

Business Model

Focusing on the oil and gas extraction cycle

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Our Resources

Financial

Shareholders

For more information see pages 12 to 14.

Lenders

For more information see page 16.

Operational

Facilities

For more information see page 17.

Quality Assurance

For more information see page 17.

Intellectual Property

For more information see page 17.

Employees

For more information see pages 26 to 28.

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Our Operating Segments

Health, Safety and Environment ("HSE")

Hunting Titan

United States ("US")

Canada

Europe, Middle East and Africa ("EMEA")

Asia Pacific

Quality and Operational Excellence







For more information see pages 18 to 20.



New variants of the E-SUB™, H-1® and H-2™ Perforating Systems have been launched in the year.

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Our Products and Services

Oil Country Tubular Goods ("OCTG")	
Perforating Systems	
Advanced Manufacturing	
Subsea	
Intervention Tools	
Drilling Tools	

For more information see pages 22 and 23.

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Our Stakeholders

Customers For more information see pages 24 and 25.	Operators	c.24% of revenue	
	Service Companies	c.57% of revenue	
	Steel Mills and Other Oil and Gas	c.13% of revenue	
	Non-Oil and Gas	c.6% of revenue	
Employees For more information see pages 26 to 28.	1,923 At year-end	2020 has seen a 35% reduction in our workforce due to the market downturn. We have enhanced our training programmes as responsibilities were re-assigned to ensure there was no increase in our incident rate.	
Suppliers For more information see page 29.	c.480 Received the Code of Conduct	Our suppliers are encouraged to adopt the principles contained in the Group's Code of Conduct.	
Environment For more information see pages 30 to 32.	50.8 kg CO ₂ /\$k revenue Intensity Factor	Our environmental-related disclosures have been enhanced to include governance, risk management and monitoring of climate-related issues.	
Governments For more information see page 33.	\$3.6m Support funds received	In the year we received global furlough and employee support monies which were passed directly to our workforce.	
Communities For more information see page 33.	\$73k Charitable donations	The COVID-19 pandemic has led to community contributions of face masks, food and financial support to local charities.	



Business Model

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1

Our Resources

Financial

Our Shareholders

Hunting's shareholders are important stakeholders, providing a key source of capital to allow growth for the longer term. The Group has one class of Ordinary shares.

At 31 December 2020 the total number of Ordinary shares in issue was 164.9m (2019 – 166.9m), and the number of shareholders on the register was 1,403 (2019 – 1,454).

In March 2020, the Group completed a buy-back programme totalling 2.0m Ordinary shares, at a cost of \$5.1m. These shares were subsequently cancelled.

During the year, the Group purchased 2.7m Ordinary shares, which were transferred to Hunting's Employee Benefit Trust, for a total cost of \$9.4m.

Returns achieved by shareholders, by holding the Company's Ordinary shares, are measured through Total Shareholder Return ("TSR").

In 2020, Hunting PLC's Ordinary shares achieved a TSR of -45% on an annualised basis, given the global economic downturn. TSR forms an important part of the longer-term remuneration paid to the executives of the Group, with demanding vesting targets measured against our industry peers.

Total Shareholder Return

Absolute %

2020		(45.2)
2019		(11.7)
2018		(20.4)



Dividend Policy

Each dividend proposal considered by the Board is determined on its own merits taking into account the considerations outlined below. This flexible approach is influenced by the cyclical nature of the oil and gas sector which, as recent history demonstrates, can produce significant swings in activity levels and cash generation. Dividends, therefore, reflect business performance over time and will not necessarily be progressive. In assessing the level of dividend that is appropriate, the Board considers not only the results and position of the business for the financial year in question, but reviews mid-term projections and downside sensitivities for a three-year period as used in the Viability Assessment.

A company's dividend capacity is typically constrained either by distributable reserves or by liquidity. Hunting PLC has in excess of \$200m of distributable reserves and Hunting Energy Holdings Limited, a direct UK subsidiary of Hunting PLC, which directly or indirectly controls the operating businesses of the Group, has distributable reserves in excess of \$600m. The Board considers that these distributable reserves are capable of servicing dividends for the foreseeable future and that any dividend constraints will be driven by liquidity.

Shareholder distributions in the form of dividends are usually paid twice per year. In 2020, two interim dividends were paid – in May and October, totalling 5.0 cents per share. The 3.0 cents per share dividend paid in May replaced the 2019 Final Dividend of 6.0 cents, while a 2.0 cents dividend was paid following the Group's 2020 half year results. A 2020 Final Dividend of 4.0 cents per share is proposed for approval at the Company's 2021 AGM.

Dividends Declared

Cents		
2020		9.0
2019		5.0
2018		9.0

COVID-19

During the year, the downturn within the global energy industry caused by the COVID-19 pandemic and other market factors led to a decline in the Group's trading results.

The Board considered carefully its dividend policy in light of these factors and decided to continue dividend distributions, given the Group's net cash position, but also to reflect management's confidence in the strength of our business model and the general outlook for energy in the medium term.

2020 saw a shift in our investor strategy from face-to-face meetings to virtual meetings and teleconferences. Every effort to enhance our engagement with institutional shareholders and analysts has been made, as the Group's trading results deteriorated from Q2 2020 and as market conditions became increasingly volatile.

Shareholder Engagement

Regular shareholder engagement meetings are organised through an annual calendar of work co-ordinated by the Group's Head of Investor Relations and is summarised below. These meetings allow the Board to understand the views of our key investors. In the year, 159 meetings were held with institutional investors (2019 – 226) and five investment conferences were attended (2019 – five).

	Event	Roadshows	Conferences	Other
January				Chairman and SID shareholder meetings
February	Annual Results	Edinburgh		
March		Paris London		
April	AGM Q1 Trading Statement			
May				
June	Pre-Close Trading Statement		Credit-Suisse JP Morgan	
July				
August	Half Year Results	London		
September		Paris	Bernstein	
October	Q3 Trading Statement	New York Chicago		Remuneration Consultation
November			JP Morgan Goldman Sachs	Remuneration Consultation
December	Pre-Close Trading Statement			

The Board has maintained its usual governance practice of engaging shareholders in respect to changes in remuneration policy. In Q4 2020, a process was initiated, which is further detailed in the Remuneration Committee Report on pages 93 to 118.

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Major Shareholders

The Company's major shareholders, as at 31 December 2020, are listed below:

	Notes	Number of Ordinary shares	% of ISC
GLG Partners		14,696,609	8.9%
M&G Investment Management		11,108,878	6.7%
Hunting Investments Limited	(1/4/5)	11,003,487	6.7%
Schroder Investment Management		9,673,114	5.9%
BlackRock		9,544,993	5.8%
Slaley Investments Limited	(5)	6,411,679	3.9%
Janus Henderson Investors		6,353,998	3.9%
Franklin Templeton		5,872,005	3.6%
Dimensional Fund Advisers		5,845,967	3.5%
J Trafford – as trustee	(2/5)	5,228,660	3.2%
David RL Hunting	(1/2/3/4/5)	194,120	0.1%
– as trustee		2,549,117	1.5%
– other beneficial		2,484,583	1.5%
Issued share capital – at 31 December 2020		164,940,082	

Notes:

- Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.
- After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 5,228,660 Ordinary shares.
- Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.
- Richard H Hunting (non-executive Director of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.
- In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests"), entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 4 March 2021, the Hunting Family Interests, party to the agreement, totalled 24,806,621 Ordinary shares in the Company, representing 15.04% of the total voting rights.

Board Engagement and Decision Making – Shareholders

The Directors of Hunting receive a report detailing the Company's major shareholders at each Board Meeting, with a briefing by the Chief Executive and Finance Director on meetings that have recently occurred with key matters being regularly discussed following this engagement. The Chief Executive and Finance Director meet with major shareholders after the Half Year and Full Year Results and during 2020 followed a plan of investor meetings with shareholders in the UK, Europe and North America. From March 2020 these meetings were held virtually.

The Chairman and Senior Independent Director also met with institutional investors in January 2020 and January 2021 to discuss governance, strategy and remuneration. During H2 2020, the Group commenced a consultation process with institutional investors on a new Directors' Remuneration Policy, as noted in the Remuneration Committee Report. Following positive feedback, the Directors will table the new Policy for approval by shareholders at the Company's Annual General Meeting in April 2021.

In line with recommendations from investor groups and UK regulators, the Company has increased its disclosures in the area of Climate Change and reports its information aligned with the Task Force on Climate-related Financial Disclosures. The Group has adopted a risk management framework to monitor climate risk and has maintained its carbon reduction targets, as set in 2019.

The Board also sets the Company's dividend policy, following a review of the financial performance for the relevant reporting period, and considers proposals by the executive Directors on the level of distribution.

The Group's Audit Committee reviews these dividend proposals as part of its regular programme of work and makes a recommendation on whether to approve the dividend proposal and recommend it to the Board.

Dividends are declared on the announcement of each set of Group results and are usually paid in May, following shareholder approval at the Company's Annual General Meeting, and in October.

Given the proportion of UK shareholders on the share register, the Group's current practice is to pay all dividends in Sterling.

In the year, the Group has reported a strong cash position and, despite its financial results, has continued to declare and pay dividends in recognition of the underlying strength of the Company.

The Directors are proposing a 2020 Final Dividend of 4.0 cents per share, which will be subject to approval by shareholders at the AGM.



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A Dual Pot Sand Filter manufactured by the Well Testing business in the Netherlands.

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Our Lenders

The Group has a multi-currency revolving credit facility, totalling \$160.0m, provided by four banks comprising HSBC, Barclays, DBS and Wells Fargo. In the year, the facility was unutilised given the net cash held throughout the year.

Board Engagement and Decision Making – Lenders

The Directors are briefed at each Board meeting by the Finance Director on the Group's financial position and the relationship with members of the bank lending group.

Regular meetings between the Chief Executive, Finance Director and Group Treasurer and members of the lending group were held during the year to brief the banks on the performance and position of the Group.

In 2021 the Group plans to commence discussions with the lending group to agree a new facility, with a view to concluding this process before the current facility expires in 2022.

COVID-19

As noted throughout this report, the COVID-19 pandemic and other market factors led to a significant decline in the Group's trading performance from March 2020.

The Group has, however, reported positive EBITDA in the year and reports a strong cash and bank position at the year-end.

Regular dialogue was held with the lending group throughout the year, to confirm access to the facility, as well as to confirm the terms of the Material Adverse Change clauses contained within the facility agreement.

Given the positive cash position throughout the reporting period, these discussions remained at high level.



Sophisticated CNC machinery is utilised across all of our operating sites.

Operational

Facilities

The Group has an established global network of operating sites and distribution centres located close to our customers and within the main global oil and gas producing regions. Over the years, we have continued to refine our operating and manufacturing processes, established a highly specialised workforce and built a considerable knowledge base to enable our business to evolve and meet changing customer needs.

Our operating sites are used for the manufacture, rental, trading and distribution of products. The manufacture of goods and the provision of related manufacturing services is, by far, the main source of income for the Group.

A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines. In Hunting's rental businesses, it is critical that an appropriate range of equipment is stored and maintained. Generally, this must be configured to meet specific customer requirements.

In certain product lines, particularly OCTG, Hunting holds inventory to support its customers' specific requirements and to take advantage of particular market opportunities.

Our distribution centres are primarily used in the Hunting Titan and intervention tools business groups, where close proximity to drilling operations is important.

Operational sites	31
Distribution centres	16
Operating footprint (million square feet)	2.8
Machines	1,190
Net book value of PPE	\$307.1m
% of ISO 9001:2015 (Quality) accredited facilities	71%

2020 has seen the Group close or mothball five manufacturing sites and three distribution centres to save costs. The Group has retained its global manufacturing presence in areas where sustained activity is anticipated.

Quality Assurance

The Group's Quality Assurance programme, for all its products, is a key feature of our business strategy, as it supports our standing within our customer base.

Detailed policies are implemented within all facilities and, in the year, the Group reported a manufacturing reject rate of 0.24% (2019 – 0.30%).

Quality Assurance (manufacturing reject rate)

	%
2020	0.24
2019	0.30
2018	0.22

Intellectual Property

There continues to be a strong focus in the industry on technological improvement and process innovation, which can help deliver cost efficiencies for customers while maintaining or improving margins for suppliers. The incorporation of technology in our business illustrates the different ways we partner with participants in the supply chain.

Hunting Proprietary Technology

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio provides us with a competitive advantage and allows us to enjoy better margins and more operational flexibility. In 2020, we filed 115 new patent applications, leading to a total of 799 patents being either granted or pending at year-end.

Third-Party Technology

In some cases, we make use of third-party proprietary technologies in our operations. For certain product lines, we are engaged as a specialist manufacturer using our customers' IP. In other areas, we license technologies from third parties, such as non-Hunting thread forms, for OCTG.

No. of patents granted	544
No. of patents pending	255
No. of new patent applications filed in the year	115

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Our Operating Segments

Management Principles

Our approach to managing the Group's operations is based on four core principles:

Develop Our People

People are at the heart of our business. Our broad product portfolio demands experienced machining and production engineers across our many manufacturing disciplines and facilities. Our administration, finance and sales staff are also encouraged to develop their skill sets through training and professional development programmes.

