

Business Model

Creating value

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 14.
Operational
Facilities For more information see page 15.
Quality assurance For more information see page 15.
Intellectual property For more information see page 15.
Employees For more information see pages 22 and 23.

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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 16 to 17.

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Our products and services

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

For more information see pages 18 to 19.





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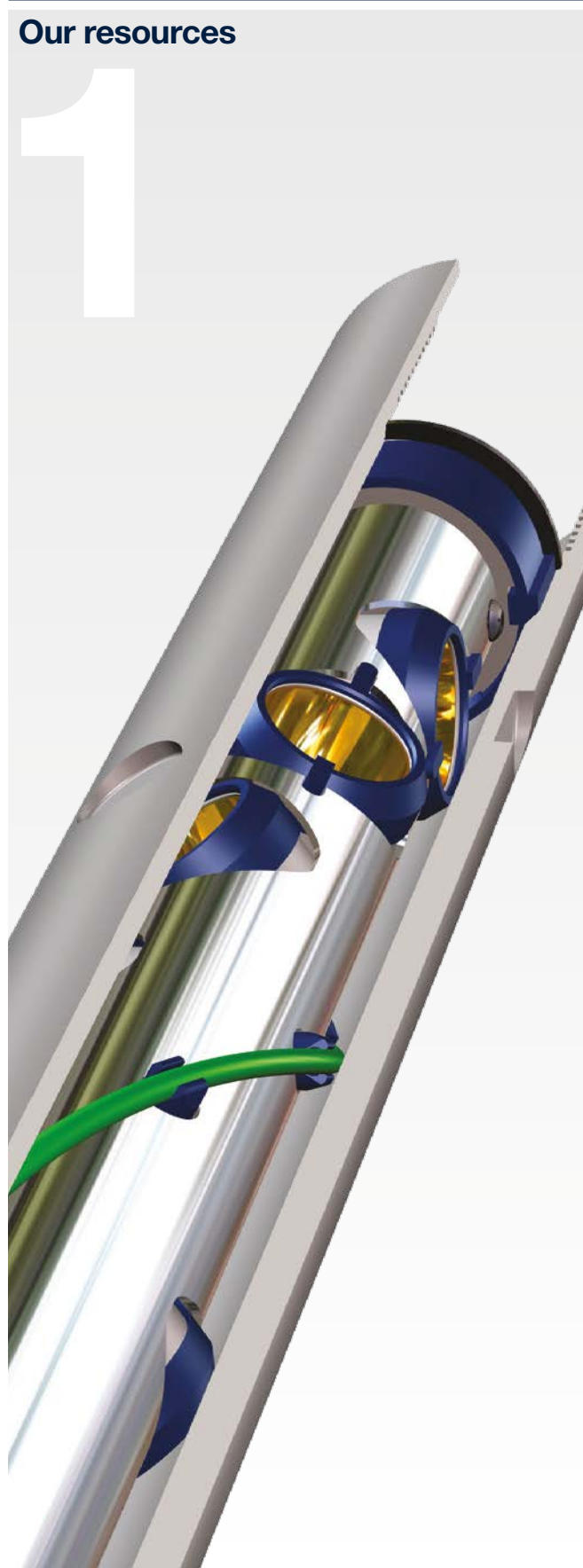
Our stakeholders

Customers For more information see pages 20 to 21.	Operators	c.20% of revenue	
	Service Companies	c.70% of revenue	
	Steel Mills and Other	c.10% of revenue	
Employees For more information see pages 22 and 23.	2,956 At year-end	In the year we launched our first all-employee engagement survey, with excellent feedback received.	
Suppliers For more information see page 24.	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 24 and 25.	37.4 kg CO ₂ /\$k	We are committed to sourcing 10% of our global energy needs from renewable energy by 2030.	
Governments For more information see page 26.	\$4.2m Tax charge	In the year, we submitted our first Country-by-Country tax report to HMRC to enhance transparency.	
Communities For more information see pages 26 and 27.	\$74.5k Charitable donations	Our charitable donations and community work is managed geographically to address cultural issues.	

Investor engagement

Our resources

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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 2019 the total number of Ordinary shares in issue was 166.9m (2018 – 165.1m), and the number of shareholders on the register was 1,454 (2018 – 1,516).

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

In 2019, Hunting PLC's Ordinary shares achieved a TSR of -12% on an annualised basis. 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 %

2019		-11.7%
2018		-20.4%
2017		-3.5%

Shareholder distributions in the form of dividends paid twice a year are a feature of Hunting's investment case. Over the years, the Group has targeted a dividend policy which aligns distributions with the performance of the Group.

Between 2015 to 2017 dividend payments were suspended during the downturn of the global energy market; however, distributions were recommenced in 2018 given the improved financial performance of the Group.

The chart below notes the total dividends declared since 2017, which in respect of 2019 equates to a cash distribution of \$18.2m (2018 – \$14.9m).

Dividends declared

Cents

2019		11.0
2018		9.0
2017		0.0

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, 226 meetings were held (2018 – 194), with 128 institutional investors (2018 – 115) and five investment conferences were attended (2018 – six).

