HUNTING

PLANNING FOR THE INEVITABLE RECOVERY:

INNOVATIVE PRODUCTS

ENHANCED CAPACITY

HALF YEAR REPORT 2015

Financial Summary

- Results reflect the global downturn in oil & gas markets.
- Annualised cost savings of $41m from workforce reductions c. 25% since December 2014.
- Impairments to Goodwill and other assets booked in the period of $64.1m.
- Balance sheet remains strong with modest net debt at half year point - $166.7m.
- Gearing of 12% (31 December 2014 - 9%)
- Capital investment programme ongoing to provide the platform for long term growth.
  - New / expanded facility programmes remain on schedule.
  - Construction of the Singapore campus expected to commence October 2015 with occupancy Q1 2017.

Half Year Results Summary*

	H1 2015 $m	***Margin %***	H1 2014 $m	*Margin %*
Revenue	**463.6**		664.1	
EBITDA	**44.1**	***10***	120.9	*18*
Profit from operations	**20.4**	***4***	96.8	*15*
Finance expense	**2.7**		2.8	
Profit before tax	**17.7**	***4***	93.7	*14*
Effective tax rate	**28%**		27%	
Diluted EPS	**8.4c**		44.9c	
Interim dividend per share	**4.0c**		8.1c	

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

Segmental Results*

	H1 2015			H1 2014		
	Revenue	**Profit from Operations**	***Margin***	Revenue	Profit from Operations	*Margin*
	$m	**$m**	***%***	$m	$m	*%*
Hunting Energy Services						
Well Construction	**125.5**	**2.8**	***2***	182.2	24.6	*14*
Well Completion	**277.8**	**15.5**	***6***	410.7	60.5	*15*
Well Intervention	**58.2**	**4.2**	***7***	65.7	10.1	*15*
	461.5	**22.5**	***5***	658.6	95.2	*14*
Other Activities						
Exploration & Production	**2.1**	**(2.1)**		5.5	1.6	
	463.6	**20.4**	***4***	664.1	96.8	*15*

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

Geographical Segmental Results*

	H1 2015			H1 2014		
	Revenue	**Profit from Operations**	***Margin***	Revenue	Profit from Operations	*Margin*
	$m	**$m**	***%***	$m	$m	*%*
Hunting Energy Services						
USA	**295.8**	**24.5**	***8***	407.1	74.8	*18*
Canada	**30.5**	**(3.4)**	***(11)***	41.5	0.8	*2*
UK	**64.9**	**0.2**	***-***	77.7	2.2	*3*
Rest of Europe	**8.1**	**(0.3)**	***(4)***	15.2	1.4	*9*
Asia Pacific	**52.9**	**2.0**	***4***	109.1	15.4	*14*
Middle East, Africa and Other	**9.3**	**(0.5)**	***(5)***	8.0	0.6	*8*
	461.5	**22.5**	***5***	658.6	95.2	*14*
Exploration and Production	**2.1**	**(2.1)**		5.5	1.6	
	463.6	**20.4**	***4***	664.1	96.8	*15*

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

Amortisation & Exceptional Items – Continuing Operations

	H1 2015 $m	H1 2014 $m
Amortisation of acquired intangibles	**19.4**	21.9
Impairment of goodwill	**35.2**	–
Impairment of assets	**27.6**	–
Oil & Gas reserve impairment	**1.3**	2.9
Continuing operations	**83.5**	24.8

Balance Sheet

	June 2015 $m	December 2014 $m
Property, plant and equipment	**464.9**	473.0
Goodwill	**404.6**	440.6
Other intangible assets	**208.9**	224.8
Working capital	**455.6**	470.6
Provisions	**(19.3)**	(24.7)
Taxation (current and deferred)	**(35.0)**	(55.2)
Other	**44.4**	40.2
Net debt	**(166.7)**	(131.0)
Net assets	**1,357.4**	1,438.3
Gearing	**12%**	9%