Empower Our Business Units

The oil and gas industry is a fast-paced sector where product requirements and customer demands can operate on short lead-times. Our business leaders are empowered to react quickly to local market conditions and opportunities when they arise.

Apply Unified Operating Standards and Procedures

Demanding Health, Safety and Quality policies are developed centrally and then applied locally. We continually monitor and raise our operating standards.

Maintain a Strong Governance Framework

The Group's senior managers and their teams operate within a tight framework with short chains of command to the Chief Executive.

Introduction

Hunting reports its performance based on its key geographic operating regions. Hunting Titan is a large, separate business group, which is reported as a stand-alone segment. A description of each segment is noted below.

Hunting Titan

Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include smart perforating gun systems and shaped charge technologies. The business has three manufacturing facilities in the US and a facility in Mexico, supported by 14 distribution centres, primarily located in Canada and the US.

US

The US businesses supply OCTG, premium connections, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The US segment has 15 operating facilities, mainly located in Texas and Louisiana.

Canada

Hunting's Canadian business manufactured premium connections and accessories for oil and gas operators in-country and also manufactured perforating guns for Hunting Titan. In August 2020, the Group announced that the OCTG manufacturing facility in Calgary was to close with future orders to be completed by in-country licensees. From 1 January 2021, OCTG and accessories manufacturing trading results have been combined with the US operating segment.

Europe, Middle East and Africa ("EMEA")

The segment derives its revenue primarily from the supply of OCTG and intervention tools to operators in the North Sea. The Group has operations in the UK, the Netherlands, Norway, Saudi Arabia and the UAE. Revenue from the Middle East and Africa is generated from the sale and rental of intervention tools across the region, with local operations also acting as sales hubs for other products manufactured globally by the Group, including OCTG and perforating systems.

Asia Pacific

Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and accessories and OCTG supply. Manufacturing facilities are located in China, Indonesia and Singapore. The facility in China also manufactures perforating guns for Hunting Titan.

Facility ISO Accreditations

The Group is committed to enhancing its production and operational quality, with a number of facilities being certified ISO 9001:2015 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety management) compliant, indicating that globally recognised standards and systems are in place. More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitoring and reducing the environmental impact of its operations and improving Health, Safety and Environmental ("HSE") standards. Hunting's seamless Quality Management System ("QMS") is certified and accredited for all of these ISO standards and all facilities are operated in accordance therewith. Operational and production excellence is a key driver of our engagement and relationship with customers. Quality assurance for each component manufactured is a key differentiator in our drive to be an industry-leading provider of critical components and measurement tools.



Health and Safety training is a regular feature of our workforce procedures (this photograph was taken prior to COVID-19).

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continued



Hunting Titan

Operating sites	4 2020	5 2019
Distribution centres	14 2020	17 2019
Year-end employees	380 2020	702 2019



US

Operating sites	15 2020	16 2019
Distribution centres	1 2020	1 2019
Year-end employees	849 2020	1,310 2019



Canada

Operating sites	0 2020	1 2019
Distribution centres	1 2020	1 2019
Year-end employees	31 2020	120 2019




EMEA

Operating sites	8 2020	10 2019
Distribution centres	0 2020	0 2019
Year-end employees	229 2020	299 2019



Asia Pacific

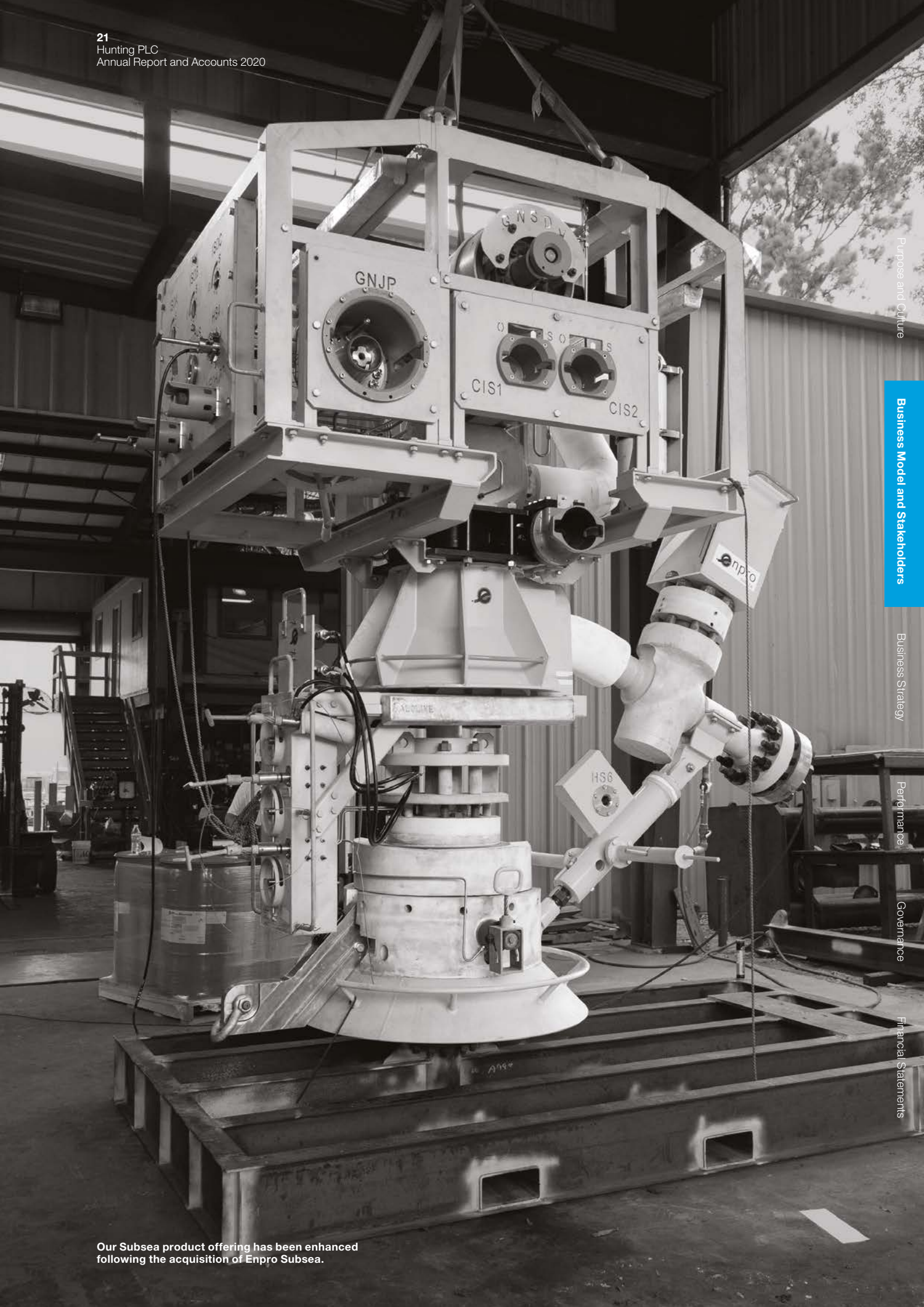
Operating sites	4 2020	4 2019
Distribution centres	0 2020	0 2019
Year-end employees	364 2020	453 2019



Total

Operating sites	31 2020	36 2019
Distribution centres	16 2020	19 2019
Year-end employees	1,923 2020	2,956 2019

Total year-end employees include 70 (2019 – 72) head office and corporate personnel.



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Our Subsea product offering has been enhanced following the acquisition of Enpro Subsea.

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Our Products and Services



Oil Country Tubular Goods (“OCTG”)



Operating Basis:
Manufacturing
Trading

Overview

OCTG are steel alloy products and comprise casing and tubing used in the construction and completion of the wellbore. Hunting machines threads to connect OCTG using flush or semi-flush joints and can manufacture premium and semi-premium connections and accessories using our own technologies such as SEAL-LOCK™, WEDGE-LOCK™ and TEC-LOCK™. We are licensed to apply a variety of third-party thread forms and generic API threads. We source OCTG products from a significant number of major global steel producers and have strong, long-term relationships in the US, Canada, Europe and Asia Pacific. Hunting also trades pipe, which is a lower margin activity, to help support customer relationships.

Differentiators

Hunting is one of the largest independent providers of OCTG connection technology, including premium connections.

Global Operating Presence

Hunting has extensive machining capacity in the US, Europe and Asia Pacific.

Related Strategic Focus Areas

In the year, the Group restructured its global OCTG manufacturing footprint and closed its facility in Calgary, Canada.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 56 to 59.

Perforating Systems



Operating Basis:
Manufacturing

Overview

Hunting Titan manufactures perforating systems, energetics, firing systems and logging tools. Products are mainly used in the completion phase of a well. The production, storage and distribution of energetics is highly regulated and there are significant barriers for new entrants to the market. The business mainly “manufactures to stock” and hence uses a wide distribution network. Some manufacturing is done to order, sourced from international telesales.

Differentiators

Hunting has a market-leading position in the US, supported by a strong portfolio of patented and unpatented technology.

Global Operating Presence

Manufacturing centres in the US, Mexico and China. Distribution centres in the US, Canada and Asia Pacific.

Related Strategic Focus Areas

Hunting Titan commissioned and launched its detonating cord manufacturing line in the year and also launched new variants of its smart perforating systems and charges.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 56 to 59.

Advanced Manufacturing		Subsea		Intervention Tools		Drilling Tools	
Operating Basis: Manufacturing		Operating Basis: Manufacturing		Operating Basis: Manufacturing Equipment Rental Trading		Operating Basis: Equipment Rental Trading	
<p>Overview Advanced Manufacturing includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex measurement-while-drilling/logging-while-drilling (“MWD/LWD”) and formation evaluation tool components. The Hunting Electronics business manufactures printed circuit boards capable of operating in extreme conditions. These businesses work collaboratively with customers implementing their designs to their specifications. Hunting Specialty manufactures products used for onshore drilling and completion activities.</p>		<p>Overview Produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, valves and weldment services.</p> <p>Following the acquisition of RTI Energy Systems, titanium and stainless steel stress joints and production risers have been added to the Group’s subsea portfolio.</p> <p>The addition of Enpro Subsea’s product offering also brings modular production technology and know-how to our offshore capabilities.</p>		<p>Overview A range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment.</p> <p>This business is capital intensive and results are dependent on asset utilisation and rental rates.</p>		<p>Overview Rental of a large portfolio of downhole tools, including mud motors, non-magnetic drill collars, vibration dampeners, reamers and hole openers. Tools are configured to customers’ specifications.</p> <p>This business is capital intensive and results are dependent on fleet utilisation and rental rates. In limited instances, rental equipment is sold outright.</p>	
<p>Differentiators Hunting Dearborn is a world leader in the deep drilling of high grade, non-magnetic components. As a Group, Hunting has the ability to produce fully integrated advanced downhole tools and equipment, manufactured, assembled and tested to the customer’s specifications using its proprietary know-how.</p>		<p>Differentiators Hunting’s expertise ranges from the manufacture of high pressure seals to complex welding of stress joints.</p>		<p>Differentiators Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.</p>		<p>Differentiators Leaders in progressive cavity, positive displacement mud motors.</p>	
<p>Global Operating Presence US.</p>		<p>Global Operating Presence US, UK.</p>		<p>Global Operating Presence US, EMEA and Asia Pacific.</p>		<p>Global Operating Presence US.</p>	
<p>Related Strategic Focus Areas Our expertise has been deployed into Non-Oil and Gas markets in recent years, including medical, aerospace and space applications.</p>		<p>Related Strategic Focus Areas Acquired new products, including flexible production modules following the acquisition of Enpro Subsea Limited which completed in February 2020.</p>		<p>Related Strategic Focus Areas Commenced field trials of enhanced oil recovery technology within the EMEA operating segment.</p>		<p>Related Strategic Focus Areas In December 2020 the Group sold its assets to Rival Downhole Tools LC, in exchange for a 23.5% equity stake in the enlarged Rival business.</p>	
<p>Related Principal Risks</p> <ul style="list-style-type: none"> • Commodity prices • Product quality 		<p>Related Principal Risks</p> <ul style="list-style-type: none"> • Commodity prices • Product quality 		<p>Related Principal Risks</p> <ul style="list-style-type: none"> • Commodity prices • Competition 		<p>Related Principal Risks</p> <ul style="list-style-type: none"> • Commodity prices • Shale drilling • Competition 	

For more information see pages 56 to 59.

For more information see pages 56 to 59.

For more information see pages 56 to 59.

For more information see pages 56 to 59.

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Our Stakeholders

Our Customers





As a member of the oil and gas equipment supply chain, Hunting's broad portfolio of products and services enables the Group to cover a large proportion of the needs of the global energy industry, including onshore and offshore drilling projects and conventional and unconventional resource development, supported by selected high value services to help our customers achieve their strategic objectives.

A common theme across all our businesses is our ability to add value for our customers, which is achieved by providing high technology products that lower the cost of operation, resolve technical problems, or simply enable a job to be completed more quickly or safely, without comprising quality.

