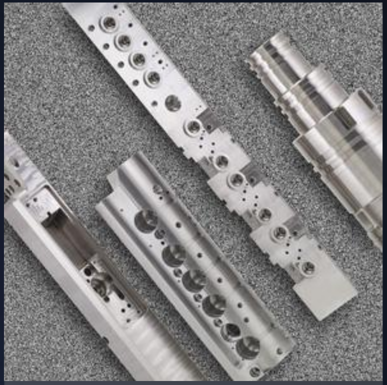
Hunting PLC Annual Report 2012







Highlights

- **Record Performance***
  - EBITDA £154.3m (2011 - £102.5m) +51%
  - Improved EBITDA margin 19% (2011 - 17%)
  - Profit from operations £128.8m (2011 - £81.0m) +59%
  - Diluted EPS 57.5p (2011 - 38.7p) +49%
- **Continuing internal investment programmes throughout the Group**
  - 2012 capital expenditure £61.6m (2011 - £58.0m)
  - Expansion of Dearborn and Stafford facilities
  - New Houma facility completed Q4 2012
- **Disposal of Field Aviation in April 2012**
- **Final dividend increased to 14.0p (2011 – 11.0p) +27%**

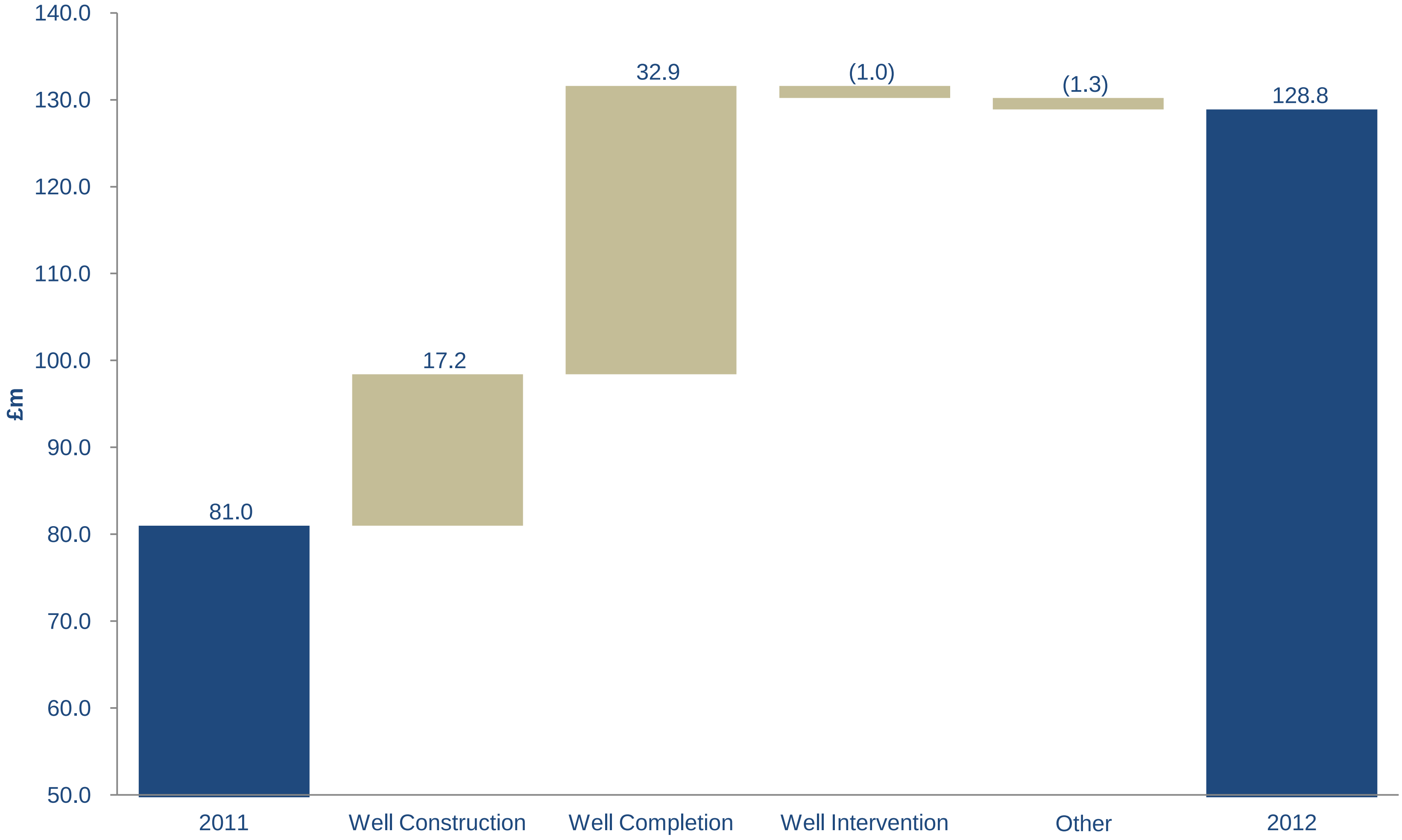
* Results are based on continuing operations before amortisation and exceptional items

2012 Results Summary*

	2012 £m	***Margin %***	2011 £m	*Margin %*	***Change %***
Revenue	**825.8**		608.8		***+36***
EBITDA	**154.3**	***19***	102.5	*17*	***+51***
Profit from operations	**128.8**	***16***	81.0	*13*	***+59***
Finance expense	**(6.2)**		(2.2)		
Profit before tax	**123.6**	***15***	79.8	*13*	***+55***
Effective tax rate	**28%**		28%		
Diluted EPS	**57.5p**		38.7p		***+49***
Dividend per share declared	**18.5p**		15.0p		***+23***

* Results are based on continuing operations before amortisation and exceptional items

Underlying profit from operations – 2011 to 2012



Segmental Results*

	2012			2011		
	Revenue	**Profit from Operations**	***Margin***	Revenue	Profit from Operations	*Margin*
	£m	**£m**	***%***	£m	£m	*%*
Hunting Energy Services						
Well Construction	**279.3**	**45.7**	***16***	194.5	28.5	*15*
Well Completion	**457.4**	**74.1**	***16***	327.2	41.2	*13*
Well Intervention	**56.7**	**6.9**	***12***	52.9	7.9	*15*
	793.4	**126.7**	***16***	574.6	77.6	*14*
Other Activities						
Exploration & Production	**4.9**	**0.5**	***10***	8.2	1.7	*21*
Gibson Shipbrokers	**27.5**	**1.6**	***6***	26.0	1.7	*7*
	825.8	**128.8**	***16***	608.8	81.0	*13*

* Results are based on continuing operations before amortisation and exceptional items

Amortisation & Exceptional Items – Continuing Operations

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	2012 £m
Amortisation of intangible assets	28.1
Inventory fair value charge	7.6
Retention bonuses on acquired businesses	1.1
Oil & Gas reserve impairment	5.2
Dry hole costs	2.0
Release of contingent consideration	(1.1)
Continuing operations	42.9

Exceptional Items - Discontinued Operations

	2012 £m
Resolution of Gibson Energy legacy tax dispute	56.9
Gain on disposal of Field Aviation	1.2
	58.1
Tax credits	11.1
Discontinued Operations	69.2

Balance Sheet

	2012 £m	2011 £m
Property, plant and equipment	**248.5**	231.2
Goodwill	**304.5**	317.9
Other intangible assets	**185.2**	220.8
Working capital	**271.8**	261.2
Provisions	**(29.6)**	(60.5)
Taxation (current and deferred)	**(22.8)**	(33.7)
Other	**20.0**	13.5
Net debt	**(163.8)**	(218.4)
Net assets	**813.8**	732.0
Gearing	**20%**	30%

Capital Expenditure – by Segment

	2012 £m	2011 £m
Hunting Energy Services		
Well Construction	**24.1**	30.0
Well Completion	**10.3**	19.6
Well Intervention	**21.5**	5.9
	55.9	55.5
Exploration & Production	**5.5**	2.3
Others	**0.2**	0.2
	61.6	58.0
Split:		
Replacement	**27.0**	12.8
New Business	**34.6**	45.2
	61.6	58.0

