

ARCHIVED REPORT

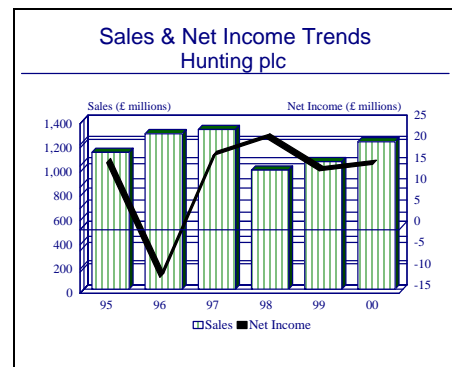
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Hunting plc – Archived 1/2003

Outlook

- Loss of one of its biggest programs in late 1999 – the management of the UK Atomic Weapons Establishment – has led Hunting Defence to exit defense industry
- Over the course of 2001, the company divested its defense businesses in two separate deals
- With the sales complete, this report will be dropped from the service



Headquarters

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During the course of 2001, the British-based international holding company Hunting plc successfully divested its remaining interests in Defence and is now wholly focused on its oil operations.

Hunting is involved in all aspects of the petroleum industry, from the manufacture of equipment, to the actual exploration, through the marketing and distribution process. Already involved in the area of oil-reprocessing technology, Hunting is expanding this area of work in light of mounting worldwide environmental concerns.

During 2000, Hunting plc employed approximately 7,730 people worldwide.

Structure and Personnel

Board of Directors

R.H. Hunting
Chairman of the Board of Directors
Dennis Proctor
Chief Executive

Dennis Clark
Director of Finance
Terry Gomke
Executive Director

Product Area

Hunting plc is now involved only in one business area: oil. Hunting's products are well-known and are related to the exploration, production distribution, and marketing of petroleum. The oil subsidiaries in this area specialize in oil exploration, and in the refining, storage and distribution of machinery and equipment. They also construct and operate a number of pipelines,

especially in Canada. In addition, a wide range of oil field support services are offered, including services for both land-based and offshore fields. The Oil Division of Hunting plc is also involved in the development and manufacture of specialized coatings, including automotive paints and anti-corrosion coatings; the development and manufacture of sealants and putties;

aerial photography; photography and printing services; shipbroking; the manufacture of small boats;

environmental services; and consultant services.

Facilities

Listed below are the major Hunting plc operations associated with aerospace and defense (prior to its divestiture).

Defence Systems Division, Reddings Wood, Ampthill, Bedford, MK45 2HD, United Kingdom. Telephone: (44 1525) 84 10 00. Web site: <http://www.hunting-engineering.co.uk> As a subsidiary of Hunting plc, this company works in the areas of advanced guided and unguided weapon systems, payload delivery systems, launchers, decoy systems, warheads, submunitions, and scatterable ground mines and mine marking and clearance systems. *Sold to the INSYS Group Limited in July 2001.*

Irvin Group Ltd, Icknield Way, Letchworth, Hertfordshire SG6 1EU United Kingdom. Telephone: (44 1426) 48 20 00. Web site: <http://www.irvin.co.uk> The Irvin Group is involved with landing brakes and with paratroop, flare and meteorological parachutes. The company also produces weapon retarders, passenger seatbelts, aircrew harnesses, recovery systems for air and space vehicles, and inflatable radomes and anti-missile decoy systems. *Sold to the Airborne Systems Division of Wardle Storeys Limited in April 2001.*

Irvin Aerospace Inc, North Carolina Division, 1 Irvin Place, Hope Mills, NC 28348. Telephone: (910) 423-8888. US representative office.

Corporate Overview

The name Hunting was perhaps best known for its variety of munitions. Hunting's management has decided to consolidate its product line into one business: oil. All defense operations had been divested by late 2001. The data below are provided for historical reference.