	Event	Roadshows	Conferences	Other
January				Chairman and SID shareholder governance meetings
February	Annual Results	London		
March		Paris	UBS	
		Edinburgh		
April	AGM			
	Q1 Trading Statement			
May				"Sell-side" analyst site visit to US
June	Pre-Close Trading Statement			
July				
August	Half Year Results	London		
		Paris		
		Edinburgh		
September			Berenberg	
October	Q3 Trading Statement	New York		
		Boston		
		Chicago		
November			Goldman Sachs	
			JP Morgan	
			Numis	
December	Pre-Close Trading Statement			

Major Shareholders

The Company's major shareholders, as at 31 December 2019, are listed below:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
Standard Life Aberdeen		15,481,878	9.3
Franklin Resources group of companies	(6)	13,253,975	7.9
Hunting Investments Limited	(1/4/5)	11,003,487	6.6
Man GLG		7,440,750	4.5
Dimensional Fund Advisors		6,569,265	3.9
J O Hambro Capital Management		6,545,677	3.9
Mensarius		6,424,774	3.8
Slaley Investments Limited	(5)	6,411,679	3.8
James Trafford – as Trustee	(2/5)	5,939,483	3.6
Vanguard Group		5,724,812	3.4
BlackRock group of companies		5,617,847	3.4
Lazard Asset Management		5,594,192	3.4
Legal & General Investment Management		5,490,681	3.3
Nordea Investment Management		5,316,812	3.2
David RL Hunting	(5)	194,120	0.1
– as trustee	(2/5)	2,549,117	1.5
– other beneficial	(3/5)	2,484,583	1.5

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 5,939,483 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 27 February 2020, the Hunting Family Interests, party to the agreement, totalled 25,358,884 Ordinary shares in the Company, representing 15.2% of the total voting rights.
- On 6 February 2020, the Company announced that Franklin Resources had reduced its holding to 8,296,041 Ordinary shares, or 4.97% of the Company's issued share capital.

Business Model continued

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 will, 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 \$800m. 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.

Our Lenders

The Group has access to 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

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. 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. Given the Group's net cash position, which prevailed throughout the year, the revolving credit facility has not been utilised.

Board Engagement and Decision Making – Shareholders

The Directors of Hunting receive a report on the Company's major shareholders at each Board Meeting, with a briefing by the Chief Executive or Finance Director on meetings that have recently occurred with details 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 the year following a plan of investor meetings, which include financial centres across North America, Europe and the UK.

The Chairman and Senior Independent Director also meet with institutional investors at least annually to discuss governance, strategy and remuneration or at the request of a particular shareholder. While no shareholder consultations were undertaken in the year, it is the Board's policy to meet with major institutional investors and proxy voting groups on major governance and remuneration issues to ensure alignment between the Company and its members.

During the year, a key area of feedback received from shareholders was in respect of the Group's public disclosures on Environmental, Social and Governance ("ESG") matters. To address this request, enhanced disclosures were prepared and have been published on the Group's corporate website at www.huntingplc.com.

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 to be made. The Group's Audit Committee reviews these 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.

Operational

Facilities

We have 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 considerable know-how 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, intervention tools and drilling tools business groups, where close proximity to drilling operations is important.

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 0.30% (2018 – 0.22%).

Operational sites	36
Distribution centres	19
Operating footprint (million square feet)	3.0
Machines	1,277
Net book value of PPE	\$354.7m
% of ISO 9001:2015 (Quality) accredited facilities	72%



An Advanced Manufacturing CNC Mill

Quality Assurance (manufacturing reject rate)

	%
2019	0.30
2018	0.22
2017	0.26

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 2019, we filed 39 new patent applications, with 87 new patents granted in the year, bringing the total number of fully-registered patents owned by the Group to 507.

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	507
No. of new patents granted in year	87
No. of patents pending	184
No. of new patent applications filed in the year	39



Precision Electronics Assembly

Global presence

Our operating segments

2

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.

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 four manufacturing facilities in the US and a facility in Mexico, supported by 17 distribution centres, primarily located in Canada and the US.

US

The US businesses supply OCTG, premium connections, drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The US segment has 16 operating facilities, mainly located in Texas and Louisiana.

Canada

Hunting's Canadian business manufactures premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays, which require specialist tubing technologies. Canada also manufactures perforating guns for Hunting Titan.

Europe, Middle East and Africa

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, 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 the 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 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.



Hunting Titan



Operating sites	5 2019	5 2018
Distribution centres	17 2019	16 2018
Employees	702 2019	659 2018

US




Operating sites	16 2019	15 2018
Distribution centres	1 2019	1 2018
Employees	1,310 2019	1,202 2018

Canada




Operating sites	1 2019	1 2018
Distribution centres	1 2019	1 2018
Employees	120 2019	123 2018

EMEA




Operating sites	10 2019	9 2018
Distribution centres	0 2019	0 2018
Employees	299 2019	307 2018

Asia Pacific



Operating sites	4 2019	4 2018
Distribution centres	0 2019	0 2018
Employees	453 2019	420 2018

Total



Operating sites	36 2019	34 2018
Distribution centres	19 2019	18 2018
Employees	2,956 2019	2,772 2018

Total employee numbers including head office and corporate personnel at the year-end were 72 (2018 – 61).

Purpose and Culture

Business Model and Stakeholders

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Broad portfolio

Our products and services

3



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, Canada, Europe and Asia Pacific.

Related Strategic Focus Areas

The TEC-LOCK™ semi-premium connection continued to see good market acceptance in the year, following its launch in 2017.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 44 to 47.

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

Market-leading position in the US. Strong portfolio of patented and unpatented technology.

Global Operating Presence

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

Related Strategic Focus Areas

The H-2™ and E-SUB™ perforating systems were fully commercialised in the year. New charges and tools were also introduced to customers.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 44 to 47.

