Chairman's Statement

Resilience

The ability of your Company to adapt to the rapid changes required to operate in the challenging environment seen in the year is testament to our culture, our dynamic leadership, and the resilience of our operational support systems.

John (Jay) F. Glick
Chairman

Introduction

Our 2020 Annual Report covers a remarkably difficult year for the world, for the energy sector, and for Hunting. Despite rigorous efforts on the part of companies around the globe to identify enterprise risks and have appropriate mitigation strategies, none imagined at the start of the year that the global economy would be rocked by a pandemic that would disrupt virtually every aspect of commerce. The ability of your Company to adapt to the rapid changes required to operate in the challenging environment seen in the year is testament to our culture, our dynamic leadership and the resilience of our operational support systems.

Even during very dark and uncertain times, heroes emerged to deliver care, ensure food and energy supplies, develop lifesaving technologies in the form of therapeutics and vaccines, and to make certain that our lives and our economies were disrupted to the minimum extent necessary to protect public health. Hunting played an important role in those efforts by delivering products to supply the energy needed to power the global economy. The energy sector was deemed to be a critical sector, which meant that during the shutdown Hunting's employees reported for work and made certain the energy needs for critical sectors such as transportation, agriculture and utilities were fully supported.

I want to begin this report with a special message of thanks to our employees, whose dedication and hard work were crucial to ensuring the Company supported our customers in the oil and gas, aerospace, medical equipment and the other critical sectors in which our products are used. On behalf of the Board, I would like to thank Jim and his team for their efforts in the year in creating a more resilient business. I also want to recognise and thank the management team for their swift and decisive leadership during a very challenging time. Special thanks also goes to my fellow Directors for whole-heartedly embracing the added governance challenges posed by the pandemic and for their wise and steadfast counsel as we navigated the uncertainties of the past year.

Our preparedness was certainly tested, but the crisis served to validate the effectiveness of many of the information technology investments we have made over the past few years. As a result of the software and communications systems we had put in place, our staff were able to work from home, interface effectively with customers, bankers, auditors, and a host of critical business support teams. Additionally, our Health and Safety teams were able to support our factories and field operations by ensuring safe work practices for our workforce.

As you will note in this year's Annual Report, the Group took swift action to reduce spending and generate cash. The most painful of these was a sharp, but necessary, reduction in the size of our workforce. Some factories and distribution sites were closed or consolidated to rationalise our operations and improve efficiencies. There was also a significant focus on converting working capital to cash. As a result, inventories and trade receivables were tightly monitored and managed. Our strong balance sheet and conservative capital structure proved beneficial during a time when capital markets were challenging for a number of companies in our sector. These actions ensured the Company remained in a sound financial position with a robust balance sheet and a strong cash and bank position at year-end.

Our strategic focus on innovation and new technologies continued throughout the year enabling the Group to retain a competitive edge in our various markets. It also looks to the energy transition as the world moves towards more sustainable technologies. Hunting's expertise in design engineering, materials science, precision machining, and electronics have long been at the core of critical downhole technology for the production of oil and gas. These fuels will continue to be required to drive the global economy for the foreseeable future. In addition, we are also seeing other sectors that utilise our expertise, such as aerospace, defence, medical equipment and space.

There are many signs that the industry's nadir is behind us. Oil prices have recently recovered to levels above $60 per barrel.

There are many signs that the industry's nadir is behind us. Oil prices, which actually dropped below zero in April 2020 when storage was tight, have recently recovered to levels above $60 per barrel. Similarly, the US land rig count has moved from the bottom of 231 rigs in August 2020, to c.380 units at the time of this letter. These facts bode well for 2021.

Financial Performance

Revenue for the Group decreased 35% in the year to $626.0m, compared to $960.0m in 2019, due to the significant downturn in our core markets, leading to an underlying loss before tax of $19.4m (2019 – $93.1m profit). After charges for amortisation of acquired intangible assets and exceptional items, the reported loss before tax was $223.0m (2019 – $45.6m profit).

Total cash and bank at the year-end of $101.7m (2019 – $127.0m), was an excellent result for the Group, given the challenging trading conditions, and reflects the efforts of management to generate cash. Net assets at the year-end were $976.6m (2019 – $1,223.8m), demonstrating our strong balance sheet resilience.

Dividends

In April 2020, given the uncertain trading conditions, the Board replaced the 2019 Final Dividend with a 3.0 cents per share interim dividend, which was paid in May. At the Group's half year results in August 2020, the Board declared a second interim dividend of 2.0 cents per share, which was paid in October. The Board has been mindful of shareholder distributions in the year, and the dividends declared and paid reflect the Group's strong cash position throughout the year and also the confidence in Hunting's business model and strategy, as well as the long-term prospects of the Group. The Board is, therefore, recommending a 2020 Final Dividend of 4.0 cents per share absorbing $6.5m of cash, for approval by shareholders at the Company's Annual General Meeting ("AGM") on 21 April 2021. If approved, the Final Dividend will be paid on 14 May 2021 to shareholders on the register on 23 April 2021. This distribution will bring the total dividends paid in respect of 2020 to 9.0 cents per share and a total distribution of $14.7m. The Board remains committed to delivering sustainable dividends, but will continue to assess each dividend proposal on a case-by-case basis.

Governance

The Directors remain focused on issues of diversity, succession planning for both the Board and management, and the development of our human capital. We recognise that our business depends on the quality of our people. The Board is also increasing its monitoring of Hunting's environmental impact, including measures the Company can undertake to make its business more sustainable. To that end, our Annual Report includes disclosures that align with the requirements of the Task Force on Climate-related Financial Disclosures reporting framework.

John (Jay) F. Glick
Chairman

4 March 2021

Chief Executive's Statement and Outlook

Returning to Growth

Our business model has been shown to be resilient despite the severe downturn in our core markets. Hunting is now a leaner organisation, focused on an industry that is slowly returning to growth.

Jim Johnson
Chief Executive

Introduction

2020 will be remembered for many years to come owing to the extraordinary events seen, predominantly due to the impact of the coronavirus pandemic (“COVID-19”). No one would have been able to predict the impact of COVID-19 on global economic activity or the actions by governments to curtail the spread of the virus. The closure of significant sectors of national economies and the restrictions applied to global mobility to protect populations are actions never seen in living memory.

The contraction in global economic activity had an immediate impact on the energy industry, predominantly through a rapid reduction in primary energy demand, leading to the oil price reducing sharply in March 2020, which led to the oil and gas industry curtailing global capital investment and drilling spend. This decline in investment had an immediate impact on Hunting’s trading activities, with US onshore focused businesses being quickly affected by the reduction in drilling activity. The decline in global offshore activity was slower, but accelerated through the year.

Hunting’s leadership team have managed adverse changes to market conditions many times, although this cycle has been more challenging to the industry than many others. The Group’s ability to rapidly align its cost base with prevailing market conditions, underlines our experience.

The Group has reported reduced revenue and trading losses in the year, but has focused on retaining a strong balance sheet and in particular managing cash thereby ensuring our core capabilities have been retained, ready for a return to growth as and when economic conditions improve. Without doubt, our business model has been shown to be resilient despite the severe downturn in our core markets recorded in the year.

We have had to reduce our global headcount as part of our actions to address the cost base, which has been a painful process. However, I would like to thank all our employees for the commitment shown during the year as the Group has managed the market downturn while keeping safe and protected from the virus.

As we look to the future, Hunting is now a leaner organisation, with an experienced workforce and a resilient organisational structure, which is focused on an industry that is slowly returning to growth.

Market Summary

The year commenced on a cautious note, with commentators projecting a 10% decline in global onshore drilling spend and a 6% increase in global offshore drilling spend. Combining these projections, 2020 began with global drilling spend being forecast at c.$217.3bn, or a 5% reduction from the prior year.

At the end of Q1 2020 the unprecedented impact of the COVID-19 pandemic became clearer, leading to economies being shut down to curtail the spread of the virus, resulting in a c.30 million barrels of oil per day decline in the demand for oil, or a reduction of nearly one-third of normal daily production.

As detailed in the Market Review, this economic shift led to a negative WTI oil price being recorded in April 2020 and drilling spend being rapidly cut back to align with the contracting market.

In summary, global drilling expenditure has reduced to c.$121.1bn in 2020, or a 44% decline in investment compared to the projections available at the start of the year. This decline in activity largely commenced at the start of Q2 2020 and, therefore, Hunting’s results reflect the impact of the reduction in market activity and associated trading conditions from early Q2 2020.

COVID-19

The energy industry is an essential sector and, therefore, the Group’s operations have been allowed to remain open to service its customers throughout the pandemic.

As part of the Group’s action plan, a committee comprising the Chief Executive, the Chief Operating Officer, Hunting’s Director of Health and Safety, the Chief HR Officer and Chief IT Officer was formed to ensure that a co-ordinated response to the virus was implemented.

During the year, Hunting adopted various measures to ensure the Group’s employees remained safe. Most businesses adopted a split structure from the management level to the shop floor to ensure a clear separation of the employee population, to reduce the risk of the spread of infection.

Staff monitoring, as they entered and exited facilities, was implemented to ensure possible COVID-19 symptoms were checked on a daily basis. Social distancing procedures were also implemented across all operations to protect staff, while those employees who could work remotely were encouraged to do so. Additional protective equipment was supplied to all relevant staff.

The Group’s HSE function developed a decontamination plan for any facility impacted by an infection. In most cases, those facilities impacted were only out of action for part of a day to allow for deep cleaning.

In support of our global workforce and the communities in which we operate, during the year our Asia Pacific segment purchased machinery and commenced the manufacture of face masks. This initiative shows our Purpose and Culture in action, not only in taking action to address an operational need, but also to maintain our firm commitment to keep our workforce, their families, and the communities in which we operate safe in these difficult times.

Group Summary

Revenue in the year reduced by 35% to $626.0m, compared to $960.0m in 2019. Revenue in H1 2020 was $377.7m (2019 – $508.9m) and in H2 2020 was $248.3m (2019 – $451.1m), reflecting the lower activity levels in the second half of the year.

While the year-on-year decline in revenue has been recorded across all operating segments, Hunting Titan, due to its focus on the US onshore market, was more impacted by the downturn in activity, recording a 57% reduction in segmental revenue to $161.7m (2019 – $375.5m).

A number of business units have, however, shown good resilience despite the turmoil in the global oil and gas market. Hunting’s Subsea product lines recorded a 57% increase in sales to $69.8m (2019 – $44.5m), benefiting from modest momentum being recorded within this market sub-segment early in the year, coupled with the benefit of recent acquisitions, which reported good trading and supported by a number of excellent contract wins for new offshore projects.