Capital Investment

	H1 2015 $m
Facilities	
- Manufacturing – Houma, Louisiana	**5.5**
- Premium Threading and Testing – Houston, Texas	**11.6**
- Manufacturing – Cape Town, South Africa	**5.7**
- Dearborn – Fryeburg, Maine	**4.5**
- Other expansion programmes	**6.3**
Machinery and Equipment	
- North America	**12.5**
- Asia Pacific	**0.7**
- EMEA	**3.1**
	49.9
Exploration and Production	**0.9**
	50.8

Cash Flow

	H1 2015 $m	H1 2014 $m
EBITDA	**44.1**	120.9
Working capital	**14.7**	(33.0)
Interest and bank fees	**(2.6)**	(3.0)
Tax paid	**(7.7)**	(18.1)
Replacement capital investment	**(15.3)**	(33.2)
Other	**1.9**	4.5
Free cash inflow	**35.1**	38.1
Expansion capital investment	**(35.5)**	(21.4)
Disposal (purchase) of subsidiaries and costs	**0.7**	(3.0)
Dividend to equity holders	**(33.9)**	(32.1)
Other	**(2.1)**	(4.8)
Net cash outflow in the period	**(35.7)**	(23.2)

Odessa, Texas

INNOVATION

Innovation: Well Construction

Industry Challenge:

Connection Technology which allows the drilling of wells in hostile, High Pressure High Temperature, extended reach environments while maintaining the sealing integrity to protect the environment in a Worst Case Discharge scenario.

Innovation: Connection Technology Division

- To meet customer demand for a premium connection that can be used in the most hostile drilling environments.
- Hunting developed SEAL-LOCK XD along with WEDGE-LOCK SF into our portfolio of products.
  - Both meet post Macondo requirements.
  - SEAL-LOCK XD provides strength equal to the OCTG performance capabilities.
  - WEDGE-LOCK SF provides customers with a product that can be used in Deepwater applications with slim hole designs.
- Hunting offers the flexibility that mills do not provide. Hunting will thread this connection on customer selected OCTG at numerous locations globally. Mills typically only thread connections on their own OCTG.

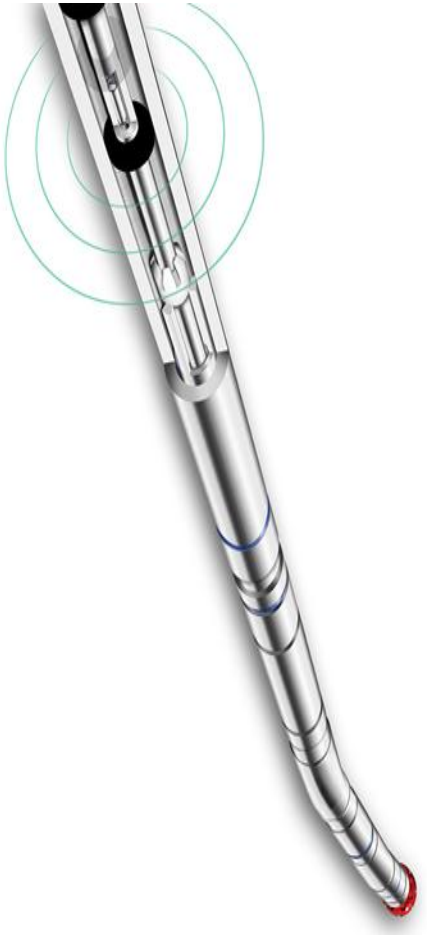
Innovation: Well Construction

Industry Challenge:

The ability to drill faster while maintaining the telemetry needed to accurately direct the drill bit to or through the targeted zone in the formation.