COVID-19

The COVID-19 pandemic and hydrocarbon demand changes in the year have created havoc across all levels of the oil and gas supply chain. The major theme of the Group's customer discussions in the year has been navigating the lower oil price, which manifested itself in reductions in industry capital expenditures to levels not seen in many decades, and which included order deferment and cancellations. Despite these trading conditions, Hunting has continued to engage its customer base proactively to continue to assist our clients in meeting their strategic objectives and continues to assist customers with technology developments to lower production costs or increasing in-field safety.

Our Customer Channels to Market

	<p>Operators Operators are the end consumers of our products and related services. These include national oil companies, international oil companies and independents. Approximately 24% of our sales are made directly to operators.</p>	<p>Split of Group revenue c.24%</p>
	<p>Service Companies Our primary route to market is via other service providers, which generate c.57% of our revenue. These include “1st tier” service companies who can provide project management services to operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.</p>	<p>Split of Group revenue c.57%</p>
	<p>Steel Mills and Other Oil and Gas Steel mills are key suppliers to our business; however, in some circumstances we can perform threading services for them or supply OCTG products.</p>	<p>Split of Group revenue c.13%</p>
	<p>Non-Oil and Gas Non-oil and gas sales are led by our Trenchless, Dearborn and Electronics operations, which have developed new customers within the aviation, medical, space and telecommunications sectors.</p>	<p>Split of Group revenue c.6%</p>

Customer Engagement

Client engagement is key to the Group’s understanding of the short- to medium-term needs of our various clients. This daily dialogue helps us shape our strategy and focus our product research and development programmes. In the year, the Group launched and acquired new products that directly addressed customer needs, some of which resulted from close customer collaboration in response to in-field technical challenges.

As part of our active dialogue and engagement with our customer base, key clients are usually invited to our facilities to review our production capabilities and processes, review new technology and brainstorm on future projects. Customer contact reports are a regular feature of our sales function, which often include issues or concerns, in-field performance feedback and overall customer satisfaction.

Hunting’s customer-facing sales teams are directly supported by the Group’s Engineering, Quality Assurance and Health, Safety and Environment teams, which all assist in the provision of key operational performance information that supports global tenders and the overall sales function. Further, to embed the Group into our customer base, Hunting is a member of a number of industry and trade association bodies including:

- American Petroleum Institute;
- Society of Petroleum Engineers; and
- International Association of Drilling Contractors.

The Group also attends various industry conferences annually to profile the Group’s products and services.

Ethics and Governance

Hunting’s close relationship with its customers is also enhanced by our ethical policies and transparent ways of doing business. All of our major customers receive our Code of Conduct, which includes a commitment to a transparent way of doing business. Regular due diligence on new customers is also undertaken to ensure the Group complies with international trading and sanctions legislation. In many cases, we ask our clients to complete “end user” declarations to confirm that Hunting’s products do not conflict or breach trading restrictions or sanctions legislation. The Group also has strong entertainment and hospitality policies, which support our commitment to anti-bribery and corruption.

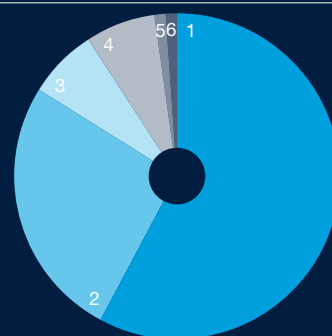
Board Engagement and Decision Making – Customers

In parallel with the commercial dialogue and engagement undertaken by our leadership teams with our customers, the Board of Hunting, in support of its statutory stakeholder duty, has approved the development of the Group’s strategy by reviewing and approving capital investment projects that directly support future customer needs. Board approvals are also required for contracts over a certain monetary value. In the year, the Group invested \$14.7m in production capacity and equipment and \$32.8m was spent on the acquisition of Enpro Subsea, which completed in February 2020.

The Board approved these capital investments, either as part of the approval of the Strategic Plan or Annual Budget process. In each case, the Board was satisfied that there was good alignment between the final capital allocation and the Board’s consideration of customer matters.

Capital Investment

1. US 58%
2. Hunting Titan 26%
3. Asia Pacific 7%
4. EMEA 7%
5. Canada 1%
6. Central 1%



Business Model

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Our Employees

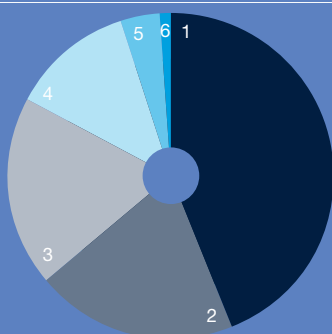
Hunting's reputation, which has been built over many years, is underpinned by its highly skilled workforce, who are key to fulfilling the Group's strategic objectives. At 31 December 2020, the Group had 1,923 employees (2019 – 2,956) across its global operations.

COVID-19

While the Group has made every effort to retain as many employees as possible, which included participating in global furlough or employee support programmes, the Group has had to undertake a reduction in headcount in the year to reduce its cost base commensurate with the decline in revenue. As a consequence, our headcount was reduced by 35% during 2020. In the year, our HR functions have been dedicated to supporting our employees through this process. The COVID-19 pandemic has, without question, presented a significant Health and Safety challenge to the Group, as management put in place procedures to keep our employees safe and well, while endeavouring to keep our facilities open. All global operations implemented working-from-home arrangements where this was appropriate. Within our manufacturing facilities, social distancing protocols were introduced and employee monitoring, on entering and exiting our facilities, was implemented, in addition to a broad range of protective equipment being issued.

Employees

1. US 44%
2. Hunting Titan 20%
3. Asia Pacific 19%
4. EMEA 12%
5. Central 4%
6. Canada 1%



While the Board monitors procedures to comply with our published Code of Conduct, responsibility for our employees lies for the most part with local management, to enable local cultural matters to be addressed, with all businesses complying with the Group's ethical employment and human rights policies as published in the Hunting PLC Code of Conduct (located at www.huntingplc.com).

Employees are offered benefits on joining the Group, including healthcare cover, post-retirement benefits and, in certain instances, when Group outperformance in terms of operational or financial targets has been delivered, participation in annual bonus arrangements.

The Group is committed to training and developing all employees which includes Health and Safety training, professional development and general career development initiatives.

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and voluntary workforce turnover rate noted below. This demonstrates Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Average Employee Tenure	10.1 years
Group Employee Voluntary Turnover Rate	9%

Hunting targets full compliance with all relevant regional laws covering employment and minimum wage legislation. As a responsible employer, full and fair consideration is given to applications for positions from disabled persons. The Group's ethics policies support equal employment opportunities across all of Hunting's operations. The Group's gender diversity profile for 2020 is detailed below.

Training

In light of the reduction in workforce programmes completed across the Group in the year, additional training of employees was initiated as responsibilities were re-assigned. The work of the Group's HSE function has led these programmes.

As an embedded programme for new employees, the Group provides ethics training through a Code of Conduct training course, to ensure awareness of our published policies. The programme incorporates anti-bribery and corruption, modern slavery, fraud and tax modules to ensure our employees understand their responsibilities on joining the Group.

Employee Engagement

In 2019, Hunting commissioned its first all-employee survey, to enhance its global workforce engagement initiatives. This initiative is likely to be repeated in the coming year.

Human Rights

We are committed to upholding the Human Rights of all our employees, which include:

- Providing a safe and comfortable working environment for all employees and contractors;
- Respecting the rights of each individual with a zero tolerance approach to any form of discrimination, harassment or bullying;
- Providing training and development programmes to our global workforce;
- Not employing child labour; and
- Acting with honesty, transparency and integrity in all of our dealings with our workforce.

Diversity

The Group's diversity policy can be found at www.huntingplc.com. Hunting's policies promote prejudice-free decision making, ensuring all stakeholder interests are taken into consideration and commit Hunting to building a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit.

Furthermore, the policy focuses on recruitment, training and development, conditions of work and disciplinary procedures.

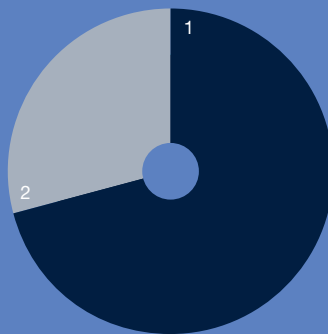
Gender

Gender diversity data of Hunting's Board, senior management and workforce is noted below.

Gender and ethnicity suggestions made in the Hampton-Alexander and Parker reviews have been noted by the Board and will be taken into consideration as the Board is refreshed over the coming years.

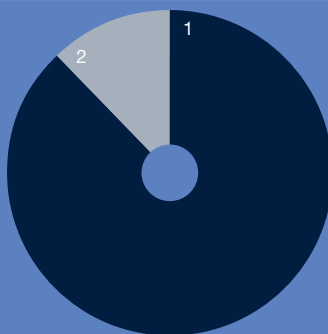
Board

- 1. Male 5 – 71%
- 2. Female 2 – 29%



Senior Management*

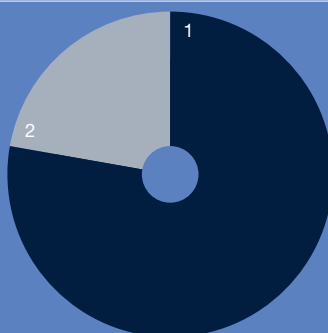
- 1. Male 57 – 88%
- 2. Female 8 – 12%



* Defined as members of the Executive Committee and their direct reports.

Workforce

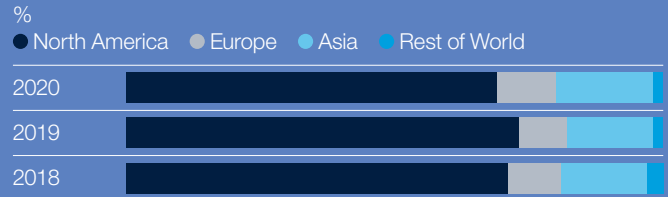
- 1. Male 1,499 – 78%
- 2. Female 424 – 22%



Ethnicity

Hunting is committed to an ethnically diverse workforce and extends its global operating footprint to 11 countries. The Group remains North American focused, with over 65% of employees from that region at 31 December 2020.

Group Employee Profile



Whistleblowing

The Board of Hunting has established procedures in place whereby employees can raise concerns in confidence, by contacting the Chairman or Senior Independent Director. The Group also uses an independent whistleblowing service operated by SafeCall. Contact information for both these lines of reporting is usually published on staff noticeboards across the Group's facilities and within the Group's magazine published twice yearly, the "Hunting Review", and is available to all employees.

Health and Safety

Across all of its global operations, the Group is committed to achieving and maintaining the highest standards of safety for its employees and other stakeholders.

Hunting has a culture of aiming for best practice and employs rigorous health and safety practices. Health and safety policies include:

- Regular audit and maintenance reviews of facilities;
- Appropriate training and education of all staff;
- Regular reporting to Board level;
- Seeking accreditation and aligning long-standing internal programmes with internationally recognised standards; and
- Publication of the Group's policy on health, safety and environmental matters on the Company's website at www.huntingplc.com.

The Group's target is to achieve zero recordable incidents. Each local business is required to develop tailored health and safety policies to suit their environment. These incorporate the Group's approach to putting safety first and, at a minimum, complying with local regulatory requirements.



Additional personal protection equipment has formed part of our HSE approach in 2020.

Business Model

continued

During the year, there were no fatalities across the Group's operations (2019 – nil), with 16 recordable incidents (2019 – 39).

The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA") in the US, was 0.67 compared to 1.17 in 2019. This incident rate reflects a 43% year-on-year decrease compared to the prior year. The industry average incident rate in 2020 was 4.0 (2019 – 4.0).

In the year, the number of hours worked decreased by 27% to 4.8m hours (2019 – 6.6m hours) as trading declined.

Incident Rate

OSHA method

2020		0.67
2019		1.17
2018		1.49

Board Engagement and Decision Making – Employees

The Board has received reports from the Chief Executive and Executive Committee in respect of the reduction-in-force programmes completed in the year to address the downturn in the Group's core markets. All employees have been treated fairly in respect to this process and the Directors are satisfied with the conduct and engagement of management with Hunting's employees throughout this unfortunate process. Further, the Board noted that employee support funding was received from various governments to retain its employees, for as long as possible, from Q2 2020 and as market conditions deteriorated. All funds received were passed directly to employees.

As part of its statutory duty, and in line with the provisions of the 2018 UK Corporate Governance Code, Anell Bay is the designated non-executive Director for employee engagement issues.

In the year, the Board received employee reports from the Chief HR Officer, which included ongoing engagement efforts.

In the year, the Board noted the workforce reduction and salary freezes in place across the Group, as Hunting managed the market downturn.

The Board, through the work of the Remuneration Committee, monitored executive Directors' remuneration, and the remuneration framework of the Executive Committee in the context of prevailing market conditions.

Further, the Board received reports from Keith Lough, the Company's Senior Independent Director, on the whistleblowing reports received. In the year, the Group received two reports from SafeCall (2019 – nine reports). The Board noted the actions recommended in respect to each report and were satisfied that each report was resolved appropriately.

Hunting's Director of Health, Safety and Environment ("HSE") reports directly to the Chief Executive and the Directors review a HSE report at each Board meeting. The Directors noted the lower number of incidents in the year, which for the most part relates to lower numbers of new employees hired during 2020.