Advanced Manufacturing 	Drilling Tools 	Intervention Tools 	Subsea 
<p>Operating Basis Manufacturing</p>	<p>Operating Basis Equipment rental and trading</p>	<p>Operating Basis Manufacturing Equipment rental and trading</p>	<p>Operating Basis Manufacturing</p>
<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, and the Hunting Electronics business, which 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 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. 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>Overview A range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment. This business is capital intensive and results are dependent on asset utilisation and rental rates.</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 Inc., 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 additional high technology and know-how to our offshore capabilities.</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 Leaders in progressive cavity, positive displacement mud motors.</p>	<p>Differentiators Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.</p>	<p>Differentiators For more than 30 years, a provider of high quality metal-to-metal sealing hydraulic coupling solutions to operate in the harshest environments with a strong, long-term patent base.</p>
<p>Global Operating Presence US</p>	<p>Global Operating Presence US</p>	<p>Global Operating Presence US, Europe, Asia and Middle East</p>	<p>Global Operating Presence US</p>
<p>Related Strategic Focus Areas Our expertise has been deployed into non-oil and gas markets in the year, including medical, naval, aerospace and space applications.</p>	<p>Related Strategic Focus Areas Introduced mud-lube bearings to the Group’s drilling tools mud motor fleet. Offering adversely impacted in the year by lower onshore activity.</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 Acquired new products, including titanium and stainless steel stress joints following the acquisition of RTI Energy Systems Inc.</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 • Shale drilling • Competition 	<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 • Product quality
<p>For more information see pages 44 to 47.</p>	<p>For more information see pages 44 to 47.</p>	<p>For more information see pages 44 to 47.</p>	<p>For more information see pages 44 to 47.</p>

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Valued partners

Our stakeholders

4

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 compromising quality.

Customer Groupings and Channels to Market

Operators	Service Companies	Steel Mills and Other
		
Operators are the end consumers of our products and related services. These include National Oil Companies, International Oil Companies and Independents. Approximately 20% of our sales are made directly to operators.	Our primary route to market is via other service providers, which generate c.70% 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.	Steel mills are key suppliers to our business; however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas-related sales through agents or intermediaries, together with non-oil and gas sector sales made by our Trenchless, Dearborn and Electronics operations.
Split of Group revenue	Split of Group revenue	Split of Group revenue
c.20%	c.70%	c.10%



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 or acquired new products that directly addressed customer needs, some of which resulted from close customer collaboration in response to in-field technical challenges.

H-2 Perforating System™



TEC-LOCK™ Wedge Semi-Premium Connection



E-SUB Perforating System™



Titanium Stress Joints



As part of our active dialogue and engagement with our customer base, key clients are 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 Environmental teams, to 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.

Further, the Group has strong entertainment and hospitality policies, which support our commitment to anti-bribery and corruption.

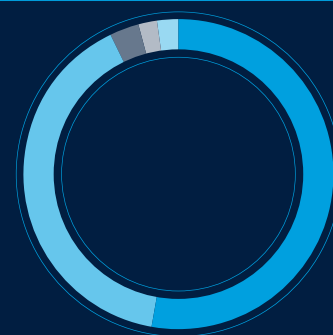
Board Engagement and Decision Making – Customers

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.

In the year, the Group invested \$36.0m in production capacity and equipment and \$12.5m was spent on the acquisition of the business and assets of RTI Energy Systems Inc., which completed in August 2019.

Capital investment

- US 53%
- Hunting Titan 40%
- Canada 3%
- EMEA 2%
- Asia Pacific 2%



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 client engagement, the final capital allocation and the Board’s consideration of customer matters.

Business Model continued

Our Employees

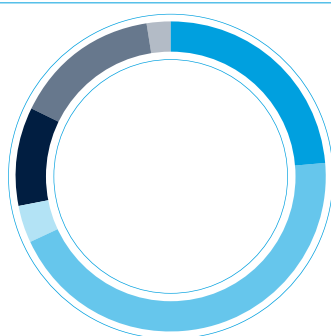
Hunting's reputation, which has been built over many years, is underpinned by its highly skilled workforce, who are key to fulfilling the Group's strategic objectives.

At 31 December 2019, the Group had 2,956 employees (2018 – 2,772) across its global operations. With this backdrop of uncertain markets, controls over recruitment remain in place at all Group operating businesses.

Employees

At 31 December 2019

- Hunting Titan 702
- US 1,310
- Canada 120
- EMEA 299
- Asia Pacific 453
- Central 72



Responsibility for our employees lies with local management, to enable local cultural differences to be taken into account, 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 workforce turnover rate noted below. In the US, where approximately two-thirds of the Group's workforce is located, the voluntary turnover rate is 10%, compared to a 2018 US national average of 27% (2018 data issued by the Bureau of Labor Statistics), demonstrating Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Average Employee Tenure

8

Years

Group Employee Voluntary Turnover Rate

11%

Training

Throughout 2019, Hunting continued to roll out the Group's Code of Conduct training programme for all employees, to ensure awareness of our published ethics-focused 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.

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 2019 is detailed on page 81.

Employee Engagement

In 2019, Hunting commissioned its first all-employee survey, to enhance its global workforce engagement initiatives. The survey was coordinated by the Group's Chief HR Officer, utilising a platform operated by Gallup. The results of the survey reported an 80% participation response rate and highlighted the following:

1. Work expectations between Hunting and its workforce are clear;
2. The Group provides good support, in terms of materials and equipment, to excel at a job; and
3. Hunting provides a high quality work environment.

The Board also noted the weaknesses identified by the survey, including the need to improve staff appraisals and feedback. Initiatives to address these areas have been commissioned.

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 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, to comply with local regulatory requirements.

During the year, there were no fatalities across the Group’s operations, with 39 recordable incidents (2018 – 46). The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration (“OSHA”) in the US, was 1.17 compared to 1.49 in 2018. This incident rate reflects a 21% year-on-year decrease, largely due to a lower proportion of new employees joining the Group compared to the prior year. In the year, the number of hours worked increased by 5% to 6.6m hours (2018 – 6.3m hours). The industry average incident rate in 2019 was 4.0 (2018 – 4.0).

Incident Rate OSHA method

2019		1.17
2018		1.49
2017		0.89

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.