Chief Executive's Statement and Outlook

continued

Within the Advanced Manufacturing group, sales into the medical, aviation and space sectors were resilient given the general economic environment, however, there was a significant decline in oil and gas sales. In total, non-oil and gas sales were $39.8m (2019 – $41.3m) in the year or 6% of total Group revenue for 2020 (2019 – 4%).

Group EBITDA in the year was $26.1m (2019 – $139.7m), which was mainly generated in Q1 2020, followed by a broadly break-even result for the remainder of the year. The underlying loss from operations for the year was $16.4m (2019 – $94.3m profit).

Asset impairment reviews were undertaken at the half year and full year stages as part of the preparations of the Group's results. In total, the Group has recorded $203.6m of pre-tax "middle column" items (2019 – $47.5m), including impairments, amortisation of acquired intangible assets and other exceptional items, leading to a reported loss from operations of $220.0m (2019 – $46.8m profit).

A summary of the Group's performance in the year is shown in the table below.

	Underlying[i]		Reported	
	2020 $m	2019 $m	**2020 $m**	2019 $m
Revenue	**626.0**	960.0	**626.0**	960.0
EBITDA[ii]	**26.1**	139.7	**n/a**	n/a
(Loss) profit from operations	**(16.4)**	94.3	**(220.0)**	46.8
(Loss) profit before tax	**(19.4)**	93.1	**(223.0)**	45.6
(Loss) profit for the year	**(18.5)**	76.1	**(238.2)**	41.4
Diluted LPS/EPS – cents	**(10.0)**	43.9	**(143.2)**	23.5

i. Results for the year, as reported under IFRS, adjusted for amortisation of acquired intangible assets and exceptional items.
ii. Non-GAAP measures (see pages 203 to 207).

As noted above, the Group has focused on retaining a strong balance sheet and cash position. At the year-end, net assets were $976.6m (2019 – $1,223.8m), while total cash and bank was $101.7m (2019 – $127.0m).

Strategic Initiatives

During 2020, Hunting has continued to execute its strategic objectives, despite the market turmoil. The Group has broadened its product offering in a number of key areas, including onshore completions, subsea and non-oil and gas markets, as well as refocused the Group's activities to areas where its core competencies will generate the highest returns.

i. Acquisition

On 21 February 2020, the Group completed the acquisition of Enpro Subsea Limited ("Enpro"). Enpro's products focus on delivering production-enhancing technologies and include Flow Access Modules, Flow Intervention Services and Decommissioning. These products offer low-cost, flexible field development solutions to clients including production and intervention modules to enhance recovery from oil and gas wells.

The acquisition adds to the Group's existing subsea product portfolio of hydraulic couplings, valves and stress joints, the latter product group being acquired in 2019 when Hunting purchased the business and assets of RTI Energy Systems.

Further, with these recent acquisitions, the Group has continued to re-balance its product portfolio between offshore and onshore developments.

ii. Internal Investment

Hunting Titan completed the investment in its detonating cord manufacturing facility in July 2020 at Milford, Texas, which broadened the business' product offering.

The $5.0m investment enables the business to integrate this new product line into its various perforating systems, as well as being offered as a standalone product for customers. The annualised capability of the manufacturing line is c.3.0 million feet of cord.

iii. External Investment

In February 2021, the Group also entered into a strategic alliance, through the provision of $2.5m in convertible capital financing, with Well Data Labs, a data analytics business focused on the onshore drilling market. The business is high growth with many blue chip customers. Well Data Labs provides rapid data processing to clients during hydraulic fracturing procedures, allowing operators to review and analyse each frac-stage to optimise well completions. This alliance will allow Hunting Titan to also develop its product offering in the coming years.

iv. New Product Development

During the year a number of new products were launched to customers to support Hunting's drive to maintain market leadership in its chosen markets.

Within Hunting Titan, the segment launched the V3.0 ControlFire® switch. The switch allows customers to verify component connectivity within the system which allows for higher reliability.

In addition, an E-Gun™ product was launched to customers in the year, which contains the E-SUB™ Perforating System architecture coupled with Hunting's ControlFire® products.

Other new products launched in the year include shaped charges, dissolvable frac-plugs and detonating cord.

The Organic Oil Recovery technology, over which Hunting has a marketing licence, has been trialled by a number of international companies to enhance production of end-of-life fields, leading to positive results being recorded.

v. Drilling Tools Divestment

On 15 December 2020, the Group announced the divestment of its US Drilling Tools business to Rival Downhole Tools LC ("Rival"), which included the contribution of assets to Rival in exchange for a 23.5% equity shareholding in the expanded business.

The divestment allows Hunting to retain exposure to the US onshore drilling rental market, but enables future capital to be re-allocated to other areas of the Group.

vi. Non-oil and Gas Products and Markets

The Group's product offering includes a range of non-oil and gas products, which address the medical, aviation, telecommunications and space sectors.

Within the Advanced Manufacturing group, the Hunting Electronics business has successfully gained new certifications for the manufacture of medical devices. Revenue for this sector has grown year-on-year. Hunting Dearborn has increased sales into the aviation sector, predominantly for military applications. Further, the Dearborn business has expanded its activities in the space sector, with clients including SpaceX and Blue Origin.

The Trenchless business, which forms part of the Group's US operating segment, also secured orders in the year as 5G broadband was rolled out, particularly in the US.

Hunting's EMEA operating segment has made inroads into the geothermal market arena, with a contract win in the UK. This market is highly complementary to the Group's existing OCTG and Premium Connections business.

Further, the Group's Asia Pacific operating segment has manufactured and tested a micro hydro power generation unit.

vii. Operational Footprint

Throughout the year, the Group has undertaken a restructuring and re-organisation of its operating footprint, to align itself with the prevailing market conditions reported in the year.

In August 2020, the Group announced the closure of its manufacturing facility in Calgary, Canada, given the long-term market outlook. Hunting has adopted a licensing model for OCTG in Canada, whereby connections and accessories will be manufactured by local partners under licence or completed by the Group's US operating segment. Hunting will retain a sales and administration office in Calgary, while Hunting Titan will continue to operate a number of distribution centres across Western Canada.

Elsewhere across the Group, Hunting's regional well intervention activities were relocated to a smaller facility in Singapore. Within Hunting Titan the facility in Oklahoma City was mothballed and in the US segment, the US Manufacturing business commenced the closure of its OCTG threading facility at Ramsey Road, Texas. In the year, three distribution centres were also closed to align with activity in the US onshore market.

At 31 December 2020, the Group retained 31 operating sites (2019 – 36) and 16 distribution centres (2019 – 19) following the Group's strategic initiatives completed during the year.

Outlook

The early weeks of 2021 have seen a steady increase in a number of key market indicators, including a rising WTI oil price and improving rig count. This positive sentiment, if sustained, bodes well for the global energy industry for the coming months as operators seek stability across the sector to enable them to confirm new drilling programmes and capital investments. Supporting this sentiment is the availability of COVID-19 vaccines and the rollout of immunisation programmes across the world.

Within the US market, our Hunting Titan segment has seen a steadily improving revenue profile in recent months as onshore activity levels have increased. The business has reopened a distribution centre to meet this demand and has made selective additions to headcount. Hunting Titan's technology offering continues to be industry-leading, which will support new sales opportunities both in the US and internationally as onshore drilling programmes recommence.

The Group's US operating segment, which provides equipment to both onshore and offshore projects, anticipates accelerating activity in H2 2021 following the slowing of offshore projects in the second half of 2020.

In Canada, our new business model is seeing good customer acceptance as we work with our new licence partners.

Hunting's European operations report optimism for the year ahead as deferred drilling programmes recommence. In the UK, a number of clients have already indicated that drilling will take place in 2021, while in the Netherlands international orders received since the start of the year will ensure our OCTG facility will remain busy for the short term.

In the Middle East and Asia Pacific, new opportunities are emerging following the increase in the oil price and the beginning of vaccination programmes, with growth now projected from the middle of the year.

The Group has made strong inroads into new sectors in the year. Our presence in the medical devices, aviation and space sectors has increased and our various operating segments have all progressed initiatives, which utilise our core competencies as well as diversify our revenue streams.

The Board of Hunting believes that the Group has been decisive in its actions during 2020 to manage the market downturn. The Group enters 2021 a leaner organisation, with its global capabilities intact and poised to capitalise on any new opportunities presented.

Jim Johnson
Chief Executive

4 March 2021

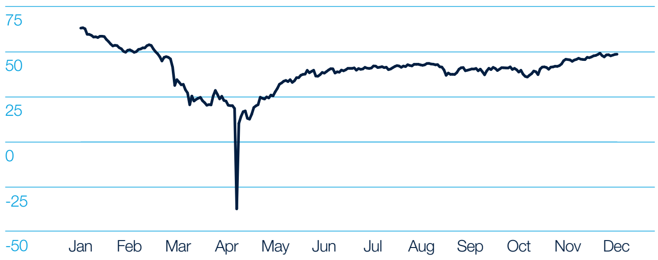
Market Review

Macro Overview

2020 has been a volatile year for the global oil and gas industry. The year commenced with market commentators anticipating a 10% decline in drilling spending for global onshore projects, given the average WTI oil price for 2019. Global offshore projects were, however, forecasting a 6% increase in drilling spending, which was projected to partially offset the decline anticipated in onshore activity. Trading for the Group, therefore, started the year on a cautious note, with a restructuring of Hunting's onshore focused businesses commencing, including Hunting Titan, to reduce headcount to align with this shift in the market landscape. The acceleration of the spread of COVID-19 throughout the first quarter of the year led to a significant revision to projected activity and drilling investment as many major economies were put into a "lockdown" basis in March 2020, leading to global mobility coming to a near standstill in early Q2 2020, as over 180 countries implemented measures to curtail the spread of COVID-19.

The impact of these actions on the WTI oil price, global rig counts and capital spending was dramatic. The International Energy Agency estimated that in April 2020, global daily oil demand declined by c.30 million barrels of oil per day.

WTI Crude Oil Price
$/barrel

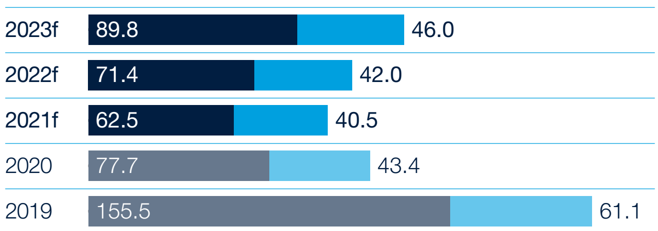


Source: FT.com.

