activities are not all "capital" and certain maintenance activities are included in lease operating expenses ("LOE"). From 2009 to 2012, maintenance activities included in LOE totaled \$174 million, which if included in maintenance capex would have increased that metric by 24%.
- Depreciation, depletion and amortization ("DD&A") per unit is not a good representation of LINN's maintenance capex per unit
 because of important differences in their definitions. DD&A represents the amortization of <u>historical</u> costs paid for oil and natural
 gas properties and does not represent the <u>current</u> development costs and specific development opportunities.

3. Net asset value

- LINN is undervalued in the current market (\$37.97 per unit as of March 28) relative to its net asset value ("NAV").
- Internal NAV analysis implies an equity value of \$44.74 \$64.74 per unit.
- Third-party advisor analysis (as documented in the proxy) values LINN at \$37.34 \$51.15 per unit.
- LINN has upside of up to ~70% (pre-Berry acquisition) based on its NAV relative to its current market price.

Cash Flow Analysis



- ▶ The table below reconciles GAAP cash flow from operating activities to the non-GAAP metric of DCF.
- ► LINN has <u>fully covered</u> its distribution and maintenance capex and since 2009 has generated ~\$325 million of excess cash to fund growth capex.
- "Premiums paid for derivatives" is the only material reason anyone could claim otherwise. LINN views puts as a "capital" cost and considers the premiums it pays for derivatives as part of the investment in its business.
- LINN has not purchased any puts in 2013 and currently has no plans to do so. If it does not buy additional puts, GAAP cash flow from operating activities is expected to support LINN's distribution and maintenance capex going forward.

Cash Flow Reconciliation							
(\$ in millions, except per-unit amounts)	Historical					Projected ⁽⁴⁾	
DCF Reconciliation	2009A	2010A	2011A	2012A	Totals	2013E	
GAAP cash flow from operating activities	\$427	\$271	\$519	\$351	\$1,568	\$1,241	
Premiums paid for derivatives ⁽¹⁾	94	120	134	583	931		
Acquisition-related cash flow ⁽²⁾	4	43	58	81	186		
Realized (gains) losses on canceled derivatives (3)	(49)	124	(27)		48		
Working capital and other adjustments	(31)	(13)	74	27	57		
Subtotal	445	545	758	1,042	2,790	1,241	
Less: maintenance capex	97	88	168	363	716	468	
Distributable cash flow (DCF)	\$348	\$457	\$590	\$679	\$2,074	\$773	
Units outstanding (millions)	121	144	174	206		235	
DCF / unit	\$2.88	\$3.18	\$3.40	\$3.30		\$3.29	
Distribution / unit	\$2.52	\$2.58	\$2.73	\$2.90		\$2.90	
Distribution coverage ratio	1.14x	1.23x	1.24x	1.14x		1.13x	
Excess cash flow (after distributions and maintenance)	\$43	\$85	\$115	\$82	\$325	\$92	

⁽¹⁾ These amounts were for derivatives that hedged multiple years of production and have been paid in full. No additional amounts will be payable in the future under these contracts.

⁽²⁾ Represents cash, based on contractual arrangements, the Company received from the effective date to the closing date of the transaction. The effective date is the first date the buyer is entitled to receive the economic benefit from properties included in the transaction.

⁽³⁾ Represent derivatives canceled prior to the contract settlement date. In 2010, interest rate swaps were canceled in connection with the issuances of certain fixed-rate senior notes. In 2011, commodity derivatives were canceled and the proceeds were reallocated within the Company's derivatives portfolio.

⁽⁴⁾ Based on 2013E projections for LINN on a stand-alone basis as included in the proxy. Does not reflect the recommended distribution increase in connection with the pending Berry acquisition.

Projections



- LINN has not purchased any puts in 2013 and currently has no plans to do so.
- As a result, GAAP cash flow from operating activities is expected to support LINN's distribution and maintenance capex going forward.
- The recently filed proxy included the future projections shown below for LINN on a stand-alone basis (pre-Berry acquisition):

LINN Stand-Alone Future Projections ⁽¹⁾						
(\$ in millions, except per-unit amounts)	20425	204.45	20455			
Key Performance Metrics Average daily production (MMcfe/d)	2013E 865	2014E	2015E 983			
Adjusted EBITDA	\$1,635	\$1,714	\$1,815			
Distributable cash flow (DCF) / unit ⁽²⁾	\$3.29	\$3.28	\$3.41			
Distribution / unit ⁽³⁾	\$2.90	\$2.90	\$2.90			
		ψ2.90 1.13x				
Implied distribution coverage ratio	1.13x	1.13X	1.18x			

⁽¹⁾ Please refer to the Registration Statement on Form S-4 / Joint Proxy Statement filed by Linn Energy, LLC and LinnCo, LLC on March 22, 2013 for further information regarding the assumptions and qualifications used in these projections.