Board Engagement and Decision Making – Employees

As part of its statutory duty, and in line with the provisions of the 2018 UK Corporate Governance Code, during the year Hunting initiated a global employee engagement survey and appointed Annell Bay as the designated non-executive Director for employee engagement issues.

In December 2019, the Board approved the 2020 Annual Budget, which included base salary increases across the Group’s workforce. Further, the Board reviewed the work of the Remuneration Committee, which gave consideration to the fixed and variable incentives to the executive Directors, Executive Committee and other relevant plans for Group-wide employee remuneration.

As part of the work of Annell Bay, meetings with the senior leadership team were organised in the second half of the year to allow for direct feedback to be given to the Company. Ms Bay in turn reported these activities to the Board at the December 2019 and February 2020 Board Meetings. It is anticipated that these meetings will increase in frequency during 2020 as these new employee engagement initiatives are further embedded across the organisation.

As noted above, the Board also received reports from Keith Lough, the Company’s Senior Independent Director, on the whistleblowing reports received. In the year, the Group received nine reports from SafeCall (2018 – five 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. In the year, the Directors requested more information on “near-miss” incidents and remedial actions following these occurrences. The Directors noted the lower number of incidents in the year, which for the most part relates to lower numbers of new employees hired in the year.



Quality Assurance at Hunting Subsea

Business Model continued

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 material inputs 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 wider range of suppliers with regular two-way dialogue on quality expectations. Often, supply chain managers visit the facilities of our suppliers to review procedures, including quality assurance and health and safety performance.

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.



LED Lighting Installation in Canada

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 copied 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 regular reports on commercial dialogue with customers and suppliers. This leads to discussion by the Directors.

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 considerations, including extreme weather event protection, such as storms 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 that have been implemented across the Group include:

- Utilising "smart lighting" in new facilities that activate upon detecting movement, thereby saving power;
- Implementing a number of waste recycling programmes across the Group, specifically relating to metal, wood, plastics, rubber and water;
- Low energy LED bulb replacement at facilities; and
- Installing water capture systems, reducing machining coolant water loss.

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 2019 Scope 1 and 2 emissions, as defined by reporting guidelines published by DEFRA in the UK and the International Energy Agency, have been collected and are reported below and on the following page.

The Group's carbon footprint is derived primarily from our operating facilities, where 80% of our total Scope 1 and 2 emissions comprise electricity usage, as noted in the accompanying chart.

In 2019, the Group's total Scope 1 and 2 emissions were 35,874 tonnes of carbon dioxide equivalent compared to 35,171 tonnes in 2018. The increase is predominantly related to the increased activity levels within our facilities in the US and Asia Pacific, which resulted in extra operating shifts being added during the year.

In the year, the Group submitted data to the Carbon Disclosure Project, to increase its transparency of its carbon reporting practices.

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.

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.

CO₂(e) Emissions

Tonnes

● Scope 1 ● Scope 2



The Group's intensity factor is based on total carbon dioxide equivalent emissions divided by the Group's revenue in 2019, and was 37.4 kg/\$k of revenue, compared to 38.6 kg/\$k of revenue in 2018.

Intensity Factor

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

Global Electricity Consumption

GWh

**UK Electricity Consumption**

GWh



The Group now collects information on the sources of its electricity and in 2019 2.1 GWh of the total electricity consumed was sourced from renewable energy equating to 4% of the Group's global electricity consumption. In the UK, 0.5 GWh or 27% of the Group's UK electricity was sourced from hydro or renewable sources, with the electricity at Hunting's London Headquarters being 100% sourced from renewable energy.

Water usage in the year was 319k cubic metres compared to 221k cubic metres in 2018.

Climate Change Risk

The Directors of Hunting have considered climate change and its potential impact on the Group's operations. As described on page 16, 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 Group has a risk assessment framework in place, which, among other operational risks, assesses its ability to operate should a strong windstorm impact a location. Given the geographic spread of its operations across the US and globally, the Board is satisfied that Hunting can operate normally even if a weather event were to hit a particular facility.

Further, facilities are designed with windstorm risk in mind and storm water flooding designs are a key feature of new facility construction programmes. The Directors therefore believe that climate-change weather-related risk is mitigated to a satisfactory degree. Further information on climate change can be found on page 41 within Risk Management.

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 also align ourselves with the ten principles of the UN Global Compact and are taking the necessary steps to formally subscribe to this framework.

Waste Management and Recycling

All of Hunting's facilities are encouraged to introduce recycling and waste reduction programmes. At 31 December 2019, 94% 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	4,489 Tonnes
Wood / paper recycling	122 Tonnes
Plastics recycling	19 Tonnes

Other Initiatives

The Group has also started donations to "Trees for Houston" a non-profit organisation dedicated to tree planting in urban areas of Houston, Texas.

Board Engagement and Decision Making – Environment

The Directors have reviewed the Group's environmental matters in the year, and have increased ESG-related disclosures. These can be found on the Group's website at www.huntingplc.com. Further, the Board has introduced carbon reduction targets based on the data collected over the last seven years. Hunting has committed to sourcing 10% of its global energy needs from renewable sources by 2030 (currently 4%) and aiming for an Intensity Factor of less than 30.0 (currently 37.4). The primary strategy will be through securing energy contracts which supply higher proportions of green energy, which will reduce the Group's total scope 2 tonnage. Further, other efficiency programmes are planned to be implemented to reduce over time the Group's total scope 1 tonnage. The Directors anticipate that this target is realistic in the context of a more stable operating environment compared to 2015 to 2017.

Business Model continued

Governments

Hunting's global operating footprint extends across 11 countries and includes 36 operating facilities and 19 distribution centres and at 31 December 2019 employed 2,956 people (2018 – 2,772). 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.

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 intention of 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 avoidance 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 Tax Manager 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.

