

KEY PERFORMANCE INDICATORS

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 12 TO 16.

REVENUE (\$m)

2017		722.9
2016		455.8
2015		810.5

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

UNDERLYING EBITDA* (LOSS) (\$m)

2017		55.4
2016		(48.9)
2015		61.9

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

UNDERLYING PROFIT (LOSS) FROM OPERATIONS* (\$m)

2017		13.7
2016		(92.2)
2015		16.4

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

UNDERLYING OPERATING MARGIN* (%)

2017		2
2016		(20)
2015		2

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

UNDERLYING DILUTED EARNINGS (LOSS) PER SHARE* (cents)

2017		7.6
2016		(45.3)
2015		3.1

Underlying earnings (loss) 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 12).

* Non-GAAP measure ("NGM") (see pages 153 to 157)

COUNTRIES WITH ACTIVE OPERATIONS

12

2016 – 13

Countries in which Hunting has an active operating site or distribution centre. This does not include countries that only have a sales presence.

OPERATING FOOTPRINT (MILLION SQ FT)

3.0

2016 – 3.1

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

YEAR-END EMPLOYEES

2,610

2016 – 2,107

The December headcount for Hunting employees, including part-time staff (see note 8).

ISO 9001 (QUALITY) ACCREDITED OPERATING SITES

64%

2016 – 60%

Percentage of operating sites with ISO 9001 accreditation.

FINANCIAL PERFORMANCE IS MEASURED ON AN UNDERLYING BASIS FROM CONTINUING OPERATIONS AND, OTHER THAN REVENUE, ARE NON-GAAP MEASURES (FURTHER INFORMATION ON FINANCIAL NON-GAAP MEASURES (“NGM”) CAN BE FOUND ON PAGES 153 TO 157).

CAPITAL INVESTMENT* (\$m)

2017	11.4
2016	17.2
2015	81.1

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

FREE CASH FLOW* (\$m)

2017	34.4
2016	36.6
2015	118.0

Underlying profit (loss) from continuing operations adjusted for working capital, tax, replacement capital investment and interest (see NGM L).

INVENTORY DAYS*

2017	170.0
2016	225.0
2015	241.0

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).

NET CASH (DEBT) (\$m)

2017	30.4
2016	(1.9)
2015	(110.5)

Net cash (debt) comprises bank overdrafts, current and non-current borrowings less cash at bank and in hand and investments (see note 22).

RETURN ON AVERAGE CAPITAL EMPLOYED* (%)

2017	1
2016	(8)
2015	1

Underlying profit (loss) before interest and tax from continuing operations, adjusted for the share of associates’ post-tax results, as a percentage of average gross capital employed (see NGM O).

NO. OF RECORDABLE INCIDENTS

24

2016 – 25

An incident is recordable if it results in death, days away from work or transfer to another job, medical treatment beyond first aid or loss of consciousness, or if significant injuries or illnesses are diagnosed by relevant medical authorities.

INCIDENT RATE (OSHA METHOD)

0.89

2016 – 1.15

The US Occupational Safety and Health Administration (“OSHA”) incident rate is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.

CO₂ INTENSITY FACTOR (KG/\$K OF REVENUE)

43.7

2016 – 60.7

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

INTERNAL MANUFACTURING REJECT RATE

0.3%

2016 – 0.6%

Percentage of parts rejected during manufacturing processes.

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	STRATEGIC FOCUS AREAS	2017 PROGRESS
<p>Growth 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.</p>	<ul style="list-style-type: none"> – Extend global presence – Acquire complementary businesses – Enhance existing capacity – Develop new products 	<ul style="list-style-type: none"> – Perforating Gun manufacturing expanded at a number of global facilities, including Calgary, Canada and Wuxi, China and commenced at Houma, US. – Development of a next-generation H-1 Perforating System was commenced. – New projects in military, naval and space sectors started in the year to diversify revenue streams.
<p>Operational Excellence We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver high quality and reliable products and services cost effectively.</p>	<ul style="list-style-type: none"> – Leverage strong brand – Enhance quality control – Maintain operational flexibility – Leverage lean manufacturing – Strengthen relationships with customers and suppliers 	<ul style="list-style-type: none"> – Streamlining of distribution centres in US and Canada to align with market demand with four centres closed. – Lean manufacturing projects continued throughout the Group.
<p>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, growing dividends for shareholders and good returns on capital.</p>	<ul style="list-style-type: none"> – Introduce new and proprietary products – Develop sales synergies – Increase market share – Maintain close cost control 	<ul style="list-style-type: none"> – Gross margin improved to 24% in 2017 compared to 11% in prior year. – Market share in US for Hunting Titan products increased, following the introduction of new technology. – New WEDGE-LOCK™ and SEAL-LOCK XD™ variants certified and introduced to customers in the year. – Closed five manufacturing facilities during the year to increase operational efficiency and curtail losses.
<p>Corporate Responsibility We are committed to act with high standards of integrity and to create positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.</p>	<ul style="list-style-type: none"> – Retain experienced senior management team – Skilled workforce – Safe operations – Protect the environment – Compliance 	<ul style="list-style-type: none"> – As activity increased in China and in North America, average employee numbers increased by 3% in the year to meet demand. – Enhanced customers and supplier due diligence procedures, to improve risk management framework.

RELATED KPIS

REVENUE

\$722.9m

2016 – \$455.8m

COUNTRIES WITH OPERATIONS

12

2016 – 13

OPERATING FOOTPRINT (MILLION SQ FT)

3.0

2016 – 3.1

RELATED RISKS

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

ISO 9001 (QUALITY) ACCREDITED OPERATING SITES

64%

2016 – 60%

INTERNAL MANUFACTURING REJECT RATE

0.3%

2016 – 0.6%

- Product quality
- Key executives
- Competition

UNDERLYING GROSS MARGIN

24%

2016 – 11%

FREE CASH FLOW

\$34.4m

2016 – \$36.6m

RETURN ON AVERAGE CAPITAL EMPLOYED

1%

2016 – (8%)

- Commodity prices
- Competition

INCIDENT RATE

0.89

2016 – 1.15

CO₂ EMISSIONS INTENSITY FACTOR (KG/\$K OF REVENUE)**43.7**

2016 – 60.7

- Key executives
- Health, safety and environment

FURTHER KPI INFORMATION, INCLUDING PERFORMANCE TRENDS SEE PAGES 10 AND 11.