⁽²⁾ Assumes no additional premiums paid for derivatives. As a result, DCF is expected to closely reflect GAAP cash flow from operating activities less maintenance capex, with normal working capital adjustments.

⁽³⁾ Based on current annualized distribution of \$2.90 per unit. Does not reflect the recommended distribution increase in connection with the pending Berry acquisition.

Organic Reserve Replacement



- LINN's maintenance capex is a supportable metric.
- Maintenance includes LINN's most efficient inventory of projects.
- ► LINN has achieved organic reserve replacement of ~168% for the last 4 years.

Historical Drilling Results						
Drilling Capital Summary (\$ in millions)	2009A	2010A	2011A	2012A	Totals	
Maintenance	\$97	\$88	\$167	\$362	\$714	
Growth	45	157	472	700	1,374	
Total capital investment	\$142	\$245	\$639	\$1,062	\$2,088	
Reserve Summary (Bcfe)						
Extensions, discoveries and other additions	50	234	450	709	1,443	
Other revisions ⁽¹⁾	39	(78)	(129)	(340)	(508	
Reserve adds	89	156	321	369	935	
Production	80	97	135	246	558	
Reserve replacement ratio ⁽¹⁾	112%	161%	238%	150%	168%	

DD&A vs. Maintenance



- DD&A and maintenance are not the same thing.
- DD&A represents the amortization of <u>historical</u> costs paid for oil and natural gas properties and does not represent the <u>current</u> development costs and specific development opportunities.
- Maintenance is the cost to hold reserves and production flat.
- DD&A per unit is <u>higher</u> than maintenance capex per unit for three key reasons:
 - DD&A does not represent <u>current</u> development costs and specific development opportunities
 - DD&A includes PUD value, which represents assets that were not producing during the period
 - DD&A does not give full credit for future probable and possible resources
- DD&A per unit is calculated as follows:

Maintenance



- Maintenance is defined as the cost to hold reserves and production flat.
- LINN continually ranks its extensive inventory of future drilling locations and other maintenance activities based on efficiency and implements the most efficient projects in its maintenance program.
- In addition, some maintenance activities, such as workovers and recompletions, are reflected in LOE as opposed to capital, so the total spend on maintenance is higher than the amount reported for capex only.
- For 2009-2012, maintenance activities included in LOE totaled \$174 million, which if included in maintenance capex would have increased that metric by 24%.

Maintenance Activities								
(\$ in millions)		11/1/1/1/1/1/1/1/1/1/1/1/1/1/1/1/1/1/1/1			Stand-Alone			
Component	2009A	2010A	2011A	2012A	2013E			
Maintenance as capital	\$97	\$88	\$167	\$362	\$468			
Maintenance as LOE	29	37	51	57	75			
Total maintenance cost	\$126	\$125	\$218	\$419	\$543			

NAV Analysis



- LINN is undervalued (\$37.97 per unit as of March 28) relative to its NAV.
- Internal NAV analysis implies an equity value of \$44.74 \$64.74 per unit.
- ► Third-party advisor analysis values LINN at \$37.34 \$51.15 per unit.
- Upside of up to ~70% based on current market price (pre-Berry acquisition).

(\$ in millions, except per-unit amounts)			Third-Party Ca	Ilculated Value
	Internal C	case ⁽¹⁾	Strip Pricing Case (2)	Mgmt Pricing Case (3)
Proved reserves, discounted at 7.5%	\$8,800	\$8,800		
Hedge book, gas plant and facilities	1,300	1,300		
Subtotal	10,100	10,100		
Unproved drilling inventory, discounted at 15% and 10%, respectively	6,500	11,200		
Gross asset value	16,600	21,300		
Less: debt at YE 2012	6,085	6,085		
Net asset value (NAV)	\$10,515	\$15,215		
Units outstanding (millions)	235	235		
NAV / unit	\$44.74	\$64.74	\$37.34 - \$48.53	\$39.48 - \$51.15

⁽¹⁾ Values based on a natural gas price of \$4.70 per MMBtu after 2018 and an oil price of \$90.00 per Bbl.