Hunting has made every effort to protect its employees, whether on the shop floor or in the office.



Manufacturing and production safety equipment is also issued to employees (this photograph was taken prior to COVID-19).

Our Suppliers

Hunting's supplier base assists the Group in achieving its purpose of providing high quality products which our customers can rely on and trust.

The Group has a strategy of ensuring that critical materials are not sourced from a single supplier which provides assurance to our customers that we will always be in a position to deliver. Long lead-time material supplies are regularly reviewed to ensure market pricing remains competitive.

Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue on quality expectations. Often, supply chain managers visit the facilities of our suppliers to review procedures, including Quality Assurance, Health and Safety performance and employment practices.

In the case of new suppliers, including those who provide key components, first article inspection procedures are in place prior to issuing the order, to ensure quality and delivery expectations are met.

Ethics and Governance

Like the Group's customer base, Hunting completes due diligence on its supplier base and communicates its ethics policies to its major suppliers. The Group's Code of Conduct is issued to its suppliers and specifically our Modern Slavery policy, which highlights the Group's ethical trading and fair labour policies.

Board Engagement and Decision Making – Suppliers

The Board, through the work of the Audit Committee, reviews the Group's supply chain risk profile and reviews engagement reports on the Group's dialogue with customers and suppliers. This leads to discussion and challenge by the Directors.



Every effort has been made to keep our facilities open to deliver critical equipment to our customers (this photograph was taken prior to COVID-19).

Business Model

continued

Our Environment

Hunting is committed to addressing environmental issues and embedding a low carbon culture within our operating facilities and our employees. New facilities take into account environmental impact considerations, including protection from extreme weather events, such as windstorms and flooding.

The Group's Quality Management System ("QMS") is compliant with the globally recognised ISO 14001 (Environmental) standard and most of our facilities are operated in compliance with this standard as well as ISO 50001 (Energy Management), as we demonstrate our commitment to operating in an environmentally responsible manner with the aim of reducing the environmental impact of our global footprint.

Environmentally responsible initiatives implemented across the Group include (1) energy efficiency solutions including more efficient lighting; (2) water capture and recycling; and (3) waste recycling. These initiatives are continuously enhanced to incrementally reduce the Group's overall carbon footprint and environmental impact.

Carbon-based Emissions

To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas ("GHG") data in accordance with the principles of the Kyoto Protocol. Hunting's 2020 Scope 1 and 2 emissions, as defined by reporting guidelines published by DEFRA in the UK and the International Energy Agency, are reported below. The Group's carbon footprint is derived primarily from our operating facilities, where 78% of our total Scope 1 and 2 emissions comprise electricity usage, as noted in the accompanying chart. In 2020, the Group's total Scope 1 and 2 emissions were 31,826 tonnes of carbon dioxide equivalent compared to 35,874 tonnes in 2019. The decrease is predominantly related to the lower activity levels across the Group reported throughout the year. In the UK, total Scope 1 and 2 emissions were 1,347 tonnes of carbon dioxide equivalent compared to 1,779 tonnes in 2019.

The Group's intensity factor is based on total carbon dioxide equivalent emissions divided by the Group's revenue in 2020, and was 50.8kg/\$k of revenue, compared to 37.4 kg/\$k of revenue in 2019.

Given our presence in 11 countries, electricity consumption is still primarily derived from coal and gas-fired generation. However, all businesses within the Group are encouraged to appoint suppliers who can provide renewable energy sourced power generation. In the year, the Group submitted data to the Carbon Disclosure Project, to increase its transparency of its carbon reporting practices. The Group also participates in a number of other initiatives, including the Energy Saving Opportunity Scheme, which requires Hunting's UK facilities to be audited for energy efficiency, with recommendations provided to reduce energy usage.

The Group collects information on the sources of its electricity and in 2020 5.8 GWh (2019 – 2.1 GWh) was sourced from renewable energy equating to 12% (2019 – 4%) of the Group's global electricity consumption. In the UK, 0.4 GWh or 31% of the Group's UK electricity was sourced from hydro or renewable sources (2019 – 0.5 GWh, 27%), with the electricity at Hunting's London Headquarters being 100% sourced from renewable energy.

Water usage in the year was 257k cubic metres compared to 319k cubic metres in 2019.

GHG Emissions

Tonnes CO₂(e)

● Scope 1 ● Scope 2

	Scope 1	Scope 2	Total
2020	6,863	24,963	31,826
2019	7,100	28,774	35,874
2018	7,087	28,084	35,171

Intensity Factor

Number

2020	50.8
2019	37.4
2018	38.6

Hunting's global and UK electricity consumption is also detailed in the charts below.

Global Electricity Consumption

GWh

2020	48.6
2019	55.7
2018	54.7

UK Electricity Consumption

GWh

2020	1.4
2019	1.6
2018	1.9

Sustainability

At Hunting we are committed to making the broader development goals of the United Nations, particularly the Sustainable Development Goals, part of our culture, strategy and day-to-day operations of the Company. We are also aligning ourselves with the principles of the UN Global Compact and are taking the necessary steps to formally subscribe to this framework.

Waste Management and Recycling

During the year, the majority of the Group's facilities had at least one recycling programme in place.

In 2019, the Group initiated a new process to quantitatively collect recycling information on metal, paper/wood and plastics. The following table shows the data collected in the year.

Metal recycling	3,267 tonnes
Wood/paper recycling	700 tonnes
Plastics recycling	311 tonnes

Climate Change

The Directors of Hunting have continued to consider climate-related issues and during 2020 reviewed the recommended reporting framework published by the Task Force on Climate-related Financial Disclosures ("TCFD"). It is anticipated that the Group will fully align its compliance with this reporting framework in the coming years. The information following is provided to highlight the Company's commitment to measuring and managing its climate-related profile and to provide relevant disclosures which allow our various stakeholders to understand our business model and strategy in respect to climate.

In December 2020, the Directors approved our Climate Policy (located at www.huntingplc.com), which commits the Board to Group-level monitoring of climate-related opportunities and risks. This Policy acknowledges the global goal to limit global warming to between 1.5°C to 2.0°C, in line with the Paris accords, and commits the Group to assisting in the delivery of this global ambition through a reduction in its global carbon footprint. The Group acknowledges it is at the beginning of a journey and will endeavour to reach these targets in the coming years as low-carbon initiatives are extended throughout the Company and are made more widely available in each geographic region of operation.

Carbon and Climate Change Governance

While there is Board-level oversight of this key issue, the day-to-day management of this area will be through the Hunting Executive Committee from 2021, with ultimate responsibility vested in the Chief Executive.

Climate Change Strategy

The Group's strategy in respect to climate change comprises a number of features:

1. Sustainability and Stability

The Group's current market focus is the global energy industry and, as such, is supported by the projected increase in primary energy demand forecast by many reputable sources for the next few decades. The Board believes that the Company's investment case, business model and strategy can be amended in a proportionate and careful manner to ensure shareholder funds and returns are protected over the long term.

2. A Well-managed Energy Transition

The transition of primary energy sources to non-hydrocarbon sources, will take decades and the Group's focus remains on the oil and gas sector, and will continue to do so for the short- to medium-term. A key theme of our investment case will be to adapt our core expertise of precision engineering and high-end manufacturing into other markets. The opportunities and risks presented to Hunting will be based on utilising our core competencies in delivering high quality products, which are strongly assured, to our end-users in whichever market sectors we operate.

3. Reducing our Carbon Footprint

Hunting's carbon footprint is monitored and managed carefully, with an overarching strategy in place to contain and reduce our carbon footprint over time. This reduction will be achieved by a drive for more energy efficient operations and the use of renewable energy to power our facilities. Our published targets are realistic and achievable and are reviewed regularly by the Board.

Carbon and Climate Targets

Hunting has committed to sourcing 10% of its total energy needs from renewable sources by 2029 and is aiming for an Intensity Factor of less than 30.0.

The primary strategy to achieve this ambition will be through securing energy contracts which supply higher proportions of green energy, which will reduce the Group's total Scope 2 emissions.

Climate Opportunities

The Group's business model and strategy currently focus on the supply of products and services to the global oil and gas industry.

As demonstrated in recent years, our business model is applicable to other industries including aviation, naval, space and telecommunications where good progress has been made in establishing our presence in these sectors.

While our oil and gas-related revenue was \$586.2m (94%) in 2020 all our businesses have been tasked with identifying complementary markets and products which leverage our manufacturing expertise and reputation for quality.

Climate Risks

Transition Risk

While the energy transition away from hydrocarbons is a risk, particularly given the proportion of the Group's oil and gas-related revenue in 2020, the Directors believe that the Group's core geographic markets will be reliant on these primary energy sources for a number of decades to come, and therefore a well-managed business transition is achievable.

As detailed in the Market Review, the International Energy Agency has published forecasts which suggest that oil and gas demand for the next decade is likely to remain materially unchanged. Longer range scenarios for the transition to a lower carbon economy project a wide range of possibilities in respect to the speed of this transition. The Board have noted these projections and believe Transition Risk to a lower carbon economy remains an Emerging Risk, as detailed in the Risk Management section of this report.

Operational Risk

The Group has an operational risk assessment framework in place, which, among other risks, assesses its ability to operate should a weather event impact a location. The Group has a concentration of its facilities close to the Gulf of Mexico coast in Texas and Louisiana, which periodically suffer from windstorms.

The following charts present a detailed risk analysis of the Group's operational locations which are covered by our global insurance programmes. Each location is assessed independently for a wide range of weather related risks, including storm and flood risks which provide a probability of any one particular location being impacted by adverse weather conditions. This probability is then plotted against both the revenue generated from the location or the insured values of the location, including property plant and equipment. This enables the Board to understand the concentration of risk for any particular location on a revenue or insured asset basis.

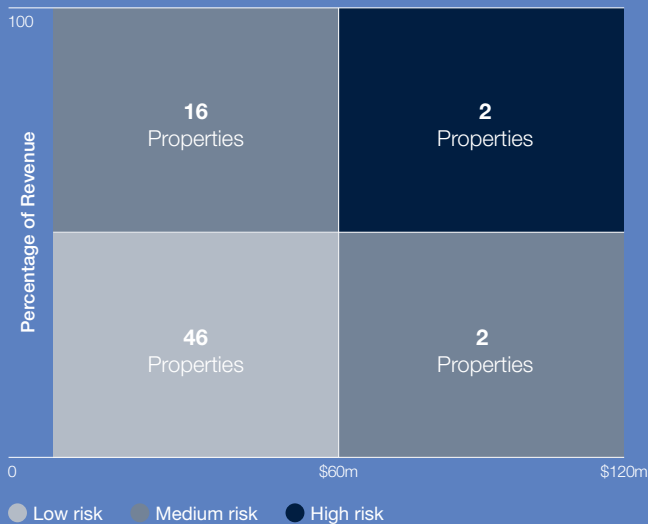
Given the geographic spread of its operations across the US and globally, the Board is satisfied that Hunting's risk in this area is sufficiently mitigated.

Business Model

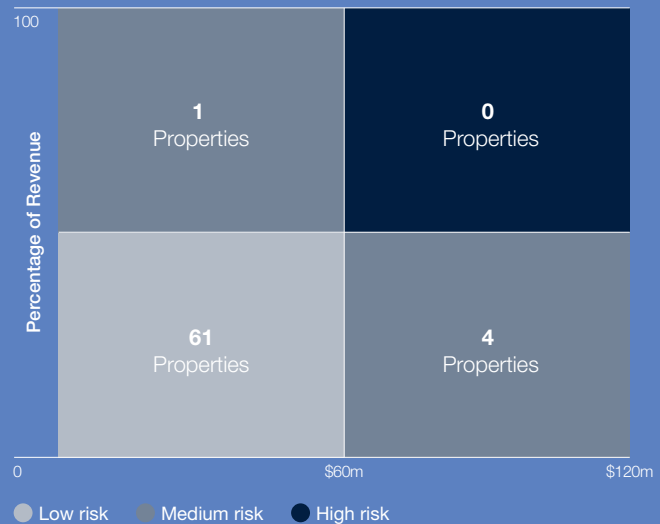
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The following charts note the Group's risk profile of its facilities, in respect to windstorm and flood risk.

