VENTURE PRODUCTION plc

Presentation to
UBS Oil and Gas Conference

UBS

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Agenda

- What is Venture?
- Strategy and Business Model
- Financial Drivers
- Acquisitions and Industry Consolidation
- Outlook and Summary

What is Venture?

Leading 'New Generation' UK independent North Sea E&P operator focused on developing UKCS and Dutch sector assets

- We acquire, invest in and rapidly monetise 'stranded' oil and gas discoveries
- Net production up from 2,000 boepd in 2000 to 45,000 - 50,000 boepd currently
- Reserve base - 77 MMboe (1P), 203 MMboe (2P), 305 MMboe (3P)
- Deep portfolio - interests in 42 discovered oil and gas fields (32 operated)
- Strong acquisition track record - completed 50 deals since founding in 1997
- Headquartered in Aberdeen with 145 staff (35 in The Netherlands)
- Listed on London Stock Exchange since March 2002

6th largest independent North Sea operator

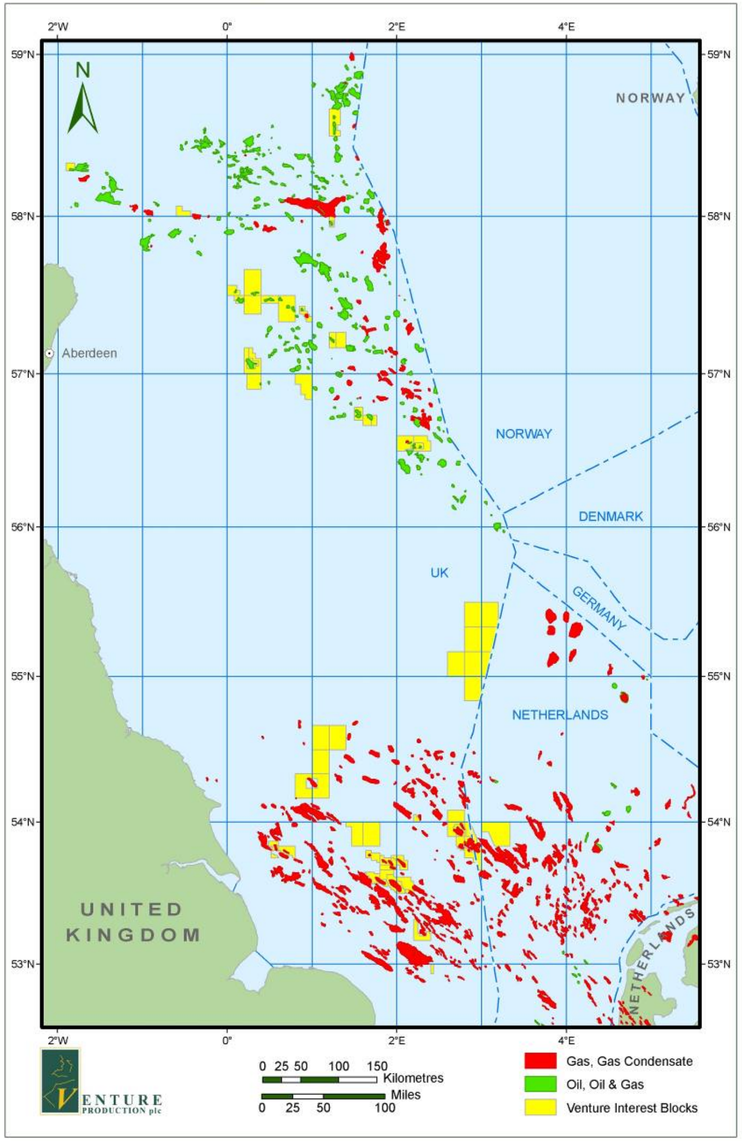
Key Data

Leading 'New Generation' UK independent North Sea E&P operator focused on developing UKCS and Dutch sector assets

- Venture is a very well funded 'factory'
- Repeated execution of a proven business model
- Now generating substantial free cashflow (i.e. annual after tax cash greater than annual capex)
  - 3 well established hubs (current production ~ 35,000 boepd)
  - 4 emerging hubs (current production ~ 15,000 boepd)
  - ~ £250 million p.a. capital programme
- North Sea focus - CNS, SNS, DNS (NNS has potential, but higher opex environment)
- Highly acquisitive - 6 deals announced so far in 2008
- Large existing portfolio - 23 undeveloped assets, 18 producing fields (305 MMboe 3P)
- Significant undrilled resources - 38 licences containing prospects/leads (~ 300 MMboe unrisked)
- Measured investment in lower risk exploration (e.g. Annabel, Channon, Carna)
- Since 2000 we have drilled 55 wells in the North Sea
- 2nd most active driller in 2007 - 11 wells

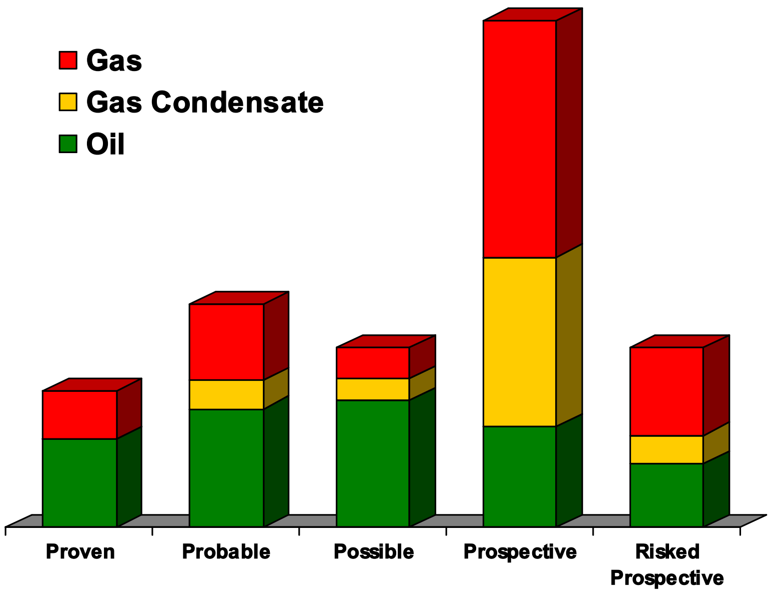
Powerful 'platform' for extracting mature basin value

Venture Production North Sea Acreage

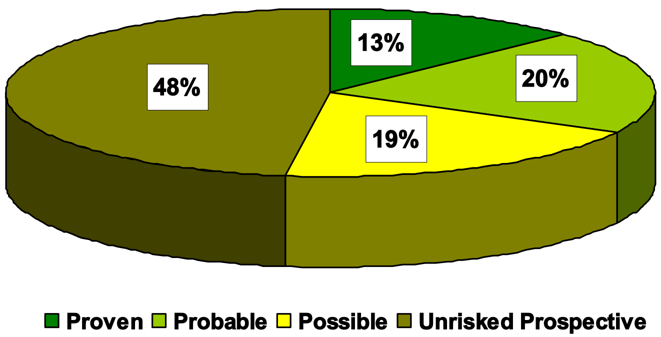


- 74 blocks
  - 66 in UK sector
  - 5 in Dutch sector
  - 3 in East Irish Sea
- 18 producing fields
  - 7 oil
  - 11 gas
- Chestnut field in development
- 23 discoveries for potential development
  - 13 oil
  - 2 gas condensate
  - 8 gas
- 38 blocks with exploration prospect and/or leads
  - 9 oil / gas condensate with 10 prospects and leads
  - 29 gas with 27 prospects and leads

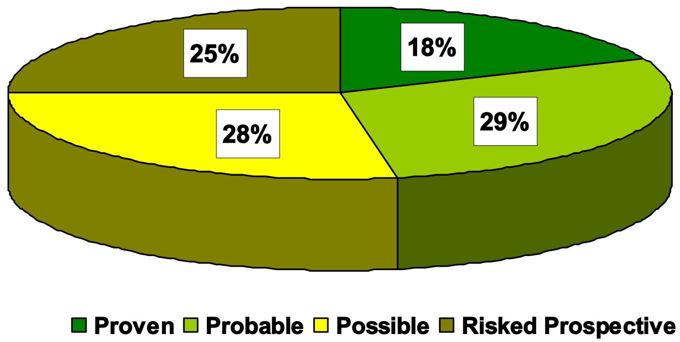
Reserves and Resources Portfolio End 2007



- ~ 600 MMboe total resource exposure
- Gas portfolio has a good balance with significant upside
- Oil portfolio has a smaller prospective resource but has less subsurface risk than the gas portfolio
- Gas condensate portfolio is higher risk and higher cost
- Proven and Probable reserves balance is 50:50 oil to gas