FURTHER INFORMATION ON THE PRINCIPAL RISKS SEE PAGES 51 TO 54.

HOW WE CREATE, DISTRIBUTE AND SUSTAIN VALUE

OIL AND GAS EXTRACTION CYCLE

RESOURCES WE USE

1

Financial

Intellectual Property

Operational

Employees

Stakeholder Relationships

SEE PAGES 34 TO 38

OUR BUSINESS ACTIVITIES

2

Health, safety and environment ("HSE")



Hunting Titan

United States

Canada

Europe

Asia Pacific

Middle East and Africa

Exploration and Production



Quality and operational excellence

SEE PAGES 39 TO 41

OUR PRODUCTS AND SERVICES

3

Oil Country Tubular Goods ("OCTG")



Perforating Systems



Advanced Manufacturing



SEE PAGES 42 AND 43

OUR CUSTOMERS AND CHANNELS TO MARKET

4

Drilling Tools



Intervention Tools



Subsea



Operators



Service Companies



Steel Mills and Other



SEE PAGE 46

SUSTAINABLE VALUE CREATION FOR OUR:

Employees
See page 36

Shareholders
See page 37

Customers and Suppliers
See page 38

Communities
See page 38

Governments
See page 38

OUR BUSINESS MODEL CONTINUED

RESOURCES WE USE

1

FINANCIAL

NET CASH

\$30.4m

ANNUALISED 5-YEAR TSR

-3.6%

MARKET CAPITALISATION

\$1.34bn

at 31.12.17

NET BANK FEES & INTEREST PAID

\$2.4m

Financial capital is provided to the Group through equity invested by shareholders, cash reserves and debt facilities, principally provided by the Group's relationship banks. The balance of cash, debt and equity is managed with due regard to the respective cost of funds and their availability.

Hunting PLC is quoted on the London Stock Exchange and has a "Premium Listing" status. As such, the Company has to meet the highest standards of regulation and corporate governance as published by the Financial Conduct Authority and Financial Reporting Council. Equity shareholders receive returns in the form of dividends and through capital appreciation, which can be measured as total shareholder return.

The Group has provided guidance on its approach to dividend distributions, which is detailed on page 16. Each dividend proposal will be assessed by the Board of Directors, based on the merits of actual and projected financial performance of the Company for the relevant period. Given the cyclical nature of the oil and gas industry, the Board remains committed to maintaining a low level of gearing and committing sufficient resource to working capital to maintain the Group's operational flexibility.

The Group has \$205.0m of borrowing facilities available of which \$200.0m are committed. The committed facilities include a \$200.0m multi-currency revolving credit facility, which expires in 2020, and a multi-currency overnight money market line. The committed facilities were amended during 2016 with total committed facility limits reduced from \$350m to \$200m and security provided over selected trade receivables, inventories and principal properties. Profit-based covenants were replaced by asset-based covenants, minimum cash flow requirements, limitations on capital investment and a suspension of dividends. With improved trading in the second half of the year, and a return to underlying profitability, in December 2017 the Group advised its bank syndicate that the process to lift the revised facility terms, and reinstate the profit-based covenants, would be initiated early in 2018. This process completed in January 2018.

INTELLECTUAL PROPERTY

PATENTS

440

NEW PATENTS FILED IN YEAR

24

PATENTS PENDING

156

With lower average oil prices likely to impact the market for some time, there is 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 use 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 focus for the Group. Through developing 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 2017 we lodged 13 new patent applications on the H-1 Perforating System, bringing the number of pending patents for the H-1 Perforating System to 39, with two applications having proceeded to registration. In 2017 we also developed and commenced testing of a number of additional sizes for the WEDGE-LOCK™ premium connection range.

Jointly Developed Technology

Some innovations involve collaborating with other partners within the industry. For example, Hunting is working with ExxonMobil to create an autonomous perforating system with on-board navigation thereby eliminating the need for a wireline crew. This represents potential cost savings for the operator and improves efficiency of the operation. This project has progressed well in 2017 with significant milestones being achieved.

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.

OPERATIONAL

OPERATING SITES

35

DISTRIBUTION CENTRES

21

NET BOOK VALUE OF PPE

\$383.3m

OPERATING FOOTPRINT (MILLION SQ FT)

3.0

MACHINES

1,194

Operating Footprint

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 (see page 2).

Business Activities and Development of Know-how

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.

The bulk of our manufacturing occurs in high-end specialist facilities utilising sophisticated CNC 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 goods for trading to support our 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.

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 as and when opportunities 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 of controls, monitored and directed at both a regional and central level but ultimately under the direction of the Board.

OUR BUSINESS MODEL CONTINUED

RESOURCES WE USE

1

EMPLOYEES

EMPLOYEES

2,610

At year end

TOTAL REMUNERATION

\$189.4m

Hunting's employees are key in fulfilling the Group's strategic objectives.

Hunting's reputation, which has been built over many years, is underpinned by our highly skilled workforce.

At 31 December 2017, the Group had 2,610 employees (2016 – 2,107) across its global operations. As US onshore activity levels improved during the year, those businesses addressing this market recommenced hiring of staff to meet demand. Further, in China, as OCTG demand also improved in the year, additional staff were hired. Elsewhere within the Group, controls over recruitment remain in place.

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).

The Group is committed to training and developing all employees, which includes health and safety training, professional development and general career development initiatives. In February 2018, Hunting rolled out a Group-wide Code of Conduct e-learning training programme for employees, to ensure awareness and training in 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 2017 is detailed on page 62.