New Products and Services

MINDER. In October 2000, Hunting Engineering was awarded a contract for the UK MoD's three-phase Mine Detection, Marking and Neutralisation program (MINDER). Hunting will lead a team consisting of its major partner (Thomson Missile Electronics [TME]), DERA (Chertsey), UK Robotics, Systems Engineering & Assessment (SEA), and Redifon MEL. Hunting is developing a vehicle-based system with a diverse range of sensors that will allow mines to be detected and neutralized. This first phase will concentrate on development of the Route Proving/Clearing (RP/RC) capability. In the second phase, toward the end of 2002, two CAP winners will be invited to bid for the follow-on series of contracts worth approximately £100 million. A third phase, Recce requirement, with a possible value of £60 million, will be competitively tendered once the initial MINDER RP system has been in service in some five years. Hunting Engineering, as prime contractor, will be responsible for installing the sensor suite into the platform.

Aster Components. In September 2000, Hunting Engineering signed a contract with Celerg in France for initial low-rate production of components for the Aster missile rocket motors. The Aster ship-launched

surface-to-air missile is being developed by Aerospatiale Matra Missiles (an EADS subsidiary), the subcontractor for the manufacture of the rocket motor. The missile has already been selected by the French, Italian and British navies. With further overseas sales a possibility, the contract is potentially worth £15 million to Hunting.

Plant Expansion/Organization Update

Hunting to Exit Defense Business. In April 2000, at the company's annual general meeting, Hunting officials announced their intention to leave the defense business in order to concentrate on the more lucrative oil operations. By the end of 2001, this process had been completed.

Mergers/Acquisitions/Divestitures

HEL Sold. In July 2001, Hunting PLC announced the proposed disposal of Hunting Engineering Limited (HEL) to INSYS Group Limited, a newly formed private company owned by ABN Amro Capital and some of the directors of HEL. HEL specializes in the design and development of weapon systems, integration and installation of military communication systems, and provision of battlefield infrastructure. HEL was purchased for £42.3 million in cash. In the year ending December 31, 2000, the profits generated by the assets being disposed of totaled £3 million on sales of £176.5 million. After costs, provisions and goodwill, Hunting expects to bear a small loss on the disposal. The sale, completed in October 2001, successfully concludes the disposal of Hunting's Defence Division.

Irvin Aerospace Sold. In April 2001, Hunting agreed to sell Irvin to the Airborne Systems Division of Wardle Storeys Limited for £17 million. Irvin operates internationally in the field of military parachutes and related air and naval products. In the year ending December 31, 2000, Irvin sales were £32.5 million, and it achieved an operating profit before interest and taxes of £3.1 million. The deal was completed in June 2001.

Teaming/Competition/Joint Ventures

AWE Management Competition. In December 1999, Hunting-BRAE, a consortium of Hunting Engineering, Brown & Root and AEA Technology teamed with the Defence Evaluation and Research Agency (DERA), lost its bid to manage the Aldermaston and Burghfield Atomic Weapons Establishments (AWE) for the UK Ministry of Defence. The bid was originally submitted in May 1999. The contract, which should run for at least 10 years, was worth approximately £2.5 billion.

Giat. In April 1999, Hunting Engineering Limited and Giat Industries agreed to form a new company, Euro-Shelter, whose focus is on the manufacture and distribution of mobile shelters for military use. The new company will be owned equally by Hunting Engineering and Giat Industries, and will initially comprise approximately £2 million in net operating assets. Hunting Engineering's net assets will total £1.8 million. Hunting Engineering was recently awarded a

£50 million contract to supply Integrated Biological Detection Systems to the Ministry of Defence, for which Giat shelters will be used.

Hughes. In January 1998, Hunting Engineering teamed with Hughes Defense Communications to supply tactical ground-to-air radios to the British armed forces. The radios will be supplied by Hughes under a \$32.6 million contract. Hunting will be responsible for system installation and integration and for the provision of all ancillary equipment.