Unrisked resources balance



Risked resources balance

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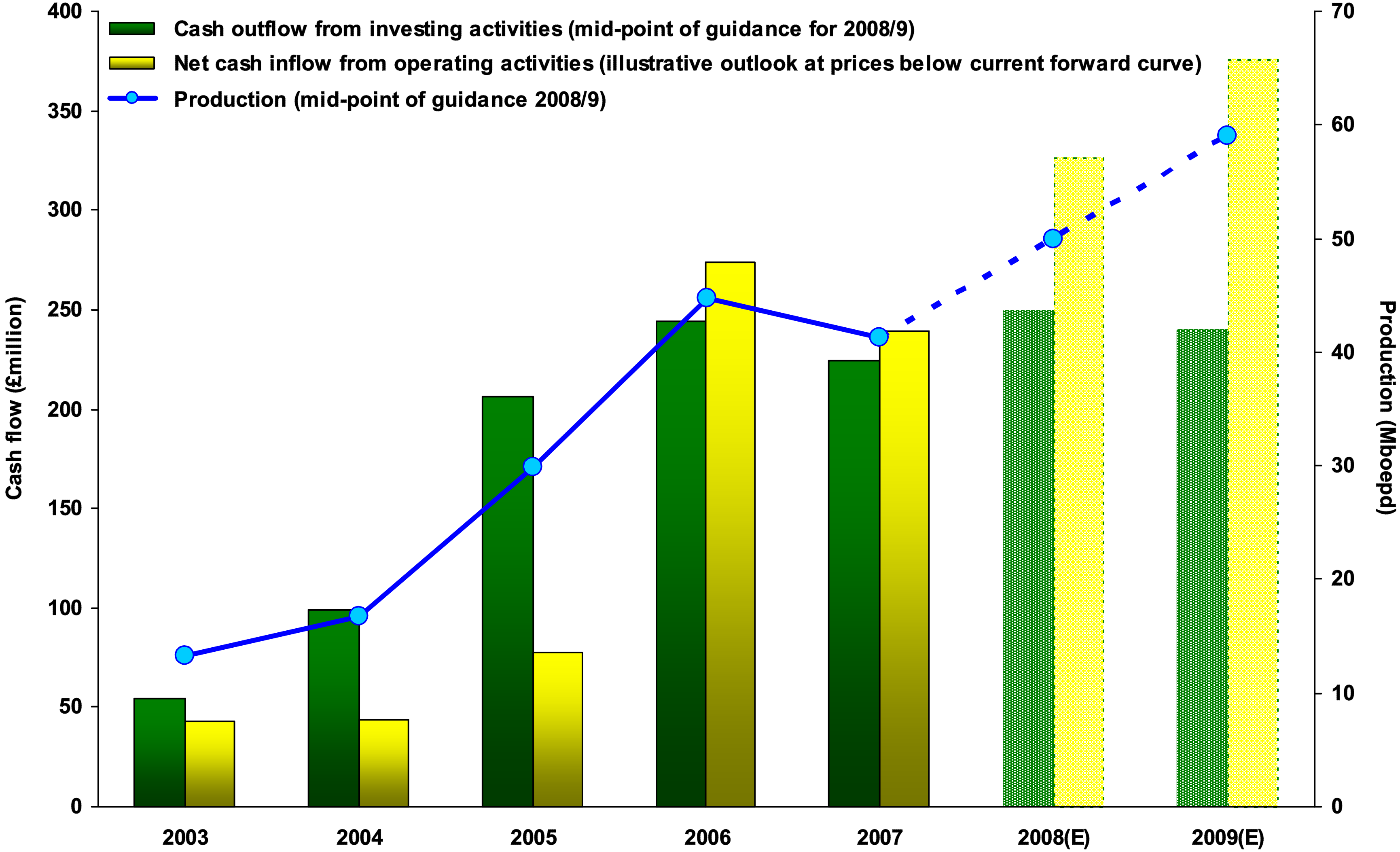
Cashflow Generation Momentum



Oil price for 2008 and 2009 : $87/bbl and $82/bbl respectively

Gas price for 2008 and 2009 : 48 p/therm and 48 p/therm respectively

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Strategy and Business Model

Corporate Strategy

Grow shareholder value by acquiring underdeveloped oil and gas fields

- ‘Buy and Build’ model - acquire underdeveloped assets which are non-core to existing owners
- Invest capital to develop discovered reserves into production
- Grow around core production hubs - limit exploration to lower risk opportunities
- Position the business to drive North Sea consolidation

Apply operator-led development skills and resources

- Unrivalled track record as development operator
- Highly effective and valuable supply chain relationships
- Tight control over costs - both opex and capex

Maintain disciplined financial framework

- Constant ‘Return on Capital’ focus
- Dividend growth policy
- Strong balance sheet
- Exploration spend : 10 - 15% of annual capex
- Hedging used solely as ‘cashflow assurance’ tool

Proven strategy - unchanged since founding in 1997

North Sea Focus

Substantial Remaining Resources	Installed Infrastructure and People
• Prolific hydrocarbon basin • Significant remaining potential • Over 400 underexploited fields remain	• Extensive platform and pipeline network • Ample processing capacity • Good supply of skilled labour
Attractive Business Environment	**Industry Consolidation**
• Government pressure to ‘work’ acreage • Relatively stable fiscal regime • Low marginal tax take	• More ‘players’ than basin will need • Both asset and corporate opportunities • ‘Feeder’ companies create opportunities

The North Sea is an attractive place to develop and produce hydrocarbons

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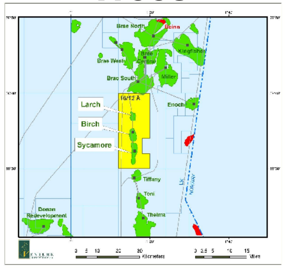
Expansion Through Cashflow Reinvestment

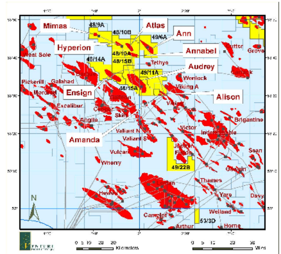
Built through 25 acquisitions and over £600 million of capital investment

Established Production Hubs

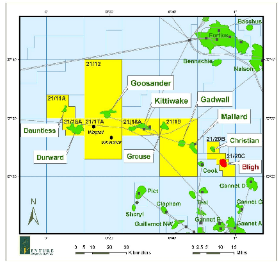
'Trees'



'A' Fields



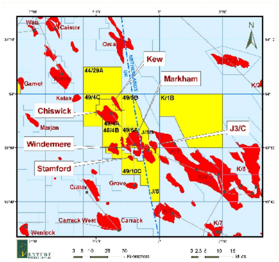
GKA



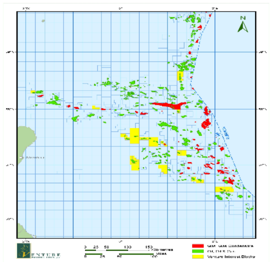
Cash Flow **for Reinvestment**

Five year reserve replacement ratio 391%

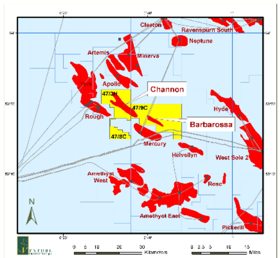
GMA



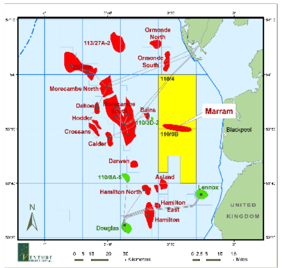
'New Oil'