Innovation: Directional Drilling Tools

- To meet customer demand for a high speed mud motor and equipment to assist in the management of the trajectory of the drill bit.
  - Hunting developed the high speed Tilted Drive Sub mud motor which is specifically designed for increased performance in unconventional drilling environments.
  - Bundled with our MWD / LWD telemetry technology and accessory components providing our customers the ability to maintain the trajectory needed for fast execution in drilling of the well.
  - Synergies between Drilling Tools, Titan and Specialty Supply divisions.



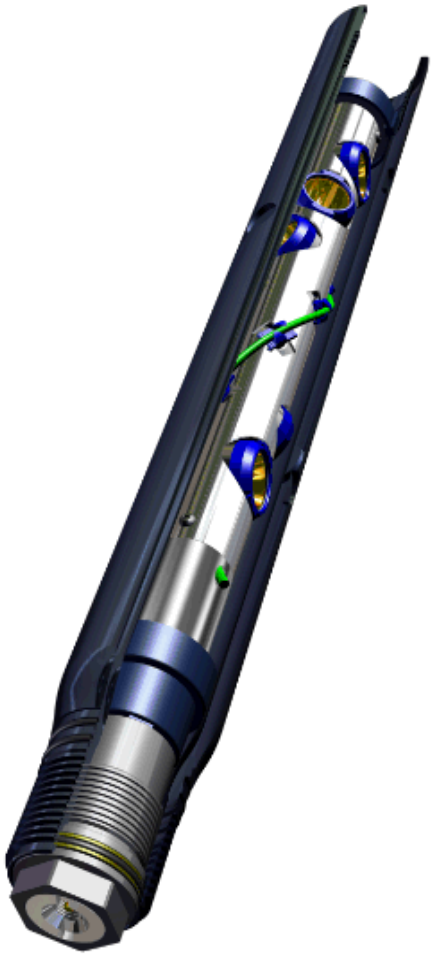
Innovation: Well Completion

Industry Challenge:

Ability to perform extended reach completions or re-completions while maintaining firing sequences and depth of perforation, encapsulated in a safe, easy to use perforating gun system.

Innovation: Titan Division, H-1 Perforating System

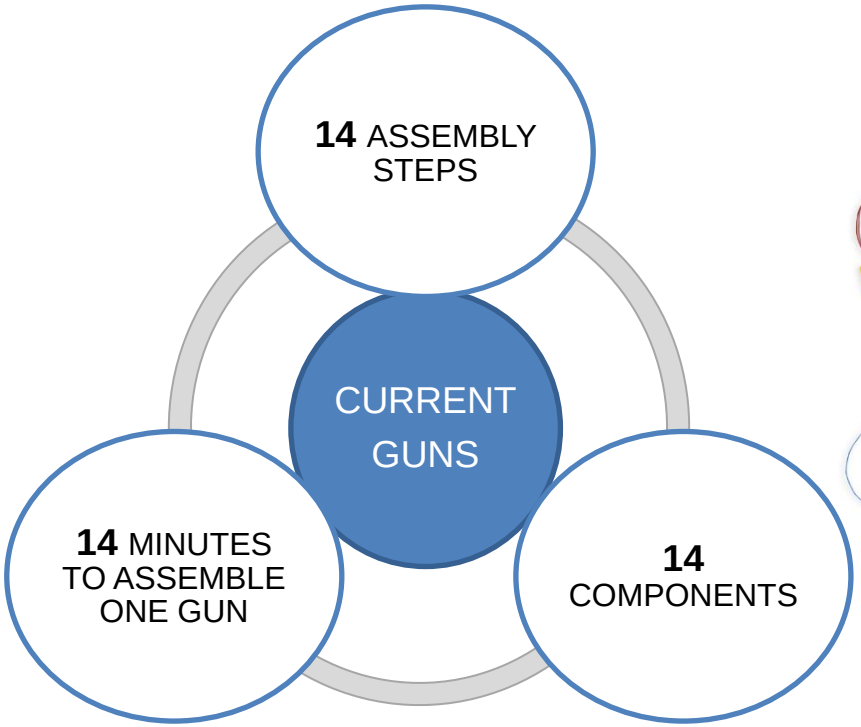
- Since they became common in the industry, perforating guns have been assembled at the rig site the same way.
  - Lots of pieces, lots of steps, sometimes gun failures and unfortunately accidents.
- Hunting developed the H-1 modular perforating gun system to change that.
  - ***Simple –*** Assembles in four steps
  - ***Safe*** – We eliminated the assembly steps causing damage to the thru wire, which is the leading cause of gun failure. A single gun failure downhole shuts the perforating job down for 3 hours increasing the customers costs
  - ***Swift*** – 100% expendable components, no time lost cleaning and re-using assemblies and no harmful chemicals on the job site
- Using the H-1 perforating system translates into lower total cost of operation.
  - Less manpower needed to ready guns
  - More guns down hole faster
  - More perforations per cycle with the elimination of the tandem sub-assembly, putting charges where there is dead space