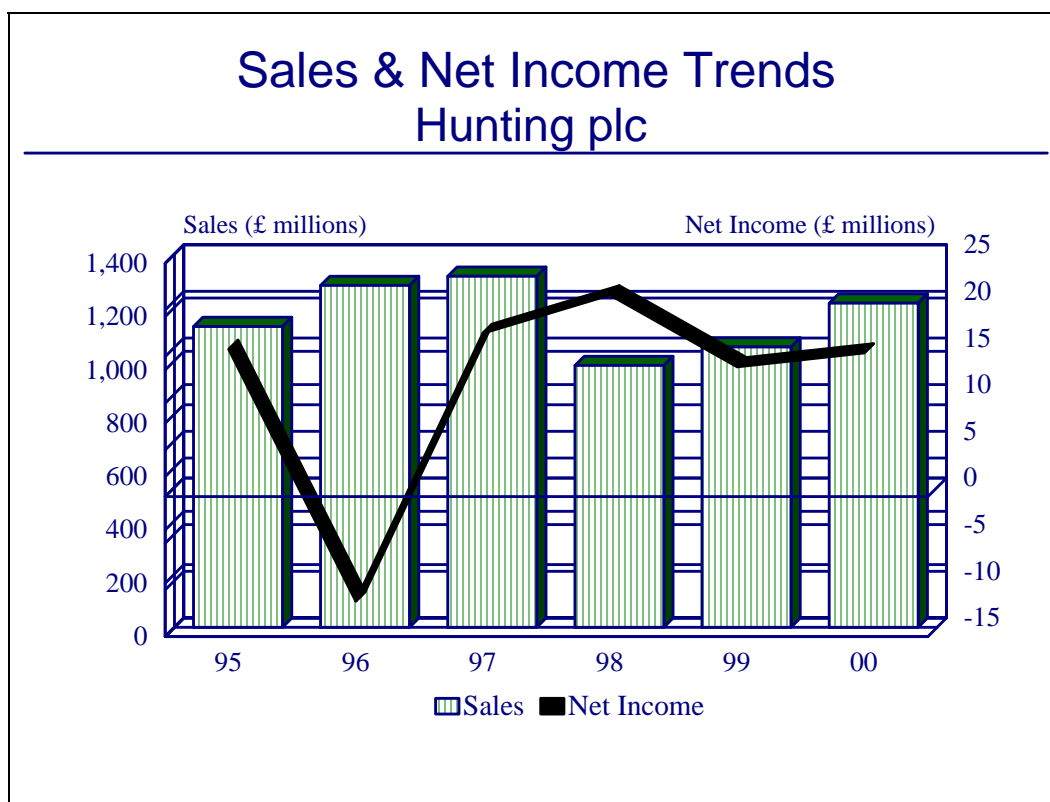
Hunting/Giat Industries/Dynamit Nobel. Hunting Engineering is involved in the Aimed Controlled Effect Anti-Tank Mine program, a tri-national effort to develop an off-route mine system. The other members of the consortium are Giat Industries of France (the overall head of the program) and Dynamit Nobel of Germany. The Hunting Engineering share in this ongoing program is approximately £6.5 million.

European Production Group GmbH. Hunting Engineering is the leading British contractor in the European Production Group GmbH consortium, which is, in turn, a part of the multinational MLRS International firm. This firm, headquartered in Dallas, Texas, oversees the international production of the LTV Aerospace 227 mm Multiple Launch Rocket System. In 1991, Hunting Engineering won a contract for integration of the German AT-2 submunition with the carrier rocket.

Financial Results/Corporate Statistics

Hunting's 2000 sales rose to £1.2 billion over 1999 sales of £1 billion. Lower 1998 sales were due to a decline in the value of crude oil (and subsequent sales in Gibson Petroleum) from £474 million in 1997 to £268 million. This followed a significant fall in oil prices and in Aviation, where turnover was reduced from £126 million to £26 million following the disposals made during the period. The company posted net income, before dividends, of £15.4 million for 2000 compared with net income of £13.9 million in 1999. The 1996 loss was attributed to problems at the Airline Interiors operation of the Aviation Division. Latest year statistics are provided below. US dollar figures translated as a 2000 average at the rate of £1 = USD\$1.5161.