ECA



East Irish Sea



Exploration + Acquisitions

Decreasing Maturity

Recycling strong cash flow into new growth areas

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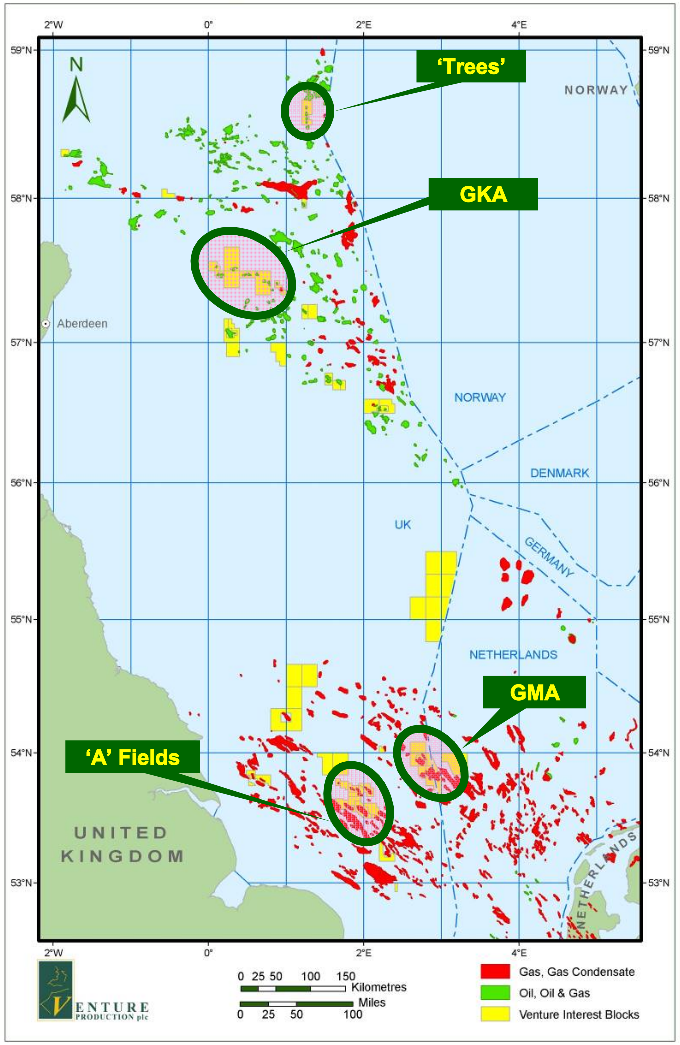
Acquisition and Operatorship Hub Strategy at Work

- **'Trees' (Operator from 2000)**
  - 2000 - initial acquisition of 'Trees' interests
  - 2002 - acquisition of additional interest in Sycamore
  - 2003 - acquisition of additional interest in Birch
  - 2004 - additional Birch, Larch and Sycamore interests

- **'A' Fields (Operator from 2003)**
  - 2000 - initial acquisition of Audrey, Ann / Alison, Annabel, Saturn interests
  - 2001 - additional Audrey, Ann, Alison plus Amanda, Agatha interests
  - 2002 - additional Annabel and Saturn interests
  - 2003 - additional Audrey interest and operatorship
  - 2003 - additional Audrey, Amanda, Agatha interests
  - 2004 - additional Annabel and Saturn interests
  - 2005 - acquisition of Ensign interests (x 3)
  - 2005 - award of 48/15b licence

- **GKA (Operator from 2003)**
  - 2001 - initial acquisition of Mallard interest
  - 2003 - operatorship and Kittiwake platform from Shell / Esso
  - 2005 - initial acquisition of Christian / Bligh interests
  - 2005 - additional Christian / Bligh interest
  - 2008 - additional Bligh interest

- **GMA (Operator from 2006)**
  - 2006 - initial acquisition of CH4 interests
  - 2007 - award of Stamford licence
  - 2008 - additional Chiswick interest



Established approach - but value creation requires strong operating skills

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Venture's Sustainable Value Creation 2000 - 7

Based on only 3 core hubs (2000 - 7) ('Trees', 'A' Fields, GKA)	Cash Flow (£million)	2P Reserves (MMboe)	(£ / boe)
Acquisitions (~ 25 deals)	(116)	31.0	(3.74)
Capital Investment	(511)	127.3	(4.01)
EBITDA / Production	842	(54.3)	15.51
Balance at 31 December 2007	**216**	**104.0**	

Total Investment Returned	134%
Remaining / Acquired Reserves	3.4x
Start-up Production (boepd)	7,700
2007 Production (boepd)	36,164

NOTE : Based on the building of the Established Production Hubs only : 'Trees', 'A' Fields and GKA

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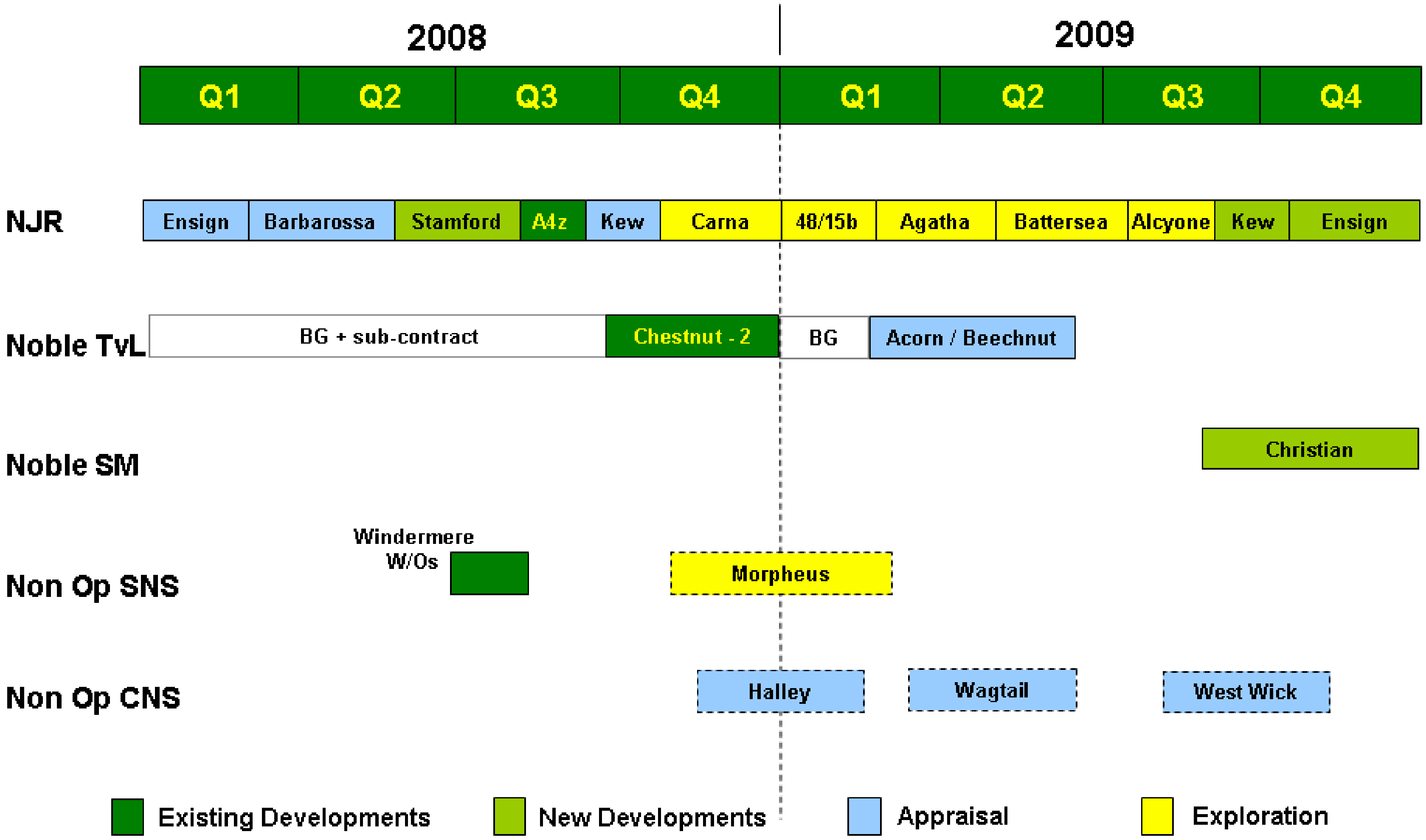
Work Programme 2008 / 9