Reflecting this decline in demand, commodity traders liquidated positions as storage capacity tightened leading to a negative WTI oil price being recorded in Q2, an event never seen before in the history of the industry. This position quickly corrected, with the oil price trending upwards throughout the remainder of the year, and closing at $49 per barrel at year-end. The impact of this oil price shock is shown in the chart above.

Onshore operators were quick to shut down activity, leading to a year-on-year decline in drilling spend of $77.8bn or a reduction of 50% compared to 2019. Offshore operators slowed activity from March 2020 onwards, leading to a year-on-year decline of $17.7bn or 29% compared to the prior year.

Global Industry Spend (2019 to 2023f)
($bn)
● Onshore ● Offshore **f** Forecast

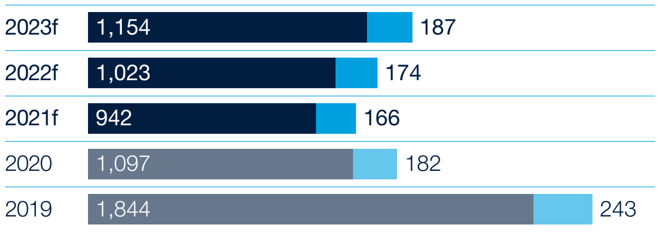


Source: Spears and Associates.

The decline in active onshore drilling rigs was more rapid than offshore activities, with a year-on-year decline of 41% being recorded compared to the prior year, to average 1,097 onshore units.

The decline in offshore drilling units was 25% in the year, but the reduction did accelerate from Q2 2020 onwards.

Average Global Rig Counts (2019 to 2023f)
Number
● Onshore ● Offshore **f** Forecast



Source: Baker Hughes/Spears and Associates.

The average global rig count reported in 2019 was 2,087 active units, which dropped by 39% in 2020 to record an average of 1,279 units.

Short-term Outlook

Given the ongoing impact of COVID-19, industry commentators have adopted a cautious approach to forecasting the industry recovery.

Industry data for 2021 projects overall activity levels and drilling spend being lower than 2020, due to the higher levels of activity recorded in Q1 2020, however, total drilling investment is expected to grow from Q2 2021 onwards, with further growth then into 2022 and 2023.

While these projections will change over the coming months with the usual industry supply/demand fluctuations impacting the industry, along with global economies continuing to respond to the impact of COVID-19, longer-range forecasts for capital expenditures and industry investment are yet to be accurately determined as the industry recovers to pre-pandemic levels, coupled with the longer-term impact of the energy transition.

Medium-term Outlook

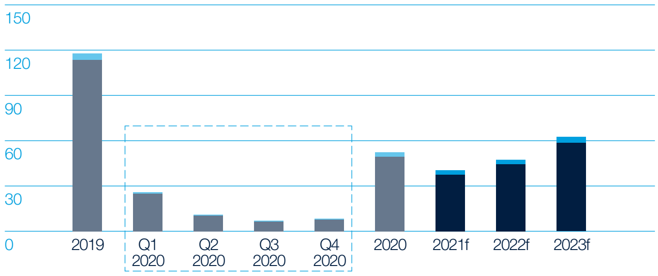
The International Energy Agency published its annual outlook in October 2020, which projected that oil demand would return to pre-COVID levels by 2023 and then remain materially unchanged from this position to 2030.

Longer range projections, including those published by BP plc, anticipate a wide range of scenarios that project demand changes as the energy transition accelerates.

While some longer range oil demand projection scenarios show a rapid transition to a lower carbon economy and declines in demand for hydrocarbons, oil and gas is still anticipated to be a major part of the primary energy mix for at least the next 20 years.

US Market

US Capital Expenditure (2019 to 2023f)
($bn)
● Onshore ● Offshore **f** Forecast



Source: Spears and Associates.

The US drilling market continues to be dominated by onshore operations, which in turn are driven by the prevailing oil price.

Between Q1 and Q2, US onshore drilling spend declined 58% from $24.8bn to $10.3bn, which underlines the speed at which the industry responded to COVID-19 and the shutting of economies. US offshore drilling spend declined 40% from $1.0bn in Q1 2020 to $0.6bn in Q2.

Further declines in drilling investment for both onshore and offshore projects were recorded during Q3 2020.

In Q4 2020, as the global oil price stabilised, drilling expenditure started to increase from its low point, with a 20% increase in onshore drilling spend being recorded, to $7.8bn compared to $6.5bn during Q3 2020. US offshore expenditure was flat.

Overall, during 2020, the US onshore market has recorded a 56% decline in spending from $113.4bn to $49.4bn, a 10-year low in investment within the US onshore industry.

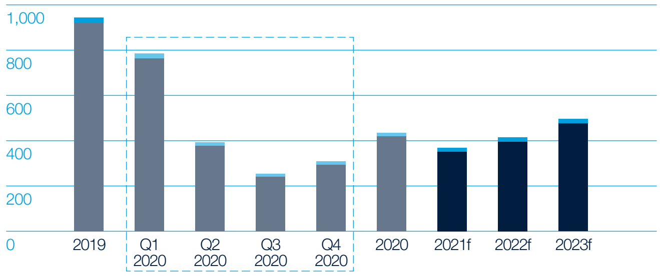
The US offshore market has recorded a 40% decline from $4.5bn to $2.7bn, again another decade low.

Outlook

The projections for industry spend for 2021 show quarterly increases in drilling spend throughout the year ahead, with overall drilling expenditure expected to be $40.2bn, when combining both offshore and onshore activity.

Past 2021, current projections are recording steady year-on-year improvements with US expenditure to reach $62.5bn by 2023.

Average US Rig Counts (2019 to 2023f)
Number
● Onshore ● Offshore **f** Forecast



Source: Baker Hughes/Spears and Associates.

The US rig count continues to provide a good bellwether for drilling activity. In line with drilling spending data, the speed of the decline in industry activity is seen in the reduction in the number of active rigs working throughout 2020.

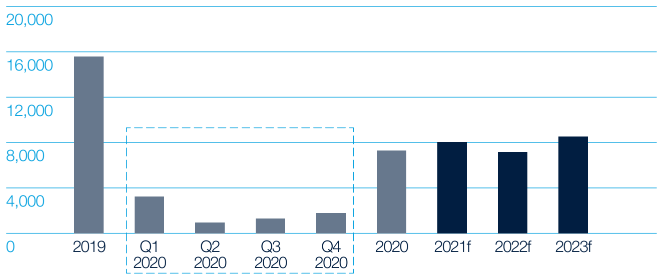
Between Q1 and Q2, the average onshore rig count declined 51% from 763 active units to 377 units. This is compared to a 2019 onshore average of 920 units. Offshore drilling rigs declined from 21 active units to 15 between Q1 and Q2 2020.

The low point for the US average onshore rig count was reached during Q3, with a 22% increase being recorded in Q4 2020 for onshore rigs to 294 units.

Overall, during 2020, the average US rig count declined 54% to 435 units compared to 943 in 2019.

The medium-term outlook projects a steady increase in activity through 2022 to 2023 to average c.500 units.

US Frac Jobs (2019 to 2023f)
Number
f Forecast



Source: Spears and Associates.

Onshore hydraulic fracturing operations also provide a useful metric for the Group, as Hunting Titan's business continues to be linked to these operations.

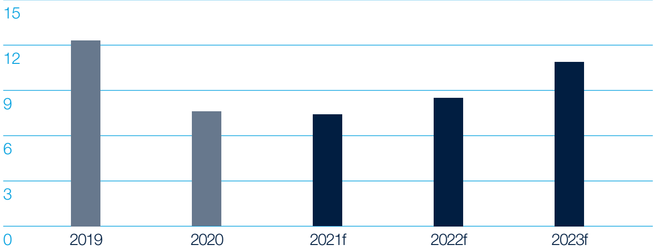
In 2020, the total number of "frac jobs" declined by 53% year-on-year. However it did reach a low point in Q2 2020 and recorded steady increases throughout the remainder of the year.

Market Review

continued

Canada Market

Canada Capital Expenditure (2019 to 2023f)
($bn)
f Forecast

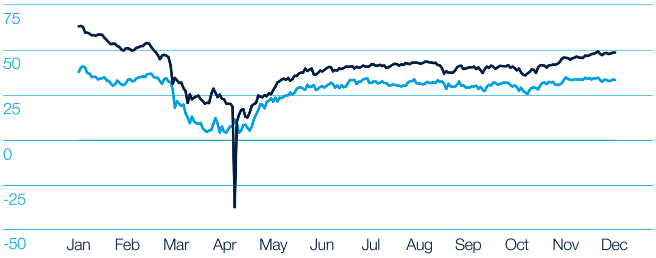


Source: Spears and Associates.

Drilling operations in Canada are driven by macro-economic drivers such as the oil price, seasonal drilling trends as well as government interventions, which have periodically impacted in-country hydrocarbon production. The majority of the country's operations are onshore.

During 2020, drilling expenditures declined 38% from $12.3bn in 2019 to $7.6bn as the impact of the COVID-19 pandemic was felt.

Western Canada Select vs WTI oil price
$ per barrel
● WTI Crude ● Western Canadian Select

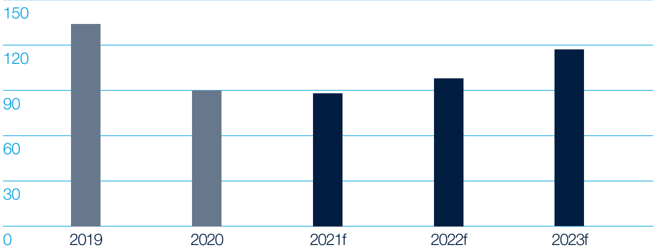


Source: FT.com.

The Canada drilling market is also driven by local oil pricing dynamics, including the pricing of Western Canada Select ("WCS") oil.

In the year, the average WCS oil price was $28 per barrel compared to the WTI average of $39 per barrel, underlining the challenges regularly faced by in-country operators.

Average Canada Rig Counts (2019 to 2023f)
Number
f Forecast



Source: Baker Hughes/Spears and Associates.

Similar to in-country drilling spend, the rig count in Canada declined from Q2 2020 as the impact of the COVID-19 pandemic was felt.

The average rig count in 2019 was 134 active units and this declined to an average of 90 units in 2020.

Outlook

2021 is likely to see a modest decline in activity compared to 2020; however, projected drilling investment and rig counts are only forecast to reduce by 2% to 3% in the year ahead. A steady increase in activity is then projected for 2022 and 2023.