Capital Expenditure – by Project

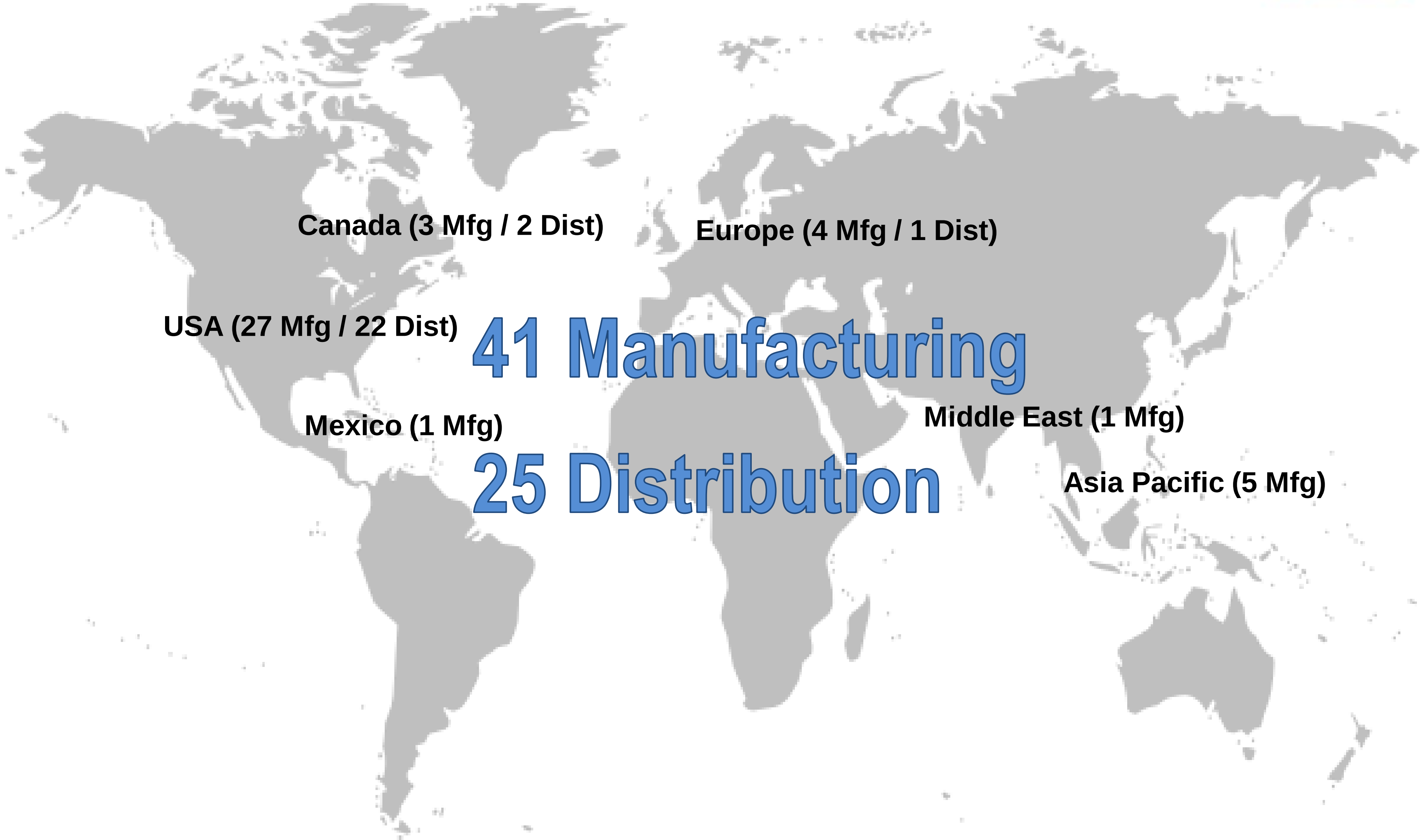
	2012 £m
Hunting Energy Services	
New drill tools and other rental equipment	17.0
New Houma facility – US	9.2
Stafford expansion – US	6.5
Other Facility improvements	3.7
Asia Pacific machinery and equipment	3.7
North American machinery and equipment	9.0
Other equipment	6.8
Exploration and Production	5.5
Other	0.2
	61.6

Cash Flow

	2012 £m	2011 £m
EBITDA	**154.3**	102.5
Working capital	**(18.6)**	(33.2)
Interest and tax	**(20.3)**	(23.1)
Replacement capital expenditure	**(27.0)**	(12.8)
Other	**(1.9)**	5.5
Free cash flow	**86.5**	38.9
Expansion capital expenditure	**(34.6)**	(45.2)
Equity placing	**-**	83.5
Dividends paid	**(24.1)**	(18.0)
Purchase of subsidiaries and costs	**(2.2)**	(581.1)
Gibson Energy	**17.2**	85.3
Other including foreign exchange	**11.8**	6.0
Net cash inflow (outflow) in the year	**54.6**	(430.6)