Busy work programme - with operating capability and contracts to deliver

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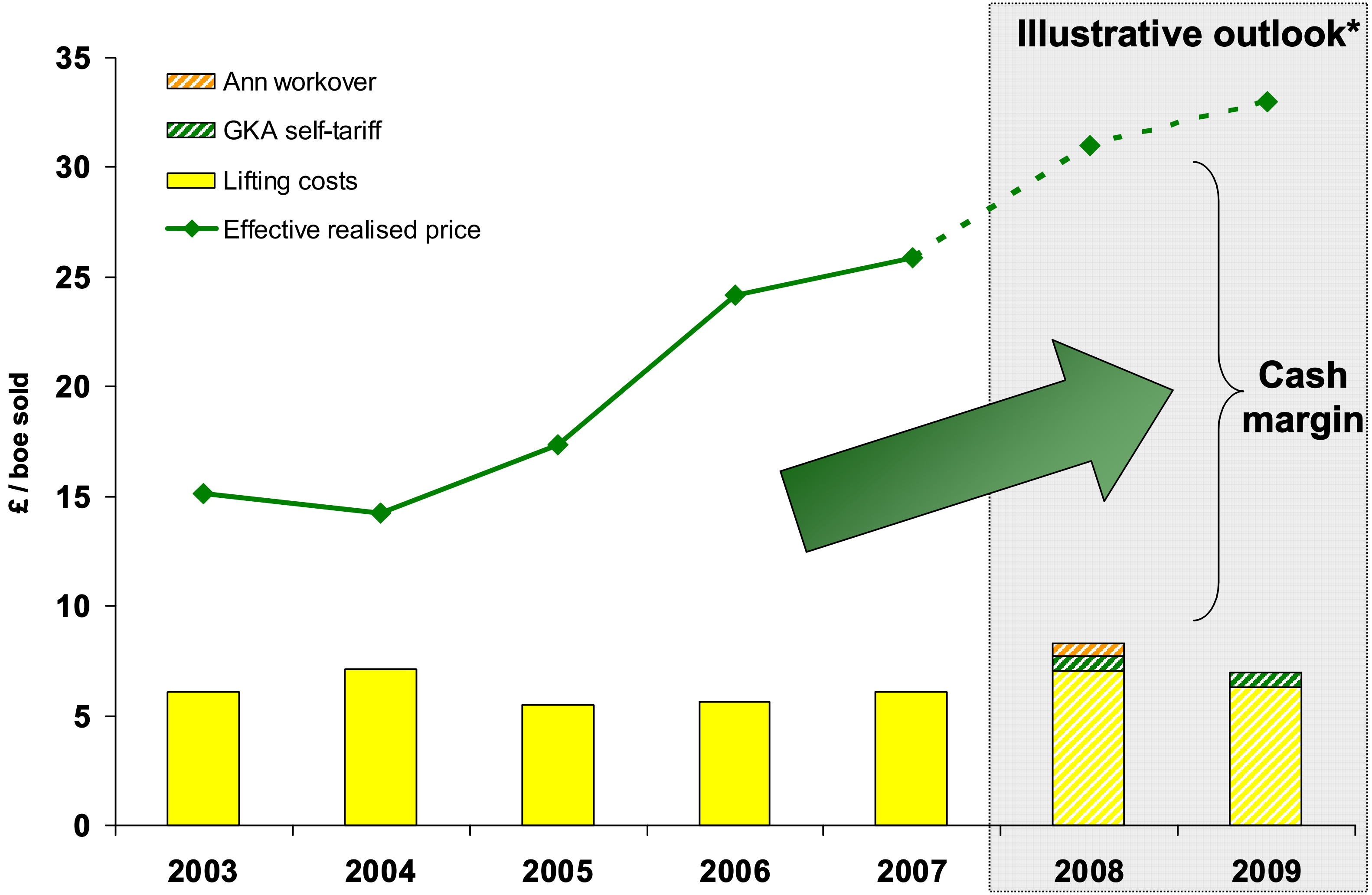
Financial Drivers

Unit Cash Margins



* *Illustrative outlook 2008/2009 for effective realised priced assumes oil at $90/bbl and gas at 50 pence per therm*

Cash margins remain strong and costs under control

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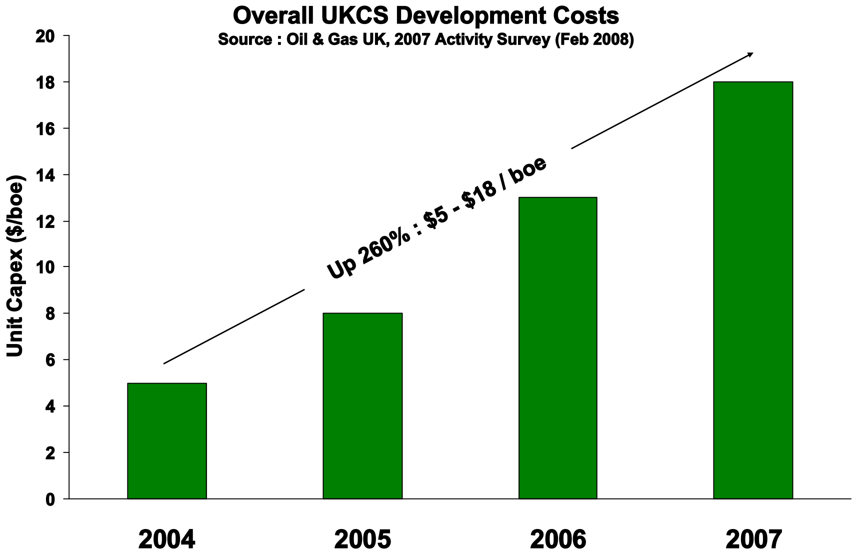
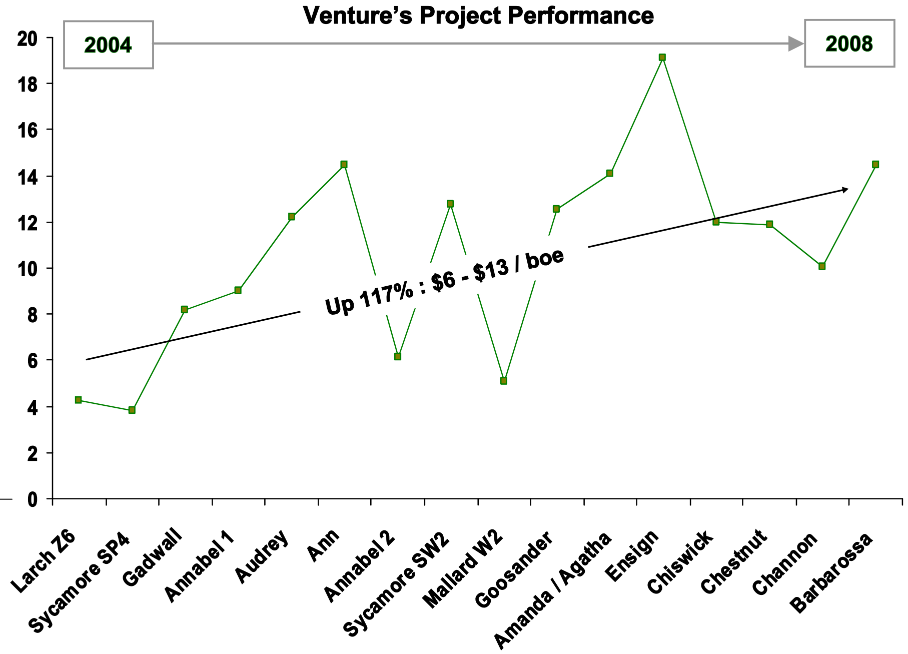
Capital Invesment





Maintaining Strong Control Over Capital Expenditure

- Highly experienced team of project developers and supply chain experts
- Rig rates locked in ahead of industry curve
- 'Repeated game' relationships developed with key contractors
- Good contractor partnerships keep costs down and ensure access to equipment / services
- 29 major (re) development projects as operator since 2002

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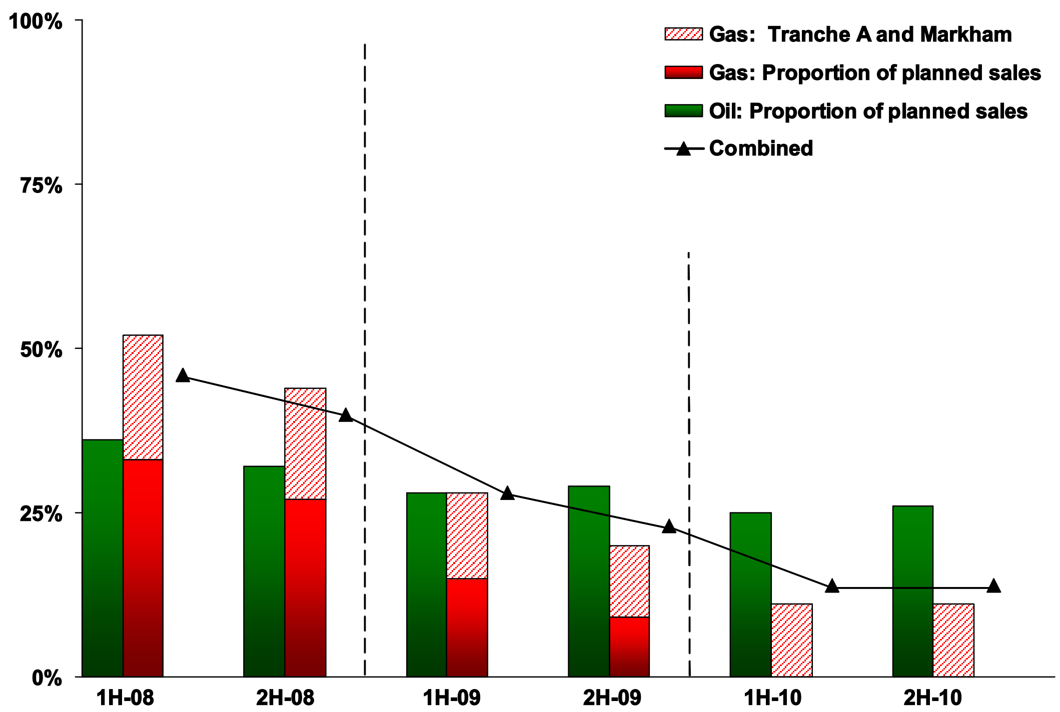
Hedging Summary As At 12 March 2008