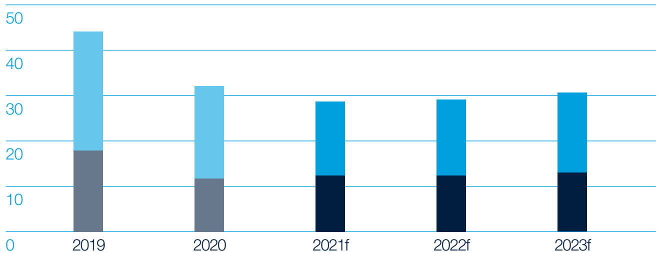
During the year, the Group's Canada business model was changed, with customer requirements now being delivered by local licensees, with additional support from Hunting's US facilities. The Group has established a new regional sales office to support clients. Further, Hunting will continue to operate distribution centres through Hunting Titan.

From 2021, the Group's Canada operating segment will be merged into Hunting's US operating segment.

Our business model in Canada has changed to a licence model, with some manufacturing being completed in the US.

EMEA Market

EMEA Capital Expenditure (2019 to 2023f)*
($bn)
● Europe ● Middle East **f** Forecast



Source: Spears and Associates.

Hunting's EMEA businesses are primarily driven by offshore drilling activity and spend in the UK Continental Shelf ("UKCS") region of the North Sea, followed by Middle East activity.

Hunting's EMEA and Asia Pacific businesses also support operators in Africa, although this is a small proportion of Group revenue.

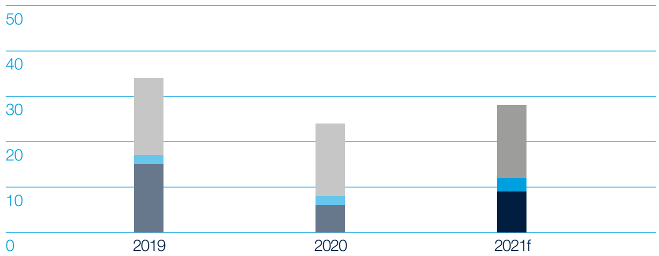
Drilling spend within the Europe region declined by 35% in 2020 to $11.7bn compared to $17.9bn in 2019. In the Middle East the year-on-year decline was 22% to $20.4bn.

During the year, the quarterly spend within the Europe region was c.$3.0bn leading to the total recorded, while in the Middle East quarterly drilling spend declined sequentially throughout the year as the lower global price of oil impacted onshore orientated projects.

Outlook

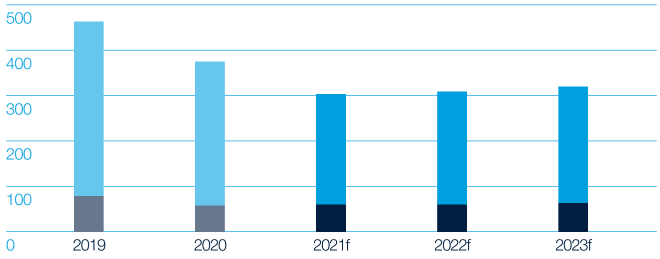
Looking ahead, 2021 drilling spend is projected to record an overall 11% decline across the Group's EMEA geographic regions. In Europe, projected growth in spend is forecast to be 6% as activity is anticipated to recover on the UKCS in 2021, being offset by a projected decline in the Middle East of 20%. From 2022 onwards, EMEA markets return to modest growth.

Average UKCS Rig Count (2019 to 2021f)
Number
● UK ● Netherlands ● Norway



Source: Spears and Associates.

Average EMEA Rig Counts (2019 to 2023f)*
Number
● Europe ● Middle East **f** Forecast



Source: Baker Hughes/Spears and Associates.

During 2020, the rig count in Europe declined by 27% as drilling activity was either delayed or cancelled due to the COVID-19 pandemic.

In the Middle East, the decline in the rig count was 17% year-on-year as Saudi Arabia limited its reductions in activity.

Outlook

Looking ahead to 2021, the Middle East is projecting a decline in the rig count of 23%, while the Europe region is projecting an increase of 3%.

Further increases in the rig count are currently projected in 2022 and 2023.

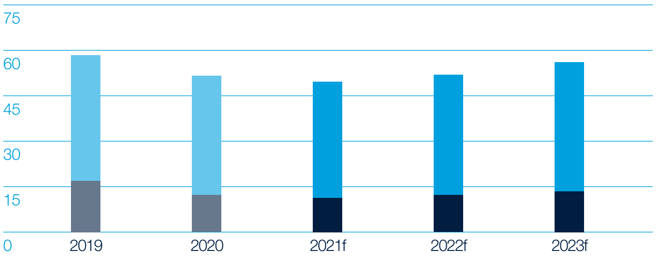
* Combining projections for Europe and the Middle East, as published by Spears and Associates.

Market Review

continued

Asia Pacific Market

Asia Pacific Capital Expenditure (2019 to 2023f) **
($bn)
● Asia Pacific ● China **f** Forecast



Source: Spears and Associates.

Drilling spend across Asia Pacific, including China, declined by 12% in 2020 to $51.6bn compared to $58.4bn in 2019. This reflects the impact of the COVID-19 pandemic.

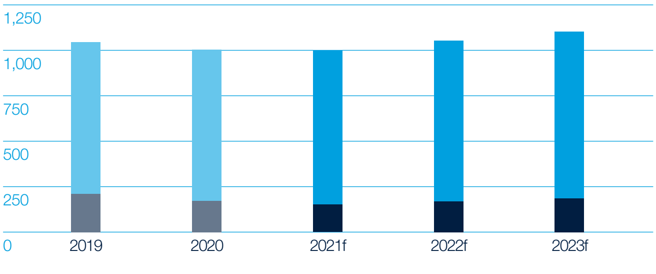
The decline in drilling spend in Asia Pacific totalled $4.7bn in the year, while the overall decline in China was $2.1bn. In general, the pace of reduction in activity was slower than in other regions.

Outlook

2021 is likely to see a further decline in drilling spend as the COVID-19 pandemic persists, with a further 4% decline being projected to $49.5bn. Asia Pacific is projected to reduce spend by 7%, while China is projecting a decline of 3%.

2022 and 2023 will see a return to growth for the whole region, with drilling spend projected to increase 5% and 8% respectively.

Average Asia Pacific Rig Counts (2019 to 2023f)**
Number
● Asia Pacific ● China **f** Forecast



Source: Baker Hughes/Spears and Associates.

Average rig counts across Asia Pacific and China declined by 4% from an average of 1,043 in 2019 to 1,003 in 2020.

In China, the rig count was broadly flat, recording an average of 832 active rigs throughout the year.

Outlook

2021 is likely to see an unchanged position compared to the 2020 average, with c.1,000 active rigs operating.

For 2022 and 2023 the average growth in the rig count is projected to be 5% per year.

** Combining projections for Asia Pacific and China, as published by Spears and Associates.

f Indicates the projections and estimates published by Spears and Associates. This data is updated quarterly.

Hunting face masks have been distributed throughout the Group and into local communities.

Group Review

"Management has had a clear strategy of retaining a strong cash position in recent years, which provided a resilient buffer against this market decline."

Jim Johnson
Chief Executive

Bruce Ferguson
Finance Director

Introduction

The COVID-19 pandemic led to global mobility being brought to a near standstill in early Q2 2020, with daily crude oil demand declining by c.30 million barrels of oil per day as over 180 countries introduced containment measures to slow the spread of the virus. Almost overnight onshore drilling operations in North America came to a near-halt in response to the drop in daily oil demand, which impacted the Group's Hunting Titan, Drilling Tools and Specialty businesses immediately. Following this, offshore and international drilling activity reduced throughout the balance of the year, which led to activity declining in our businesses outside of North America.

Market Summary

As detailed in the Market Review, the US onshore rig count declined from an average of 920 active units in 2019 to a low point of 241 units recorded in Q3 2020. The average US offshore rig count, for the year as a whole, was 16 units, or a year-on-year decline of 30%. While the low point in US onshore activity was reached around the middle of the year, US offshore and international drilling activity slowed from Q2 2020 which impacted our non-US businesses. The international rig count averaged 754 units in 2020 which was a year-on-year decline of 25%.

These key performance indicators underline the market shock seen in 2020, which adversely impacted Hunting's 2020 Full Year Results. The trading losses reported, coupled with the impairments recorded against the carrying values of our assets have been significant, however, management has had a clear strategy of retaining a strong cash position in recent years, which provided a resilient buffer against this market decline. Efforts to reduce working capital, specifically inventory, have been successful, which has supported good cash generation in the year leading to a closing total cash and bank position of $101.7m (2019 – $127.0m) (note 26).

As Hunting enters a new year, it does so with a leaner operating structure, poised to capitalise on any growth opportunities presented.

Results from Operations

The Group reports a 35% decrease in revenue to $626.0m (2019 – $960.0m) given the prevailing market conditions since the start of Q2 2020.

Revenue within the Hunting Titan segment declined 57% from $375.5m to $161.7m as onshore activity levels in the US and Canada slowed in Q2 2020. As the year progressed, the segment reported steadily improving revenue, leading to a broadly break-even trading result by the close of the year.

The US segment, which contains the Group's widest product offering, and which services both offshore and onshore drilling markets, recorded a 20% decline in segment revenue in the year. Offsetting the overall decline, our Subsea businesses have reported good year-on-year revenue growth, supported by our recent acquisitions, which includes Enpro Subsea that was acquired in February 2020.

In the year, management decided to close its manufacturing operations in Canada, given the historical losses reported and the long-term outlook for the region. While the Group still has a presence in Canada through Hunting Titan, our OCTG business interests will be managed from the US going forward, with local requirements being supported by a number of partners who have been provided with threading licenses for Hunting's proprietary connection technologies.

The Group's EMEA segment started the year with a broadly positive outlook. However, from Q2 2020 the speed of project deferrals and cancellations accelerated leading to losses being reported in the year.

The Group's Asia Pacific segment was the first area of the Group's operations to be impacted by the COVID-19 pandemic. The segment did, however, recover leading to an underlying profit in the year. As the year progressed, more project deferrals and cancellations were recorded, as continuing market uncertainty led to increased caution with client capital expenditures.

The impact of the market downturn and the revenue decline seen across most businesses led to a reduction in the Group's gross margin from 28% to 20%, largely due to reduced volumes leading to the under absorption of a proportion of costs, and some challenges on pricing. Underlying gross profit declined 53% from $266.4m in 2019 to $124.8m in 2020.

As a consequence of this performance, the Group reports an underlying loss from operations of $16.4m (2019 – $94.3m profit), despite c.$86.0m of annualised cost savings being realised in the year. The underlying operating margin decreased from 10% in 2019 to -3% in 2020.