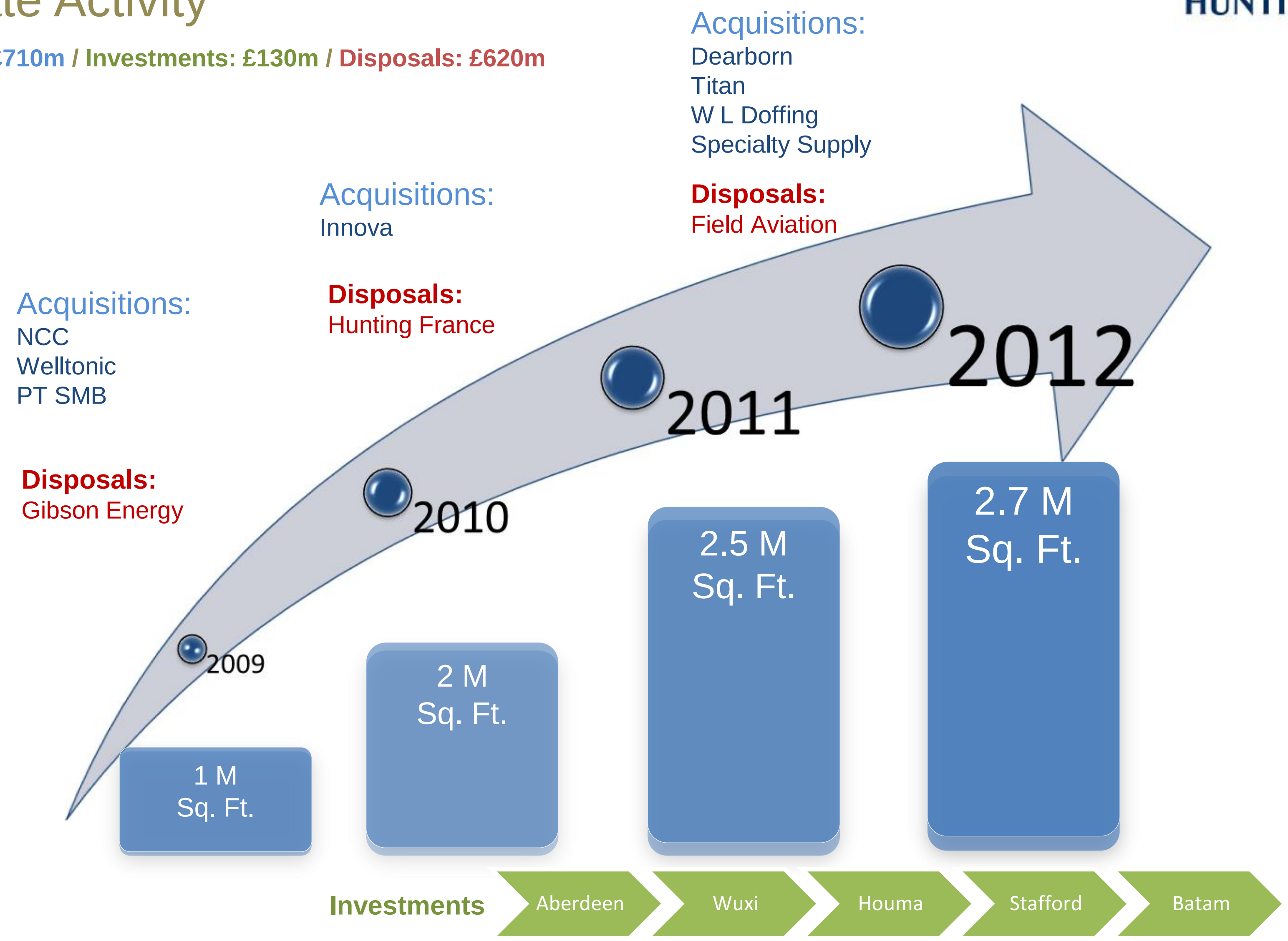
Well Integration

Global Footprint



Corporate Activity

Acquisitions: £710m / Investments: £130m / Disposals: £620m



Hunting Strategy

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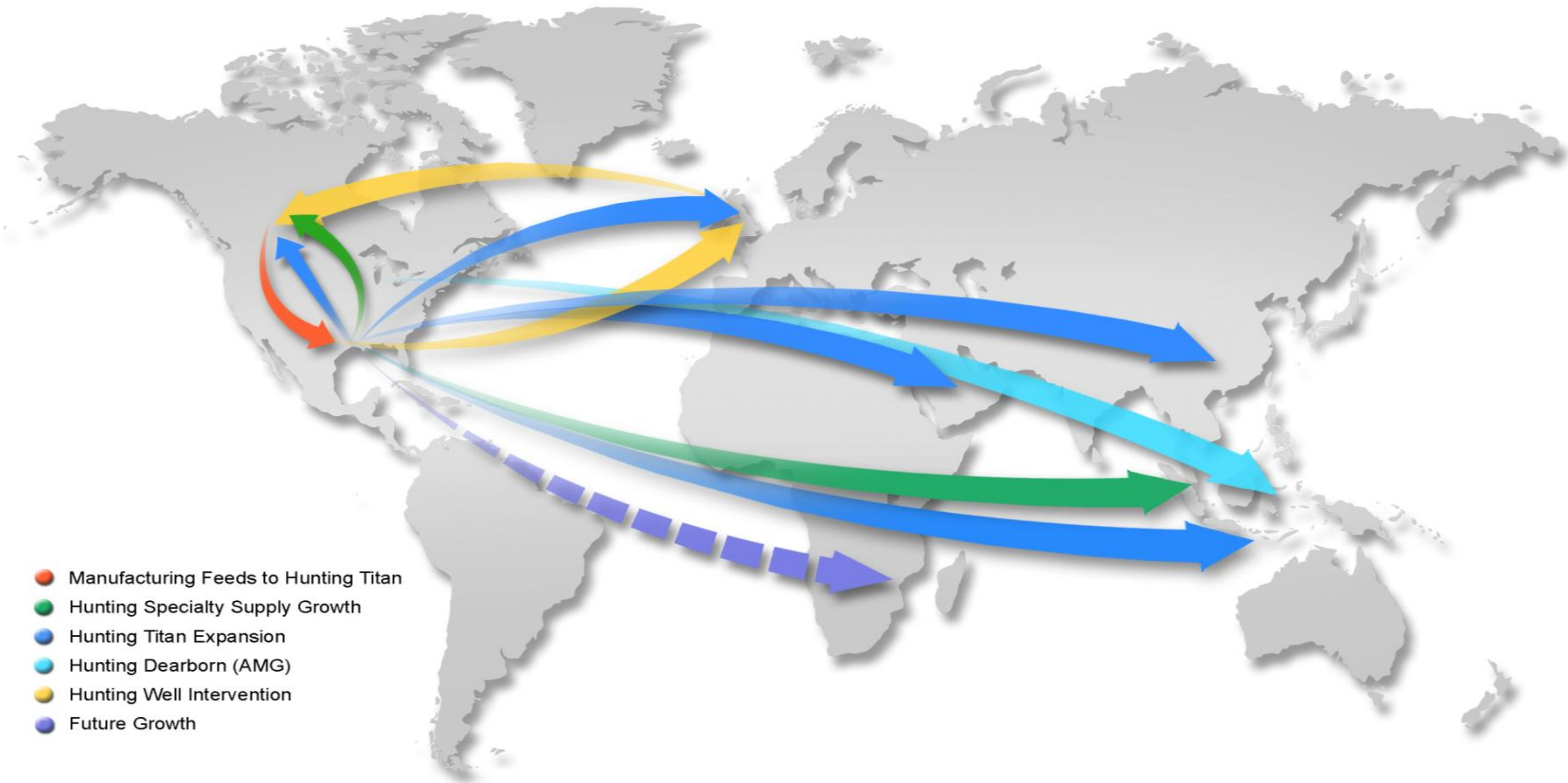
Proprietary products, delivering technology and innovation	Market share strength	Expanding our global footprint	Capturing portfolio focus
Integrate new business	Technology and R&D	Product offering footprint	Products and geographies

Pricing leverage

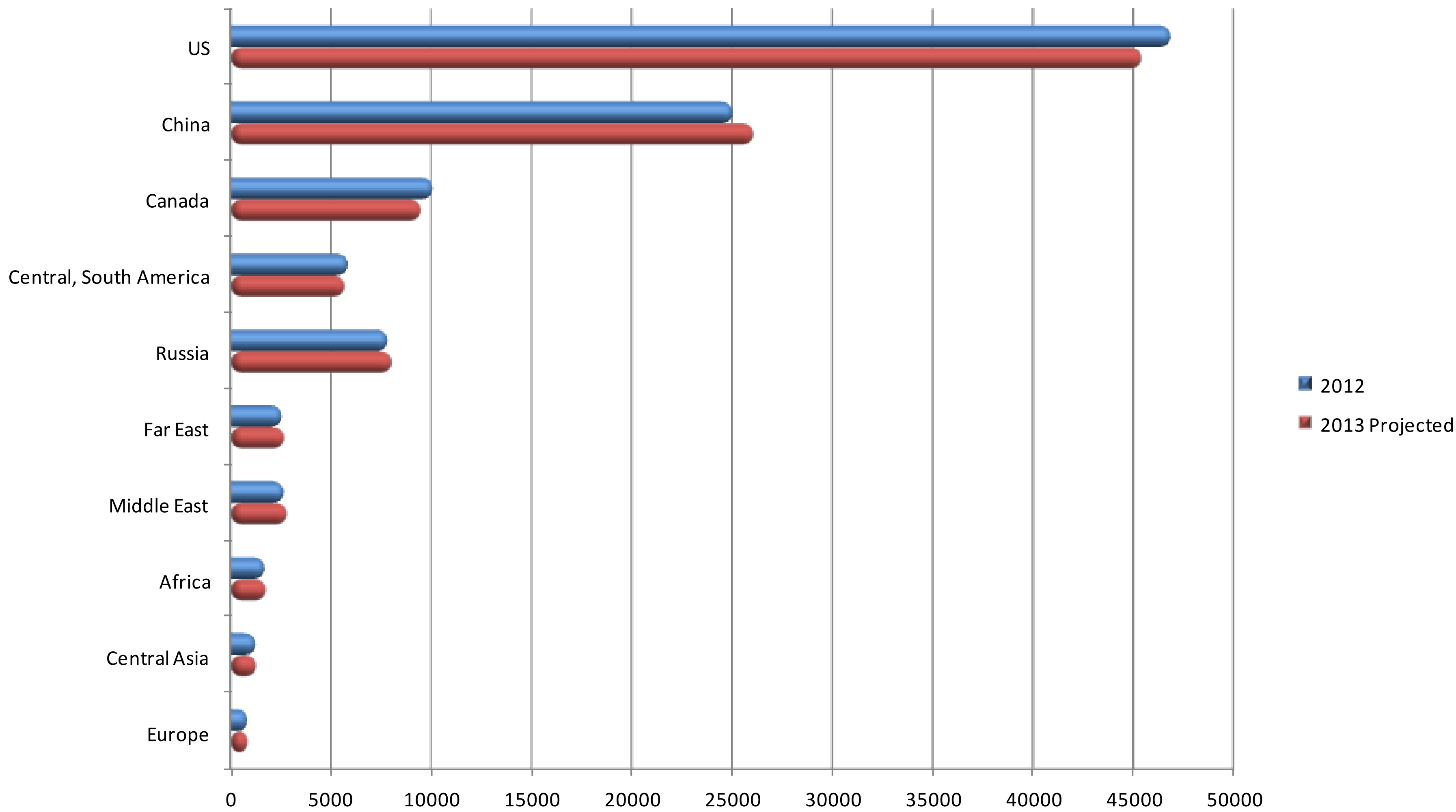
Global Expansion



Africa

- Shale and Offshore: South Africa
- World Class Offshore Discoveries: Mozambique, Tanzania
- NOC's, IOC's, OSC's establishing strong presence