Y/E December 31	1996	1997	1998	1999	2000	2000
(£ millions)						USD\$
Net Sales	1282.2	1316.7	981.8	1051.6	1216.0	1843.6
Net Income	-11.2	17.5	21.6	13.9	15.4	23.3

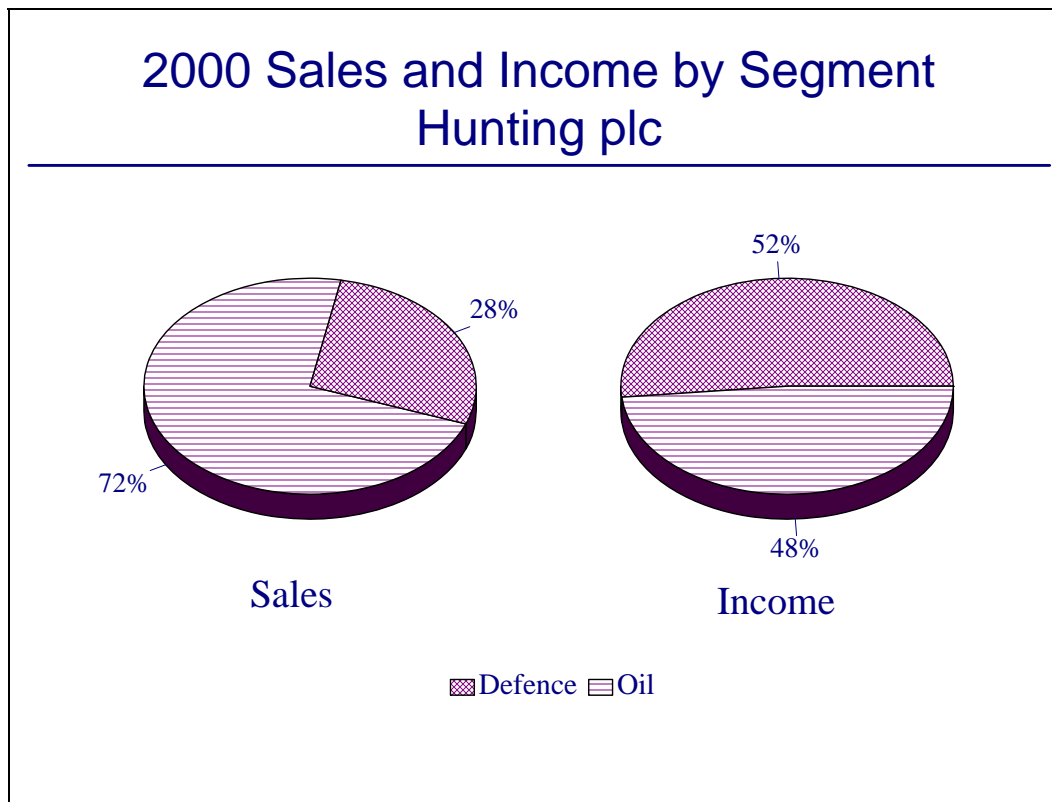


Industry Segments

A breakdown of Hunting's sales by major market segment for the past five years is given below. Totals may not add due to rounding. Figures prior to 1998 have not been restated to conform to company's current presentation. Aviation was listed as discontinued in Hunting's 1998-99 results.