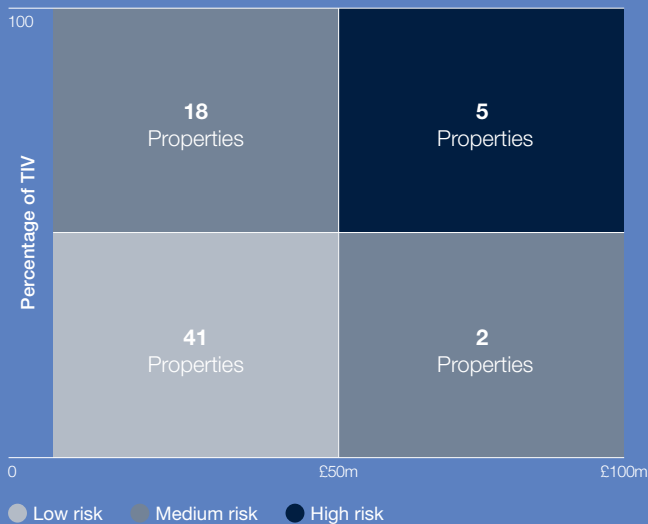
Windstorm Risk Factor vs Revenue
2020



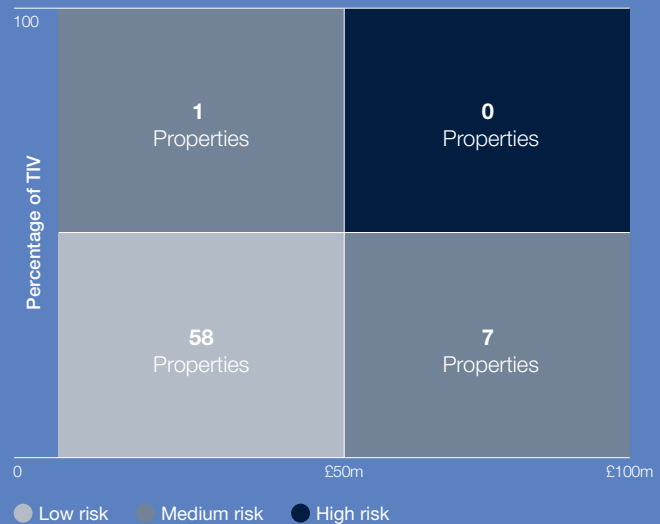
Flood Risk Factor vs Revenue
2020



Windstorm Risk Factor vs Total Insured Value
2020



Flood Risk Factor vs Total Insured Value
2020



The Directors therefore believe that weather-related risk is mitigated to a satisfactory level. The Directors have considered the potential impact that climate change could have on the financial statements of the Group. The Directors' view is that climate remains an emerging risk that the Group is cognisant of, and will react appropriately to. Long-term forecasts used by the Directors, support the view that there will be robust demand for the Group's oil and gas products for a significant time span and that this does not cause concerns regarding the carrying values or expected lives of non-current assets. The Directors also believe there is significant operational adaptability to move into other non-oil and gas product lines. Further information on climate change can be found on page 53 within Risk Management.

Governments

Hunting's global operating footprint extends across 11 countries. As a consequence of this, the Group interacts with a number of global regulators, governments and tax authorities to ensure that Hunting retains a high reputation and business standing within each region of operation and seeks to comply with all applicable and relevant local laws and regulations.

As a UK premium-listed public company, the Financial Conduct Authority ("FCA") is the Group's primary regulator; however, each operating segment retains a close relationship with the relevant local tax and legal authority. With the assistance of the Group's brokers and legal advisers, the relationship with the FCA is closely managed as and when relevant matters arise.

Given the sensitivity of interacting with government officials, with respect to the risk of bribery, the Group's internal procedures include analysis of which customers and suppliers are government owned, with all externally-facing employees trained in the Group's anti-bribery and corruption policies.

COVID-19

The Group has received furlough and employee support funding totalling \$3.6m during 2020. This was predominantly received in the early days of the pandemic and enabled employees to be retained longer, despite the protracted impact of COVID-19. As market conditions deteriorated further, a proportion of these employees were released as cost reduction measures were put in place to align with the trading environment. The majority of the monies were received in Canada, with smaller proportions received in Singapore and the UK. Further, all monies were passed to the employees with no funds being retained by the Group for other purposes.

Tax Strategy

Hunting is committed to acting with integrity and transparency in all tax matters relating to the countries in which we operate. Simply put, our tax strategy is to comply with local tax regulation, and pay taxes when due.

The tax contributions from Hunting's global activities includes the following sources:

- Corporate income taxes;
- Employment taxes;
- Social security taxes;
- Property taxes;
- State taxes;
- Consumption taxes (Value Added Taxes, Goods and Services Taxes and Insurance Premium Taxes);
- Carbon taxes; and
- Fuel duties.

When evaluating how we should organise our business affairs, a wide variety of factors are considered, including operational efficiency, risk management and taxation. If the tax regulation allows us to organise our commercial business affairs in a manner which reduces tax costs, while meeting our overall objectives, we will do so but we will not carry out tax evasion or create artificial structures. If necessary, we engage professional tax or legal advisers to ensure that we have interpreted tax law correctly. We will not enter into transactions that have a main purpose of interpreting tax law that is opposed to its original intention or spirit.

Board Engagement and Decision Making – Governments

The Group's tax governance is managed as follows:

- The Board reviews the Group's tax strategy and policies on an ongoing basis with regular updates on the tax position provided at each Board Meeting;
- Day-to-day matters are delegated to the Group's Head of Taxation and a small team of in-house tax professionals who hold a combination of accounting and tax qualifications;
- Annual review of tax policies as part of our internal Group Manual updates;
- Monitor and discuss changes to tax legislation that will have an impact on us and discuss with advisers as required; and
- Engage specialist advisers when appropriate.



Governments are a key stakeholder of the Group which includes local and federal authorities.

Our Communities

The Board delegates community initiatives to the Executive Committee, which allows for local cultural practices to be integrated into community focused activities and projects. Local community sponsorships or charitable donations are encouraged, following approval by a member of the Board or Executive Committee.

Most businesses within the Group normally host "Open House" days at facilities to allow customers, suppliers, employees' families and other members of the local community to see our operations. These activities were suspended from Q2 2020 due to COVID-19.

Community initiatives are regularly reported in the Group's magazine, the "Hunting Review", which profiles the Group's operations, employees and community work.

In the year, as COVID-19 impacted many of our communities, our Asia Pacific segment purchased machinery and commenced the manufacture of face masks for distribution to our global workforce and to local communities.

Our Business Strategy

Hunting's strategic priorities are based on a business model designed to deliver sustainable long-term shareholder value while recognising our corporate responsibilities.

Growth

Strategic Priority



Our aim is to continue to develop our global presence and supply a comprehensive range of products for use in the wellbore. We will grow through capital investment in existing businesses and through acquisition.

Strategic Focus Areas

- Extend global presence
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

2020 Progress

- In February 2020 we acquired Enpro Subsea, an offshore focused business with innovative technology used in deep-water applications. Enpro has increased the Group's exposure to the energy markets in West Africa.
- In July 2020 we commissioned a detonating cord manufacturing facility at Milford, Texas.
- In the year, the Subsea Spring business (formerly RTI Energy Systems) won a number of significant orders for offshore customers, assisting in a strong growth in revenue for this business.

Related KPIs

Revenue	\$626.0m 2020	\$960.0m 2019
Underlying (loss) profit from operations*	\$(16.4)m 2020	\$94.3m 2019
Operational footprint (sq ft)	2.8m 2020	3.0m 2019

Related Risks

- Geopolitics
- Investment
- Competition
- Product quality
- Commodity prices
- Shale drilling

* Non-GAAP measure.

Operational Excellence

Strategic Priority



We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver reliable products which are quality assured to the highest industry standards and which offer better cost efficiencies.

Strategic Focus Areas

- Leverage strong brand
- Maintain and enhance quality control
- Maintain operational flexibility
- Leverage lean manufacturing
- Strengthen relationships with customers and suppliers

2020 Progress

- Hunting has continued to market an Organic Oil Recovery product, leveraging Hunting's global presence and strong brand.
- The Group has implemented new ERP systems within the Hunting Titan and US Manufacturing businesses in the year to improve the efficiency and robustness of internal processes.
- Lean manufacturing initiatives continued throughout the year, which generated efficiencies.

Related KPIs

ISO 9001:2015 (Quality) accredited operating sites	71% 2020	72% 2019
Quality assurance – manufacturing reject rate	0.24% 2020	0.30% 2018
Countries in which we operate	11 2020	11 2019

Related Risks

- Product quality
- Key executives
- Competition

Strong Returns

Strategic Priority



In normal phases of the oil and gas cycle, our business has the capability to produce high levels of profitability, strong cash generation, good returns on capital leading to growing dividends to shareholders.

Strategic Focus Areas

- Extend global presence
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

2020 Progress

- The Group reviewed its operational footprint in the year and closed its Calgary facility, mothballed its facility at Oklahoma City, commenced the closure of the Ramsey Road, Texas, facility and shut three distribution centres.
- In December we divested our US Drilling Tools business to Rival Downhole Tools LC, in exchange for a 23.5% equity position in the expanded Rival business.
- The Group's cost reduction programme implemented in the year led to annualised savings of c.\$86.0m.

Related KPIs

Underlying gross margin*	20% 2020	28% 2019
Free cash flow*	\$47.8m 2020	\$138.8m 2019
Return on average capital employed*	(2)% 2020	8% 2019

Related Risks

- Commodity prices
- Competition

* Non-GAAP measure, see pages 203 to 207.

Corporate Responsibility

Strategic Priority



We are committed to acting with high standards of integrity and creating positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.

Strategic Focus Areas

- Retain experienced senior management team
- Skilled workforce
- Safe operations
- Protect the environment
- Compliance

2020 Progress

- The impact of COVID-19 led to enhanced HSE measures being put in place to protect our workforce. The issuing of personal protective equipment and regular employee monitoring is now a feature at all facilities.
- As our workforce numbers decreased in the year, extra training occurred as responsibilities were re-assigned.
- The Group has reviewed its carbon footprint in the year and assessed its climate risks in accordance with the recommendations published by the Task Force for Climate-related Financial Disclosures.

Related KPIs

Incident rate (OSHA method)	0.67 2020	1.17 2019
CO ₂ emissions intensity factor (kg/\$k of revenue)	50.8 2020	37.4 2019
CO ₂ tonnes equivalent emitted	31,826 2020	35,874 2019

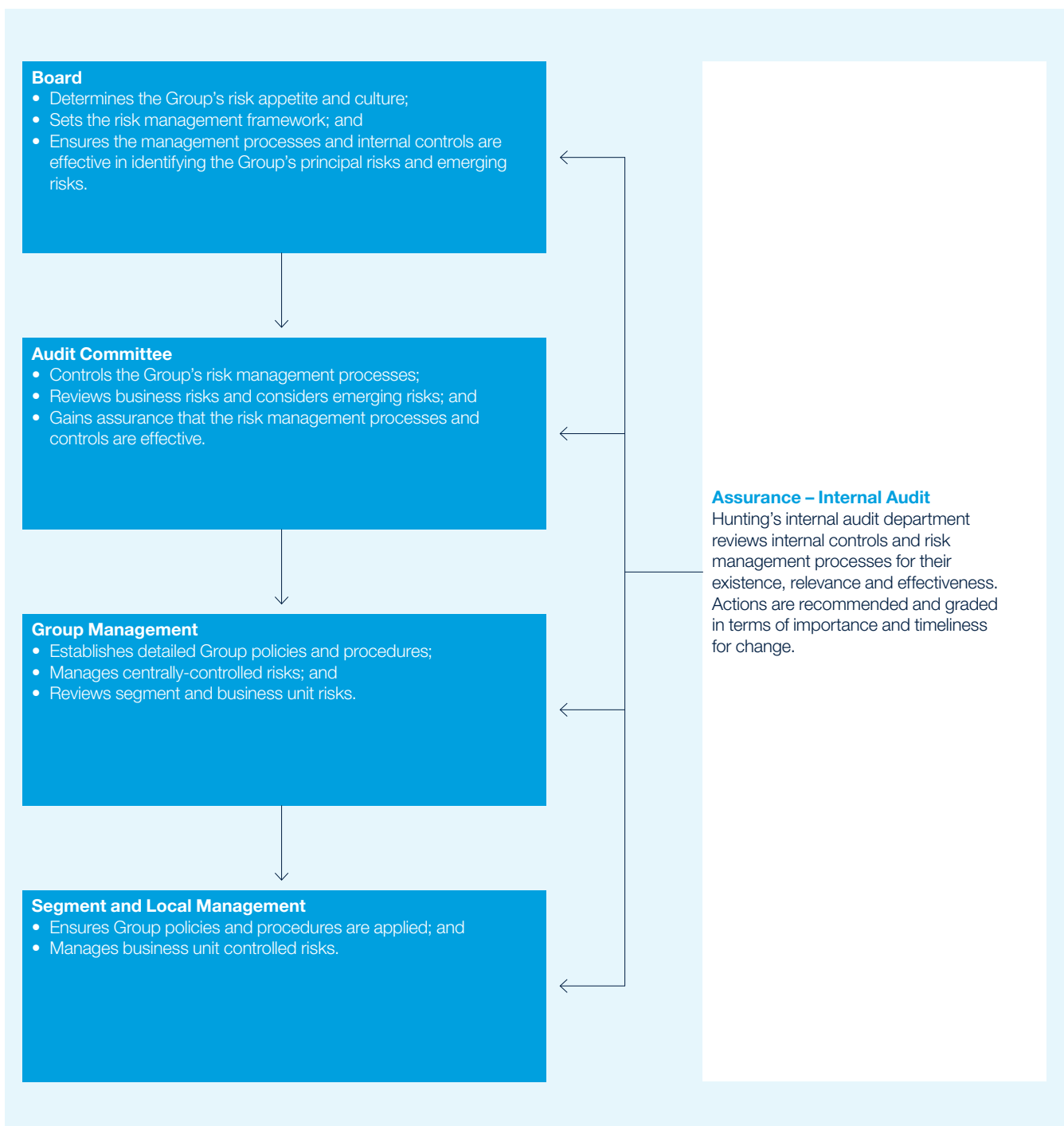
Related Risks

- Key executives
- Health, safety and environment

Risk Management

Roles and Responsibilities

The Board has set risk management roles and responsibilities as illustrated below.