- Discretionary policy to hedge proven existing production of oil and non-contracted gas
  - can hedge up to 50% of production or up to 75% with Board approval
  - maximum duration of hedging is 36 months forward
- The aim of the policy is to mitigate uncertainty of short term commodity price changes and hence it increases certainty of cash flows for reinvestment



Accessible Price for hedged production based on Forward Curve 12th March 2008						
	1H 2008	2H 2008	1H 2009	2H 2009	1H 2010	2H 2010
Oil ($ / bbl)	74.68	75.33	68.91	68.91	92.34	92.34
Gas (p / therm)	42.56	39.96	41.85	38.69	-	-

Significant exposure to a strong commodity outlook

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Strong Balance Sheet

£ million	31 December 2007	31 December 2006
Investments in fields	818.6	664.6
Other assets	184.6	186.3
Cash and cash equivalents	158.4	59.2
Current liabilities	(170.1)	(98.4)
Net Current Assets/(Liabilities)	**97.9**	**74.3**
Long term liabilities		
- Bank loans and convertible bonds	(398.3)	(245.9)
- Provisions and other long term liabilities	(311.2)	(259.3)
Net assets / Shareholders' equity	**282.0**	**306.5**

Net Debt	2007 £ million	2006 £ million
Cash and cash equivalents	158.4	59.2
Bank facilities (2007 facility £365 million)	-	(216.1)
Convertible bonds	(167.6)	(29.8)
Private placement notes	(230.7)	-
Total net debt	**(239.9)**	**(186.7)**

Strong balance sheet - well positioned for future growth

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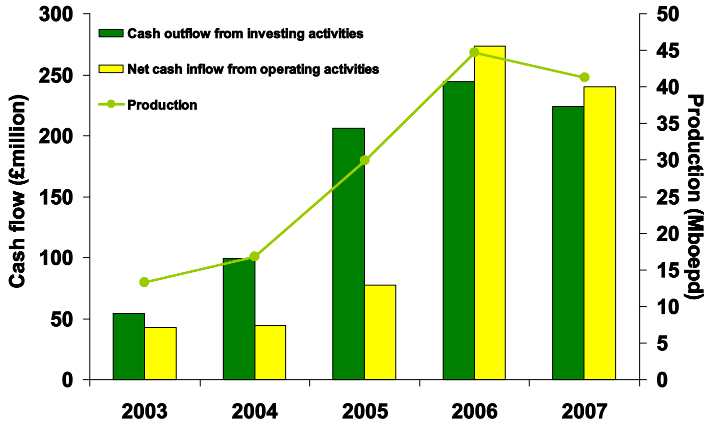
Free Cash Flow Generation

£ million	2007	2006	Change
Operating profit	116.6	181.9	- 35.9%
DD&A	82.5	88.2	- 6.5%
Dry hole expense	18.1	-	
Impairment of assets / development costs written off	44.7	-	
Other non-cash adjustments	4.7	10.1	
EBITDA	**266.6**	**280.2**	**- 4.9%**
Change in working capital	(3.1)	4.2	
Interest and taxation	*(23.3)	(10.9)	
Net cash generated from operating activities	**240.2**	**273.5**	**- 12.2%**



* Includes £16 million 'elected' tax payment

Sustaining significant free cash flow generation

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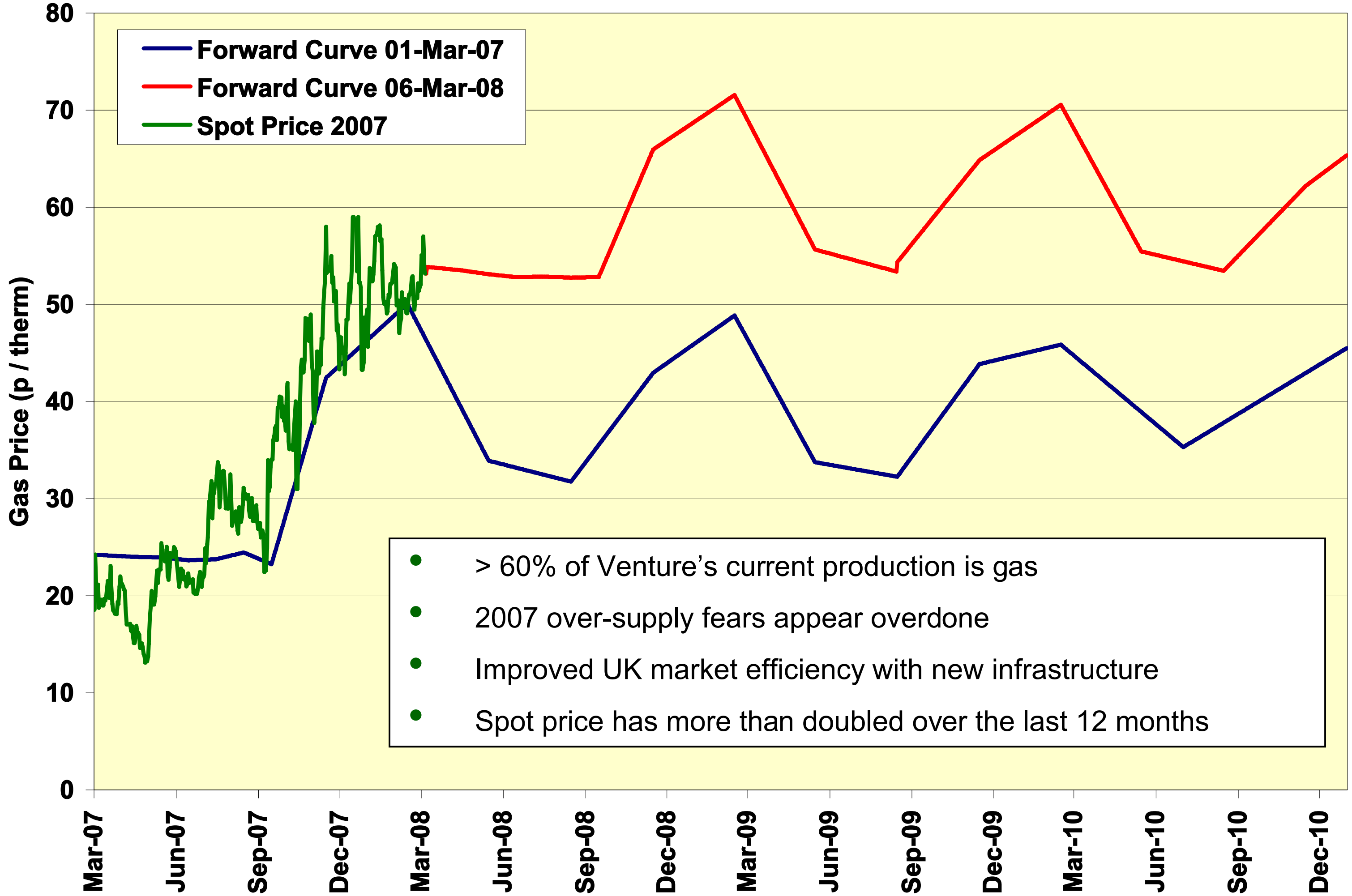
UK Gas Price



- > 60% of Venture's current production is gas
- 2007 over-supply fears appear overdone
- Improved UK market efficiency with new infrastructure
- Spot price has more than doubled over the last 12 months

