

Proven capabilities for energy and beyond

Hunting PLC 2023 Half Year Report



Highly trusted
innovator and
manufacturer of
technology and
products

Hunting PLC

2023 Half Year Report

Hunting is a global engineering group that provides precision-manufactured equipment and premium services, which add value for our customers. This is achieved by providing high-technology products that lower the cost of operation, resolve technical problems, or enable a job to be completed more quickly or safely, without compromising on quality.

Hunting is a key supplier to the global energy industry. Our other target sectors include aviation, commercial space, medical and power generation.

We are also targeting energy transition markets including geothermal and carbon capture projects, which are seeing strong, long-term growth.

Hunting is a premium-listed Company, quoted on the London Stock Exchange and is a constituent of the FTSE All-Share Index.

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Half Year Management Report

Hunting PLC, the global engineering group, announces its results for the six months ended 30 June 2023.

Group Review

Financial Performance Measures

	H1 2023 \$m	H1 2022* \$m	H2 2022 \$m
Revenue	477.8	336.1	389.7
EBITDA (NGM C)	48.7	23.6	28.4
EBITDA margin**	10%	7%	7%
Adjusted operating profit*** (NGM B)	26.2	4.7	9.9
Adjusted operating margin****	5%	1%	3%
Adjusted diluted earnings/(loss) per share*** – cents (NGM B)	9.6c	(0.5)c	5.2c
Free cash flow (NGM L)	(39.8)	(3.2)	(35.2)
Total cash and bank borrowings (NGM I)	(51.7)	85.6	24.5

Financial Performance Measures Derived From IFRS

	H1 2023 \$m	H1 2022 \$m	H2 2022 \$m
Operating profit	26.2	1.7	0.3
Diluted earnings/(loss) per share – cents	9.4c	(2.4)c	(0.4)c
Interim dividend per share – cents	5.0c	4.5c	4.5c
Sales order book	529.7	325.9	473.0

* Restated for adjusting items in respect of legal fees incurred of \$3.0m, see note 1.

** EBITDA as a percentage of revenue.

*** Results are presented on a statutory basis as reported under UK adopted International Financial Reporting Standards. Adjusted results reflect adjusting items determined by management, which are described in Non-GAAP Measures ("NGM") on pages 33 to 38.

**** Adjusted operating profit as a percentage of revenue.

Introduction

In March 2023, the Company announced its Hunting 2030 Strategy, which commits the Group to a pathway of growth and revenue diversification to the end of the decade. Management are focused on three strategic deliverables:

- 1) Capitalising on the strong global energy market environment to drive long-term profitability and cash flow;
- 2) Positioning the Company to be a key supplier to energy transition markets, including geothermal and carbon capture sub-sectors; and
- 3) Building higher non-oil and gas sales, particularly in the areas of aviation, commercial space, medical and power generation.

Whilst the Company will be presenting more detail on these initiatives at a Capital Markets Day on 13 September 2023, management has made good progress in putting in place the key foundations of this strategy during the reporting period.

Global energy markets continue to show robust, medium- to long-term strength as energy demand and economic growth continue their post-COVID recovery. The strength of this recovery is demonstrated in the Company's record sales order book, which increased from its 2022 year-end position of \$473.0m to \$529.7m at 30 June 2023. This order book predominantly comprises of Oil Country Tubular Goods ("OCTG"), Subsea and Advanced Manufacturing orders, which underlines the broad-based nature of the recovery in the global oil and gas market, but also highlights Hunting's diverse energy and non-oil and gas portfolio.

Introduction continued

In December 2022, Hunting announced the formation of an Energy Transition sales group to pursue growing opportunities in this high growth space. During H1 2023, the Group commenced the testing of proprietary Premium Connections, which are being developed for the changing energy market. The technical challenges of carbon capture and storage ("CCUS") and geothermal applications, which includes the temperature environments and cycling performance of the materials required for these projects, places Hunting in a strong position to provide both connections, OCTG and critical supply channels for project developers. This has culminated in the 10-year Strategic Alliance with Zhejiang Jiuli Hi-Tech Metals Co. Ltd ("Jiuli"), which secures Hunting's supply of high nickel and chrome alloy OCTG and casing used in CCUS and geothermal applications, as well as more challenging oil and gas well designs. Additional sales personnel have been added in both North America and Asia Pacific to capitalise on this short- to long-term opportunity.