Introduction

The oil and gas industry is highly regulated and demands high specification products that meet stringent quality criteria, given the challenging environments in which these products are used. Hunting's risk management and internal control processes are, therefore, designed to appropriately mitigate the operating risks inherent in this sector, whilst allowing the Group to achieve its strategic objectives and deliver value to shareholders.

External Risks

The Board recognises that a number of risks are not within the direct control of management, including energy market factors such as commodity pricing and daily supply/demand dynamics driven by economic and geopolitical movements. These factors are regularly assessed by the Board and are considered alongside the risk management framework operated by the Group.

As highlighted elsewhere in this report, the COVID-19 pandemic has had a materially adverse impact on global economic activity, which in turn directly impacted the demand for oil and gas leading to lower revenue in the year.

The Board

The Board of Hunting has responsibility for developing and maintaining a robust risk management framework and for monitoring the Group's system of internal control to ensure it remains effective and fit for purpose.

The Board is also responsible for developing the Group's strategic objectives. The balance between the Board's desire to meet these strategic objectives and its appetite for risk creates the risk culture within the Group, which impacts capital investment decision making, consideration to new acquisitions and other growth opportunities.

The Board's appetite for risk is key to establishing effective systems of internal control and risk management processes.

The Board's review and debate of risk follows detailed discussions by the Chief Executive and Finance Director with members of the Executive Committee. By reviewing and debating the relevant evidence, the Board then develops an appreciation for the contributory factors that generate a particular risk.

Subsequently, through delegation, the Board establishes the extent to which the risk should be mitigated relative to its impact and the cost to the Group. The Board, for example, has little appetite for high levels of exposure to geopolitical risk and, consequently, the Group's expansion strategy has avoided countries that are considered to be significantly unstable or too high risk to maintain a physical presence, notwithstanding the potential benefits that may be generated. Advice on risk management is sought by the Board from both internal and external sources.

The risk management processes are further supported by:

- understanding the current and evolving market environment;
- challenging executive management on new growth opportunities;
- reviewing proposed new product developments and capital investment projects; and
- consideration and discussion over emerging risks.

Audit Committee

Segment and business unit management establish and undertake risk management processes that are relevant to the risk profile of each business unit.

The key risks and emerging risks are identified and reported to Group management three times a year, from which a Group Risk Register is maintained covering the key risks to the Group, including all financial, operational and compliance matters.

On behalf of the Board, the Audit Committee seeks to ensure that risk management processes are established within the framework set out by the Board and, as part of this assessment, conducts a formal review of the Group's Risk Register three times a year.

The Group's Principal Risks are disclosed on pages 56 to 59. In addition, once a year, the Audit Committee seeks assurance with regard to the effectiveness of the internal financial controls based on a self-assessment exercise carried out by local management. The appropriateness of these self assessments is checked by Internal Audit, on a sample basis, as part of its routine programme of work. The Internal Audit department reports directly to the Audit Committee. The relationship with the external auditor is monitored by the Audit Committee which is responsible for completing the review of the effectiveness of the external auditors.

Group Management

All Group business units operate in accordance with the Hunting Group Manual which sets out Group policies and procedures, together with related authority levels, and identifies matters requiring approval or notification to central management or to the Board.

Included within the Group Manual are policies covering general finance requirements, taxation responsibilities, information on Hunting's internal control and risk management framework, legal compliance and governance. Compliance is also monitored and subject to check by the Internal Audit department. The Group Manual also incorporates and mandates the Group's accounting policies. This is periodically supported by documents that are prepared centrally and circulated throughout the Group in order to advise local management of and establish major accounting and policy changes on a timely basis. Group management is responsible for ensuring the risk management processes approved by the Audit Committee are implemented across the Group. Group management is also responsible for identifying treasury-related risks, such as currency exposures, that are subsequently managed by Group Treasury, in accordance with the treasury risk management policies contained in the Group Manual. Group management is also responsible for managing the global insurance programme.

Risk Management

continued

Segment and Business Unit Management

The management of each business unit has responsibility for establishing an effective system of controls and processes for its business, which, at a minimum, meets the requirements set out in the Group Manual and complies with any additional local requirements. Local management is empowered under Hunting's decentralised philosophy to manage the risks in their respective markets.

Assurance

The Board uses a number of functions and reporting procedures to provide assurance that the risks identified by management are appropriate for the Group as a whole.

Hunting's Internal Audit department reviews the Group's businesses covering operational areas including:

- inventory management;
- purchasing supply chain;
- large project risk;
- IT controls;
- customer credit risk; and
- ethics compliance, including bribery and corruption.

From Q2 2020, the work of the Internal Audit function was curtailed due to the COVID-19 pandemic, with the work of the function shifting to internal control consulting work in respect to the implementation of a new enterprise resource planning system within a number of key businesses.

The Group's risk management processes are further supported by an internal Quality Assurance department that is headed by the HSE and Quality Assurance Director, who reports directly to the Chief Executive. This department also undertakes periodic audits that monitor quality control and safety within the Group's product lines and provides regular reports to the Board.

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's insurance broker, who arranges, among other policies, the annual renewal of a worldwide credit insurance policy for the Group. Compliance with the policy requires each business unit to undertake certain procedures, including vetting new customers and maintaining appropriate creditworthiness data that further strengthens the Group's credit management processes.

Insurance brokers also ensure gaps in cover are identified and in recent years have advised on cyber risk and ongoing weather-related risks.

Hunting's external auditor provides assurance to the Board regarding the accuracy and probity of Hunting's consolidated financial statements. The auditor also reviews all of Hunting's non-financial statements, including governance disclosures included in the Annual Report, and provides observations on the financial controls in operation across the Group based on the external audit.

Hunting's legal advisers assist the Board in ensuring that Hunting is compliant with the Financial Conduct Authority's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and UK Company Law, and that there is an understanding across the Group of its obligations under current sanctions legislation.

Additionally, Hunting relies on market and investor advice from its corporate brokers and financial advisers. The Board is satisfied that the above sources of assurance have sufficient authority, independence and expertise to enable them to provide objective advice and information to the Board and also takes this into account when assessing the robustness of the risk management and control process.

Risk Management Procedures

The Board has reviewed its risk management, principal risks and internal control processes and confirms that the procedures in place are robust and proportionate to Hunting's global operations and position in its chosen market.

Hunting's internal control system, which has been in place throughout 2020 and up to the date of approval of these accounts, is designed to identify, evaluate and manage the principal risks to which the Group is exposed, as well as identify and consider emerging risks to which the Group may be exposed in the future. Internal controls are regularly assessed to ensure they remain appropriate and effective.

This system of internal control is designed to manage rather than eliminate risks, therefore it can only provide reasonable but not absolute assurance against material misstatement or loss in the consolidated financial statements and of meeting internal control objectives.

The Directors have reviewed the effectiveness of the Group's system of internal control and have taken into account feedback from the Audit Committee for the period covered by the consolidated financial statements. No significant failings or weaknesses were identified in the review process.

The key elements to understanding, establishing and assessing Hunting's internal control system are as follows:

Business Risk Reporting

Three times a year, local management formally reviews the specific risks faced by their businesses, based on current trading, future prospects and the local market environment. The review is a qualitative assessment of the likelihood of a risk materialising and the probable financial impact if such an event were to arise. All assessments are performed on a pre- and post-controls basis, which allows management to continually assess the effectiveness of its internal controls with separate regard to mitigating the likelihood of occurrence and the probable financial impact. The risks are reported to Group management.

The local risks that have the greatest potential impact on the Group are identified from these assessments and incorporated into the Group Risk Register, which is also reviewed by the Audit Committee three times a year, and is scrutinised and challenged by the Board. An appropriate executive Director, together with local management, is allocated responsibility for managing each separate risk identified in the Group Risk Register.

Emerging Risks

Alongside the process of identifying the Group's current risks, management is challenged three times a year to identify and consider emerging risks that may impact the Group at some point in the future. As a result, management and the Board have identified climate change as an emerging risk facing the Group.

Climate change is a wide-ranging and complex topic that potentially brings with it a number of interlinked risks that could impact the Group's activities. The principal driver of revenue for the Group is the global demand for energy drawn from hydrocarbons, the exploration for and production of which generates demand for the majority of the Group's products. Market observers expect this demand to continue its underlying trend of growth during the medium- and long-term despite intermittent disruptions such as the COVID-19 pandemic. Climate change has the potential to decelerate the rate of growth in, and eventually reduce, demand for hydrocarbons as governments put more pressure on companies to reduce their emissions and as technology for alternative sources of energy advances. Government targets are set for the medium- and long-term and alternative energy technology remains a relatively young competitor to hydrocarbons; consequently the Board views climate change as an emerging risk in as far as it has the potential to impact the Group directly.

Climate change also has the potential to impact the Group indirectly. For example, banks and other financial institutions are coming under increasing pressure to implement environmental measures when considering a potential borrower of funds, and more individuals are establishing their own personal targets when considering a potential new employer. The Board does not view these circumstances as a risk in terms of their potential to adversely impact the Group within the next one or two years, but continues to monitor them as situations that are emerging over the medium term.

Management monitors emerging risks through observing press comment including industry-specific journals, discussions with shareholders, advisors, customers and suppliers, attendance at structured forums, review of comments published by other companies, review of insurance company risk assessments, and internal debate by senior executive committees. In December 2020, the Board established a formal Climate Policy. As described in detail on page 31, among other targets the Board has committed to reducing the Group's carbon dioxide emissions by 10% by 2029 and to reducing the Group's carbon intensity factor from 37.4 in 2019 to 30 during the same period.

Risk Management

continued

Financial Controls Self-assessment

Business unit management completes an annual self-assessment of the financial controls in place at their business unit. The assessment is qualitative and is undertaken in context with the recommended controls identified within the Group Manual. Gaps between the recommended controls and those in place are assessed and improvements are actioned within a targeted timeframe when these are identified as a necessary requirement. Results of the assessments are summarised and presented to the Audit Committee annually.

Reporting and Consolidation

All subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable. This includes weekly, bi-monthly and quarterly treasury reports, annual budgets, monthly management accounts, periodic short-term and mid-term forecasts, together with half year and annual statutory reporting. The Group's financial accounting consolidation process is maintained and regularly updated, including distribution of the Group Manual to all reporting units. All data is subject to review and assessment by management through the monitoring of key performance indicators and comparison with targets and budgets. The Group monitors and reviews new UK Listing Rules, the Disclosure Guidance and Transparency Rules sourcebook, accounting standards, interpretations and amendments, legislation and other statutory requirements.

Strategic Planning and Budgeting

Strategic plans, annual budgets and long-term viability financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance.

Quality Assurance

Most of the business sectors in which the Group operates are highly regulated and subsidiaries are invariably required to be accredited by the customer or an industry regulator, to national or international quality organisations. These organisations undertake regular audits and checks on subsidiary procedures and practices, ensuring compliance with regulatory requirements. The Board monitors compliance by receiving Quality Assurance reports at each meeting from the Director of Quality Assurance. The Group has received accreditations from many organisations including the American Petroleum Institute (for example API Spec 5CT and API Spec Q1 certifications), the International Organization for Standardization (for example ISO 9001:2015 and ISO 14001 certifications) and the Occupational Health and Safety Assessment Series (for example OHSAS 18001 certification).

Health, Safety and Environment ("HSE")

All facilities have designated and qualified HSE personnel appointed to ensure the Group's policies and procedures are adopted and adhered to. All local HSE personnel report to the Group's HSE and Quality Assurance Director. All facilities arrange regular training and review sessions to ensure day-to-day risks are managed and shared with the wider workforce.

Expenditure Assessment and Approval Limits

All significant capital investment (business acquisitions and asset purchases) and capital divestment require approval by the Chief Executive up to certain thresholds. Major capital investment or divestment require approval by the Board. Detailed compliance and assurance procedures are completed during a capital investment programme and project reviews and appraisals are completed to compare actual returns achieved with those projected within capital investment proposals.

Updates to the Group's policies and procedures are communicated to the relevant personnel by way of periodic revisions to the Group Manual, which is issued to all business units.

Group's Principal Risks

The status of Hunting's exposure to each of its principal risks, the movement in these risks (post-controls) during the year and the effectiveness of the Group's internal controls in mitigating risks are summarised in the accompanying two graphs.