Long term gas price fundamentals increasingly attractive

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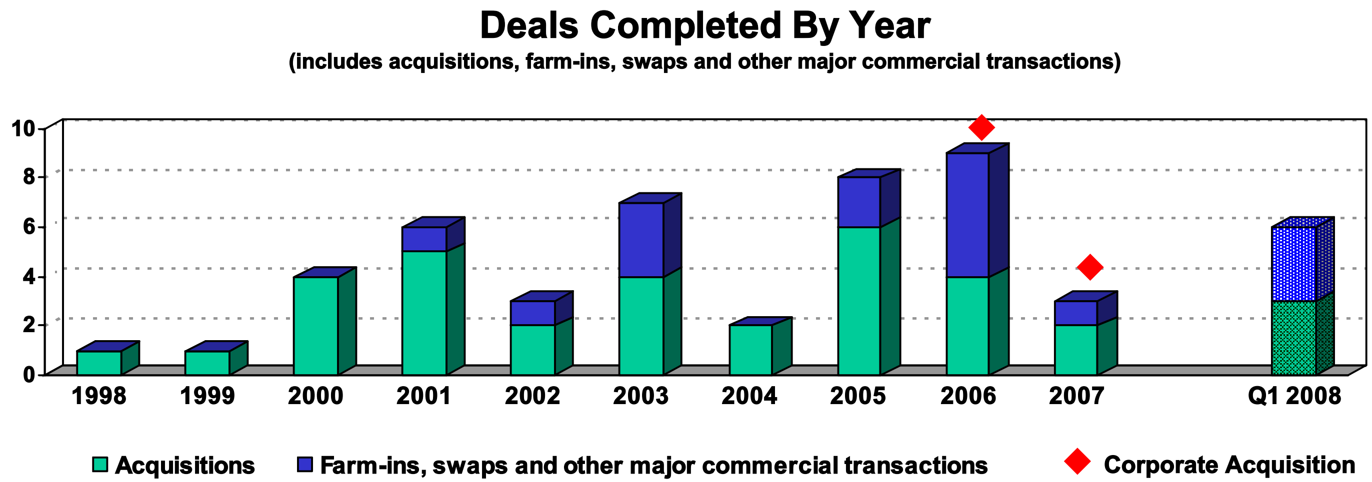
Acquisitions and Industry Consolidation

Acquisition Focus and Capability



Strong Deal Track Record + Financial Resources In Place

- Constant focus on business development ⇨ almost 50 deals completed since founding
- Active asset deal generation - public <u>and</u> proprietary ⇨ remains our 'bread and butter'
- Significant resource now focused on consolidation ⇨ inevitable stage in any mature basin
- Equity market hungry for deal news flow ⇨ but Return on Capital remains the driver
- Strong financial position ⇨ ready to move quickly after $1.5 billion 2007 refinancing
- 2008 M&A market ⇨ already much more active than in 2007

Twin focus - regular stream of asset deals + 'game changers'

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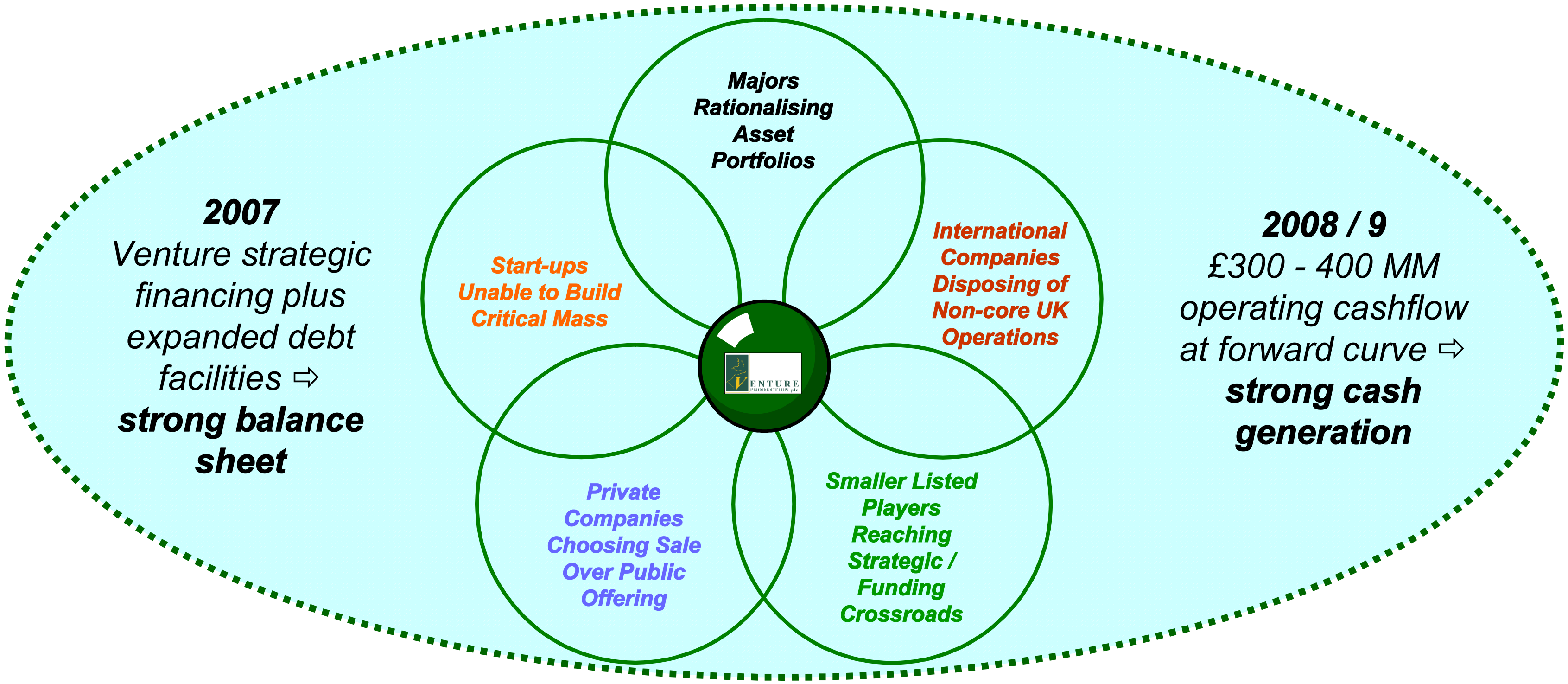
Criteria For Major Acquisitions

- **Valuation** - must see a clear Venture angle (i.e. not just ‘recycling dollars’ for investors)
- **Size** - opportunity set must be material enough to leverage the Venture value add
- **Geography** - North Sea centric, but we don’t rule out packages with an international element
- **Reserves** - enough ‘meat on the bone’ to outweigh acquired liabilities; hydrocarbon indifferent
- **Production** - > 10,000 boepd incremental production potential within 3 years of acquisition



Persistence - Diligence - Patience

UKCS Industry In Early 2008

COMPETITIVE DYNAMICS

- Huge competition for assets, highly fragmented
- Hungry strategic investors spending to gain access to specific assets (utilities, sovereign wealth funds, private equity)
- No shortage of new entrants
- Average deal size down
- Average $/boe up
- Few major deals completed in 2007
- Majors all looking at how to exit legacy assets

4 supermajors
all operators
each with 250 - 370 kboepd
40% of remaining UK reserves

10 majors and large independents
9 out of 10 are operators
averaging 115 kboepd but ranging from 50 - 180 kboepd
40% of remaining UK reserves

30 participants - but mixed in terms of UKCS focus
only 50% are operators
averaging 22 kboepd but ranging from 0 - 85 kboepd
19% of remaining UK reserves

15 participants - range of investment appetites and funding sources
all non- operators
averaging 2.5 kboepd and ranging from 0 - 7 kboepd
only 1% of remaining UK reserves

ASSET PRICING

- Acquire and exploit model now accepted by investors and definitely 'in fashion'
- Aggressive sub-surface views being taken to justify pricing
- Bullish views on development costs/timing to price deals
- Full value paid for 2P
- Exploration success being assumed to justify price 'stretch'
- Single digit discount rates