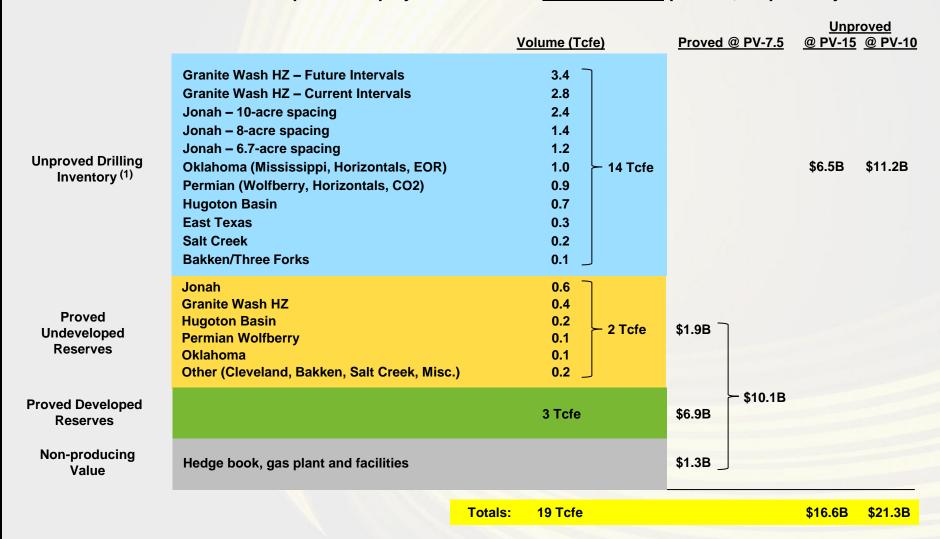
⁽²⁾ Values based on forward strip pricing as of February 19, 2013.

⁽³⁾ Values based on a natural gas price of \$4.70 per MMBtu after 2018 and an oil price of \$90.00 per Bbl.

NAV Schedule (Internal Case)



Proved reserves discounted at 7.5%, hedge book value and facilities of \$10 billion, combined with unproved discounted at 15% and 10% implies an equity value between \$44.74 - \$64.74 per unit, respectively.



Note: Values based on a natural gas price of \$4.70 per MMBtu after 2018 and an oil price of \$90.00 per Bbl.

Disclosures



Forward-Looking Statements

This presentation includes "forward-looking statements." All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include, but are not limited to forward-looking statements about acquisitions and the expectations of plans, strategies, objectives and anticipated financial and operating results of the Company, including the Company's drilling program, production, hedging activities, capital expenditure levels and other guidance included in this presentation. These statements are based on certain assumptions made by the Company based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include risks relating to the Company's financial performance and results, availability of sufficient cash flow to pay distributions and execute its business plan, prices and demand for oil, natural gas and natural gas liquids, the ability to replace reserves and efficiently develop current reserves and other important factors that could cause actual results to differ materially from those projected as described in the Company's reports filed with the Securities and Exchange Commission. See "Risk Factors" in the Company's Annual Report filed on Form 10-K and other public filings and press releases.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

Distributable cash flow ("DCF") and Adjusted EBITDA (non-GAAP financial measures), as defined by the Company, may not be comparable to similarly titled measures used by other companies. Therefore, DCF and Adjusted EBITDA should be considered in conjunction with cash flow from operating activities and net income prepared in accordance with GAAP. DCF and Adjusted EBITDA should not be considered in isolation or as a substitute for GAAP measures, such as cash flow from operating activities, net income or any other GAAP measure of liquidity or financial performance. DCF and Adjusted EBITDA are measures used by Company management to measure its ability to pay (prior to the establishment of any reserves by its Board of Directors) and/or increase the cash distributions to its unitholders. DCF and Adjusted EBITDA are also quantitative measures used throughout the investment community with respect to publicly-traded partnerships and limited liability companies.

Organic reserve replacement ratio is a non-GAAP financial measure. The method used by the Company to calculate the measure may differ from methods used by other companies to compute a similar measure. As a result, the Company's measure may not be comparable to a similar measure provided by other companies. This measure should not be considered in isolation or a substitute for a GAAP measure. The organic reserve replacement ratio is a statistical indicator that has limitations, including its predictive and comparative value. This measure is limited because it may vary widely based on the extent and timing of new discoveries and project sanctioning. In addition, since the organic reserve replacement ratio does not consider the development cost or timing of future production of new reserves, it should not be used as a measure of value creation.