The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the profile of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

A detailed description of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

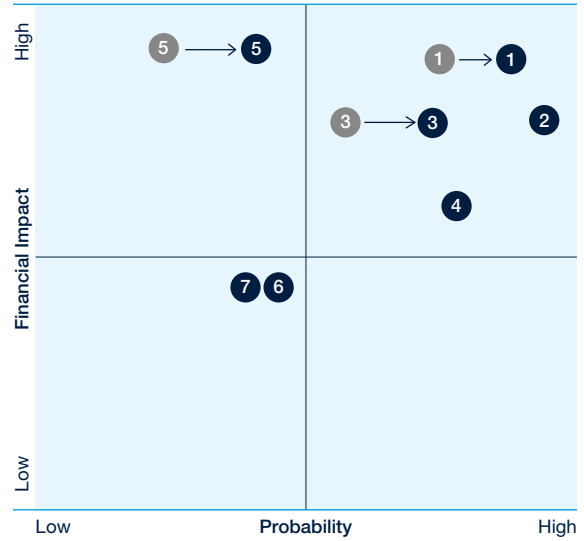
COVID-19

The impact of COVID-19 has been pervasive, affecting global energy demand generally and causing business activity to slow. COVID-19 has affected the Group's businesses worldwide. The Company's Asia Pacific segment was the first to feel the impact of reduced demand for oil and gas products in Q1 2020, followed by the remaining segments in later periods. The Board and global management at Hunting have been able to respond quickly to the pandemic, including the closure of facilities, right-sizing of active businesses, significantly reducing the workforce, reducing capital expenditure, re-arranging facilities to enable social distancing in the workplace, and tightening working capital management, amongst others. As a consequence, the Group has been able to preserve a healthy cash position during this period despite the lower profitability. Notwithstanding the success of these actions, COVID-19 has heightened the risks associated with commodity prices, a reduction in shale drilling activity and health and safety, as described in the "Principal Risks" section below.

UK Leaving the European Union ("Brexit")

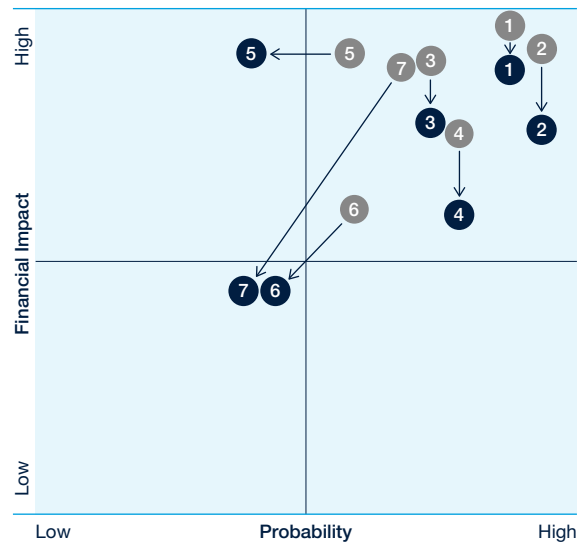
The Board continues to consider the potential consequences to the Group of the United Kingdom's decision to withdraw from the European Union and remains of the opinion that, given its limited exposure to this market, Brexit will not have a material impact on the business. Consequently, this is not a principal risk to the Group.

Movement in Risks (Post-controls) During the Year



- Current status
- Prior year status
- 1 Commodity prices
- 2 Competition
- 3 Shale drilling
- 4 Geopolitics
- 5 HSE
- 6 Key executives
- 7 Product quality

Effectiveness of Internal Controls



- Post-control status
- Pre-control status

Risk Management

continued

Principal Risks

The Group's principal risks are identified below. While we have presented these as separately identified risks, discrete events will often affect multiple risks and this is considered by the Board when assessing the impact on the Group.

1. Commodity Prices

Nature of the Risk

Hunting is exposed to the influence of oil and gas prices, as the supply and demand for energy is a key driver of demand for Hunting's products.

Oil and gas exploration companies may reduce or curtail operations if prices become, or are expected to become, uneconomical and, therefore, continuation of prices above these levels is critical to the industry and the financial viability of the Hunting Group.

Adverse movements in commodity prices may also heighten the Group's exposure to the risks associated with shale drilling (see the risks associated with shale drilling).

Movement in the Year

Hunting's exposure to this risk was high at the start of the year and has increased during the year. WTI has been highly volatile over the last 12 months, including recording a negative price in April 2020. This volatility is expected to remain over the next 12 months. The Group's markets respond positively to an increase in commodity prices and reduce activity when commodity prices are low. Oil production significantly exceeded oil consumption during 2020 which has pushed inventory levels above the norm. Given the historical relationship between oil prices and inventory levels, oil prices are expected to remain depressed during the short term while inventory is utilised, weakening market demand for the Group's products.

Controls and Actions

Working capital, and in particular inventory levels, are closely managed to ensure the Group remains sufficiently agile to meet changes in demand.

The Group's products are used throughout the life cycle of the wellbore and each phase within the life cycle generates demand for a different range of products and services. The Board and management closely monitor market reports on current and forecast activity levels associated with the various phases of the life cycle of the wellbore in order to plan for and predict improvements or declines in activity levels.

In addition, management continues to reduce production costs and develop new technologies, including automation and robotics, that help mitigate the impact of any further downturn in commodity prices in the future.

Further information on the movement in commodity prices during the year is detailed on page 40.

No movement in risk	↔
Increase in risk	↑
Decrease in risk	↓

2. Competition



3. US Shale Drilling



Nature of the Risk

The provision of goods and services to oil and gas drilling companies is highly competitive. In current market conditions, pricing pressures remain a feature of the trading environment. Competitors may also be customers and/or suppliers, which can increase the risk of any potential impact.

Technological advancements in the oil and gas industry continue at pace and failure to keep ahead will result in lost revenues and market share.

Looking further ahead, advancements in alternative energy sources are considered a risk to the oil and gas market in the long term.

Movement in the Year

During the year, the competitive environment within the markets that Hunting serves remained strong and, therefore, Hunting's exposure to this risk is unchanged since last year.

Controls and Actions

Hunting has a number of high specification proprietary products that offer operational advantages to its customers. The Group continually invests in research and development that enables it to provide technological advancement and a strong, ever-widening, product offering. Hunting continues to maintain its standards of delivering high quality products, which has gone some way in sheltering the pricing pressure impact on margins.

Hunting's operations are established close to their markets, which enables the Group to offer reduced lead-times and a focused product range appropriate to each region. Local management maintains an awareness of competitor pricing and product offering. In addition, senior management maintains close dialogue with key customers and seeks to maintain the highest level of service to preserve Hunting's reputation for quality. The Group has a wide customer base that includes many of the major oil and gas service providers and no one customer represents an overly significant portion of Group revenue. In addition, the Group is widening its product offering beyond the oil and gas market, as detailed within the Chief Executive's Report on pages 36 to 39.

The Group's operating activities are described in detail on pages 10 to 33.

Nature of the Risk

The Group provides products to the oil and gas shale drilling industry. Oil and gas produced from US onshore shale remains a relatively expensive source of hydrocarbons, despite advances in technology that have reduced these costs.

Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources, so it is more likely to be curtailed and therefore negatively impact what has become a steadily increasing revenue stream for the Group (see the risks associated with commodity prices).

Movement in the Year

Shale drilling activity significantly slowed during 2020 due to the low oil price and the impact of the COVID-19 pandemic, leading to management implementing actions to align the Group's cost base with prevailing market conditions. Although some market observers have stated that they believe the market has bottomed out, there remains uncertainty over the timing and rate of recovery of the oil and gas industry. Consequently the potential for a protracted reduction in shale drilling activity has heightened the Group's exposure to an adverse impact on future results and cash flows.

Controls and Actions

The Board monitors rig count and general completion activities within the US shale industry. In addition, local management maintains an ongoing dialogue with key customers operating within the US market.

The Group maintains a diverse portfolio of products that extends beyond supplying the shale drilling industry, including products for conventional drilling and the manufacture of high-precision and advanced technology components for both the onshore and offshore markets.

Many of the Group's facilities have the flexibility to reconfigure their manufacturing processes to meet a change in the pattern of demand. Please refer to the "COVID-19" section above.

The Group's operating activities are described in detail on pages 10 to 33.

Risk Management

continued

4. Geopolitics



Nature of the Risk

The location of the Group's markets are determined by the location of Hunting's customers' drill sites – Hunting's products must go where the drilling companies choose to operate. To compete effectively, Hunting often establishes a local operation in those regions; however, significantly volatile environments are avoided.

The Board has a strategy to develop its global presence and diversify geographically.

Operations have been established in key geographic regions around the world, recognising the high growth potential these territories offer. The Group carefully selects from which countries to operate, taking into account the differing economic and geopolitical risks associated with each geographic territory.

Movement in the Year

Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. The Board monitors geopolitical events around the world through media channels and industry contacts and assesses these relative to Hunting's operations. The scale and nature of these geopolitical issues, in how they have the potential to impact the Company's operations and markets, have not significantly changed over the past year.

Furthermore, the Group has very little exposure to exports between the UK and European markets and consequently the Board believes that the economic uncertainties associated with Brexit will not have a material adverse impact on the Group's trading activities.

Controls and Actions

Areas exposed to high political risk are noted by the Board and are strategically avoided. Global sanctions are also closely monitored with compliance procedures in place to ensure Hunting avoids high risk countries or partners. The Board and Management closely monitor projected economic trends in order to match capacity to regional demand.

The Group's exposure to different geographic regions is described on page 19.

5. Health, Safety and the Environment ("HSE")



Nature of the Risk

Due to the wide nature of the Group's activities, it is subject to a relatively high number of HSE risks and the laws and regulations issued by each of the jurisdictions in which the Group operates.

The Group's exposure to risk therefore includes the potential for the occurrence of a reportable incident, the financial risk of a breach of HSE regulations, and the risk of unexpected compliance expenditure whenever a law or regulation is renewed or enhanced.

HSE risk escalated during the year due to COVID-19 which started to impact operations at the start of 2020. The Group, its customers and its suppliers are dependent on personal interaction which has the potential to disrupt, or even close, business operations if personnel become unavailable due to the pandemic.

Movement in the Year

The Group experienced a number of minor HSE incidents in the year, which is significantly below the industry average and is similar to the Group's record in prior years. This particular risk therefore continues to be low.

However, the incidence of COVID-19 has heightened the overall risk to HSE.

Controls and Actions

The Board targets achieving a record of nil incidents and full compliance with the laws and regulations in each jurisdiction in which the Group operates.

Every Group facility is overseen by a Health and Safety officer with the responsibility for ensuring compliance with current and newly issued HSE standards.

The Board receives a Group HSE compliance report at every Board meeting.

The Group's facilities have rescheduled work patterns and reconfigured unit layouts to enable appropriate social distancing measures. Staff have been encouraged to work from home where this is possible.

The Group's HSE performance is detailed on pages 27 and 28.

No movement in risk	↔
Increase in risk	↑
Decrease in risk	↓

6. Key Executives



7. Product Quality



Nature of the Risk

The Group is highly reliant on the continued service of its key executives and senior management who possess commercial, engineering, technical and financial skills that are critical to the success of the Group.

Movement in the Year

The risk is unchanged from last year. The Group has fair and balanced remuneration schemes in place which attract and retain executive management.

Controls and Actions

Remuneration packages are regularly reviewed to ensure that key executives are remunerated in line with market rates. External consultants are engaged to provide guidance on best practice.

Senior management regularly reviews the availability of the necessary skills within the Group and seeks to engage suitable staff where they feel there is vulnerability.

Details of executive Director remuneration are provided in the Remuneration Committee Report on pages 93 to 118.

Nature of the Risk

The Group has an established reputation for producing high quality products capable of withstanding the hostile and corrosive environments encountered in the wellbore.

A failure of any one of these products could adversely impact the Group's reputation and demand for the Group's entire range of products and services.

Movement in the Year

The risk of poor product quality or reliability has remained unchanged during the year, with no significant issues raised by the Group's customers or during the Board's internal monitoring process.

Controls and Actions

Quality assurance standards are monitored, measured and regulated within the Group under the authority of a Quality Assurance Director who reports directly to the Chief Executive.

The Group's commitment to product quality is detailed on page 17.

Key Performance Indicators

Our Progress

A number of key performance indicators are used to compare the business performance and position of the Group

These are regularly reviewed to ensure they remain appropriate. For details on the movements of these metrics, please refer to the Group Review on pages 61 to 65.

Financial performance is measured on an underlying basis from operations and, other than revenue, these measures are non-GAAP measures (further information on non-GAAP measures ("NGM") can be found on pages 203 to 207).



Our HSE and Quality Assurance performance metrics are non-financial KPIs, which support the reputation and standing with our customers.

Countries with active operations	11 2020	11 2019
Countries in which Hunting has an active operating site or distribution centre.		
Operating footprint (sq ft)	2.8m 2020	3.0m 2019
Operation and distribution site square footage at year-end. This closely corresponds to "roofline" and includes administrative space within operating units.		
Year-end employees	1,923 2020	2,956 2019
The year-end headcount for employees includes part-time staff (see note 8).		
ISO 9001:2015 (Quality) accredited operating sites	71% 2020	72% 2019
Percentage of operating sites with ISO 9001:2015 accreditation.		

No. of recordable incidents	16 2020	39 2019
An incident is recordable if it results in death or serious injury resulting in absence from work.		
Incident rate (OSHA method)	0.67 2020	1.17 2019
The US Occupational Safety and Health Administration ("OSHA") incident rate is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.		
CO₂ intensity factor	50.8 2020	37.4 2019
Scope 1 and 2 carbon dioxide equivalent metric, reported as kilograms per \$k of revenue.		
Internal manufacturing reject rate	0.24% 2020	0.30% 2019
Percentage of parts rejected during manufacturing processes.		