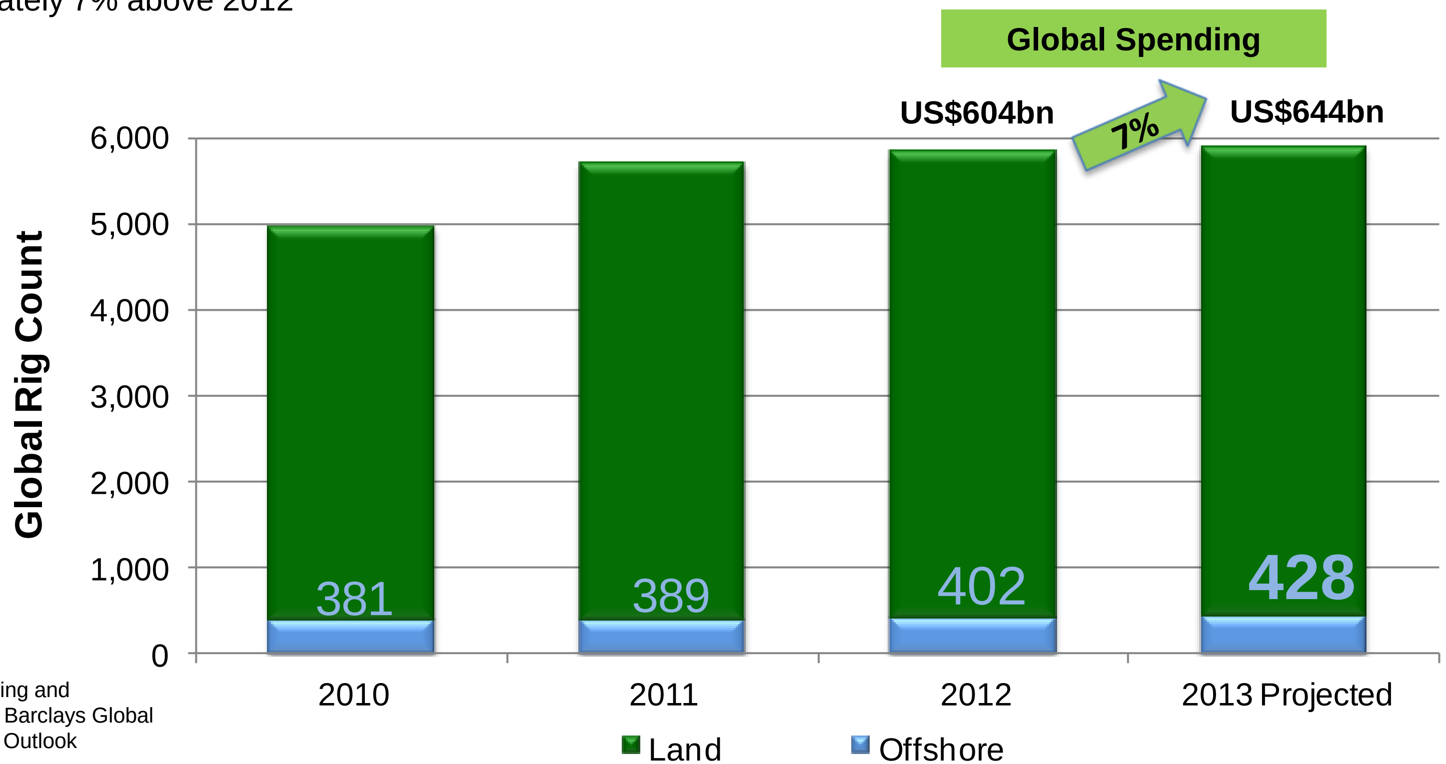
Projected Wells Drilled Globally



Source: Spears and Associates

Global Rig Count and Spend Trends

- Average global rig count changed only slightly in total, with land based rigs increasing by 2.1% and offshore counts increasing by 3.3% in 2012 versus 2011
- 2013 current projections indicates the land based rig count to remain flat, with a 6.5% increase in offshore rig count
- However, as the global rig count continues to be relatively stable, global spending continues to increase at an accelerating level as a result of rising service intensity per rig / well on land based rigs and rise in offshore activity
  - Global spending continues to rise and is forecasted to hit a new record of US$644 billion in 2013, an increase of approximately 7% above 2012

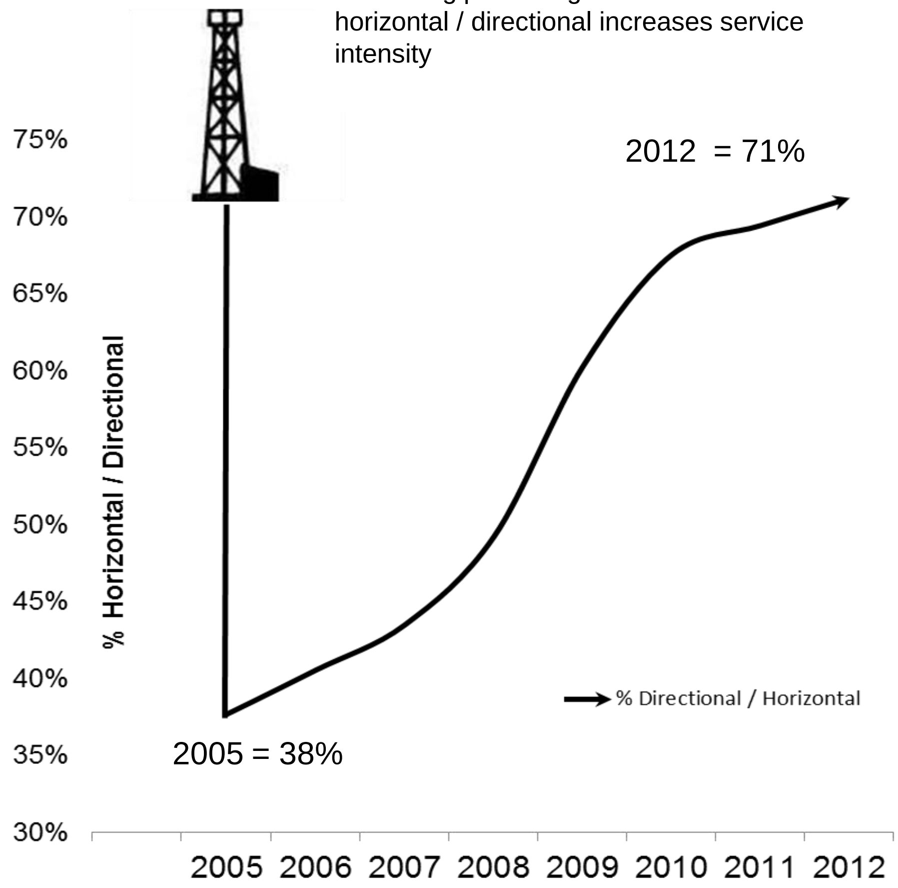


Source: Spears Drilling and Production Outlook , Barclays Global 2013 E&P Spending Outlook

Land Based Rigs Influence on Global Spending Patterns

- Land based rigs have continued to shift from vertical to horizontal / directional increasing the service intensity which increases revenue opportunities
  - Longer – requires more OCTG and connections
  - Complex – necessitates measurement and logging while drilling components
  - Able to access hard to reach hydrocarbons
    - Stages per well continue to increase creating the need for more perforating consumables
- This change has led to more spending per well

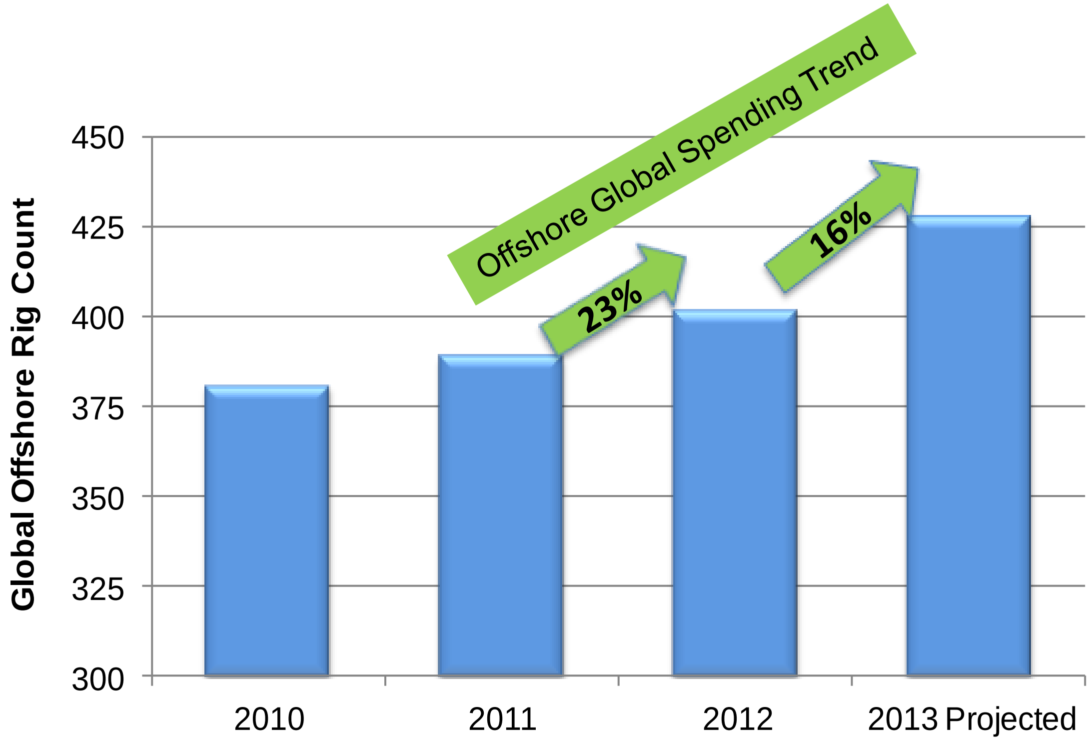
Increasing percentage from vertical to horizontal / directional increases service intensity