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 bonus arrangements.

Employees are encouraged to further their development and network of contacts within the global energy industry by membership of industry groups. In 2017, the following organisations were supported by Hunting's employees: American Petroleum Institute, Society of Petroleum Engineers and the Intervention and Coiled Tubing Association.

The Board of Hunting has established procedures in place whereby employees can raise concerns in confidence, including 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 are published on staff noticeboards across the Group's facilities.



THE CONTROLFIRE™ MANUFACTURING TEAM AT HUNTING ELECTRONICS IN HOUSTON.

STAKEHOLDER RELATIONSHIPS

NUMBER OF
SHAREHOLDERS

1,618

CO₂ EQUIVALENT
EMISSIONS (TONNES)

31.6k

CO₂ INTENSITY FACTOR
(KG/\$K OF REVENUE)

43.7

While the consideration of stakeholders, including employees, customers and suppliers, governments and the environment is a statutory duty of the Directors, the Hunting Board believe it is good business practice to nurture strong relationships with all participants, as it promotes the Group's standing in the industry, leads to better growth opportunities and develops benefits for all. Hunting constantly evaluates ways to strengthen links with investors, employees, customers, suppliers, governments and the communities in which its businesses operate.

Board Oversight

The Hunting Board receives regular feedback from the Chief Executive on relationships with key customers and suppliers at each Board meeting. A Health, Safety and Environment report by the Chief Executive is also submitted to each Board meeting. Further, shareholder feedback is regularly considered as reports from the Head of Investor Relations and the Company's brokers are discussed at most Board meetings. Through the work of the Audit Committee, Hunting's communication with customers and suppliers on the Group's ethical policies are monitored. Further, new stakeholder engagement proposals, currently under development by the UK government, are being considered by the Board.

Shareholders

Communication with investors is a core activity of the Board, with a structured investor relations programme in place. The executive Directors meet existing or potential investors to explain our strategy and plans for future growth. The Chairman and Senior Independent Director also meet investors annually to discuss strategy and governance, with feedback being provided to the Board. Further, the Head of Investor Relations attends a number of investor conferences and individual investor meetings throughout the year, as part of the annual programme of work. The Company uses Stock Exchange announcements, the annual and half-year reports, webcasts and the Annual General Meeting to communicate and meet with shareholders.

With the appointment of a new Chairman and Chief Executive in September 2017, additional meetings with shareholders were organised to ensure the Group's investors had the opportunity to meet the Company's new leadership team. Further, meetings between the Remuneration Committee Chairman, major institutional investors and proxy voting groups took place in November 2017, as a new Directors' Remuneration Policy was prepared to be submitted to shareholders.

Supply Chain

As a participant in the global oil and gas industry, Hunting is part of a complex supply chain of customers and suppliers, whereby certain partners can also be competitors if there is overlap in the product and service offering. This necessitates appropriate due diligence to ensure we understand the nature of each commercial relationship. It also requires appropriate employee training and third-party communication of our ethical policies, to ensure all our partners understand the high standards expected by the Group. A number of our customers are also state-owned enterprises, which provides a heightened risk, as these partners are viewed as Public Officials, in the context of the UK Bribery Act.

Anti-Bribery and Corruption ("ABC")

In line with the Group's ABC Policy, each business unit within the Group completes a twice-yearly ABC risk assessment, which is consolidated and reviewed by the Audit Committee. Where appropriate, the internal audit function reviews this assessment and provides feedback to the Committee on this risk profile. Mitigating controls are in place to ensure each business seeks approval for a new commercial relationship, which may increase the Group's ABC risk. In addition to these assessments, all high value entertainment is monitored both locally and centrally to ensure the Company is not seen to be unduly influencing a partner, with senior management and Board approvals required for all significant expenditures. All employees are made aware of the Group's ABC policies through its Code of Conduct training course, which is completed on induction to the Group.

Code of Conduct

The Group's Code of Conduct is the basis of its commitment to stakeholders. Hunting's policies on anti-bribery and corruption, ethical employment, responsible business partnerships and proportionate client entertaining are key commercial principles. The Code of Conduct is sent to the Group's major customers and suppliers to promote our values within Hunting's known supply chain. Hunting's policies on human rights and its approach to the issues of modern slavery and trafficking continue to be enhanced, to ensure our stance on responsible corporate behaviour is shared with our business partners. During the year, each business unit in the Group sent to key customers and suppliers a summary of our slavery and trafficking policy from the Company's Chief Executive, along with our Code of Conduct, to ensure Hunting's clear stance on this subject was communicated.

OUR BUSINESS MODEL CONTINUED

RESOURCES WE USE

1

STAKEHOLDER RELATIONSHIPS CONTINUED

Customers and Suppliers

Hunting's approach to its customers and suppliers is based on honesty and transparency, to provide best-in-class products and services delivered through a rigorous quality assurance programme.

The Group's policies support a strong culture of building close client relationships, which are based on our reputation of industry-leading service and delivery and our drive to understand the needs of each customer and supplier to ensure absolute client satisfaction is achieved.

A number of our research and development programmes are implemented in collaboration with our customers to ensure industry-leading technology is developed by the Group, which follow the stringent quality and safety certifications implemented by governments but also meet our customers' exacting demands. As new customers or suppliers are considered by the Group, "know-your-customer" forms, credit and sanction checks and "end-user" due diligence is undertaken to ensure Hunting complies with international trading laws and embargoes. Further, each new customer and supplier is sent key ethics documents that outline Hunting's strong stance on ethical business dealings.

For more information on our customers and channels to market see page 46. Our entertainment and hospitality policies ensure our business decisions are completed on an arms-length basis, with client entertaining closely monitored and proportionate.

Governments

Hunting is committed to developing good relationships with appropriate bodies within the governments of the countries in which we operate. Certain customers and suppliers of the Group are state-owned, therefore monitoring procedures for interaction with Public Officials are in place to ensure compliance with the UK Bribery Act. Where appropriate, Hunting's business units participate in government-supported groups and "think-tanks". Hunting Titan regularly supports or has membership of groups that develop regulations on products used for hydraulic fracturing.