Revenue (\$m)	
2020	626.0
2019	960.0
2018	911.4

Revenue is earned from products and services sold to customers from the Group's principal activities (see notes 2 and 3).

Capital Investment* (\$m)	
2020	14.7
2019	36.0
2018	30.1

Cash spend on tangible non-current assets (see NGM I).

Underlying EBITDA* (\$m)	
2020	26.1
2019	139.7
2018	142.3

Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation (see NGM A).

Inventory Days*	
2020	270
2019	214
2018	185

Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days (see NGM D).

Underlying (Loss) Profit from Operations (\$m)	
2020	(16.4)
2019	94.3
2018	104.7

Underlying (loss) profit from operations before net finance costs and tax (see consolidated income statement and note 2).

Return on Average Capital Employed* (%)	
2020	(2)
2019	8
2018	9

Underlying (loss) profit before interest and tax, adjusted to include the share of associates' post-tax results, as a percentage of average gross capital employed (see NGM N).

Underlying Operating Margin (%)	
2020	(3)
2019	10
2018	11

Underlying (loss) profit from operations as a percentage of revenue.

Free Cash Flow* (\$m)	
2020	47.8
2019	138.8
2018	80.7

All cash flows before transactions with shareholders and tangible and intangible capital investment (see NGM K).

Underlying Diluted (Loss) Earnings Per Share* (Cents)	
2020	(10.0)
2019	43.9
2018	49.6

Underlying (loss) earnings attributable to Ordinary shareholders, divided by the weighted average number of Ordinary shares in issue during the year adjusted for all potentially dilutive Ordinary shares (see note 11).

Total Cash and Bank* (\$m)	
2020	101.7
2019	127.0
2018	65.2

Total cash and bank comprises cash at bank and in hand, short-term deposits and money market funds less bank overdrafts (see note 26).

* Non-GAAP measure ("NGM") (see pages 203 to 207).

Directors' Report and Compliance Statements

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 82 and 83 confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair and balanced review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent Company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent Company's auditor are aware of that information.

This responsibility statement was approved by the Board of Directors at their meeting on 1 March 2021.

Companies Act 2006

Section 415

In compliance with section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2020.

The Strategic Report incorporates the Chairman's Statement, Chief Executive's Statement and Outlook, Market Review, Key Performance Indicators, Group Review, Segmental Review, Stakeholder Engagement disclosures, Business Model and Strategy and Risk Management and is located on pages 4 to 79. As permitted by legislation, the Board has chosen to set out, within the Strategic Report and Corporate Governance Report, some of the matters required to be disclosed in the Directors' Report, which it considers to be complementary to communicating Hunting's performance and position, as follows:

- changes in the Group and its interests (pages 38 and 39);
- future developments (pages 38 and 39);
- risk management, objectives and policies (pages 50 to 54);
- bribery and corruption (pages 25 to 27 and 125);
- ethnicity and diversity (pages 26 and 27); and
- greenhouse gas emissions and environmental matters (pages 30 to 32).

On 21 February 2020, the Group announced the completion of the acquisition of Enpro Subsea Limited for a cash consideration of \$32.8m, excluding cash acquired of \$5.5m. Further details on this transaction can be found in note 39.

Furthermore, the Group's US Drilling Tools business was divested on 15 December 2020 to Rival Downhole Tools LC, in exchange for a 23.5% equity interest in the enlarged Rival group. Further details on this transaction can be found in note 40.

On 4 February 2021, the Group also invested \$2.5m in convertible financing in Well Data Labs, a well analytics company.

From 1 January 2021, up to the date of signing these accounts, the Company has purchased 1,590,281 treasury shares for a total consideration of \$4.7m.

In addition, information relating to the Directors' indemnity provisions and dividend waivers, Annual General Meeting, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholder and Statutory Information section located on pages 209 to 212.

The Companies (Miscellaneous Reporting) Regulations 2018

As required by The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), the Board of Hunting PLC has prepared a section 172(1) statement, which can also be found on the Group's website www.huntingplc.com. The Directors' Stakeholder Engagement and decision making disclosures are summarised within the Strategic Report on pages 12 to 33, and include cross references to the various engagement activities across the Group's operations. Additional disclosures in respect of customers, suppliers and other key business relationships can also be found within the Strategic Report.

Section 172(1) Statement

This statement has been prepared in compliance with the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Hunting PLC considers that, in complying with its statutory duty during 2020 and under section 172 of the Companies Act 2006 (the "Act"), the Directors have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole. The Board also engages with its stakeholders when considering major strategic decisions, in the following ways:

- each year the Board reviews its short- and long-term strategy. In recent years these have remained consistent, with a focus on maintaining a firm financial foundation, improving facilities and investing in the development of new technology and in our workforce;
- the Board aims to ensure that our employees work in a safe environment, that they receive appropriate training and are sufficiently rewarded for their efforts;
- over the years we have fostered long-standing relationships with our customers, suppliers and our external advisers. We base our philosophy on sharing our core values with our key stakeholders throughout the supply chain and by keeping in regular contact with suppliers and customers advising them of our market strategy and product innovation;
- as a company operating in the oil industry, we regularly monitor the impact of our activities on the environment and on the communities in which we operate and, in particular, where we maintain active manufacturing facilities; and
- as a Board, we endeavour to operate responsibly and to make carefully considered decisions. We encourage high standards of business conduct from our employees and try to lead by example.

The impact of COVID-19 has been reported to the Board on a regular basis by senior management. The Board reacted quickly to implement procedures in response to COVID-19, and to the general market downturn, to position the Group for a return to growth in its core markets. The action plan included:

- engaging closely with employees;
- following appropriate consultation, the Group released 35% of its workforce and the Board has been very sensitive to this process;
- global Human Resources functions have proactively engaged with staff to reassign responsibilities, especially concerning Health and Safety and Quality Assurance. Close monitoring of employee wellbeing also occurred;
- providing protective equipment to employees, implementing social distancing protocols and facilitating home working arrangements where possible;
- increased deep cleaning of facilities;
- assessment of how we can protect our key assets;

- communicating closely with our suppliers, to ensure that they are dealing effectively with COVID-19 and that our supply chain is as secure as possible;
- interacting and communicating closely with our customers, keeping them informed of our COVID-19 arrangements in order to maintain confidence in our ability to continue to provide market leading products and our commitment towards maintaining high standards of service; and
- closely monitoring developments and any feedback from customers, especially in regard to new products and potential new market opportunities.

The following sections and cross references provide a summary of where details of key stakeholder and associated engagement and decision making is located within the 2020 Annual Report and Accounts and also some of the considerations taken by the Board in fulfilling their duty under section 172(1) of the Act:

- shareholders (pages 12 to 14);
- lenders (page 16);
- customers (pages 24 and 25);
- employees (pages 26 to 28);
- suppliers (page 29);
- environment (pages 30 to 32);
- governments (page 33); and
- communities (page 33).

Non-Financial Information Statement

In accordance with section 414CA of the Companies Act 2006, the Company is required to provide a non-financial information statement. The Company has chosen to present this information throughout the Strategic Report as follows:

- business model (pages 10 to 33);
- environmental matters, including impact of the Company's business on the environment (pages 30 to 32);
- employees (pages 26 to 28);
- respect for human rights (page 26); and
- anti-corruption and anti-bribery matters (pages 25 to 27 and 125).

Included within these disclosures are details of policies, outcomes, risk factors and related key performance indicators.

Viability Statement

Introduction

Hunting has a diverse global customer base underpinned by strong, long-term relationships. The Group provides a large range of products and services through its manufacturing and distribution facilities, which are located in a number of countries across the globe.

In considering the Group's long-term viability, the Board regularly assesses the risks to its business model, strategy, future performance, solvency and liquidity. These assessments are supported by the risk management processes described on pages 53 and 54 and include a review of the Group's exposure to the oil and gas industry, competitor action, customer plans and the robustness of the supply chain.

Directors' Report and Compliance Statements

continued

Assessment Period

The Group's customers are principally involved in the exploration for and production of oil and gas. Given the nature of the industry and the planning cycles involved, these activities can cover periods of no more than several weeks and up to several years from start to end.

Hunting's management works closely with its customers, discussing their operational plans and related capital expenditure programmes, with a natural focus on the earlier years in which projects will be in progress, or committed to, and for which requirements for goods or services from Hunting will be more certain. The outlook for the Group beyond this period is generated from management's assessment of industrial data and projections published by industry commentators and analysts, including statistics on exploration and production expenditure, footage drilled and rig activity. These macro, longer-term forecasts are more subject to significant volatility.

Taking these factors into consideration, the Board believes that a three-year forward-looking period, commencing on the date the annual accounts are approved by the Board, is the appropriate length of time to reasonably assess the Group's viability.

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 56 to 59. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 53 and 54, given the Board's appetite for risk as described on pages 51 and 52. The Board has further considered their potential impact within the context of the Group's viability.

The Group has a \$160m committed revolving credit facility that is due to expire in December 2022. The facility includes conditional options to be extended by one year and to be increased by \$75m, by mutual agreement. Despite Group expectations of maintaining a strong cash-positive position throughout the viability assessment period, management has commenced a dialogue with the lenders with a view to refinancing in the near term. Initial responses have been positive towards the Group.

Assumptions

In assessing the long-term viability of the Group, the Board made the following assumptions:

- global exploration and production spend in 2021 is expected to be down 15% compared with 2020, followed by a sharp recovery in 2022 to 2025;
- demand for energy service products improves in the medium- to long-term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services which in turn enable the extraction of oil and gas;
- the Group's reduced cost base enables the business to remain competitive within the weaker sectors of the global energy markets, particularly within the offshore and international markets; and
- the Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits derived from politically stable regions such as North America, Europe and South East Asia.

In addition, a downside case of the financial projections was produced to model a meaningful deterioration in market conditions and this revealed no concerns regarding viability.

A stress test case was performed, as noted in the going concern statement on page 79, to identify the financial conditions required to cause a possible breach of the Group's banking covenants within the following twelve month period. As stated in that statement, the Board concluded that the likelihood of this occurrence is remote.

COVID-19 Related Factors

The Group's 2020 financial statements illustrate the adverse impact of the COVID-19 pandemic on its financial performance. Revenue, results from operations, loss/profit for the year and loss/earnings per share all declined in the year. The impact on cash reserves was less material, as the Group's business model enabled Group and local management to respond quickly to the turn of events. The principal singular factor in the fall in total cash and bank during 2020, by \$25.3m from \$127.0m to \$101.7m, was the business acquisition of Enpro Subsea Limited, for which \$34.2m was paid, including acquisition costs, in February/April 2020.

The actions taken by Group and local management, that enabled the preservation of cash and the continued resilience of operations, include the following:

- the closure/mothballing of facilities, including the OCTG operation in Canada, and relocation of plant and machinery;
- business disposal;
- reductions in force;
- right-sizing of active business units;
- reduced capital investment;
- wider limitations on other types of spending;
- tightening working capital management;
- reduced dividends to shareholders;
- closer monitoring of markets and of selected customers' financial condition;
- widening of markets;
- adjusting work schedules and business layouts to enable workplace social distancing;
- working from home if possible;
- applications made for government financial assistance; and
- purchase of mask-making equipment and distribution of disposable masks to the Hunting sites and to the Company's wider communities.

Conclusion

The Board believes that the Group's strategy for growth, its diverse customer and product base, the resilience of its business model and the positive outlook for the oil and gas industry after 2021, in the medium-term provide Hunting with a strong platform on which to continue its business. The Directors therefore have a reasonable expectation that Hunting will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going Concern Statement

Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on overall market conditions, the variety of its products and its ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 31 December 2020, covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer-term funding needs.

The Group has access to sufficient financial resources, including \$160m of secured committed credit facilities ("RCF"), which were undrawn throughout the whole of 2020. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next twelve months.

Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. Management sensitised these forecasts to reflect plausible downside scenarios as a result of the COVID-19 impact on global economies. These demonstrated that the Group is able to maintain sufficient cash resources to meet its liabilities as they fall due over the next twelve months.

Management also prepared further stress-test forecasts to identify the conditions required to fully consume the Group's cash reserves by December 2022 and cause a breach of the banking covenants, thus restricting access to the Group's currently undrawn RCF in the going concern assessment period. The Group modelled a drop in monthly revenue from May 2021 to December 2022 reflecting the lowest levels experienced during 2020, and consequent modest negative EBITDA margins. Working capital days were broadly maintained at the high levels occurring at the end of 2020. Even with these factors reflected, a further 5.5% decline in EBITDA margin was required to cause a breach. To advance the possible breach to June 2022 would require a further 2.4% decline in the stressed monthly EBITDA margin. The Board assessed the severity of these forecasts and concluded that the likelihood of such a combined occurrence over the next twelve months is remote. The Board is also satisfied that no material uncertainties have been identified.

Conclusion

The Board is satisfied that it has conducted a robust review of the Group's going concern and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due. Consequently the Board considered it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

By order of the Board



Ben Willey
Company Secretary

4 March 2021