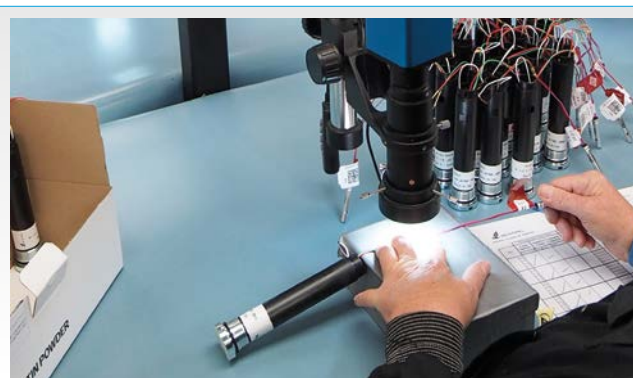
Our Communities

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.

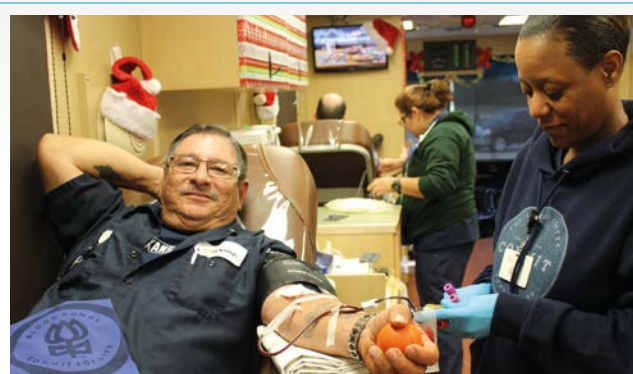
Most businesses within the Group host "Open House" days at facilities to allow customers, suppliers, employees' families and other members of the local community to see our operations.

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

The following graphics illustrate community initiatives within each operating segment.



Hunting Titan is a major employer in Pampa and Milford, Texas, US and, given its operational focus, engages regularly with local emergency services who are there to provide operational support in case of an incident. Each year Titan hosts an annual luncheon and facility tour for the emergency response teams.



Hunting Subsea hosted its twice yearly blood donation drive which has been held over 11 consecutive years for the Gulf Coast Regional Blood Centre.



In Indonesia, staff regularly raise money and offer practical support to local charities and orphanages.



In the UK, fundraising events are regularly held, such as this family day in support of a national charity.



In Singapore and China, International Women's Day is celebrated.

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.

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 acquisitions.

Strategic Focus Areas

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

2019 Progress

- In the year, we opened an additional manufacturing facility in Saudi Arabia and moved to a larger distribution facility in Norway to address anticipated regional demand.
- In August, the Group completed the acquisition of RTI Energy Systems, which broadened our subsea product portfolio.
- In the year, the Group launched new perforating systems to clients to address the evolving hydraulic fracturing market.

Related KPIs

Revenue	\$960.0m 2019	\$911.4m 2018
Underlying profit before tax	\$93.1m 2019	\$104.0m 2018
Operational footprint (sq ft)	3.0m 2019	2.9m 2018

Related Risks

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

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 strongly quality assured and which offer better cost efficiencies.

Strategic Focus Areas

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

2019 Progress

- Hunting Titan has partnered with Well-sun, a China-based logging tools company, to distribute products within Hunting's US and international client base.
- Hunting Titan commissioned automated manufacturing cells at its Pampa and Milford facilities to increase efficiencies.
- In August, the Group entered into a partnership with Jindal SAW in India to strengthen Hunting's presence in this market.

Related KPIs

ISO 9001:2015 (Quality) accredited operating sites	72% 2019	71% 2018
Quality assurance – manufacturing reject rate	0.30% 2019	0.22% 2018
Countries in which we operate	11 2019	11 2018

Related Risks

- Product quality
- Key executives
- Competition

Strategic Priority



Strong returns

In normal phases of the oil and gas cycle, our business has the capability to produce high levels of profitability, strong cash generation and 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

2019 Progress

- Hunting Titan launched a new setting tool and energetics charges to clients to address product gaps and the evolving well completion market.
- Lean manufacturing initiatives continued across the Group in the year, capturing significant cost savings within many business units.

Related KPIs

Underlying gross margin	28% 2019	30% 2018
Free cash flow	\$149.4m 2019	\$80.7m 2018
Return on average capital employed	8% 2019	9% 2018

Related Risks

- Commodity prices
- Competition

Strategic Priority



Corporate responsibility

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

2019 Progress

- The Group launched an all-employee engagement survey in July 2019, in line with new UK Corporate Governance Code.
- The Group has set its first carbon emissions targets, to be achieved over the next decade, through the purchase of cleaner electricity and enhanced operating efficiencies.
- New governance procedures introduced in the year to address Purpose and Culture requirements.

Related KPIs

Incident rate (OSHA method)	1.17 2019	1.49 2018
CO ₂ emissions intensity factor (kg/\$k of revenue)	37.4 2019	38.6 2018
CO ₂ tonnes equivalent emitted	35,874 2019	35,171 2018