H-1 System and related components have 1 issued patent and 16 patents pending with the US Patent Office

H-1 Perforating Gun Changing the Industry Practice

Conventional Perforating Guns



Tandem Sub-Assembly

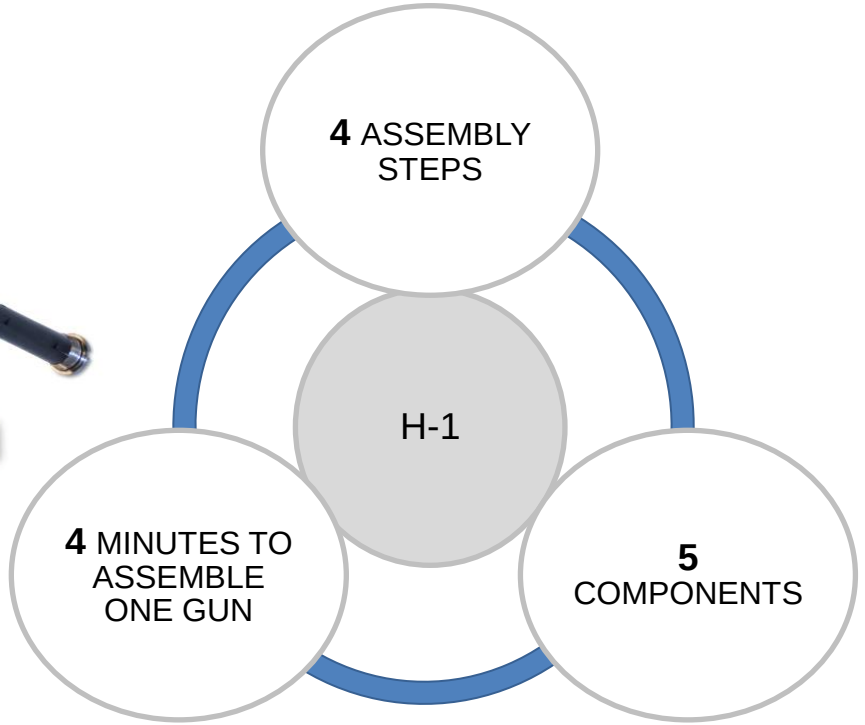
Over 55 pieces of hardware

- Today, perforating crews typically have four to five people assembling perforating guns.
  - Assembling a gun requires a number of tasks, including placement of shaped charges, various small clips, splicing of wires, connections and very careful insertion of the loaded charge carrier into the gun body to avoid damage.
  - After a gun is fired, the tandem sub-assembly must be disassembled, inspected and cleaned typically using diesel fuel as the cleaning agent and hand scrubbing with a wire brush.