Incredibly active deal environment - but consolidation hasn't started yet

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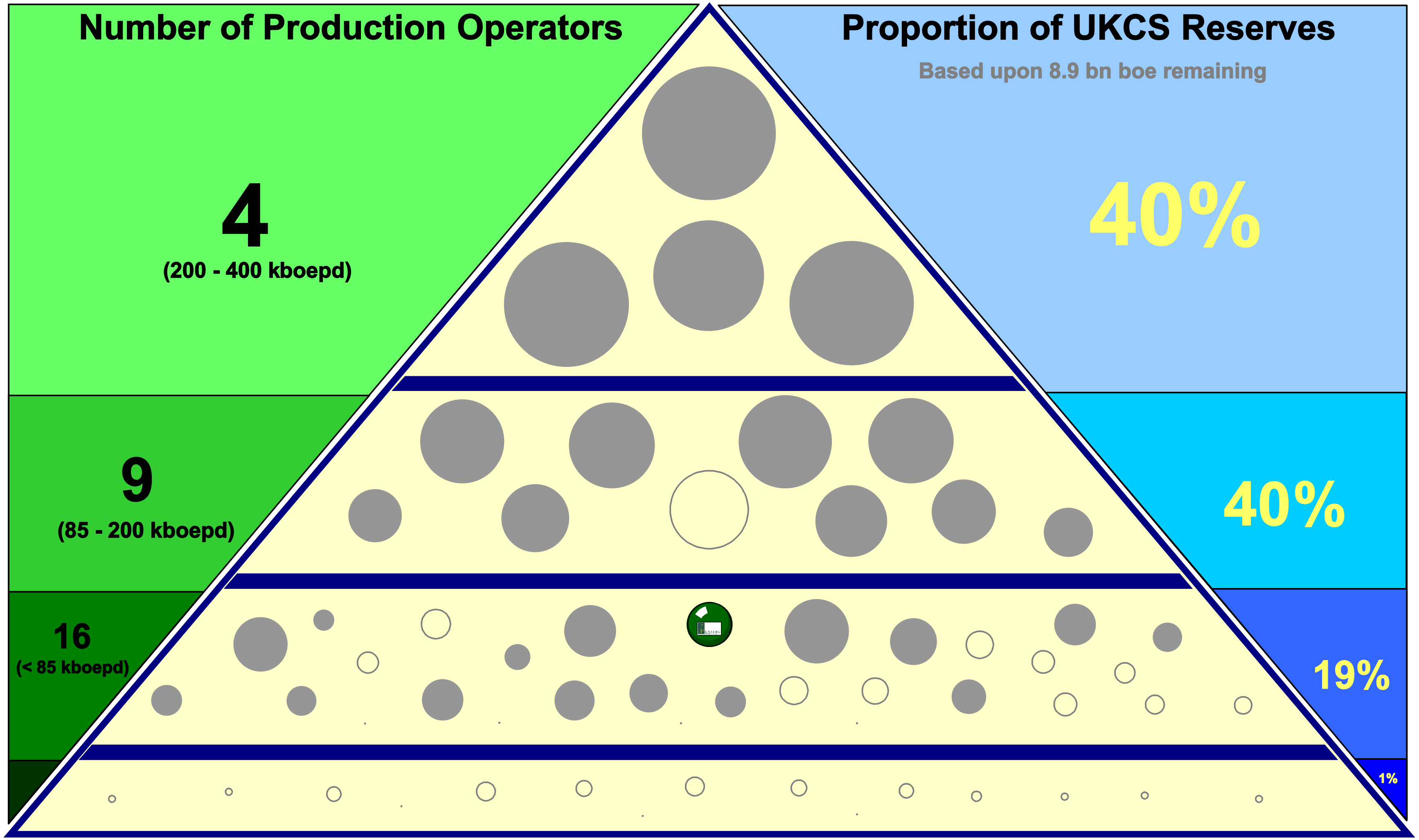
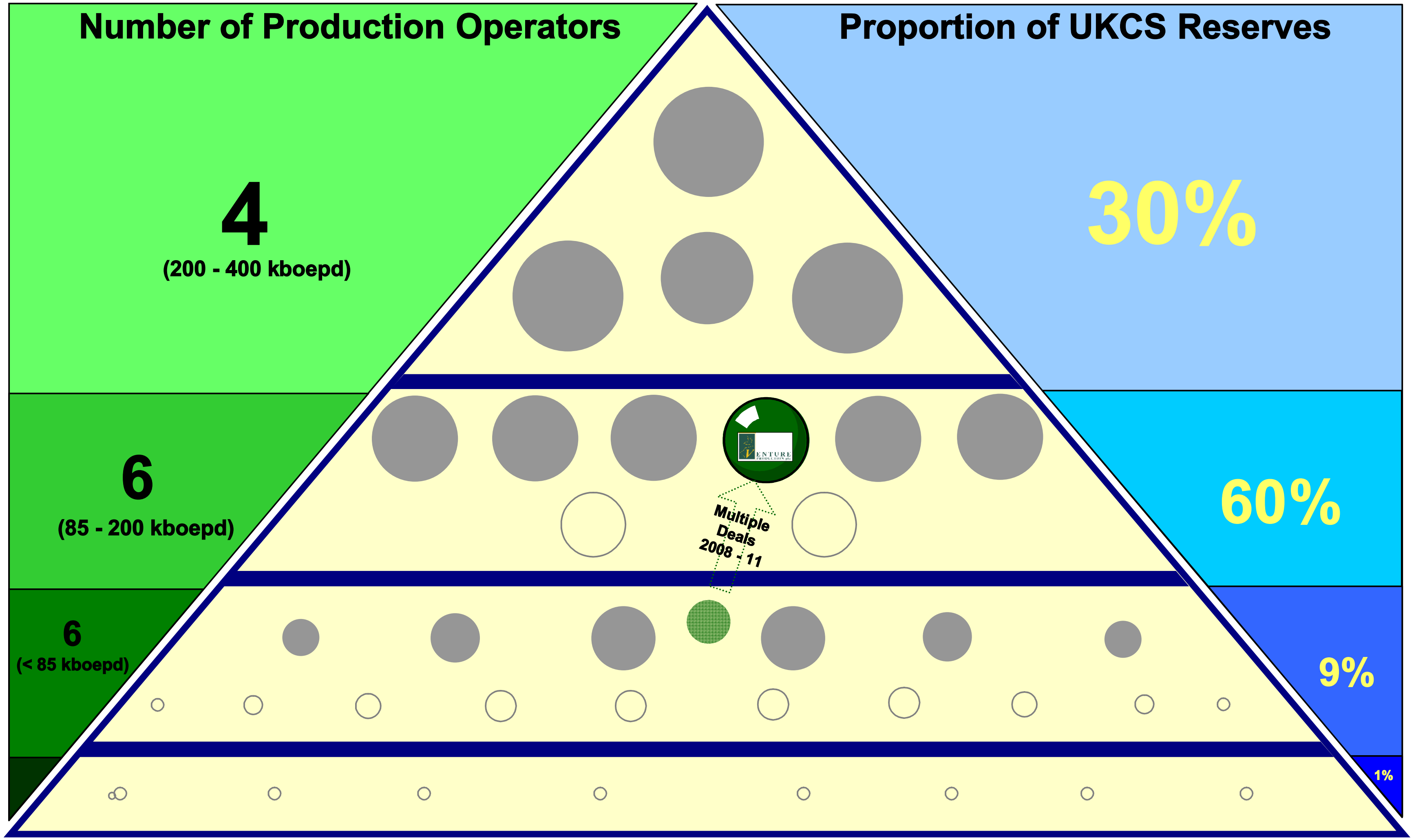
UKCS Industry Today



Area of disc proportional to actual 2007 net production

Too Fragmented : 60 Industry Participants - 29 Production Operators

UKCS Industry By 2011 (?)



Area of disc proportional to illustrative 2011 net production

Initial Consolidation : ~ 40 Industry Participants - 16 Production Operators

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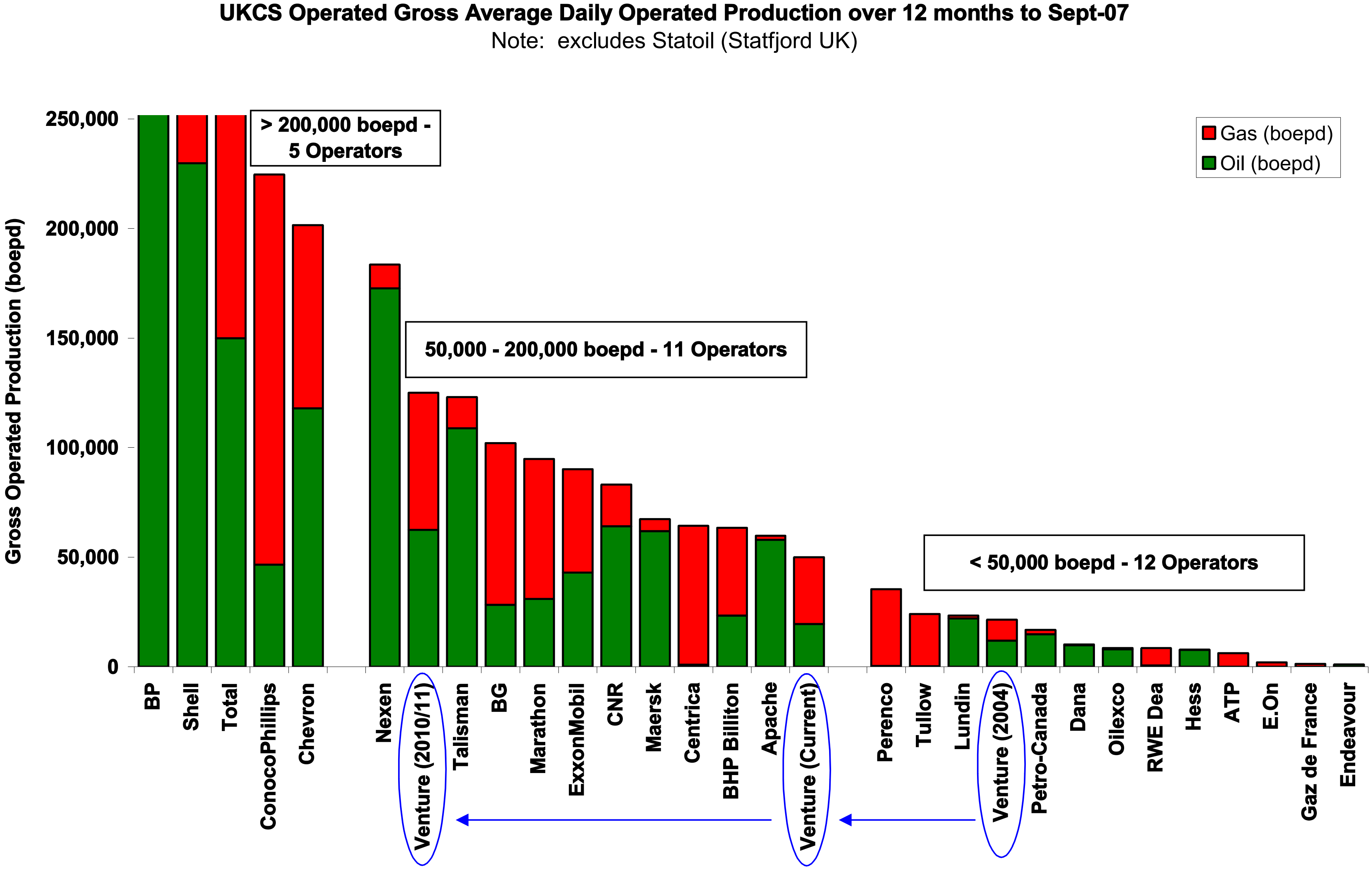
UKCS Operators