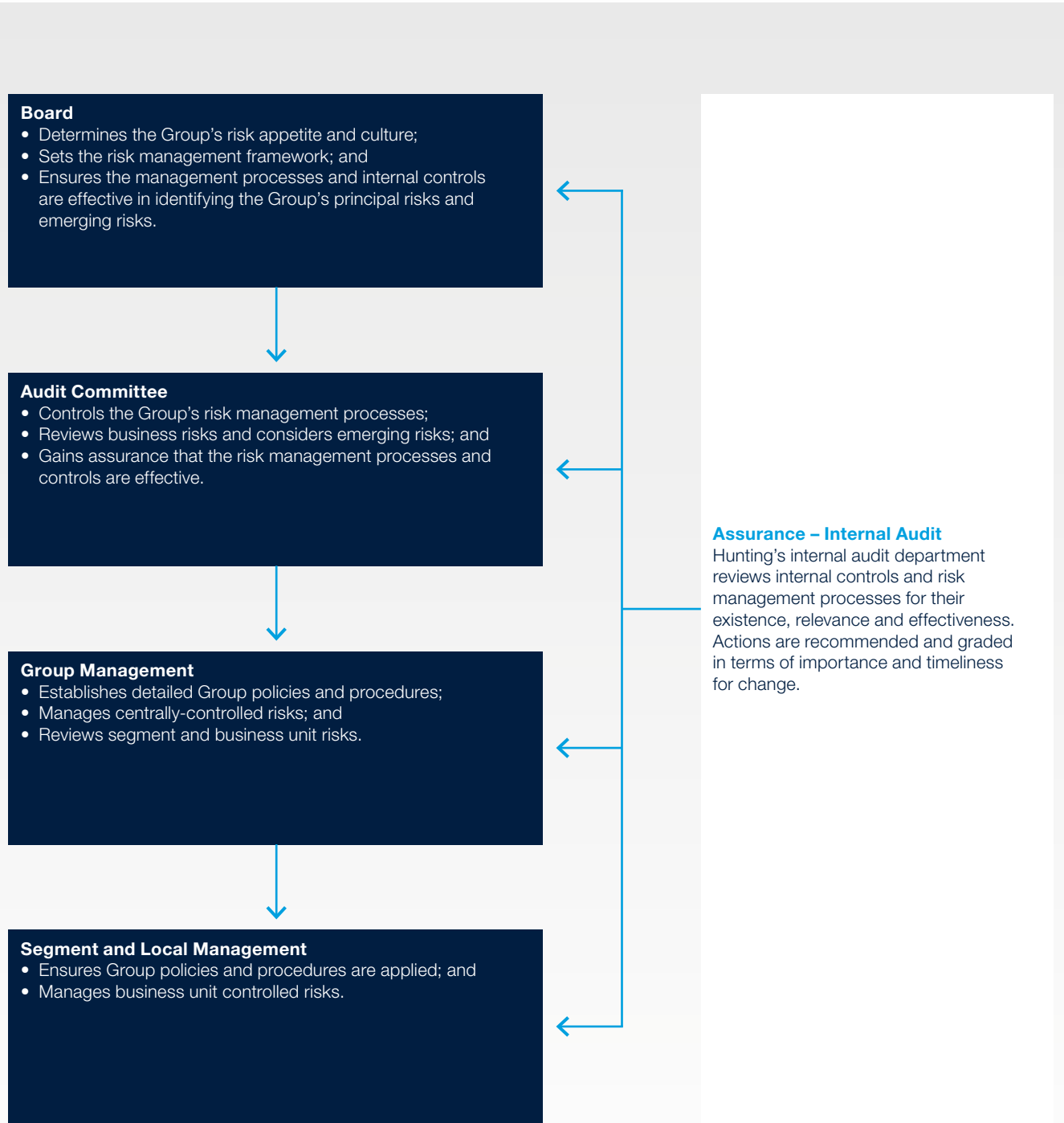
Related Risks

- 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, while allowing the Group to achieve its strategic objectives and deliver value to shareholders.

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.

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 and at what 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, it conducts a formal review of the Group's Risk Register three times a year.

The Group's Principal Risks are disclosed on pages 44 to 47. 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 the 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 are 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

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

Assurance

The Board use 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 review 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.

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.

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's insurance broker, who arranges 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.

Hunting's external auditor provides assurance to the Board of the accuracy and probity of Hunting's financial statements. The auditor also reads all of Hunting's non-financial statements, including governance disclosures included in the Annual Report, and provides recommendations 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 and internal control procedures 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 2019 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 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 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 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 principal risks, management are challenged three times a year to identify and consider emerging risks that may face the Group at some point in the future. Resulting from this process, 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 Board will continue to monitor climate change as an emerging risk.

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.

Risk Management continued

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.

Current status of the 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.

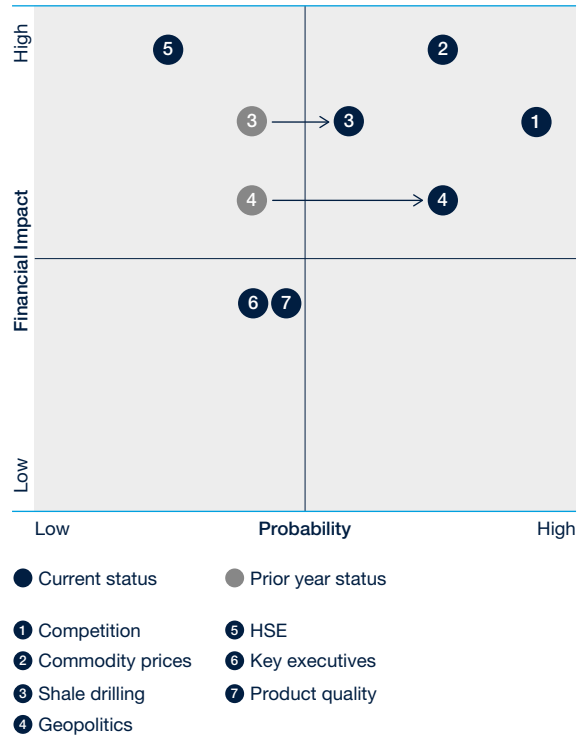
The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the profile of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

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.