Source: Baker Hughes North America Rotary Rig Count 2005 to 2012, Spears Drilling and Production Outlook

Offshore Rigs Influence on Global Spending Patterns

- Increases in offshore activity trend continues
  - Global offshore rig count increased by only 3% from 2011 to 2012, however offshore spend increased 23%
  - Current projections forecast a 6.5% increase in 2013 over 2012's count and a 16% increase in spending



- While offshore rigs represent 7% of rig count they represent 29% of global spend

Source: Spears Drilling and Production Outlook

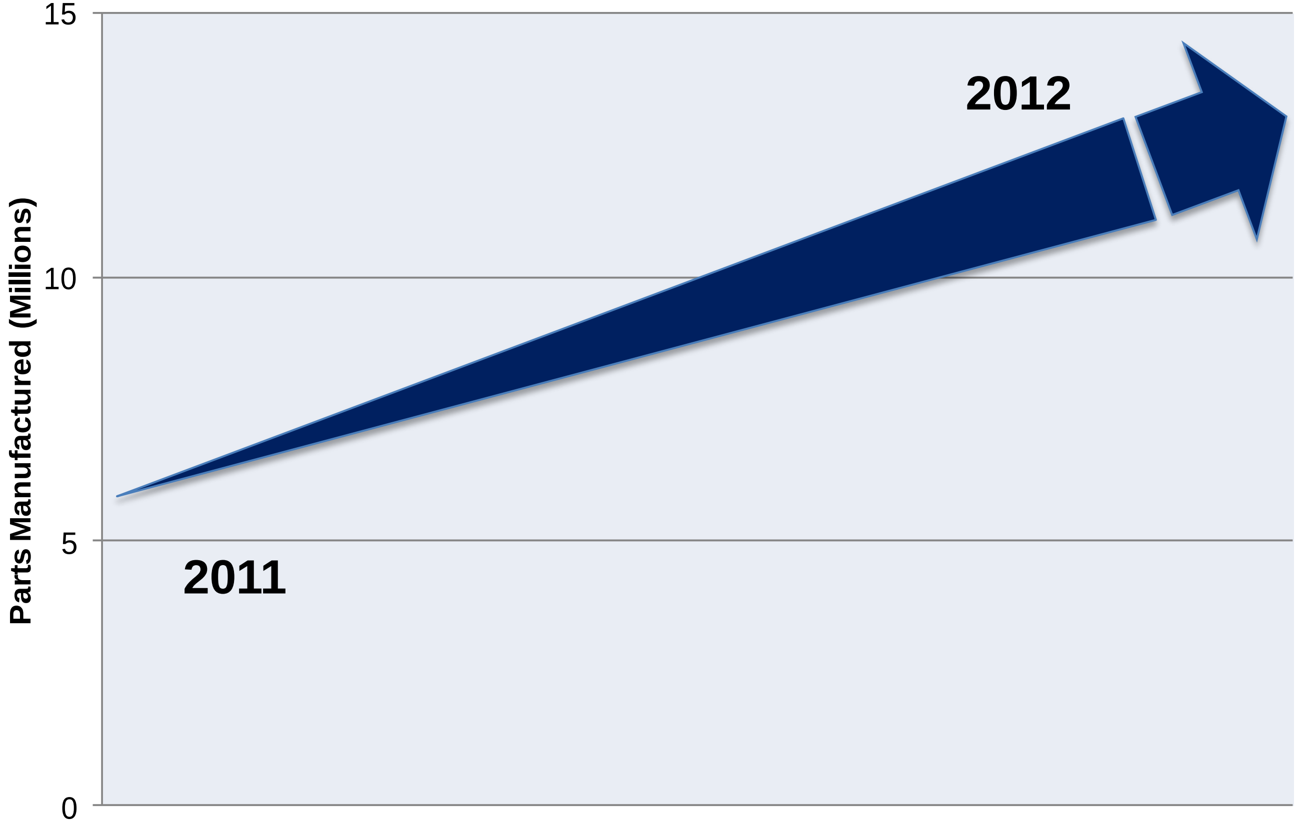
Onshore vs. Offshore Revenue Opportunities

- Drilling Costs: US$6 m
- Equipment Supplied: 21%
- Realised Revenue: US$1.26 m

- Drilling Costs: US$100 m
- Equipment Supplied: 23%
- Realised Revenue: US$23 m

Hunting Global Throughput

- In 2012, Hunting produced over 20 million components
- Over 14.4 million parts manufactured



Hunting Global Operating Footprint and Operating Leverage

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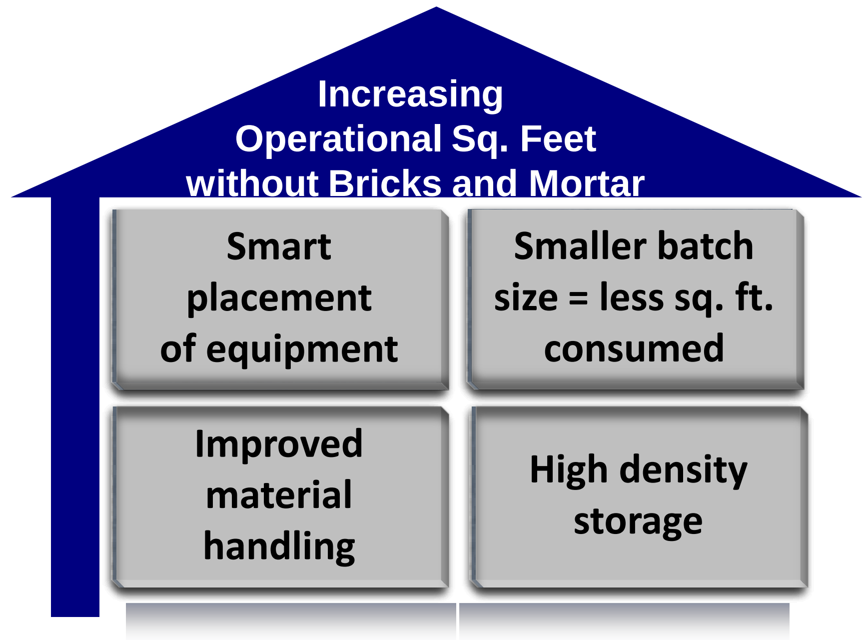
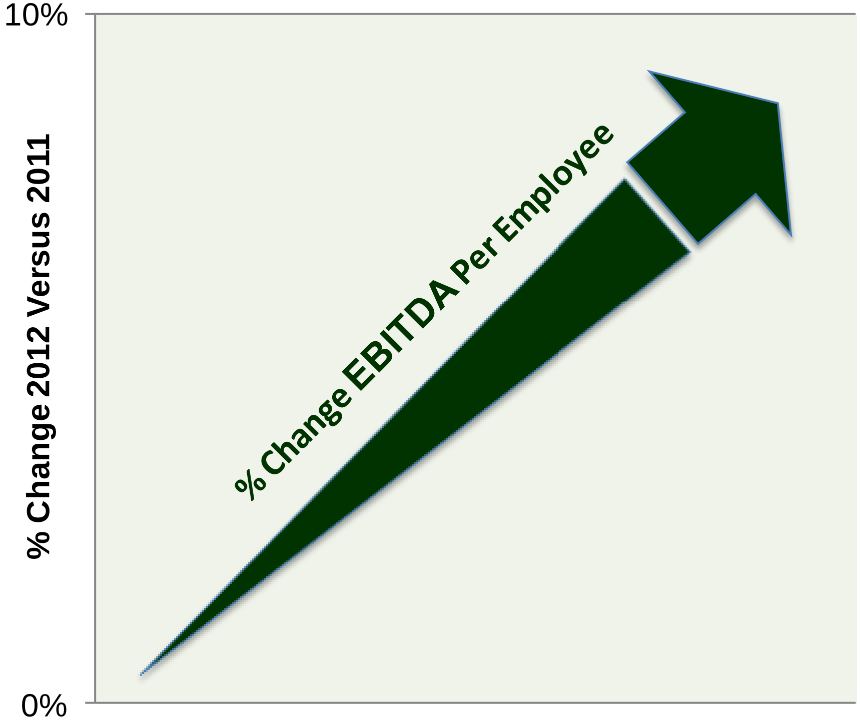
- In previous years, Hunting's operating footprint expanded rapidly via major construction projects and acquisition
- 2012's focus was the integration of the acquired companies and the international expansion of the product line
  - Hunting's footprint 2012 = 2.7 million square feet
  - 8% increase in physical space above 2011
  - However, experienced large gains in throughput
  - Created "new" physical space without construction