Group Segment Summary

	2020			2019		
Business Unit	**Segment revenue $m**	**Underlying[i] result from operations $m**	**Reported[i] result from operations $m**	Segment revenue $m	Underlying[i] result from operations $m	Reported[i] result from operations $m
Hunting Titan	**161.7**	**(5.6)**	**(126.0)**	375.5	68.6	42.1
US	**292.2**	**(1.0)**	**(47.3)**	363.2	26.9	5.9
Canada	**20.0**	**(2.5)**	**(14.7)**	35.7	(4.3)	(4.3)
Europe, Middle East and Africa	**78.8**	**(12.0)**	**(33.9)**	123.0	(1.3)	(1.3)
Asia Pacific	**109.3**	**4.7**	**1.9**	146.3	4.4	4.4
Inter-segment elimination	**(36.0)**	**–**	**–**	(83.7)	–	–
Group segment total	**626.0**	**(16.4)**	**(220.0)**	960.0	94.3	46.8

i. Results for the year, as reported under IFRS, adjusted for amortisation of acquired intangible assets and exceptional items.

Group Review

continued

The declines recorded in the Group's core markets led to a detailed review of the carrying values of the Group's current and non-current assets. During the year, the Group recorded the following exceptional impairments to assets at the half and full year:

Exceptional Impairments	H1 2020 $m	H2 2020 $m	Full Year 2020 $m
Property, plant and equipment[1,2]	19.3	0.1	**19.4**
Right-of-use assets[2]	2.1	2.0	**4.1**
Goodwill[2]	79.8	–	**79.8**
Other intangible assets[2]	39.2	–	**39.2**
Inventories[1]	33.3	0.9	**34.2**
Receivables[2]	1.2	–	**1.2**
Total	174.9	3.0	**177.9**

Notes:
1. Charged to cost of sales.
2. Charged to operating expenses.

In the Group's 2020 Half Year Results, the Group recorded $174.9m of impairments to inventory, property, plant and equipment, goodwill, other intangible assets, right-of-use assets and receivables. The charges reflect a significant reduction to the medium-term trading outlook for most of the Group's businesses, driven by market projections published at the low point in global industry activity in Q2/Q3 2020.

Given the more stable trading environment seen in the second half of the year, albeit at significantly reduced levels from the start of 2020, a further $3.0m of net impairments were charged to inventory, property plant and equipment and right-of-use assets, the latter charge being the most significant, and reflects a further revision to the carrying value of the lease held in Calgary, Canada, given the decision to close down operations.

These impairment charges have been recorded as "middle-column" items. Amortisation of acquired intangible assets and other exceptional items recorded in the year are also summarised in the table below.

Amortisation and Other Exceptional Items	H1 2020 $m	H2 2020 $m	Full Year 2020 $m
Amortisation of acquired intangible assets	12.3	5.0	**17.3**
Impairments	174.9	3.0	**177.9**
Restructuring costs	3.4	6.9	**10.3**
Acquisition costs	1.2	0.2	**1.4**
Reversal of contingent consideration	(2.5)	–	**(2.5)**
Profit on disposal of Canadian assets	–	(0.8)	**(0.8)**
Total	189.3	14.3	**203.6**

The charges for the amortisation of acquired intangible assets and exceptional items recorded within the Group's 2020 Half Year Results totalled $189.3m. In H2 2020, the Group recorded further net impairment charges of $3.0m, restructuring costs of $6.9m, amortisation of acquired intangible assets of $5.0m and acquisition costs of $0.2m. These charges have been offset by the $0.8m profit on the disposal of assets held in Canada, and which relate to the winding down of operations in Calgary.

The total charge for amortisation of acquired intangible assets and exceptional items was therefore $203.6m in 2020.

In 2019, the charge in the year for the amortisation of intangible assets totalled $28.5m, and impairment charges totalled $19.0m, which was wholly related to the Group's US Drilling Tools business unit.

The reported loss from operations in 2020 was, therefore, $220.0m (2019 – $46.8m profit).

The net finance expense during the year was $3.0m (2019 – $1.2m), the increase predominantly due to foreign exchange movements, leading to an underlying loss before tax of $19.4m (2019 – $93.1m profit). After the "middle column" charges noted above, which totalled $203.6m (2019 – $47.5m), the reported loss before tax was $223.0m (2019 – $45.6m profit).

The Group's underlying effective tax rate ("ETR") for 2020 was 5% and the reported ETR was -7%, following the "middle-column" items charged, which included the reversal of the recognition of deferred tax assets held in the US. The 2019 underlying tax rate was 18%, while the reported tax rate was 9%. The Group's ETR is significantly different to that which might be expected from prevailing jurisdictional rates as it is impacted by a mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss making jurisdictions.

The underlying loss after tax was therefore $18.5m (2019 – $76.1m profit) and the reported loss after tax was $238.2m (2019 – $41.4m profit).

Underlying diluted loss per share in the year was 10.0 cents (2019 – 43.9 cents earnings per share). Reported diluted loss per share was 143.2 cents (2019 – 23.5 cents earnings per share).

Cash Flow

Summary Group Cash Flow	2020 $m	2019 $m
Underlying EBITDA (NGM A)	**26.1**	139.7
Add: share-based payments	**9.0**	9.1
	35.1	148.8
Working capital movements (NGM H)	**38.8**	7.6
Net tax paid	**(5.0)**	(7.7)
Proceeds from business and asset disposals	**3.9**	8.9
Gains on business and asset disposals	**(2.4)**	(5.8)
Lease payments	**(10.4)**	(10.6)
Restructuring costs	**(10.7)**	–
Other (NGM J)	**(1.5)**	(2.4)
Free cash flow (NGM K)	**47.8**	138.8
Capital investment (NGM I)	**(14.7)**	(36.0)
Intangible asset investments	**(4.3)**	(10.2)
Acquisition of business	**(34.2)**	(12.5)
Dividends paid to Hunting PLC shareholders and NCI	**(9.1)**	(16.6)
Net purchase of treasury shares	**(9.2)**	(4.7)
Share buyback	**(5.1)**	–
Share capital issued	**–**	0.6
Net cash flow	**(28.8)**	59.4
Foreign exchange	**3.5**	2.4
Movement in total cash and bank (note 26)	**(25.3)**	61.8

Hunting reported an underlying EBITDA of $26.1m (2019 – $139.7m) that, when adjusted for non-cash share-based payment charges, resulted in a cash inflow of $35.1m. This was substantially lower than the $148.8m generated in 2019 reflecting the significantly worse trading conditions described above. During the year, there was an inflow of working capital totalling $38.8m (2019 – $7.6m). In this weaker trading environment, receivables reduced by $67.5m despite an increase in receivable days to 92 days from 79 days at December 2019 (NGM E), as some customers extended terms and COVID-19 impacted collection activity. Inventory, after adjusting for increased provisions in the year, has impacted cash flow favourably by $30.2m. In the first half of the year, Hunting honoured material purchase commitments made prior to the downturn, but in the second half we were able to adjust to the lower activity levels and achieve good reductions. Inventory levels are still comparatively high with inventory days at 270 days (2019 – 214 days) (NGM D). These benefits were offset by the reduction in trade and other payables of $58.9m. Although there is an element of seasonality in the Group's operations, the overall impact of this on working capital and liquidity is not considered significant.

Net tax paid in the period was $5.0m, compared to $7.7m in 2019.

Proceeds from the disposal of assets and businesses totalled $3.9m (2019 – $8.9m). 2019 included the disposal of the Middle East Thru Tubing business, which totalled $2.4m, and also the sale of the Clear-Run technology for $2.3m.

During the year, $10.4m (2019 – $10.6m) was paid in relation to the Group's lease arrangements.

Restructuring costs paid totalled $10.7m in the year, reflecting the facility closures noted above and reductions in headcount.

As a result of the above, free cash flow recorded a net inflow of $47.8m (2019 – $138.8m).

Capital investment totalled $14.7m in the year (2019 – $36.0m), reflecting the curtailing of expenditure to conserve cash. Investments completed in the year were limited to committed projects and included Hunting Titan's detonating cord manufacturing facility at Milford, Texas and investments in property, plant and equipment principally in the US, in Asia Pacific and in the Middle East.

Intangible asset investment was $4.3m (2019 – $10.2m), with $2.3m relating to software development and the balance on research and development costs of new products and technology. During 2019, intangible asset spend largely related to technology and software development.

On 21 February 2020, the Group purchased Enpro Subsea Limited ("Enpro") for a cash consideration of $32.8m, excluding cash acquired of $5.5m. Acquisition costs paid in the year were $1.4m.

Dividends paid to Hunting PLC shareholders in the year totalled 5.0 cents per share (2019 – 10.0 cents), which absorbed $8.2m (2019 – $16.6m). A dividend of $0.9m (2019 – $nil) was also paid to non-controlling interests in the year. A 2020 Final Dividend totalling 4.0 cents per share has been proposed by the Board, which will be paid on 14 May 2021, subject to approval by shareholders at the Company's Annual General Meeting.

In 2020, the Company purchased 2.0m Ordinary shares through its corporate broker, for a total consideration of $5.1m as part of a share buyback programme. These Ordinary shares were subsequently cancelled, thus reducing the Company's issued share capital.

A further 2.7m Ordinary shares were purchased in the year as treasury shares through Hunting's Employee Benefit Trust for a total consideration of $9.4m. These shares will be used to satisfy future awards under the Group's share award programme.

Overall, in the year, the Group recorded a net cash outflow of $28.8m (2019 – $59.4m inflow).

As a consequence of the above cash flows and $3.5m (2019 – $2.4m) foreign exchange movements, total cash and bank (note 26) was $101.7m at the year-end (31 December 2019 – $127.0m).

Balance Sheet

Summary Group Balance Sheet	**2020 $m**	2019 $m
Property, plant and equipment	**307.1**	354.7
Right-of-use assets	**29.8**	36.7
Goodwill	**164.2**	230.2
Other intangible assets	**42.9**	78.5
Working capital (NGM C)	**358.3**	433.3
Taxation (current and deferred)	**6.0**	19.8
Provisions	**(8.9)**	(8.4)
Other net assets (NGM F)	**19.7**	1.1
Capital employed (NGM G)	**919.1**	1,145.9
Total cash and bank	**101.7**	127.0
Lease liabilities	**(40.3)**	(45.2)
Shareholder loan from NCI	**(3.9)**	(3.9)
Net cash (note 26)	**57.5**	77.9
Net assets	**976.6**	1,223.8
Equity shareholders' funds	**964.4**	1,207.9
Non-controlling interests	**12.2**	15.9
Total equity	**976.6**	1,223.8

Property, plant and equipment was $307.1m at 31 December 2020. Additions of $20.6m, which included assets purchased as part of the Enpro acquisition of $5.8m, were offset by depreciation of $32.1m, impairment charges of $19.4m, disposals of businesses $14.7m and other items of $2.0m. The majority of the impairment occurred in our UK Well Intervention and US Drilling Tools businesses, which were recorded within the Group's 2020 Half Year Results. On 15 December 2020, the Group announced the divestment of the business and assets of its US Drilling Tools business to Rival Downhole Tools LC, leading to a reduction of $14.7m to PPE.