SALES	1996	1997	1998	1999	2000
(£ millions)					
Aviation	228.9	215.6	25.6	-	-
Defense	412.5	441.4	489.6	539.7	337.0
Oil	640.8	659.6	466.6	514.0	881.4

OPERATING INCOME	1996	1997	1998	1999	2000
(£ millions)					
Aviation	-39.0	4.5	2.1	1.8	-
Defense	16.9	20.3	25.9	24.4	35.0
Oil	26.0	27.5	23.0	7.5	32.9



Strategic Outlook

Following the loss of the UK Atomic Weapons Establishment management contract, Hunting plc decided to exit the defense business entirely. It will instead focus on oil operations. Over the course of 2001, the company divested its defense businesses in

two separate deals. With the divestiture of these operations complete, Hunting joins the long list of companies that have opted out of the defense industry as the market becomes more global in scope.

This report will no longer be individually updated.

Prime Award Summary

Unavailable

Program Activity

Some important aerospace and defense programs currently under way at Hunting are listed below. The briefs are intended to provide a listing of programs that are of major importance to the company. For detailed information or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate Forecast International binder (for example, *Aircraft, Military Vehicles, Warships, Missiles, Electronics, and Gas Turbines*). The following are the company's business interests:

- Aircraft Maintenance and Overhaul
- Defense Electronics
- Avionics
- Sensors
- Ordnance Systems
- Systems Integration

Ordnance & Munitions Programs

Aimed Controlled Effect Anti-Tank Mine

This is an off-route anti-tank mine. The weapon will be used to cover gaps in other anti-tank defenses, to block roadways, and to channel hostile armored forces in

desired directions. The Aimed Controlled Effect Anti-Tank Mine will be manufactured by a consortium consisting of Giat Industries of France, Dynamit Nobel and Honeywell Regelsysteme of Germany, and Hunting Engineering of the United Kingdom. The Aimed Controlled Effect Anti-Tank Mine is in full-scale engineering development; contractor and operational testing of the developmental prototypes and components is ongoing.

BL755 Cluster Bombs

Hunting Engineering provides the BL755 Cluster Bomb and BL755 submunition in basic and improved versions. Another combat-proven system, the BL755, was used in the Falklands War and in Operation Desert Storm. In addition to the United Kingdom, the weapon has been sold to 10 other nations. More recently, the BL755 has been integrated with the HB876 submunition; the new weapon is called the Hunting Area Denial System, or HADES.

MLRS Component Manufacture

Hunting Engineering is the lead contractor for the United Kingdom's participation in the multinational production of the 227 mm Multiple Launch Rocket System. Aside from the manufacture of specialized components for this particular system, Hunting Engineering uses its expertise for manufacturing other components for other firms' products.

JP233

This is a captive-type airborne submunitions dispenser designed for use on high-speed, low-level aircraft. The development of the basic system has been completed; the production program for the Royal Air Force ended with the completion of the final orders, although JP233 remains available for further orders. JP233 is a combat-proven system. Hunting Engineering has developed a lighter and more compact dispenser based on the JP233. Called the CMD18, the new dispenser is essentially the

JP233 with one longitudinal row of munitions removed. The development of the CMD18 is complete and the system is available for production orders.

LAW-80

The LAW-80 is a manportable anti-armor weapon designed and developed by Hunting Engineering. The LAW-80 is in serial production for the British Army and export; development of the weapon continues.

Other Business

Management Services

Hunting Engineering offers a variety of management services to industry and government agencies. These services build on the expertise gained by the companies in their respective technical fields.

Decoy Systems

Irvin Aerospace provides a variety of decoy systems for naval applications primarily. Information regarding contracts and the equipment manufactured by the firm is considered sensitive and is not released.

Parachutes and Aerial Retarders

Irvin Aerospace and its subsidiaries provide parachutes for all purposes, in all sizes and capacity ratings. While the firm's products are primarily manufactured for aircrew escape systems, Irvin also provides parachutes for the deceleration of aircraft, (called braking parachutes) and for use in dropping cargo; initial stabilization parachutes; low-altitude cargo retarding parachutes; parachutes for the stabilization of submunitions; and flares and scientific devices. The firm has also provided deceleration parachutes to NASA for use with the Space Shuttle. Ballute retarding devices for aerial bombs, unmanned air vehicle recovery systems and drag rings are other company specialties.

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