Source : Venture / DBERR

Outlook and Summary

Venture's Strong Competitive Position

Acquire and Commercialise → **Develop** → **Produce**

Acquire and Commercialise

- Proven ability to acquire 'stranded' reserves at sensible prices - in all market conditions
- ~ 50 deals since 2000
- Seasoned development expertise means we are well placed to add value to most North Sea barrels
- Track record of acquiring, investing in and commercialising 'stranded' reserves

Develop

- Low cost, efficient development operator with significant scale
- 29 major (re)development projects carried out as operator since 2002
- Contractor partnerships lower overall cost and ensure access to equipment and services
- 2004 - 7 : evidence of UKCS market-beating cost structure

Produce

- Diverse production base 45 - 50,000 boepd from a wide portfolio of 18 fields
- North Sea production is high margin and low political risk
- Fiscal regime gives high gearing to commodity prices
- 2004 - 7 : evidence of strong control over lifting costs
- Strong after-tax cash margin secured

Proven business model underpinned by successful 2007 financing

Outlook 2008

Current Production

- 2008 off to a good start - production in line with expectations
- Chestnut timing remains principal risk to 2008 out-turn (c. 1,000 boepd for each month of delay)

Cash Flow

- Underpinned by strong production base, sensible hedging policy and good cost control
- Favourable commodity prices driving financial performance

Project Development and Drilling

- Recent Ensign and Chiswick well results at the top end of expectations
- Chiswick Phase 1 now fully completed and producing
- 6 new projects expected to be sanctioned in 1H 2008
  (Stamford, Grouse, Channon, Ensign, Chestnut-2 and Barbarossa)
- Capital costs - evidence that we are beating the market

Business Development

- 2008 : 6 small deals announced year-to-date - full acquisition pipeline
- Over 15 MMboe of discovered resources added plus two low risk exploration farm-ins
- Increasingly active new business environment - at all deal sizes

2008 is off to a good start across all aspects of the business

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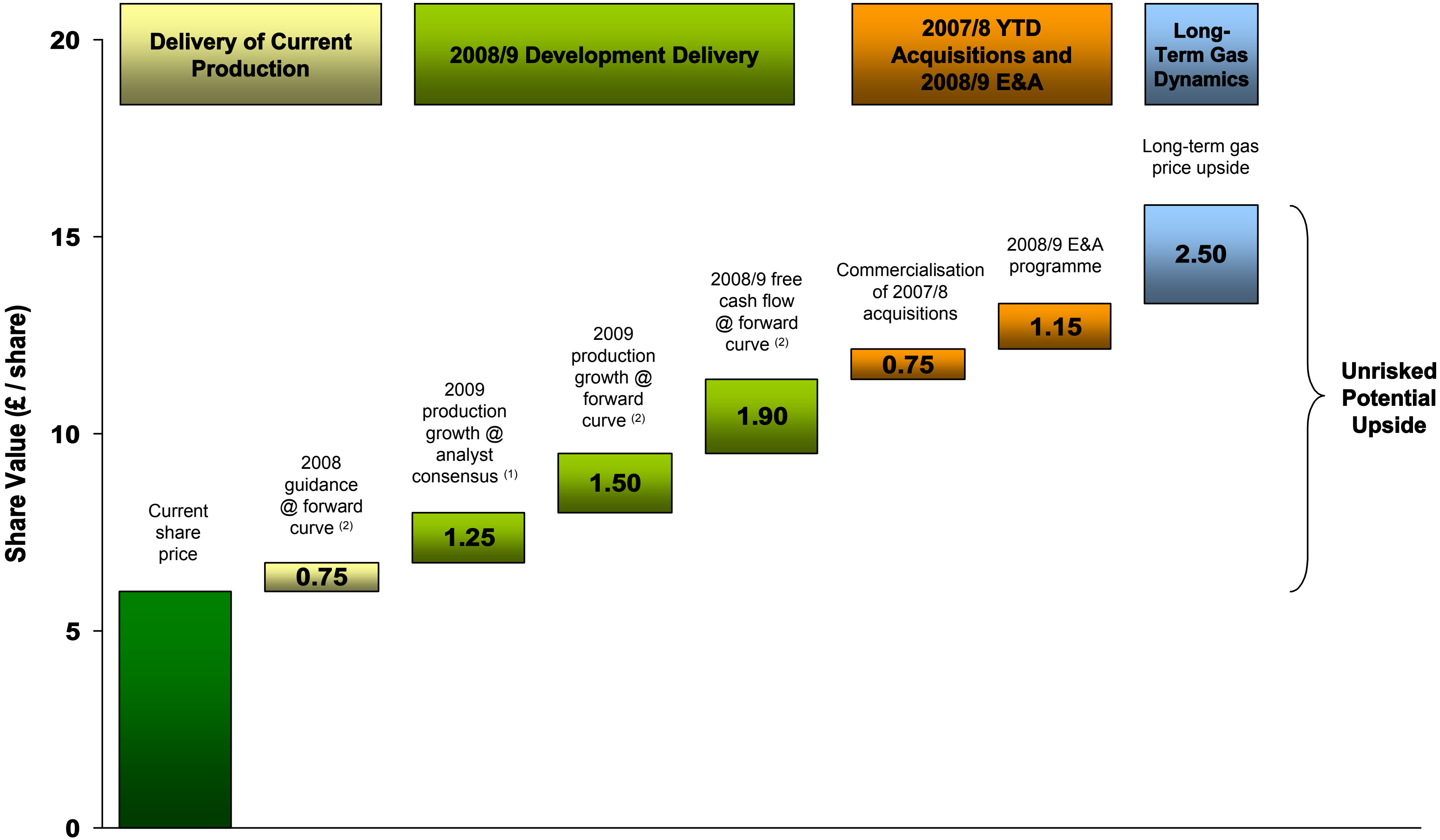
Strategic Positioning For 2008 and Beyond

Venture is positioned for anticipated structural change in the North Sea

- **Market leading implementation** - of Acquire - Develop - Produce business model
- **Size and scale** - 6^{th} largest independent production operator
- **Strong business platform** - developed over several years
- **Substantial reserve base** - plus deep inventory of development projects
- **Additional exploration upside** - from measured programme
- **Focused acquisition effort** - yielding results (8 acquisitions in last 15 months)
- **Clear strategic intent** - and critical mass to drive consolidation
- **Financing already secured** - to take advantage of strategic position

Strong competitive position in an increasingly active market

Venture's Investment Proposition



(1) March 2008 analyst consensus: Brent $85 and $81 / bbl for 2008 and 2009 respectively; UK gas 45p and 44p / therm for 2008 and 2009 respectively

(2) Forward curve: Brent $97 / bbl for 2008 and 2009; UK gas 55p / therm for 2008 and 2009

Significant upside - excluding impact of potential acquisitions

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