In line with Group policy, Hunting prohibits any form of political donations to be made. In 2017, the Group issued its "Payments to Governments" statement in compliance with legislation enacted in the UK. Further, Hunting is a signatory to the UK's Prompt Payment Code.

In compliance with UK legislation, the Group has issued its Tax Strategy paper, which is located at www.huntingplc.com, and commits the Group and its subsidiaries to a transparent and fair approach to taxation, paying all relevant taxes in the various jurisdictions in which Hunting operates.

Communities

Hunting operates in 12 countries and is committed to being a responsible corporate citizen. Each business unit across the Group is encouraged to promote good community relations and, where appropriate, to support causes including local sponsorships and communal events. Many of these initiatives are highlighted in the Hunting Review, the Company's corporate magazine published twice a year.



HUNTING SINGAPORE HAS BEEN A REGULAR CORPORATE CONTRIBUTOR TO THE ST JOHN'S HOME FOR THE ELDERLY.

OUR BUSINESS ACTIVITIES



OPERATING SEGMENTS

Following the announcement in November 2017, the Board has changed the format of the external reporting of its operating segments.

Going forward, Hunting will be reporting its performance based on its key geographic operating regions. Hunting Titan, as a large, separate business group 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 the H-1 Perforating System and the EQUAfrac™ shaped charge technology. The business has four manufacturing facilities in the US and a facility in Mexico, supported by a distribution centre network at 19 locations across North America.

US

The US businesses supply OCTG and 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 15 operating facilities mainly focused 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

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 and Norway.

Asia Pacific

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

Middle East, Africa and Other

Revenue from the Middle East and Africa is from the sale of intervention tools across the region, which also acts as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

Exploration and Production

The Exploration and Production business comprises the Group's exploration and production activities in the Southern US and offshore Gulf of Mexico. The segment is being wound down, with no further investment planned.



CUSTOMER OCTG INVENTORY ON CONSIGNMENT AND READY FOR DEPLOYMENT OFFSHORE.

HEALTH, SAFETY AND ENVIRONMENT (“HSE”)

INCIDENT RATE
 (“OSHA” METHOD)

0.89

Health and Safety

The Group operates across the globe and is committed to achieving and maintaining the highest standards of safety for its employees, customers, suppliers and the public.

Hunting has a proven 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 policy on health, safety and environmental matters on the Company’s website at www.huntingplc.com.

Hunting’s Director of Health, Safety and Environment (“HSE”) reports directly to the Chief Executive and a report is considered by the Board of Directors at each meeting.

The Group’s target is to achieve zero recordable incidents. Each local business is required to develop tailored 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. Training is given to employees throughout the Group.

During the year, there were no fatalities across the Group’s operations, with 24 recordable incidents (2016 – 25). The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration (“OSHA”) in the US, was 0.89 compared to 1.15 in 2016. The decrease in the incident rate reflects a 23% year-on-year decline, with the number of hours worked increasing by 24% to 5.4m hours (2016 – 4.4m hours). The industry average incident rate in 2017 was 3.6 (2016 – 4.3).

The Group’s product portfolio also plays a role in industry HSE. A number of newer product lines have been launched that enhance the field safety of the customer as they drill new oil and gas wells. An example of this is the Group’s H-1 Perforating System, that includes assembly configurations that lower the detonation risks associated with hydraulic fracturing procedures and has enhanced radio-frequency safety electronics, which prevent other risks during these procedures. Further information can be found on this area on pages 18 and 19.

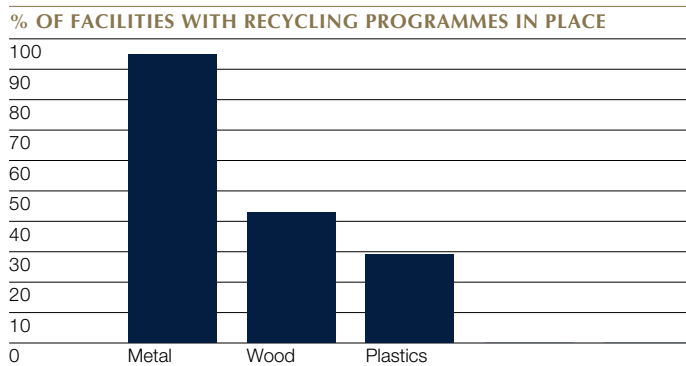
Environment

Hunting is committed to protecting the environment, by developing manufacturing procedures that minimise the Group’s impact on the environment and communities in which we operate.

Hunting’s environment policy is located at www.huntingplc.com.

New facilities take into account environmental considerations, including storm and flooding protection, while utilising energy efficient materials, together with waste recycling and management initiatives. During the year, hurricanes Harvey and Irma impacted the US where the majority of the Group’s operations are located. Due to appropriate facility storm water protection, no facilities were affected, with operations resuming as soon as employees were able to return to work.

The Group has active recycling programmes at the majority of its facilities, which includes metal, plastics and wood. Nearly all manufacturing facilities maintain at least one recycling programme, with the chart below noting the compliance of the Group’s facilities to these three core material recycling programmes.



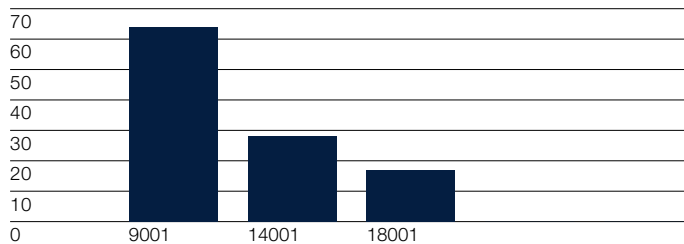
QUALITY AND OPERATIONAL EXCELLENCE

MANUFACTURING REJECT RATE

0.3%

The Group is committed to enhancing its production and operational quality, with a number of facilities being certified ISO 9001 (quality), 14001 (environment) and 18001 (health and safety) compliant, indicating that globally recognised standards and systems are in place.