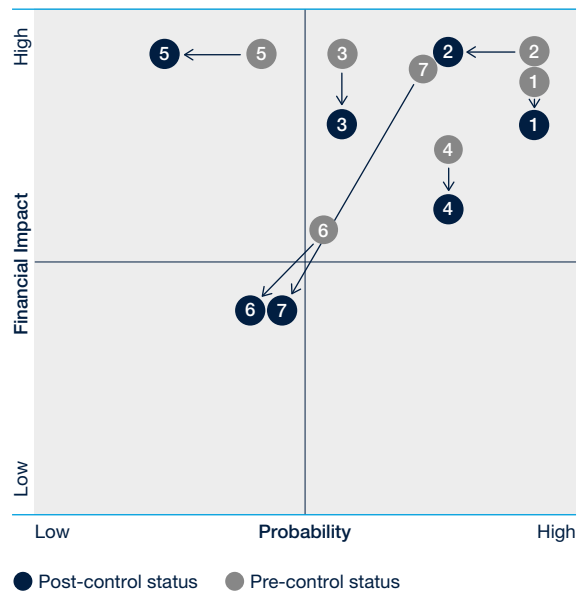
UK Leaving the European Union ("Brexit")

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



Effectiveness of internal controls



Purpose and Culture

Business Model and Stakeholders

Business Strategy

Performance



Governance

Financial statements

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.

No movement in risk	
Increase in risk	
Decrease in risk	

1. Competition

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 possible 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.

The Group's operating activities are described in detail on pages 10 to 27.

2. 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 has remained high during the year due to the continuing instability and volatility in spot oil prices. WTI has ranged between \$47 and \$66 per barrel over the last 12 months and prices are expected to remain within this range over the next 12 months.

Controls and actions

Working capital, and in particular inventory levels, are closely managed to ensure the Group remains sufficiently adaptable 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 32.

3. Shale drilling



Nature of the risk

The Group provides products to the oil and gas shale drilling industry. Oil and gas produced from 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 slowed during 2019 as operators sought to remain within their budgets and targeted to remain cash generative. The risk of further adverse movement in shale drilling activity has increased as US shale operators announced capital spend budget cuts and face more restricted access to capital in the year ahead.

Controls and actions

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

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.

The Group's operating activities are described in detail on pages 10 to 27.

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 which countries to operate from, 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 frequency and number of geopolitical issues in the world have escalated over the past year. The Board monitors geopolitical events around the world through media channels and assesses these relative to Hunting's operations. These events have heightened over the past year.

The Group has relatively little exposure to the European market 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. Consequently, the Board has concluded that there has been no reportable movement in the Group's geopolitical risk.


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. 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 16.

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.

No movement in risk	
Increase in risk	
Decrease in risk	

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.

Movement in the year

The Group's manufacturing and other operating processes have not materially changed during the year. Consequently, the Group's potential exposure to HSE incidents remains materially unchanged. 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.

Controls and actions

The Board targets to achieve 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 HSE performance is detailed on page 23.

6. Key executives



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

This 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 86 to 91.

7. Product quality



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 15.