H-1 Perforating Gun Changing the Industry Standard

Switches and firing mechanisms contained in one module

Less than 20 pieces of hardware



- At Hunting, we used our experience in the field to create the H-1 perforating gun system changing the industry standard.
  - Elimination of the tandem sub-assembly which requires wire splicing, cleaning and re-assembly.
  - Replacing it with a fully encapsulated, ready for use, screw in module with over a 50% reduction in hardware and assembled in 4 simple steps.
  - The simplistic design decreases the assembly workforce required from 4 to 5 people for conventional guns, to 3 to 4 people with the H-1 system

Innovation: Well Intervention

Industry Challenge:

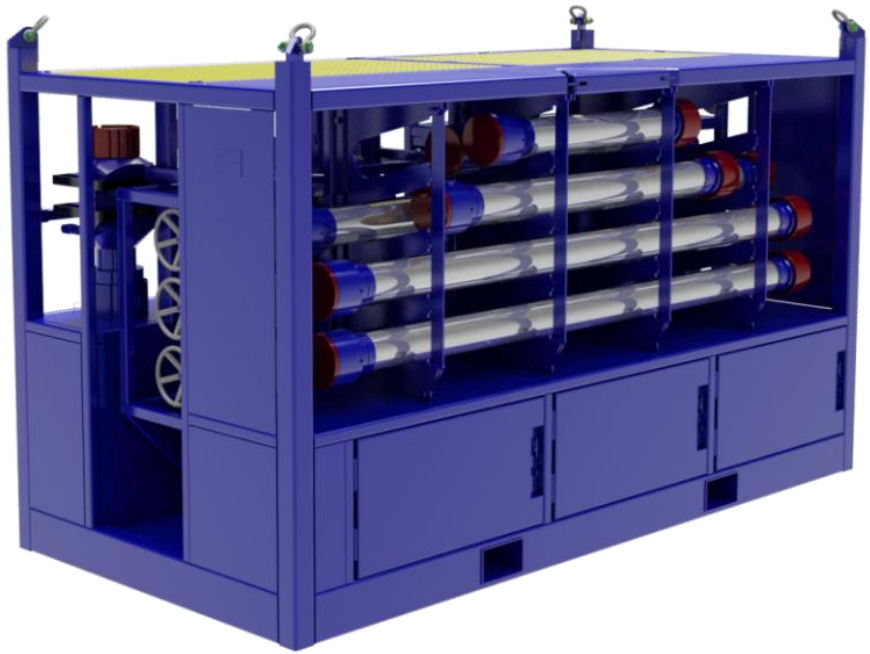
Pressure Control Equipment that maintains a small footprint during wireline activities at the well site that will close fast, redress easily and can use various types of wireline.

Innovation: Well Intervention

Lightweight Pressure Control Equipment (PCE) System

- Hunting created the Lightweight Pressure Control Equipment (PCE) system to be smaller, safer, faster and more economical to the operator. Customers demanded a small footprint system that accommodates tight offshore platforms and densely packed onshore pad drilling operations.

- The Lightweight PCE system is:
  - ***Smaller*** – 50% less footprint than conventional units.
  - ***Safer*** – Older valves under pressure can take minutes to close manually. The Lightweight PCE utilizes the Hunting EZI-close valves closing in less than ten seconds.
  - ***Faster*** – Complete with patented Rapid Redress valves reducing repair time by 50%
  - ***Economical*** – Can run various types of wireline on one system. No need for multiple types of equipment.



Innovation: Well Intervention

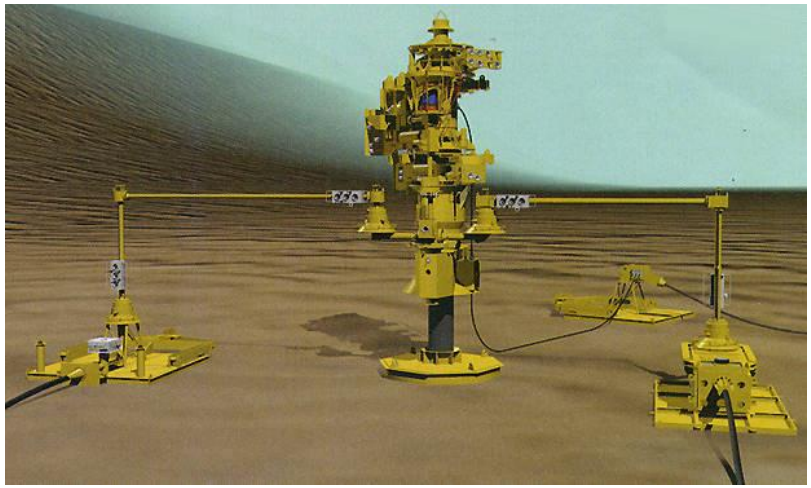
Industry Challenge:

Hydraulic systems supporting subsea activities that maintain functionality for long periods of time in hostile environments found on the sea floor.

Innovation: Subsea Division

Extreme High Pressure / High Temperature Coupling

- Hunting developed the Xtreme High Pressure / High Temperature (XHPHT) Christmas Tree Hydraulic Coupling to meet our customer demands for a subsea hydraulic coupling that operates for years in extremely harsh environments.
- These couplings allow hydraulic communication to the subsea safety valves, downhole functions and chemical/gas injection systems.
- Designed to operate flawlessly under 22,500 psi and withstand internal temperatures of 350^0F while on the sea floor where external temperatures may be close to freezing.

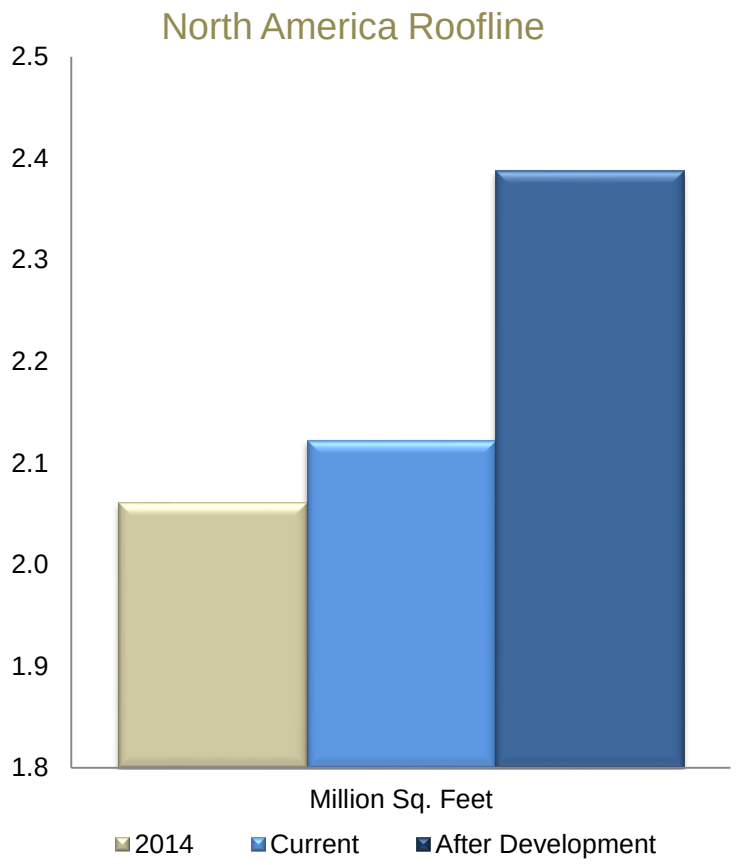


FACILITIES SECTION

Facilitating for the Future

North America Expansion

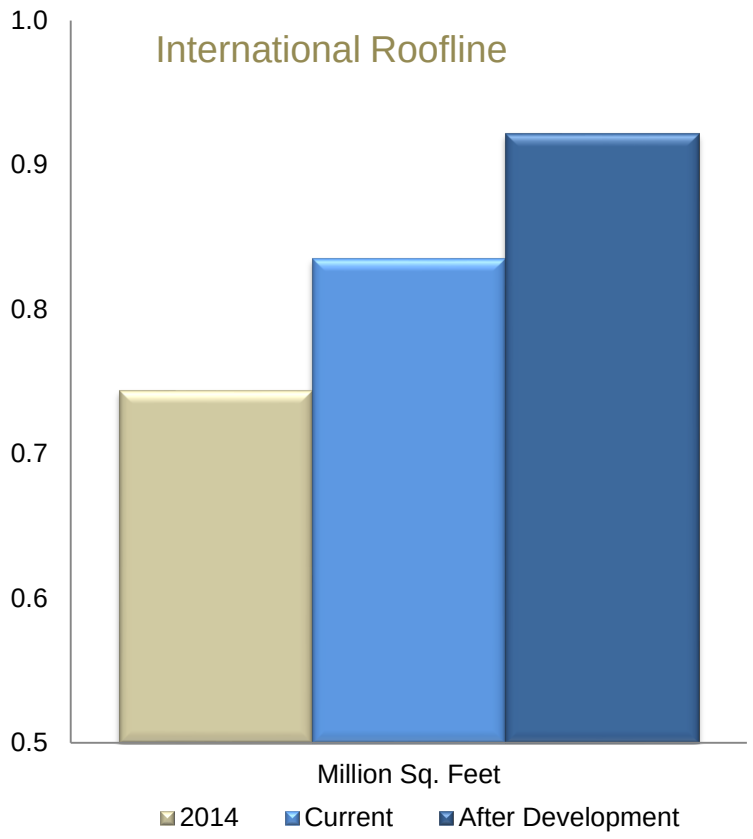
- **Gulf of Mexico - Houma, Louisiana – 311 Complex**
  - Fully integrated facility dedicated to offshore, able to manufacture, assemble, store and logistically manage equipment
- **Global Offshore and Onshore Threading – Ameriport, Baytown, Texas**
  - High speed threading facility designed to machine complex thread forms with the latest threading and handling equipment. The site has an integrated testing facility for research accelerating new product development
- **Ultra High Precision Machining – Fryeburg, Maine**
  - Hunting's Dearborn Division continues to be a global leader in deep hole gun drilling and ultra precision machining. The newly expanded facility decreases product delivery time with improved throughput and efficiencies
- **Distribution and Assembly Facility – Odessa, Texas**