% OF FACILITIES WITH ISO ACCREDITATION

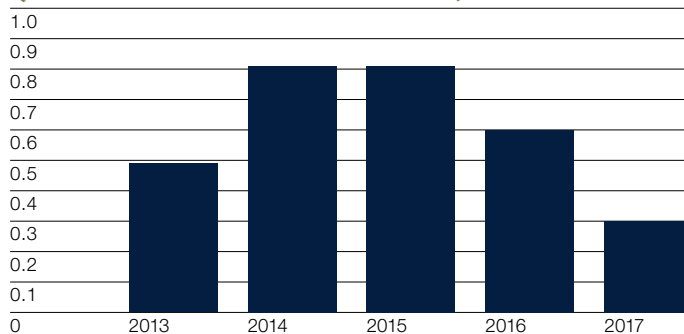


More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitor and reduce the environmental impact of its operations and increasing HSE standards.

Operational and production excellence is a key driver of our 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. In 2017, the Group continued its programme to introduce lean manufacturing processes into global operations. This resulted in efficiency gains in a number of key business units.

The manufacturing reject rate in 2017 was 0.3% (2016 – 0.6%).

QUALITY ASSURANCE PERFORMANCE – % REJECT RATE

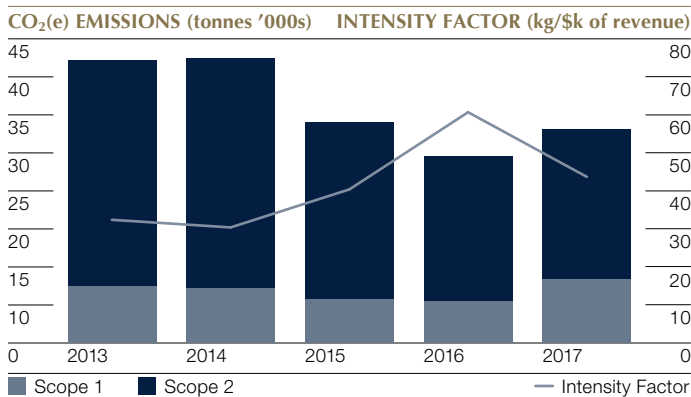


To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas data in accordance with the principles of the Kyoto Protocol. Hunting's 2017 Scope 1 and 2 emissions, as defined by reporting guidelines published by DEFRA in the UK and the International Energy Agency, have been collected and are reported in the chart below.

Scope 1 and 2 emissions in 2017 totalled 31,603 tonnes (2016 – 27,659 tonnes) of carbon dioxide equivalent. The increase in the Group's emissions between 2016 and 2017 is due to the general increase in activity levels across our global businesses, with Scope 2 electricity usage increasing as additional shifts were slowly added by our busier operating units.

The Group's Intensity Factor, based on total carbon dioxide emissions divided by Group revenue, in 2017 was 43.7 kg/\$k of revenue, compared to 60.7 kg/\$k of revenue in 2016, reflecting improved operational efficiencies.

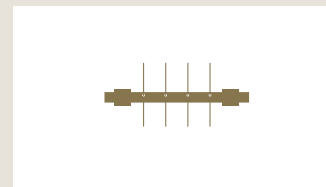
Water usage in the year was 216k cubic metres compared to 230k cubic metres in 2016.



**HUNTING'S SIX MAJOR
PRODUCT GROUPS**

**OIL COUNTRY TUBULAR
GOODS ("OCTG")**

**PERFORATING
SYSTEMS**



Operating Basis

MANUFACTURING, TRADING

MANUFACTURING

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 connections and accessories using our own technologies such as SEAL-LOCK™ and WEDGE-LOCK™. We are licensed to apply a variety of competitor 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, Europe and Asia. Hunting trades pipe, which is a lower margin activity, to help support customer relationships.

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

Differentiators

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

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

Global Operating Presence

Our business activities
Pages 2 and 3.

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

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

Related Strategic Focus Areas

Our business strategy
Pages 30 and 31.

New products – Broadened the WEDGE-LOCK™ and SEAL-LOCK XD™ premium connection range.

Increased utilisation – Orders completed at AmeriPort threading facility for Gulf of Mexico drilling programmes.

Cost control – Commenced closure of Cape Town, South Africa and Lafayette, US, facilities.

Cost control – Four distribution centres closed in the US.

New products – Commenced development of second generation H-1 Perforating System. Commercialised EQUAFrac™ charges to customers.

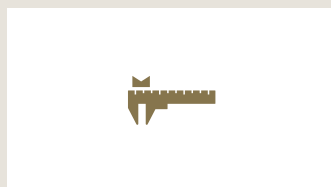
Related Principal Risks

More information on risk management
Pages 47 to 54.

Commodity prices, Shale drilling, Competition, Product quality.

Commodity prices, Shale drilling.

ADVANCED MANUFACTURING



MANUFACTURING

AMG includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex 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 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.

US.

Growth – Non-oil and gas business opportunities developed within naval, aerospace and space sectors.

Cost control – Relocated AMG activities in Singapore back to US.

Commodity prices,
Product quality.

DRILLING TOOLS



EQUIPMENT RENTAL, TRADING

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 the 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.

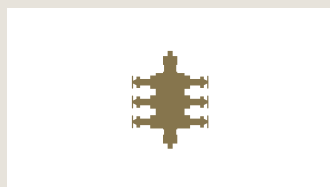
Leaders in progressive cavity, positive displacement mud motors.

US.

Cost control – Sold European Drilling Tools assets in March 2017 leading to the closure of two facilities in the Netherlands and UK.

Commodity prices, Shale drilling,
Competition.

INTERVENTION TOOLS



MANUFACTURING, EQUIPMENT RENTAL AND TRADING

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.