Right-of-use assets totalled $29.8m at 31 December 2020 compared to $36.7m at 31 December 2019. The movement during the year included additions of $1.9m as new lease arrangements were entered into, a further addition of $0.3m as part of the Enpro acquisition, modifications of $1.4m and foreign exchange movements of $0.5m, offset by depreciation of $7.5m and net impairment of $3.5m, leading to an overall decline of $6.9m being recorded. The impairment and modification both largely relate to the proposed closure of the Group's Canada manufacturing facility.

Group Review
continued

Goodwill reduced by $66.0m to $164.2m at the balance sheet date compared to the 2019 year-end position of $230.2m. Additional goodwill of $13.4m was recognised following the acquisition of Enpro. As part of the accounts preparation at the half year, an asset impairment review was completed, with the carrying value of goodwill being written down by $79.8m, comprising $65.6m in respect of Hunting Titan and $14.2m in respect of other business units. A similar exercise was completed as part of the preparation of the 2020 year-end accounts, with no further impairments to goodwill being recorded. $114.9m of goodwill in respect of Hunting Titan remains following the impairment exercise.

Other intangible assets ("OIA") have reduced by $35.6m to $42.9m at 31 December 2020. The amortisation charge for intangible assets totalled $20.8m (2019 – $32.3m) and the impairment charge totalled $39.2m (2019 – $nil). The impairment charge recorded in the year mainly comprises the write-off of customer relationships related to the Hunting Titan acquisition, following declines in revenue and profitability, and some smaller impairments for internally developed technology across the Group's perforating, OCTG and well intervention production lines. The total reduction to OIA was offset by additions of $19.2m that were recognised following the acquisition of Enpro, $4.3m on internal development of new products and software systems and $0.9m foreign exchange movements.

Working capital (NGM C) reduced by $75.0m, with the balance at 31 December 2020 being $358.3m (2019 – $433.3m). Reflecting the more challenging market conditions, trade and other receivables declined by $65.3m, reducing working capital, despite a worsening of receivable days from 79 at December 2019 to 92 at the year-end (NGM E). Net inventory also reduced by $62.4m mainly due to impairments of $36.4m and stock being worked off generating cash inflows of $30.2m. Purchases of stock in the year were lower due to lower activity levels. Trade and other payables also reduced, with the balance falling by $52.7m to $68.0m, thereby increasing working capital.

Current and deferred taxation recorded a net asset of $6.0m compared to 2019, which recorded a $19.8m net asset. The reduction was mainly due to the de-recognition of US deferred tax assets of $21.5m.

Provisions increased to $8.9m (2019 – $8.4m) in the year. Other net assets increased by $18.6m to $19.7m (2019 – $1.1m) mainly due to the $17.4m associate investment in Rival.

As a result of the above changes, capital employed in the Group decreased by $226.8m to $919.1m. The underlying return on average capital employed was -2% in 2020 compared to 8% in 2019 (NGM N).

Net cash (note 26) at 31 December 2020 was $57.5m (2019 – $77.9m). Total cash and bank balances reduced by $25.3m, as described above, to $101.7m. Net cash includes $40.3m of lease liabilities, which have decreased by $4.9m during the year.

Total equity at 31 December 2020 was $976.6m, which, after non-controlling interests of $12.2m, resulted in equity shareholders' funds of $964.4m (2019 – $1,207.9m). This is a decrease of $243.5m over 31 December 2019 and reflects the reported loss for the year attributable to equity shareholders of $234.7m; dividends paid of $8.2m; the share buyback of $5.3m; and the net purchase of treasury shares of $9.2m being offset by a net $8.3m credit in relation to share awards and foreign exchange gains and other credits of $5.6m.

Financial Capital Management

Hunting ended 2020 with a robust balance sheet and a total cash and bank balance of $101.7m (2019 – $127.0m). There has been no material movement in the Group's liquidity position from the year-end to the date of signing these accounts.

While the Group maintained a healthy total cash and bank balance throughout the year, the Group retained its $160m multi-currency revolving credit facility, with the bank covenants and terms remaining unchanged. These terms, which exclude the impact of IFRS 16 adoption for covenant testing purposes, include:

- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of three times; and
- Consolidated EBITDA must also cover relevant finance charges by a minimum of four times.

There were no drawdowns on the revolving credit facility in the year.

For covenant testing purposes, the Group's definition of EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Similarly, net cash/debt and finance expenses are adjusted to accord with the definition within the facility agreement and accordingly exclude the lease liabilities recognised following the adoption of IFRS 16. EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December. At 31 December 2020, both these covenants were met.

The Group's $160m committed revolving credit facility has a maturity date of 2022. The facility includes an accordion feature that allows for the facility to be increased to $235m, subject to the approval of its lending group. The facility also includes a provision to extend the maturity date to 2023. The Group's funding position remains robust, with total borrowing facilities of $164.2m in place (2019 – $164.2m), of which $160.0m (2019 – $160.0m) is committed.

Further details of the facility, including the terms and conditions, are in note 30.

Capital employed is managed in order to ensure an appropriate level of financing is available for the Group's day-to-day operations. The balance of debt and equity is managed having due regard to the respective cost of funds and their availability.

The Group operates a centralised treasury function, with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency, interest rate exposures and cash management, together with the investment of surplus cash.

The Group operates in a number of geographic territories and results are generated in a number of different currencies. The US dollar is the most significant functional currency; however, where this is not the case, the Group is subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Individual entities are generally required to borrow from the central treasury function in their functional currency. The treasury function's strategy is to manage its own currency exposure by using foreign exchange swaps to convert US dollars into the different currencies required by the entities. Spot and forward foreign exchange contracts are also used to mitigate the exposure caused by purchases and sales in non-functional currencies. The Group's liquidity is monitored by the central treasury function on a daily basis and a variety of cash forecasts, looking at different time horizons, are prepared on a periodic basis. Management's judgement is that the level of headroom available under the Group's total credit facilities provides ongoing flexibility and continues to support the business as outlined in this Strategic Report. Further detail on financial risks is provided within note 30.

On behalf of the Board

Jim Johnson
Chief Executive

Bruce Ferguson
Finance Director

4 March 2021

Segmental Review

Hunting Titan

		2020	2019
Market Indicators*			
US onshore – average rig count	#	**419**	920
Canada – average rig count	#	**90**	134
Revenue			
Perforating guns and hardware	$m	**48.8**	116.6
Energetics	$m	**41.6**	102.2
Instruments	$m	**60.6**	140.4
Perforating Systems	$m	**151.0**	359.2
Other product lines	$m	**6.0**	12.0
External revenue	$m	**157.0**	371.2
Inter-segment revenue	$m	**4.7**	4.3
Segment revenue	$m	**161.7**	375.5
Profitability			
Reported operating (loss) profit	$m	**(126.0)**	42.1
Acquisition amortisation and exceptional items	$m	**120.4**	26.5
Underlying operating (loss) profit	$m	**(5.6)**	68.6
Underlying operating margin	%	**(3)**	18
Other Financial Measures			
Capital investment	$m	**3.9**	14.3
Property, plant and equipment	$m	**57.6**	60.4
Inventory	$m	**105.9**	123.2
Operational			
Headcount (year-end)	#	**380**	702
Headcount (average)	#	**481**	684
Operating sites	#	**4**	5
Service and distribution centres	#	**14**	17
Operational footage	Kft^2	**613**	696

* Source – Spears and Associates.

Introduction

Hunting Titan's business focuses predominantly on the US and Canadian onshore drilling and completion markets. The segment normally manufactures from five main operating sites, four in the US and one in Mexico. In the year, the operating site at Oklahoma City was mothballed, due to the downturn in the global oil and gas market, with orders being transferred to other sites.

Hunting Titan has a network of distribution centres throughout the US and Canada, from which the majority of the business' sales are derived. As the year progressed, a number of centres were closed to align with prevailing market conditions, caused by the COVID-19 pandemic.

In more stable market conditions, Hunting Titan utilises the global manufacturing footprint of the wider Group to assist in meeting customer demand. In the year, this practice was reduced as market conditions deteriorated.

Market Overview

As detailed in the Market Review, 2020 commenced with management anticipating a slowdown in the North American onshore drilling market.

As the impact of COVID-19 was felt across the Group's operations from Q2 2020 this decline in activity accelerated rapidly, leading to a significant slowing of onshore drilling operations. Average US onshore rig counts reduced from 920 in 2019 to a low point average of 241 active units in Q3 2020, reflecting the speed of contraction across the industry. The average rig count did, however, rise to 294 during Q4 as the market stabilised.

In Canada, the average rig count declined by 33% to 90 units from 134 units in 2019.

Drilling and completion expenditure also declined during the year as operators rapidly aligned with the lower oil price, with US onshore capital expenditures reducing 56% to $49.4bn, and Canadian drilling expenditure reducing 38% to $7.6bn.

These market conditions, which predominantly occurred from Q2 2020, led to a material decline in the performance of the business during the year. However, management noted that the US onshore market reached the low point around mid-year and subsequently recorded increases in activity levels through the balance of the year, as rig counts stabilised and the number of active frac units returned to growth.

Segment Performance

Segment revenue decreased 57% to $161.7m (2019 – $375.5m). Given this material decline, the business reports an underlying operating loss of $5.6m compared to an underlying profit of $68.6m in 2019.

During the year, Hunting Titan's international sales were $22.2m (2019 – $23.6m) reflecting a more resilient performance compared to the US market. This performance is due in part to the increase in customer interest in the Group's various product lines in the Middle East, Asia Pacific, and in particular, China.

As noted in the Chief Executive's Report and Group Review, as part of the preparation of the half year and year-end accounts a review of the carrying values of the current and non-current assets was completed in the year, leading to a "middle column" charge of $120.4m (2019 – $26.5m) being recorded, which includes the amortisation of acquired intangible assets. The reported loss from operations was therefore $126.0m (2019 – $42.1m profit).

Hunting Titan's revenue streams are divided into four sub-groups: (i) perforating guns and hardware; (ii) energetics; (iii) instruments; and (iv) other.

Perforating Guns and Hardware

Sales of perforating guns and hardware reduced in the year from $116.6m in 2019 to $48.8m, as the full impact of the coronavirus was felt across the US and Canada.

Prior to the pandemic, the business had reported a continuing increase in sales of the E-SUB™ Perforating System as customers continued to adopt the technology for onshore completions.