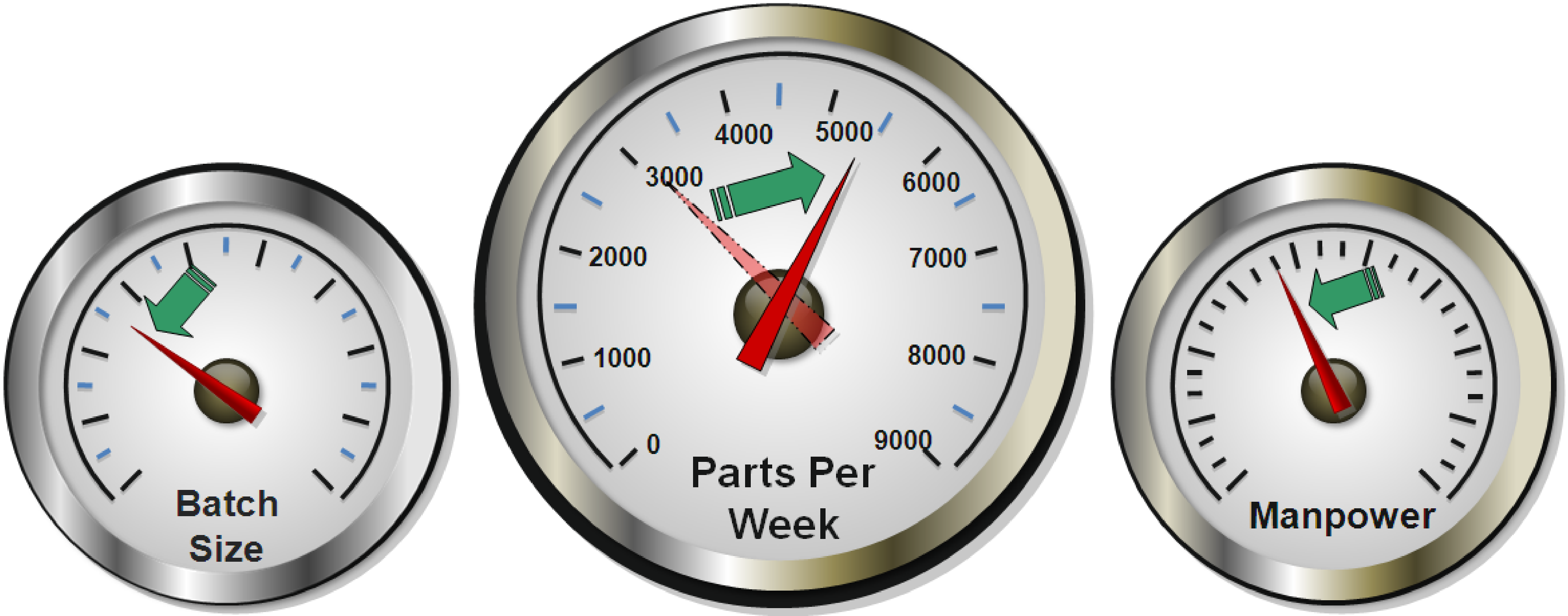
Operational Leverage and Financial Return

- The gains in operational leverage also translate into a healthy financial return
- When comparing 2012 to 2011, sales revenues increased by 36%, while EBITDA contribution per employee increased 9%
- Hunting follows simple principles that have large consequences
  - Decentralised management structure with decisions made at the local level
  - Our employees are active agents of change looking to reduce
    - Cycle time
    - Waste
    - Idle time
    - Handling time



Hunting's Drive to Lean Manufacturing

United States – Titan



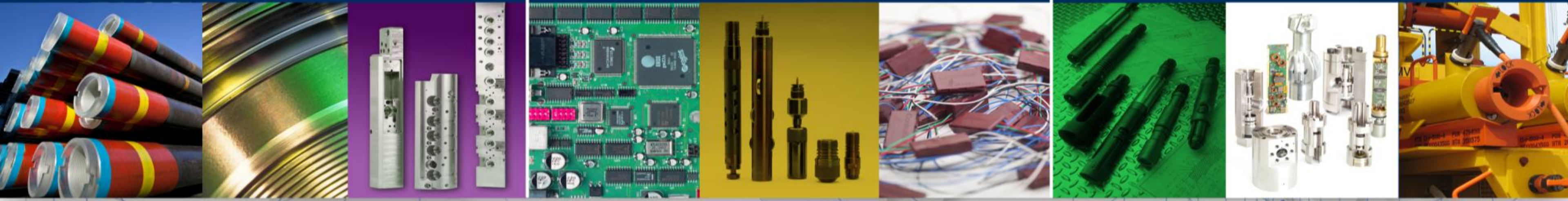
- Hunting Titan – Pampa Texas – Increased weekly perforating gun production from approximately three thousand units per week to over five thousand units per week
  - Joint effort between the production floor and local management to examine the production flow
    - Simple concept, reduce the batch size per job, increase the velocity of material through facility while decreasing work in process inventory and reducing manpower
  - Sizeable increase without a corresponding capital expenditure

Hunting's Drive to Lean Manufacturing

Canada

- Our Canada operations have evaluated the processing capacity of our existing machining technology looking for ways to increase capacity using the lean philosophy
- Through a careful evaluation of alternatives and partnering with our suppliers, an integrated solution was found and is planned to be operational in early 2013
- This solution not only increases capacity, but also reduces our footprint consumed, reduces the amount of spindles required to produce the product from 14 to 2, lowers our cost per hour and increases the level of automation for near "lights out operation"

WELL CONSTRUCTION | WELL COMPLETION | WELL INTERVENTION



Advanced Manufacturing Group

Manufacture → Assembly → Inspection

Well Construction

- Development of products to enhance our offshore and onshore portfolio
- Capacities expansion to meet offshore growth
- Steady backlog for products associated with MWD, LWD
- Continued integration of products and services into the Hunting global footprint

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Well Completion

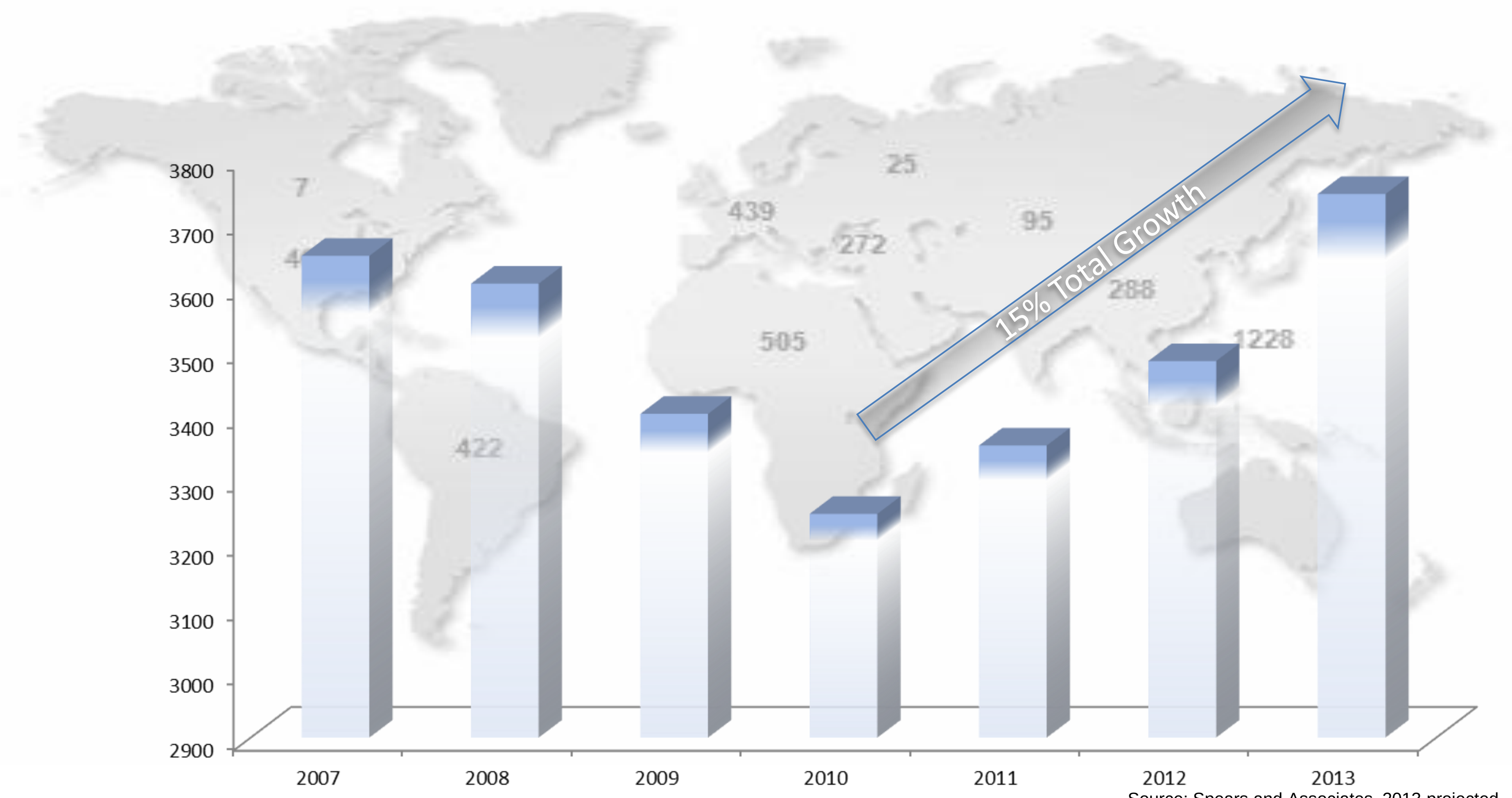
- Integration of the acquisitions
- Continued product expansion globally
- Manufacturing demand remains high
- Robust work for GOM and global offshore
- Continued cost reduction development
- Excellent demand for perforating systems and energetics