  - Consolidated operations providing multiple divisional product lines under a single roof, creating a one stop shop in the Permian and Eagle Ford Basins



Facilitating for the Future

International Expansion

- **North Sea Market – International Perforating Distribution Hub- Clinterty, United Kingdom**
  - Largest facility of it's kind in Europe licensed to store 3.8 tons of explosives (3,500 kilograms). Regional hub for explosive distribution to the North Sea, Europe and African markets
- **Sub Sahara Market – Cape Town, South Africa and Mombasa, Kenya**
  - Cape Town – Created a distribution hub across product lines allowing Hunting to offer products and services previously not available in the Region
  - Mombasa – This joint venture creates the only full service oil and gas manufacturing facility on the east coast of Africa
- **Asia Pacific Theatre, Western and Central Asia – Singapore**
  - Singapore Super Centre consolidates five of our current operations in Singapore. Geographic expansion of Dearborn and the Electronics division offering specialty ultra precision machining and electronics testing



There is likely no good news for the short term – however:

- IEA Global oil demand by 2020 = 100 MMB per day.
- IEA Global demand average 2015 = 93 MMB per day.
- Major project delays = Forward supply risk: estimated to be 5.7 MMB per day.
- Decline rates for best conventional reservoirs is 4% - 5%. Decline rate of shale oil wells 50% or more in the first year. This reflects depletion of 3.8 MMB per day.
- The global oil and supply demand curves simply must cross in the not too distant future.
- Unsustainable well cost deflation plus decimated headcounts = structural damage of deliverability to the industry.