During the year, new variations of the E-SUB™, H-1® and H-2™ perforating systems were introduced to address customer requirements and evolving drilling practices.

The division has also continued to manufacture factory loaded perforating guns for clients. While sales dropped in Q2, the business has seen a good improvement in orders throughout the remainder of the year.

Energetics

Sales of energetics charges and associated products declined from $102.2m in 2019 to $41.6m as market conditions declined.

Sales of the EQUAfrac® shaped charge did, however, report good year-on-year growth in Q1 2020, prior to the onset of COVID-19.

PowerSet® power charges have also increased in customer acceptance during the year, leading to a year-on-year increase in sales.

Following the completion of the automated manufacturing cells in 2019, the manufacture of shaped charges has improved production efficiencies and improved competitiveness.

Instruments

Sales of Hunting Titan's instruments product lines declined in the year by 57%, from $140.4m in 2019 to $60.6m in 2020.

Following the successful launch of the T-Set® One setting tool to customers in 2019, Hunting has introduced a rental offering for this product line which was rolled out to clients from Q3 2020, with tools being located at Hunting's distribution centres in the US.

New Technology

During the year, the Group continued to introduce new technology to clients.

With the completion of the detonating cord manufacturing line at Milford, Texas, the Group launched this product line in Q3 2020. Hunting Titan can now manufacture up to c.3.0 million feet of cord annually, which can be utilised in the segment's perforating gun systems as well as being a standalone product for customers.

In Q2 2020, a V3.0 ControlFire® switch was launched for use in the segment's 'plug and play' systems. The switch allows customers to verify component connectivity within the system, which allows for higher reliability.

In addition, an E-Gun™ product was launched to customers in the year. The Efficiency Gun Recomplete System is a prewired conventional gun with E-SUB™ architecture designed specifically for recompletion perforating applications in unconventional wells, which also utilises Hunting's ControlFire® product lines.

A ControlFire® Exploded Foil Initiator Cartridge.

Manufacturing and Distribution

As noted above, Hunting Titan has aligned its manufacturing and distribution footprint with prevailing market conditions, leading to one manufacturing facility being mothballed and three distribution centres being closed.

At the year-end, the business operated from four operating sites and 14 distribution centres, located in Canada, Indonesia and the US.

Other Financial and Operational Information

During the year, Hunting Titan recorded capital investment of $3.9m (2019 – $14.3m) mainly relating to the completion of the detonating cord manufacturing facility.

During H1 2020, inventory levels increased in the business, as materials delivery orders were honoured, even though activity levels declined rapidly in Q2. Over the year, inventory decreased by $17.3m to $105.9m, with $7.1m of the reduction relating to the exceptional impairment.

Given the decline in market conditions, and in line with similar initiatives across the Group, the headcount decreased by 46% to 380 at the year-end.

Segmental Review

continued

US

		2020	2019
Market Indicators*			
US onshore – average rig count	#	**419**	920
US offshore – average rig count	#	**16**	23
US E&P spend	$bn	**52.1**	117.8
Revenue			
OCTG & Premium Connections	$m	**97.2**	125.9
Advanced Manufacturing	$m	**71.7**	99.2
Subsea	$m	**69.8**	43.6
Drilling Tools	$m	**8.9**	21.8
Intervention Tools	$m	**6.1**	11.5
Other product lines	$m	**15.0**	16.7
External revenue	$m	**268.7**	318.7
Inter-segment revenue	$m	**23.5**	44.5
Segment revenue	$m	**292.2**	363.2
Profitability			
Reported operating (loss) profit	$m	**(47.3)**	5.9
Acquisition amortisation and exceptional items	$m	**46.3**	21.0
Underlying operating (loss) profit	$m	**(1.0)**	26.9
Underlying operating margin	%	**0**	7
Other Financial Measures			
Capital investment	$m	**8.5**	19.3
Property, plant and equipment	$m	**209.9**	241.5
Inventory	$m	**100.2**	127.4
Operational			
Headcount (year-end)	#	**849**	1,310
Headcount (average)	#	**1,067**	1,262
Operating sites	#	**15**	16
Service and distribution centres	#	**1**	1
Operating footage	Kft^2	**1,386**	1,434

* Source – Spears and Associates.

Introduction

Hunting's US operations are the most diverse in the Group, generating revenues from all the Group's product lines and various industries including oil and gas, aerospace, power generation, telecommunications and medical.

The main area of focus for most businesses in the segment is the domestic US market, which accounts for c.76% of external revenues, with the Well Intervention, Subsea and Advanced Manufacturing businesses more internationally focused. In addition, the US segment manufactures components on behalf of Hunting Titan when required.

In February 2020, Hunting completed the acquisition of Enpro Subsea Limited, which is a UK-based business. Enpro now forms part of the US operating segment's enlarged Subsea group.

In December 2020, Hunting announced the divestment of its Drilling Tools operating assets to Rival Downhole Tools LC ("Rival"), in exchange for a 23.5% equity interest in the expanded Rival business. The transaction allows Hunting to retain market share in the important US onshore drilling market, but enables the Group to re-allocate capital to higher growth opportunities.

Market Overview

As noted previously, the average US onshore rig count declined from 920 active units to 419 units in the year. Onshore drilling spend declined from $113.4bn in 2019 to $49.4bn in 2020, due to the global market downturn.

The US offshore rig count declined from an average of 23 active units to 16 units in the year, with offshore drilling spend declining from $4.5bn in 2019 to $2.7bn in 2020.

Segment Performance

Segment revenue decreased 20% from $363.2m in 2019 to $292.2m in 2020 as the impact of COVID-19 was felt from Q2 2020.

With the exception of the Subsea group, all business units reported a year-on-year decline in revenue, although the segment's non-oil and gas revenue was less impacted and only recorded a small reduction in sales compared to the prior year.

The segment's Subsea group recorded a year-on-year revenue increase of 60% from $43.6m to $69.8m, supported by the acquisition of Enpro and a number of strong order wins within the Subsea Spring business, formerly RTI Energy Systems, which was acquired in August 2019. This was coupled with good momentum early in the year within the Subsea Stafford business.

Underlying operating loss for the segment was $1.0m compared to a profit of $26.9m in 2019. Following the charges for the amortisation of acquired intangible assets and exceptional items, which totalled $46.3m in the year (2019 – $21.0m), the segment recorded a reported loss from operations of $47.3m (2019 – $5.9m profit).

OCTG, Premium Connections and Accessories

The Group's OCTG, Premium Connections and Accessories businesses were adversely affected as the impact of COVID-19 led to declines in both onshore and offshore drilling completion activity.

During 2020, the Group reported growing interest in its onshore focused TEC-LOCK™ semi-premium connection, leading to new customers adopting the technology during the year.

The Group's SEAL-LOCK™ and WEDGE-LOCK™ premium connections, for use in the deep water segment of the Gulf of Mexico, reported only modest reductions in demand in the year, as certain clients continued their drilling programmes.

The Group's accessories manufacturing business responded to the market decline in activity by commencing the closure of the Ramsey Road operating site in the year and relocating production to other facilities.

Pipe sales also declined significantly as a result of market conditions, leading to a restructuring of the business in Q4 2020.

Advanced Manufacturing

Hunting's Advanced Manufacturing group comprises the Dearborn, Electronics and Specialty business units.

In the year, the Dearborn and Electronics businesses were adversely impacted by the downturn in the global oil and gas market, which included lower inter-company sales at Electronics to Hunting Titan for switch components.

The Electronics business has, however, pursued a strategy of offering full turnkey assemblies to its clients, which is seeing interest within the Group's traditional oil and gas customer base.

Further, the Electronics business successfully secured the ISO13485 medical certification early in the year and has further developed sales into the medical devices sector. The business also received the AS9100 aerospace certification allowing it to pursue sales into this sector.

The Dearborn business also reports positive momentum in developing new sales opportunities outside of its traditional markets, and in the year continued to grow aviation-related sales and space revenue, including clients such as SpaceX and Blue Origin.

The Specialty business tracks US onshore activity and therefore saw a significant reduction in activity as the rig count and drilling spend declined in the year.

Subsea

The segment's Subsea group saw a strong year-on-year increase in revenue as the business benefited from good momentum early in the year from ongoing US domestic and international offshore projects.

The Stafford business has reported strong interest in its hydraulic valves and couplings for clients in Asia Pacific, the Middle East, South America and the US.

The Subsea Spring business has won a number of significant orders for its titanium stress joints and associated products with clients including Chevron.

Following the acquisition of Enpro, the business has won new orders in Egypt and West Africa.

Drilling Tools

In line with the decline in onshore activity during the year, revenue within the Drilling Tools business reduced significantly compared to the prior year.

As noted above, the business and assets of the Drilling Tools unit were divested to Rival Downhole Tools LC, which completed on 15 December 2020. Hunting now holds a 23.5% equity interest in Rival.

Intervention Tools

Well intervention tools sales were impacted by the market downturn across the year as capital intensive budgets were curtailed.

Trenchless

The Trenchless business reported reduced revenue in the year, as the global energy industry contracted, however, this decline was partially offset by revenue generated from the roll out of 5G fibre networks in the US.

A Subsea Chemical Injection Metering Valve.

Other Financial and Operational Information

During the year, the US recorded capital investment of $8.5m (2019 – $19.3m), primarily due to critical replacement needs.

Inventory decreased to $100.2m, partly through the $15.2m of exceptional impairment charged, but also through efforts to reduce stock and generate cash were increased.

The year-end headcount decreased to 849 (2019 – 1,310), as cost reduction measures were implemented within most business units and as a result of the separation of the Drilling Tools employees that transitioned to Rival.

Segmental Review
continued

Canada

		2020	2019
Market Indicators*			
Canada – average rig count	#	**90**	134
Canada E&P spend	$bn	**7.6**	12.3
Revenue			
OCTG & Premium Connections	$m	**14.9**	27.1
External revenue	$m	**14.9**	27.1
Inter-segment revenue	$m	**5.1**	8.6
Segment revenue	$m	**20.0**	35.7
Profitability			
Reported operating loss	$m	**(14.7)**	(4.3)
Acquisition amortisation and exceptional items	$m	**12.2**	–
Underlying operating loss	$m	**(2.5)**	(4.3)
Underlying operating margin	%	**(13)**	(12)
Other Financial Measures			
Capital investment	$m	**0.1**	1.0
Property, plant and equipment	$m	**1.7**	2.8
Inventory	$m	**4.8**	14.3
Operational			
Headcount (year-end)	#	**31**	120
Headcount (average)	#	**83**	127
Operating sites	#	**0**	1
Service and distribution centres	#	**1**	1
Operating footage	Kft²	**17**	113

* Source – Spears and Associates.