Well Intervention

- Increase in Drilling = Increase in Work Overs
  - **Wells are typically re-entered multiple times over their lifespan**
- Newer Drilling Technologies Require Enhanced Well Intervention Techniques
- Growth of our Thru Tubing into Canada and US and Asia Pacific markets
- Advanced technology where and when the Customer needs it, globally

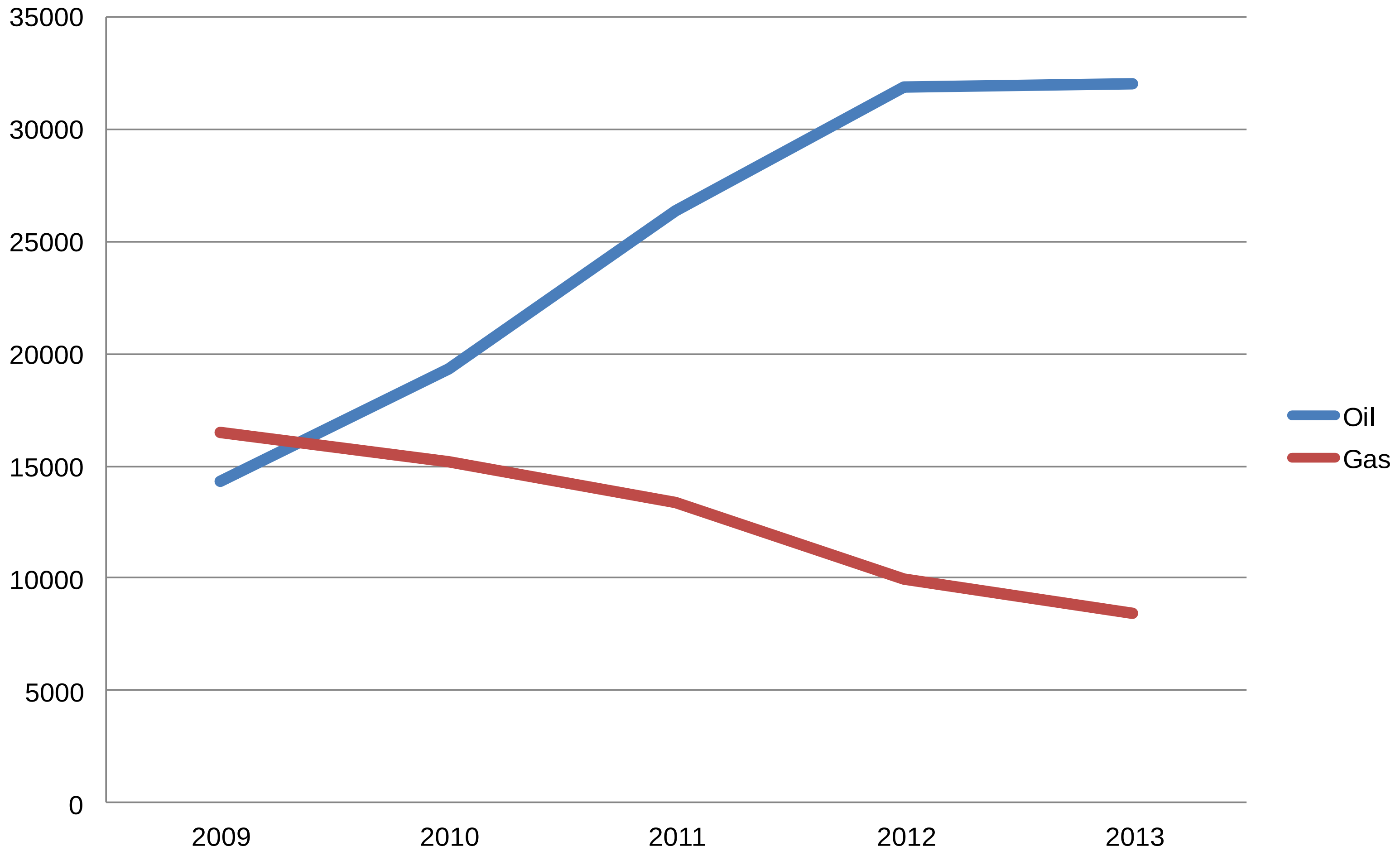
Fundamental Business Drivers

Global Offshore Wells Drilled



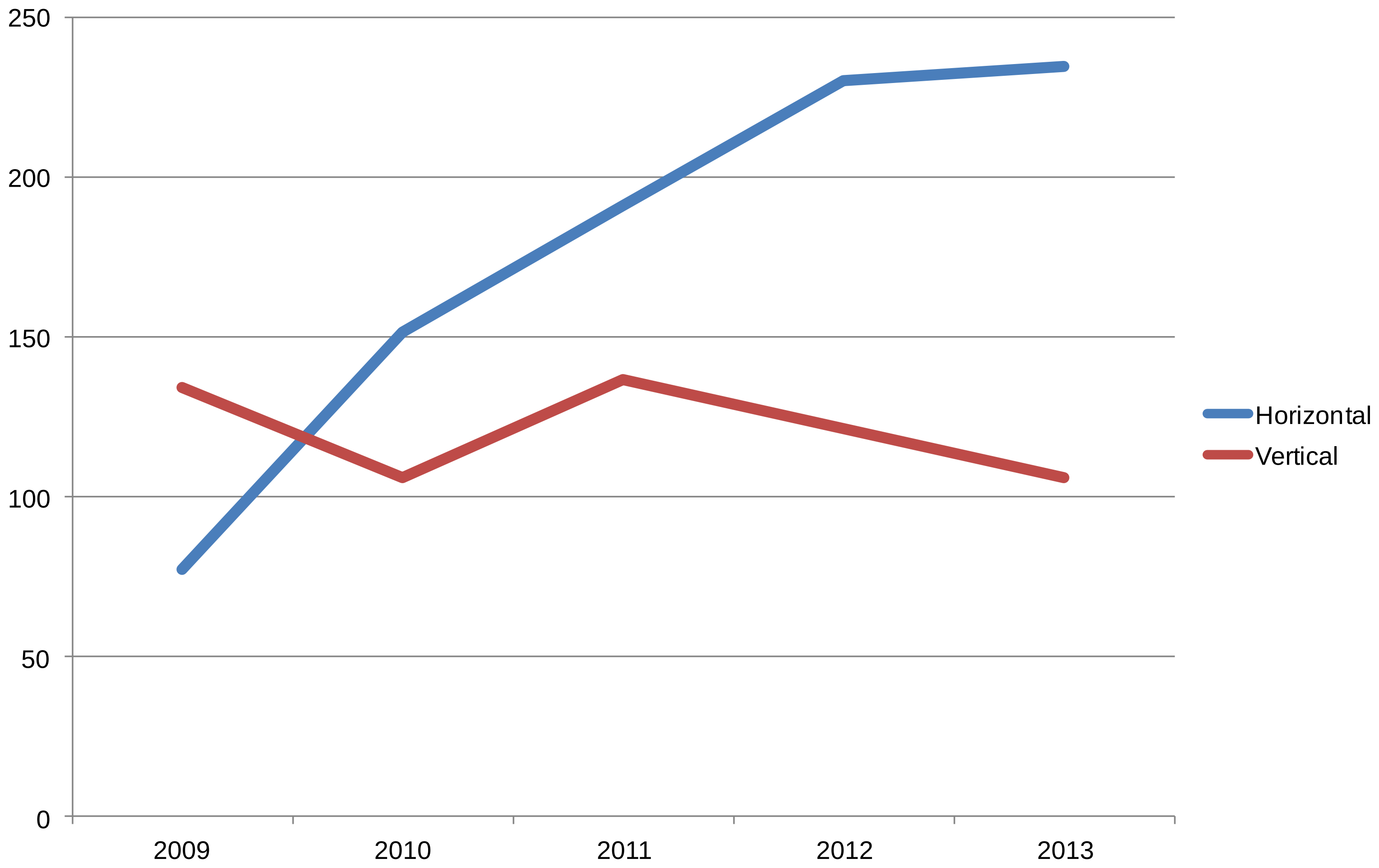
Source: Spears and Associates 2013 projected