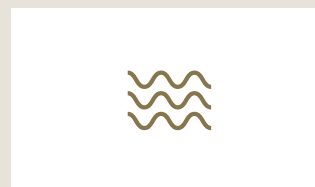
Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.

US, Europe, Asia,
Middle East.

New products – Introduction of Ezi-Shear valve.

Commodity prices, Competition.

SUBSEA



MANUFACTURING

Produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, specialty valves and weldment services.

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.

US.

New products – Commenced development of soft metal seal product line for onshore drilling markets.

Commodity prices, Product quality.

OUR BUSINESS MODEL CONTINUED

OUR CUSTOMERS AND CHANNELS TO MARKET

4

HUNTING HAS A BROAD RANGE OF CUSTOMERS AND CHANNELS TO MARKET

OPERATORS



Operators are the end consumers of our products and related services. These include National Oil Companies (“NOCs”), International Oil Companies (“IOCs”) and Independents. Approximately 20% of our sales are made directly to operators. Key direct customers include Chevron, Apache and Enquest.

SPLIT OF GROUP REVENUE

c.20%

SERVICE COMPANIES



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 the operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.

SPLIT OF GROUP REVENUE

c.70%

STEEL MILLS AND OTHER

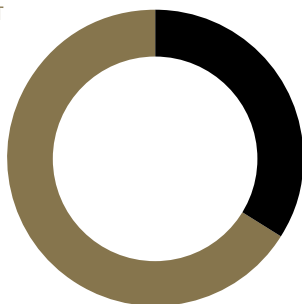


Steel mills are key suppliers to our business, however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas related sales through agents or intermediaries, together with non-oil and gas sector sales made by our Trenchless, Dearborn and Electronics operations.

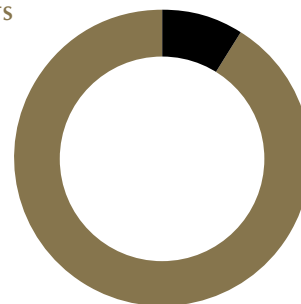
SPLIT OF GROUP REVENUE

c.10%

OUR TOP TEN CUSTOMERS REPRESENT c.34% OF REVENUE

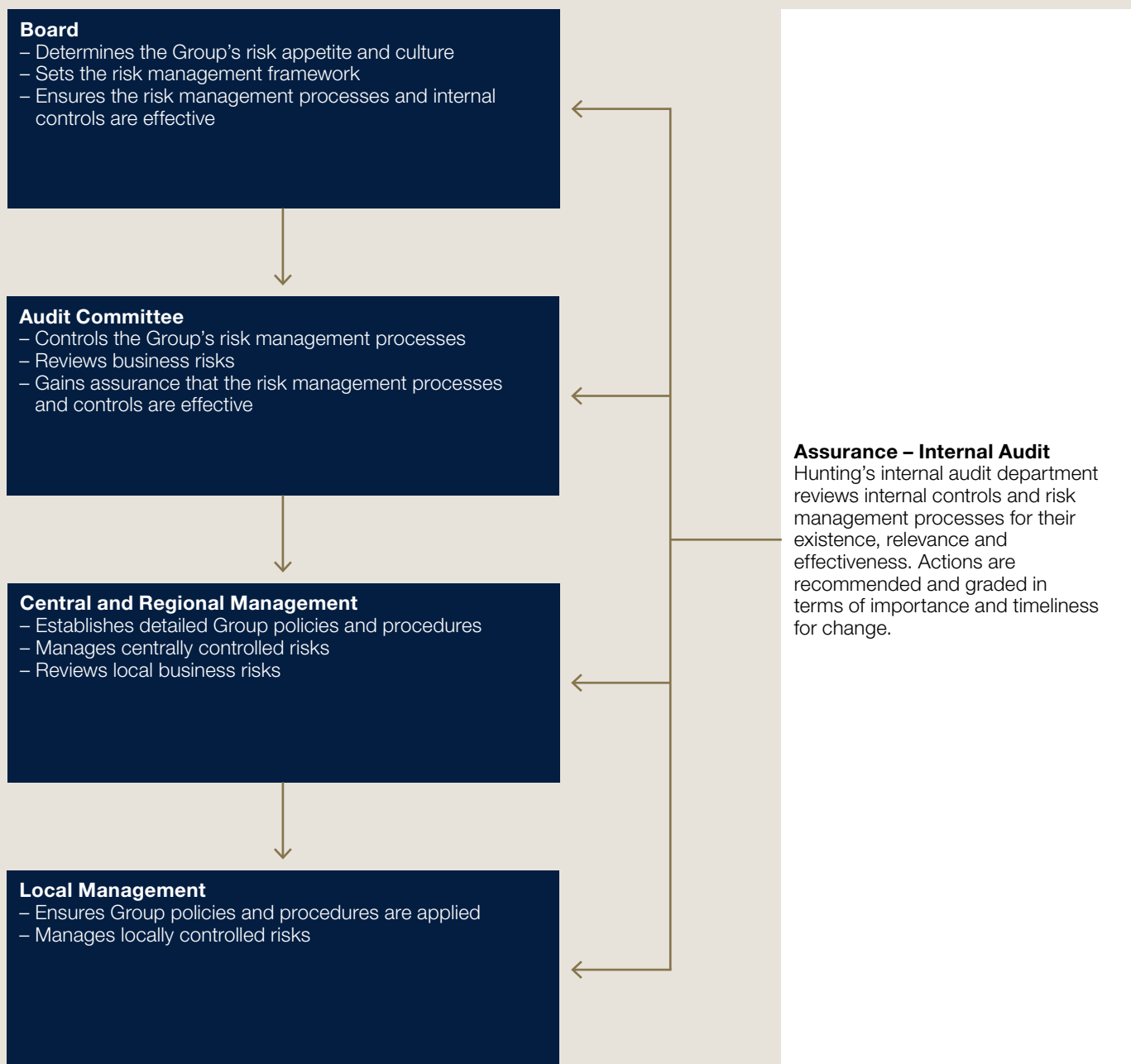


OUR LARGEST CUSTOMER REPRESENTS c.9% OF REVENUE



RISK MANAGEMENT ROLES AND RESPONSIBILITIES

THE BOARD HAS DEFINED RISK MANAGEMENT ROLES AND RESPONSIBILITIES AS ILLUSTRATED BELOW.