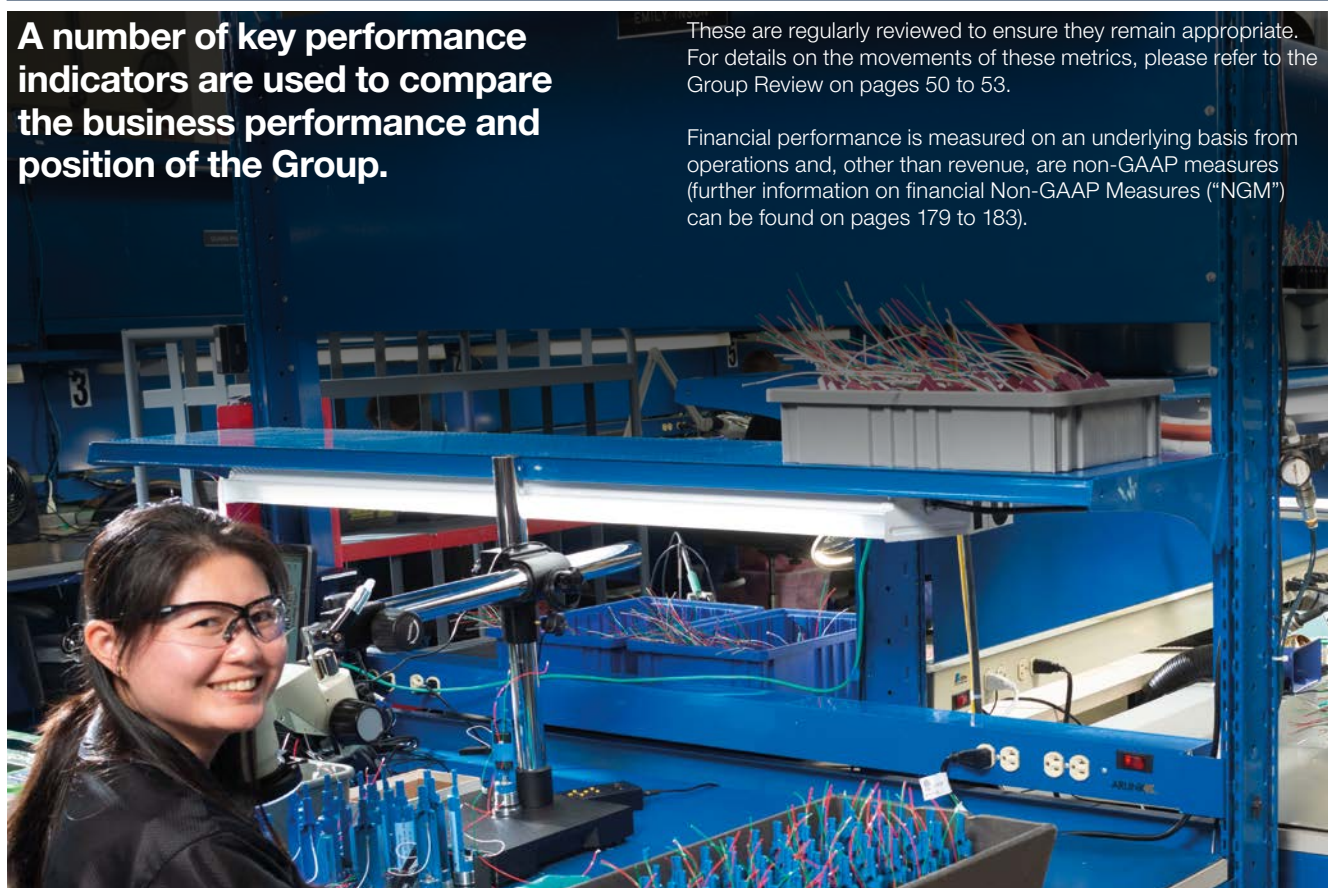
Key Performance Indicators

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 50 to 53.

Financial performance is measured on an underlying basis from operations and, other than revenue, are non-GAAP measures (further information on financial Non-GAAP Measures ("NGM") can be found on pages 179 to 183).



Countries with active operations

11
2019

11
2018

Countries in which Hunting has an active operating site or distribution centre.

No. of recordable incidents

39
2019

46
2018

An incident is recordable if it results in death or serious injury resulting in absence from work.

Operating footprint (sq ft)

3.0m
2019

2.9m
2018

Operation and distribution site square footage at year-end. This closely corresponds to "roofline" and includes administrative space within operating units.

Incident rate (OSHA method)

1.17
2019

1.49
2018

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.

Year-end employees

2,956
2019

2,772
2018

The year-end headcount for employees includes part-time staff (see note 8).

CO₂ intensity factor (kg/\$k of revenue)

37.4
2019

38.6
2018

Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per \$k of revenue.

ISO 9001:2015 (Quality) accredited operating sites

72%
2019

71%
2018

Percentage of operating sites with ISO 9001:2015 accreditation.

Internal manufacturing reject rate

0.30%
2019

0.22%
2018

Percentage of parts rejected during manufacturing processes.

Revenue

\$m

2019		960.0
2018		911.4
2017		724.9

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

Capital Investment*

\$m

2019		36.0
2018		30.1
2017		11.4

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

Underlying EBITDA*

\$m

2019		139.7
2018		142.3
2017		56.0

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

Inventory Days*

2019		214
2018		185
2017		167

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 Profit from Operations*

\$m

2019		94.3
2018		104.7
2017		14.3

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

Return on Average Capital Employed*

%

2019		8
2018		9
2017		1

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

Underlying Operating Margin*

%

2019		10
2018		11
2017		2

Underlying profit from operations as a percentage of revenue.

Free Cash Flow

\$m

2019		149.4
2018		80.7
2017		49.3

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

Underlying Diluted Earnings Per Share*

Cents

2019		43.9
2018		49.6
2017		8.0

Underlying 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).

Net Cash (Debt)*

\$m

2019		77.9
2018		61.3
2017		30.4

Net cash (debt) comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current lease liabilities, current and non-current borrowings (see note 26).

* Non-GAAP measure ("NGM") (see pages 179 to 183).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

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 72 and 73 confirm that, to the best of their knowledge:

- the parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

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.

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 2019.

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 6 to 65. 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 29 and 30);
- future developments (page 30);
- risk management, objectives and policies (pages 38 to 42);
- bribery and corruption (page 21, 22 and 109);
- ethnicity and diversity (pages 80 and 81); and
- greenhouse gas emissions and environmental matters (pages 24 and 25).

On 21 February 2020, the Group announced the completion of the acquisition of Enpro Subsea Limited for a consideration of \$33.0m. Further details on this transaction can be found in note 42.

In addition, information relating to the Directors' indemnity provisions and dividend waivers, AGM, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholders' Information section located on pages 185 to 188.

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 27, which includes 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 their statutory duty during 2019 and under section 172 of the Companies Act 2006 (the "Act"), they 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, 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, particularly, where we maintain active manufacturing facilities.
- 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 following sections and cross references provides a summary of where details of key stakeholder and associated engagement and decision making is located within the 2019 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 14);
- Customers (pages 20 and 21);
- Employees (pages 22 and 23);
- Suppliers (page 24);
- Environment (pages 24 and 25);
- Governments (page 26); and
- Communities (pages 26 and 27).

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 27);
- environmental matters, including impact of the Company's business on the environment (pages 24 to 25);
- employees (pages 22 to 23);
- respect for human rights (pages 23); and
- anti-corruption and anti-bribery matters (pages 21, 22 and 109).

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

Directors' Report and Compliance Statements continued

Viability Statement

Introduction

Hunting has a wide 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 41 and 42 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.

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 up to several years from start to end. Hunting's management works closely with its customers over this period, discussing their operational plans and reviewing their longer-term capital expenditure programmes.

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. 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. The Group's annual budget process and mid-term projections cover this period and help to support the Board's assessment.

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 44 to 47. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 41 and 42 given the Board's appetite for risk as described on pages 39 and 40. The Board has further considered their potential impact within the context of the Group's viability.

Assumptions

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

- 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 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;
- Global E&P spend in 2020 will be down 3% compared with 2019 due to a 10% reduction in US onshore spend. After 2020, global spend is expected to rise by 8-9% pa; 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, the three-year financial projections were stress tested to simulate a further deterioration in market conditions.

Conclusion

The Board believes that the Group's strategy for growth, its diverse customer and product base and the positive outlook for the oil and gas industry 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 the 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 2019, 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, which were undrawn throughout the whole of 2019. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next 12 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. The Board is 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

27 February 2020