Introduction
The Group's Canadian business has historically comprised an OCTG threading and accessories manufacturing facility in Calgary, Alberta, and a service facility in Nisku, Alberta.

In August 2020, it was announced that the Calgary facility was to close, with OCTG and Premium Connection manufacturing in the country to be completed by a number of partners under licence. Operations ceased in Calgary in December. Going forward other customer manufacturing requirements will be completed by the Group's US operating segment.

Hunting has therefore retained a sales and administration presence in Calgary to enable customer engagement and enquiries to be handled.

From 1 January 2021, continuing business activities were incorporated into the US operating segment.

Market Overview
The Canadian oil and gas market saw a contraction during 2020, as the COVID-19 pandemic accelerated, leading to a 33% decline in the average rig count and a 38% decline in drilling expenditure from $12.3bn to $7.6bn.

Segment Performance
As a consequence of the Canadian market environment and the announcement to close the Calgary operating site, segment revenue declined 44% from $35.7m in 2019 to $20.0m in 2020, leading to an underlying operating loss of $2.5m compared to $4.3m in 2019.

Following the charges for amortisation of acquired intangible assets and exceptional items, which totalled $12.2m (2019 – $nil), the reported operating loss was $14.7m compared to a loss of $4.3m in 2019.

Other Operational Information
Further, the year-end headcount declined in the year to 31 from 120 in 2019 as operations were wound down.

EMEA
(Europe, Middle East and Africa)

		2020	2019
Market Indicators*			
North Sea – average rig count	#	**22**	33
North Sea – spend	$bn	**10.2**	15.5
Total Europe – well count	#	**583**	787
Middle East – spend	$bn	**20.4**	26.2
Revenue			
OCTG & Premium Connections	$m	**42.2**	72.6
Intervention Tools	$m	**24.4**	30.8
Perforating Systems	$m	**3.5**	3.4
Other product lines	$m	**8.0**	9.0
External revenue	$m	**78.1**	115.8
Inter-segment revenue	$m	**0.7**	7.2
Segment revenue	$m	**78.8**	123.0
Profitability			
Reported operating loss	$m	**(33.9)**	(1.3)
Acquisition amortisation and exceptional items	$m	**21.9**	–
Underlying operating loss	$m	**(12.0)**	(1.3)
Underlying operating margin	%	**(15)**	(1)
Other Financial Measures			
Capital investment	$m	**1.0**	0.6
Property, plant and equipment	$m	**11.6**	21.8
Inventory	$m	**59.7**	57.9
Operational			
Headcount (year-end)	#	**229**	299
Headcount (average)	#	**279**	292
Operating sites	#	**8**	10
Operating footage	Kft²	**236**	264

* Source – Spears and Associates.

Introduction
Hunting's European operations comprise businesses in the UK, Netherlands and Norway. These operations provide OCTG (including threading, pipe storage and accessories manufacturing) and well intervention products in the UK; OCTG and well testing equipment manufacture in the Netherlands; and well intervention services and distribution in Norway. Hunting's Middle East manufacturing operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group's operations in Saudi Arabia are through a 65% joint venture arrangement with Saja Energy. During the year, the Group closed its sales presence in South Africa.

Market Overview
The Group's EMEA markets declined in 2020, in line with the global downturn due to COVID-19. During 2020, the UK portion of the North Sea reported a decrease in activity levels as market conditions deteriorated, with the average rig count reducing from 15 units in 2019 to average six units in the reporting period. Across the European region, the average rig count declined from 79 to 58 units, although in Norway the rig count remained materially unchanged. Drilling spend across the region declined from $17.9bn in 2019 to $11.7bn in 2020.

In the Middle East drilling spend also decreased from $26.2bn in 2019 to $20.4bn in 2020, with the average rig count reducing from 384 to 317 units.

Segment Performance
The EMEA operating segment reported segment revenue of $78.8m in the year compared to $123.0m in the prior year, as activity levels declined leading to an underlying operating loss of $12.0m compared to a loss of $1.3m in 2019. Following the charges for the amortisation of acquired intangible assets and exceptional items, which totalled $21.9m (2019 – $nil), the reported operating loss was $33.9m compared to a loss of $1.3m in 2019.

OCTG
Prior to the full impact of COVID-19 being felt, the Group's North Sea OCTG business reported stable activity, a good order book and positive demand forecasts from customers. From April 2020, clients began to defer and cancel drilling operations, leading to a significant decline in order flow. While the impact of this was felt, particularly in H2 2020, management believes that drilling activity will recommence in 2021, reflected in the market outlook for the North Sea. In Saudi Arabia, business momentum increased in the year, with new orders being completed, leading to an additional facility being opened to support customer demand.

During the year, the business has started to develop a new market in the geothermal drilling arena. This market is similar to the oil and gas market, requiring tubulars and pipe connections, therefore the Group is well placed to service these projects. In the year, the business won its first order for a geothermal development in the UK.

Well Intervention and Well Testing
The segment's well intervention business also started the year strongly, with orders completed in Qatar and the North Sea, but as the year progressed, project deferrals across most regions led to a weak H2 2020.

In Norway, the Group reported a strong increase in revenue as Hunting's presence in the country continued to grow, leading to higher demand for intervention and perforating products.

Hunting's well testing business, which is reported under other product lines, operates from the Netherlands, and reported stable revenue throughout 2020, with the year starting strongly, offset by a decline in momentum in H2.

TEK-HUB™
The Group's TEK-HUB™ initiative has made progress in 2020 with new technologies being evaluated and developed. In the year, the Organic Oil Recovery technology, for which Hunting has an exclusive marketing rights in 27 countries, has been trialled by a number of international companies to increase production of end-of-life fields, leading to positive results being recorded. While COVID-19 led to a number of field trials being deferred, a pilot test was completed on the Scott field in the North Sea in the year, leading to a material uplift in production. The technology is now seeing interest in Bahrain, Kazakhstan, Saudi Arabia and the UK, with laboratory and field trials likely to accelerate significantly in 2021. To support this initiative a sales office has been established in the Middle East to support enquiries.

Other Financial and Operational Information
During the year, there was limited investment in property, plant and equipment, which totalled $1.0m. Inventory remained fairly static, increasing by $1.8m in the year to $59.7m. To reduce costs, the segment's headcount was reduced by 23% to 229 by the year-end and two small operating sites were closed.

Segmental Review
continued

Asia Pacific

		2020	2019
Market Indicators*			
Far East – average rig count	#	**171**	211
Far East – spend	$bn	**12.2**	16.9
Middle East – spend	$bn	**20.4**	26.2
Revenue			
OCTG & Premium Connections	$m	**107.2**	126.8
Other product lines	$m	**0.1**	0.4
External revenue	$m	**107.3**	127.2
Inter-segment revenue	$m	**2.0**	19.1
Segment revenue	$m	**109.3**	146.3
Profitability			
Reported operating profit	$m	**1.9**	4.4
Acquisition amortisation and exceptional items	$m	**2.8**	–
Underlying operating profit	$m	**4.7**	4.4
Underlying operating margin	%	**4**	3
Other Financial Measures			
Capital investment	$m	**1.0**	0.7
Property, plant and equipment	$m	**7.9**	9.6
Inventory	$m	**22.1**	33.0
Operational			
Headcount (year-end)	#	**364**	453
Headcount (average)	#	**426**	443
Operating sites	#	**4**	4
Operating footage	Kft^2	**545**	533

* Source – Spears and Associates.

Introduction
Hunting's Asia Pacific business covers four operating facilities across China, Indonesia and Singapore. In China, the Group operates from a facility in Wuxi, which has OCTG threading and perforating gun manufacturing capabilities. In Indonesia and Singapore, Hunting manufactures OCTG premium connections and accessories.

The COVID-19 pandemic impacted the Group's Asia Pacific operations in Q1 2020, leading to the Wuxi operating site closing for a few days early in the year. Local government regulations were implemented as the pandemic accelerated, leading to a number of facilities being limited to c.25% attendance of the workforce.

Despite these measures, the Group's Asia Pacific operating segment maintained profitability in the year, as activity levels were sustained from Q2 onwards.

As noted in the Chief Executive's Report, the segment also purchased a machine to enable face mask production for distribution throughout Hunting's global businesses and into local communities.

Market Overview
Across the Asia Pacific Region the average rig count declined by 19% from 211 active units to 171 units as the impact of COVID-19 accelerated. Drilling spend declined 28% from $16.9bn to $12.2bn.

In China, the average rig count was flat at 832 active units, while drilling spend declined 5% from $41.5bn to $39.4bn.

As noted previously, in the Middle East drilling spend decreased from $26.2bn in 2019 to $20.4bn in 2020, with the average rig count reducing from 384 to 317 units.

Segment Performance
Segment revenue in the year decreased by 25% to $109.3m, compared to $146.3m in the prior year. However, due to a number of the countries in the region recovering quickly from the impact of government lockdown measures, including Australia, China, Malaysia, New Zealand, Thailand and Vietnam, orders continued to be completed, leading to an underlying operating profit of $4.7m being recorded compared to $4.4m in 2019.

Due to the slowing Middle East market for OCTG and the US onshore market for perforating guns, inter-segment sales reduced 90% from $19.1m in 2019 to $2.0m in 2020.

Following the charges for the amortisation of acquired intangible assets and exceptional items, which totalled $2.8m (2019 – $nil), the reported operating profit was $1.9m compared to $4.4m in 2019.

OCTG
During Q1 2020 operators cancelled or deferred tenders for OCTG supply and Premium Connections, as the impact of COVID-19 took hold across Asia Pacific and the Middle East. However, as Q2 progressed, clients began to reinstate drilling programmes, leading to an increase in orders for customers in Australia, India, Malaysia and Thailand.

Hunting's access to the Indian oil and gas market has been greatly enhanced following the strategic alliance agreed with JindalSAW in 2019, which provides the in-country content requirements for many tenders. In the year, the Group assisted with a number of orders for operators in India, including ONGC and Reliance, supplying OCTG and other accessories including Hunting's proprietary APRS product line.

The Asia Pacific segment also completed work for clients across the Middle East.

New Technology
The Asia Pacific segment has continued to assist in the development of a micro-power generation system. Prototypes have been tested in Italy and the US during the year, although progress was hampered by COVID-19 leading to delays in the testing of the product prototype. Further trials are anticipated in 2021.

Other Financial and Operational Information
Inventory decreased by $10.9m during the year to $22.1m, with $2.6m related to exceptional impairment charges and the remainder reflecting lower activity levels.

Additions to property, plant and equipment in the year were $1.0m.

The headcount reduced from 453 to 364 in the year, as cost reduction measures were implemented.