In the period, the Group also continued to develop non-oil and gas sales, primarily through the Advanced Manufacturing group, with new aviation, medical, commercials space and power generation sales being secured. This has led to an increase in revenue of 50% to \$36.1m.

Hunting's core oil and gas businesses have seen good growth in the period, both in North America where market volatility has led to a shift from gas to oil drilling, but also internationally where activity in South America, the Middle East and Asia Pacific has led to strong increases in revenue and EBITDA. Of note has been the increase in the opportunities in South America, with the Company's Premium Connections, Accessories Manufacturing, Perforating Systems and Subsea product lines seeing either strong manufacturing orders or order book intakes for developments in Argentina, Brazil, Guyana and Suriname. Hunting's EMEA operating segment has also benefited from this high growth market, with orders continuing from Tubacex.

Hunting's international OCTG businesses have recorded strong increases in momentum since Q3 2022. Following the successful order from CNOOC, the Group secured a large, medium-term order with Cairn Oil and Gas in India, which underlines the momentum of the industry as countries restart drilling after the COVID-19 pandemic.

Overall, the Board is pleased with the development of the Group during the reporting period as the short- to medium-term strength of traditional primary energy sources are supporting growth along with providing support to the medium- to long-term investment in the energy transition and non-oil and gas revenue diversification, which form the basis of the Hunting 2030 Strategy.

Strategic Initiatives

The Group has delivered on a number of strategic objectives during H1 2023:

Further Strengthening of Sales Order Book

The Company continued to build its sales order book during the period and at 30 June 2023 this stood at \$529.7m (31 December 2022 – \$473.0m; 30 June 2022 – \$325.9m). The order book comprises 4% Perforating Systems; 47% OCTG; 28% Advanced Manufacturing; 19% Subsea; and 2% Other Manufacturing.

Of this order book, approximately 70% is expected to be completed by the year-end; 20% during 2024; and 10% from 2025 onwards, underlying the changing profile of Hunting's revenue visibility.

\$91m Contract Award with Cairn Oil and Gas, Vedanta Limited

On 30 May 2023, the Company announced a record contract that management estimates to be worth up to \$91m with Cairn Oil and Gas, Vedanta Limited, for the supply of Hunting's SEAL-LOCK XD™ Premium Connection along with OCTG. The contract is for an estimated 100 wells and is to extend up to three years for Cairn's operations in Rajasthan, India.

This order supports management's belief that international market sentiment remains extremely strong as governments and countries address the challenges of energy security, the development of domestic supply and post-COVID economic recovery.

10-Year Strategic Alliance Signed with Zhejiang Jiuli Hi-Tech Metals Co. Ltd ("Jiuli")

On 5 June 2023, the Company announced a 10-year strategic alliance with Zhejiang Jiuli Hi-Tech Metals Co. Ltd ("Jiuli"), for the supply of corrosion resistant alloys ("CRA") for OCTG, CCUS and geothermal applications. The partnership brings together Hunting's SEAL-LOCK™ Premium Connection technology with Jiuli's CRA, such as duplex/super duplex and high nickel-based alloys, for downhole casing and production tubing applications, which meet some of the harshest well conditions in the traditional oil and gas industry as well as the emerging CCUS and geothermal markets. The partnership also adds to Hunting's existing OCTG product portfolio and enables the supply of the widest range of premium OCTG for its client base, within the international oil and gas and energy transition markets, as projects accelerate in the key areas of North America, Middle East and Africa and Asia Pacific.

CCUS and geothermal are two end-markets that Hunting is pursuing as part of its strategy to become a key supplier to these sectors by providing project developers with critical supply channels and the premium connections required for these increasingly challenging technical projects, which operate in demanding sub-surface environments. All these end-markets are expected to show robust demand and growth in the medium and long term.

Collaboration Agreement with CRA-Tubulars B.V.

On 13 July 2023, Hunting announced a collaboration agreement with CRA-Tubulars B.V., to further develop the Company's presence in energy transition markets. The collaboration provides the Company with access to novel titanium composite tubing technology, which is showing strong potential in CCUS project applications.

The technology has won awards within the Shell 'Game Changer' technology programme, and Hunting is exploring the use of the technology alongside its SEAL-LOCK™ Premium Connection technology.