RISK MANAGEMENT CONTINUED

Introduction

The oil and gas industry is highly regulated and demands high specification products, which 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. By reviewing and debating the relevant evidence, the Board develops an appreciation of 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; and
- reviewing proposed new product developments and capital investment projects.

Audit Committee

Local management establishes and undertakes risk management processes that are relevant to the distinct risk profile of each business unit. These are reported to central 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 51 to 54. 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, following its programme of work.

The Internal Audit department reports directly to the Audit Committee. The relationship with external audit is also controlled by the Audit Committee, including the annual review of effectiveness.

Refer also to the Audit Committee Report on pages 66 to 70.

Central and Regional Management

Hunting requires that 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 a range of areas including general finance requirements, taxation responsibilities, information on Hunting's internal control and risk management framework and governance. Compliance is also monitored and subject to scrutiny by the Internal Audit function.

Central and regional management are responsible for ensuring the risk management processes established by the Audit Committee are implemented across the Group. Central management is also responsible for managing Group-wide treasury-related risks such as currency and interest rate exposures and managing the global insurance programme.

Local Management

The management of each business unit has the responsibility of establishing an effective system of controls and processes for their 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 uses a number of functions and reporting procedures to provide assurance that the risks identified by management are appropriate and proportionate for the Group as a whole. Hunting's Internal Audit function covers the Group's businesses addressing the following operational areas, raising control improvement recommendations where necessary:

- 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 a HSE and Quality Assurance Director who reports directly to the Chief Executive. This department also undertakes periodic audits that monitor quality control within the Group's product lines.

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's principal insurance broker, which arranges worldwide credit insurance for the Group, has been implemented throughout the business units with respect to, for example, vetting new customers and maintaining appropriate creditworthiness data that further strengthens the Group's credit management processes. Hunting's external auditors provide 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 in ensuring that Hunting is compliant with the UKLA'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 2017 and up to the date of approval of these accounts, is an ongoing evolutionary process designed to identify, evaluate and manage the significant risks to which the Group is exposed.

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 central 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. An appropriate Director, together with local management, is allocated responsibility for managing each separate risk identified in the Group Risk Register.

Financial Controls Self-assessment

Local management completes an annual self-assessment of the financial controls in place at their business units. 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 time frame when these are identified as a necessary requirement. Results of the assessments are summarised and presented to the Audit Committee.

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 extended forecasts giving a medium-term view, together with half-year and annual statutory reporting.

The Group's consolidation process is maintained and regularly updated, including distribution of a Group Manual to all reporting units. All data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets. The Group monitors and reviews new UK Listing Rules, the Disclosure Guidance and Transparency Rules sourcebook, accounting standards, interpretations and amendments, legislation and other statutory requirements.

Strategic Planning and Budgeting

Strategic plans, annual budgets and long-term viability financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance. These are supported by regularly updated forecasts that project for a 12-month period beyond the date of preparation.

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 who also reports directly to the Chief Executive. 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 Organisation for Standardisation (for example ISO 9001 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 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, who in turn reports to the Chief Executive. 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 divestments must be approved by the Chief Executive. Major capital expenditures or divestments 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 ensure each capital investment has delivered the forecast value for the Group.

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.

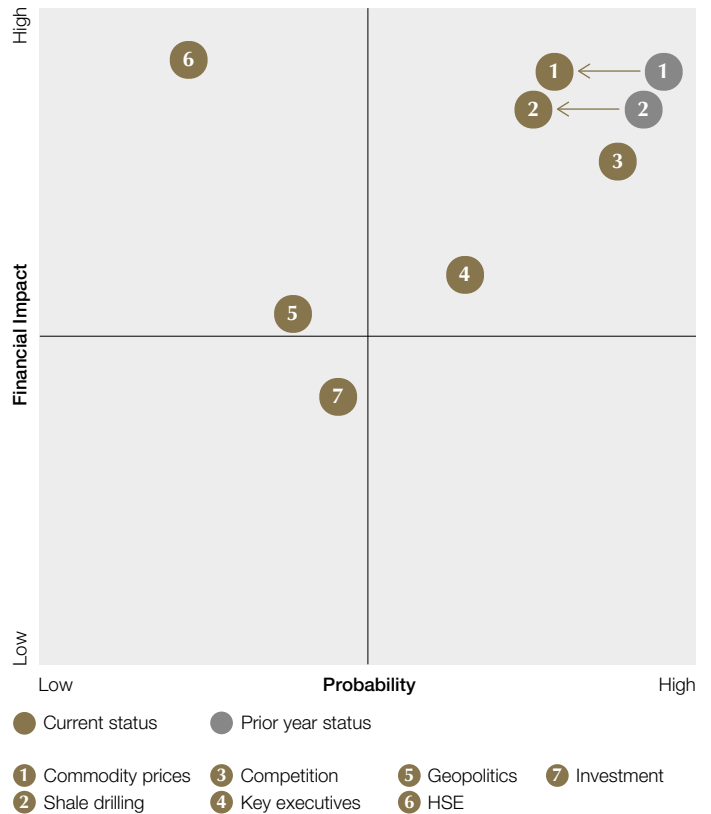
The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the extent of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