Wells Drilled Oil vs. Gas (US)



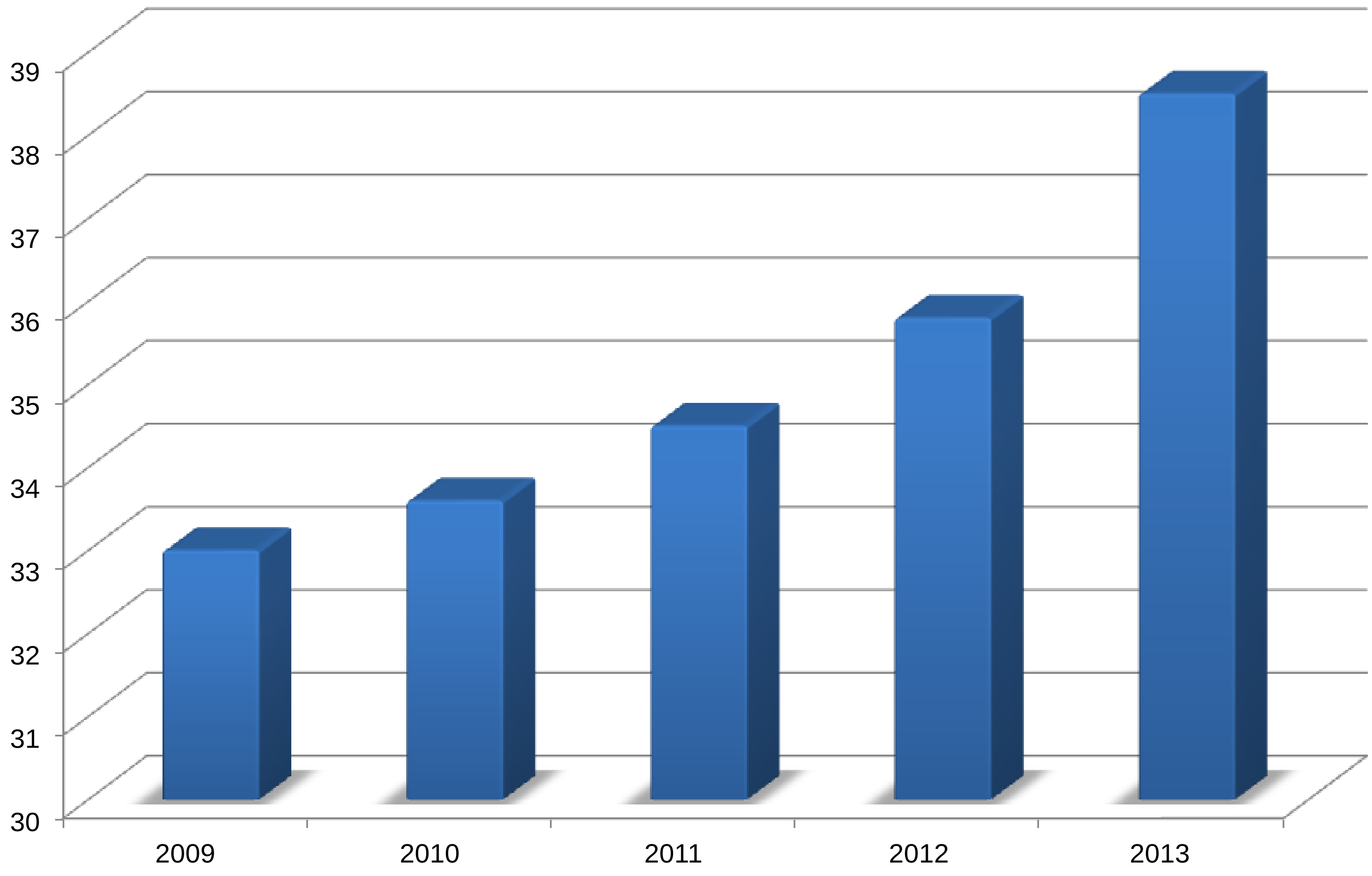
Source: Spears and Associates (2013 projected)

Land Footage Drilled Horizontal vs. Vertical US (Million)



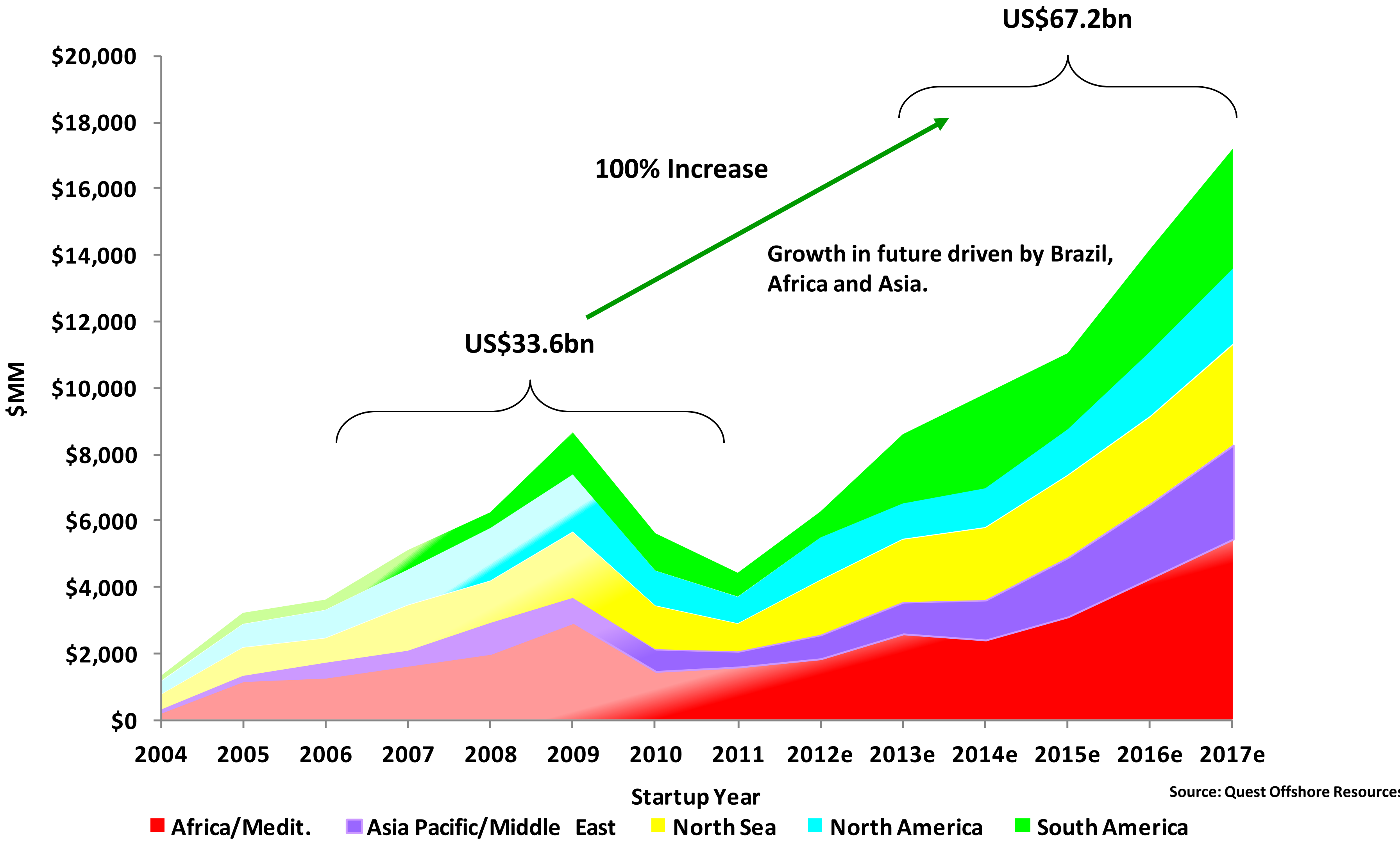
Source: Spears and Associates (2013 to 2014 Projected)

Global Offshore Footage Drilled (Million)



Source: Spears and Associates (2013 Projected)

Global Subsea Capex



Looking Forward