Detailed descriptions of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

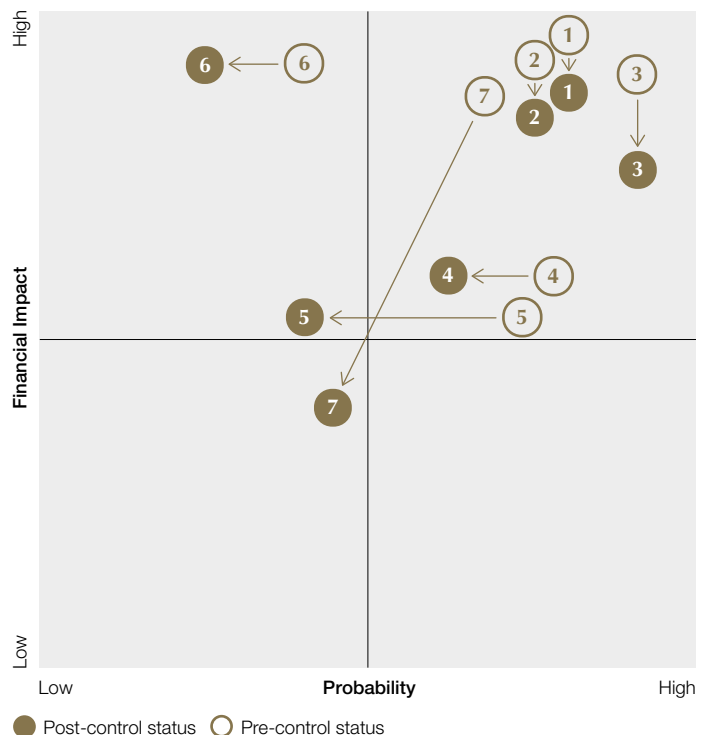
UK Leaving the European Union

The Board has continued to consider the 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



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 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 reduced due to the recent improvement in spot oil prices. Although they remain volatile, prices are expected to be maintained by OPEC's production cuts that are due to continue until the end of 2018.

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 has reduced production costs and developed new technologies that would 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 8.

2 SHALE DRILLING



Nature of the risk

The Group provides products to the oil and gas shale drilling industry. Although shale drilling is now an established activity in the US, significant sections of the public continue to view it as high risk. Any consequent moratorium or new laws may unfavourably impact shale drilling activity levels and subsequently reduce demand for the Group's products that service the operators in this industry. In addition, oil and gas produced from shale remains a relatively expensive source of hydrocarbons, despite recent 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

Hunting's exposure to this risk has reduced from last year due to the recent improvement in commodity prices that has driven an increase in completion activity within the US shale basins.

Controls and actions

The Board monitors public and political opinion and maintains an awareness of the potential for changes to legislation, especially with regard to the US where the Group is mainly exposed.

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 re-configure their manufacturing processes to meet a change in the pattern of demand.

THE GROUP'S OPERATING ACTIVITIES ARE DESCRIBED IN DETAIL ON PAGES 20 TO 27.

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	↓

3 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 current 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. Continued downward pressure on prices, combined with reduced activity levels, particularly in offshore markets, has maintained competition risk at a high level.

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 relationships 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.

Alternative energy sources have been considered but are not believed to be a threat within the short-term.

THE GROUP'S OPERATING ACTIVITIES ARE DESCRIBED IN DETAIL ON PAGES 20 TO 27.

4 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 risk was heightened in 2016 in response to the Group-wide pay freezes. Although this policy has now been moderated, the risk has not fully abated.

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 seek to engage suitable staff where they feel there is vulnerability.

DETAILS OF EXECUTIVE DIRECTOR REMUNERATION ARE PROVIDED IN THE REMUNERATION COMMITTEE REPORT ON PAGES 71 TO 92.

5 GEOPOLITICS

**Nature of the risk**

The locations 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 Board monitors geopolitical events around the world through media channels and assesses these relative to Hunting's operations.

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. Management and the Board closely monitor projected economic trends in order to match capacity to regional demand.

6 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 small 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 DIVERSITY OF THE GROUP'S EXPOSURE TO DIFFERENT GEOGRAPHIC REGIONS IS DESCRIBED ON PAGE 2.

THE GROUP'S HSE PERFORMANCE IS DETAILED ON PAGE 11. FURTHER COMMENT ON HSE IS PROVIDED ON PAGES 40 AND 41.

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	↓

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 11. FURTHER COMMENT ON THE GROUP'S COMMITMENT TO PRODUCT QUALITY IS PROVIDED ON PAGE 41.

DIRECTORS' REPORT

For the purpose of 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 2017.

The Strategic Report, incorporating the Chairman's Statement, Chief Executive's Statement, Market Review, Key Performance Indicators, Group Review and Outlook, Segmental Review, Business Model and Strategy and Risk Management is located on pages 4 to 55.

As permitted by legislation, the Board has chosen to set out within the Strategic 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 12 to 14);
- future developments (page 16);
- risk management, objectives and policies (pages 47 to 54);
- ethnicity and diversity (page 62); and
- greenhouse gas emissions (pages 40 and 41).

Up to the date of this report, there have been no post-balance sheet events that require disclosure. As noted in the Strategic Report, the Group commenced the process to exit from the suspension period covenants and terms attached to the Group's revolving credit facility in December 2017, with the process completing in January 2018.

In addition, information relating to the Directors' indemnity provisions, substantial shareholder interests and dividend waivers, as required by legislation, are disclosed within the Corporate Governance Report on pages 60 and 61.

Investor-related information and further disclosures incorporated into the Directors' Report, such as information relating to the 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 159 to 161.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Audit and Remuneration Committee Reports, and the financial statements in accordance with applicable laws and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

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 the Company and of the results of the Group for the year.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements and the Remuneration Committee Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Group and the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's website, www.huntingplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pursuant to the Financial Conduct Authority's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and the UK Corporate Governance Code, each of the Directors, whose names and responsibilities are listed on pages 56 and 57, confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company;
- the Strategic Report on pages 4 to 55 includes a fair review of the development and performance of the Group's operations and the year end position of the Group and the Company, together with a description of the principal risks and uncertainties they face. The Strategic Report also details the Group's policies on human rights, gender balance and its Scope 1 and 2 greenhouse gas emissions; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and position, business model and strategy.

Ben Willey
Company Secretary

1 March 2018