The collaboration agreement includes exclusive marketing, distribution and manufacturing rights for oil and gas and carbon capture and storage markets in North America for a period of five years.

Restructuring and Operational Efficiency

Hunting is continuing to drive stronger internal operational efficiencies throughout its global footprint. Hunting Titan has commenced the closure of its Oklahoma City operating site and will transfer the manufacture of perforating systems to the Group's Pampa, Texas and Monterrey, Mexico facilities. A distribution centre will be retained to continue to service clients in the Mid-Continent Region of the US.

Within the EMEA operating segment, the manufacturing and assembly operations of the Group's main well testing site are to be transferred from the Netherlands to Dubai, which will lead to the closure of a facility at Velsen-Noord, with activities in the Netherlands to be merged into a single location. Sales, engineering and service support functions will be maintained in the Netherlands to support European clients. Hunting's Dubai operations are to be relocated to a larger, higher efficiency facility in the UAE to accommodate the manufacturing operations of the well testing business, which also positions Hunting to capitalise on the strong market outlook for the Middle East in the long term. Hunting will retain a single facility in Velsen-Noord to support oil and gas and energy transition clients across Europe.

Disposal of Exploration and Production Assets

During H1 2023, the Group has completed a disposal process of all but one of its US onshore and offshore oil and gas producing assets, which are held by Hunting's wholly owned subsidiary, Tenkay Resources, Inc ("Tenkay"). The assets have been sold on an asset-by-asset basis to a variety of third parties. In addition, the Group has negotiated the transfer of the majority of the non-producing assets and respective future plug and abandonment liabilities, which have reduced Hunting's possible exposure to future decommissioning costs. The transfer of these non-producing assets was completed in July 2023 and, therefore, the assets were shown as held for sale at 30 June 2023, see note 8. As at 24 August 2023, Tenkay retains a working interest in the South Timbalier 34 asset, for which management is continuing to pursue a disposal in the short term.

Completion of Threading Facility in India, with Joint Venture Partner Jindal SAW

In Q2 2023, the Company completed the construction and commissioning of its new threading facility at Nashik Province, India, with its joint venture partner, Jindal SAW. The official opening of the facility is planned for 19 September 2023.

Operational Footprint

At 30 June 2023, the Group's operating sites were unchanged at 29 (31 December 2022 – 29). The number of distribution centres also remained unchanged during the period at 14 (31 December 2022 – 14).

Market Overview

The WTI oil price has remained in a range, which continues to support global drilling activity, with investment in offshore drilling being the area of highest growth.

	2023	2022
Average WTI Oil Price during period* – \$/barrel	74.82	105.76
Average global rig count for the year** – #	1,805	1,706
Total footage drilled for the year** – million feet	382.3	379.4
Global offshore spend for the year** – \$bn	69.8	53.5
Global onshore and offshore spend for the year** – \$bn	215.2	190.2

* Source – Bloomberg.

** Source – Spears & Associates – June 2023 Drilling and Production Outlook.

Global capital expenditures for drilling and production are indicating a further rise for 2023, with offshore spend projected to grow by 30% from \$53.5bn in 2022 to \$69.8bn in 2023, and global land spend projected to increase from \$136.7bn in 2022 to \$145.4bn in 2023, or 6%. Supporting this is the overall increase in the global rig count to 1,805 units in 2023 or a 6% increase.

Trading Outlook

Global energy markets continue to display growth, stability and resilience, despite the macroeconomic narrative from some Western economies. Activity across the oil and gas industry continues to be strong, particularly within the offshore segment of the market and drilling continues to increase in momentum in South America, West Africa, the Middle East and Asia Pacific. On this basis, the Board believes Hunting has good momentum going into the second half of the year, with a performance similar to what has been delivered in H1 2023. Further improvements in working capital efficiencies are expected in H2 2023, with the total cash and bank borrowing position expected to unwind by the year-end as larger projects are completed in H2 2023.

Opportunities within energy transition markets are accelerating fast, driven by legislation in North America, Europe and Asia Pacific, as well as the decarbonisation initiatives announced by many companies and governments. Hunting will continue to increase its position in this market in the months ahead, by offering new technology and critical supply channels to the many stakeholders in this increasingly important sector.

The Company's Capital Markets Day is an exciting opportunity for Hunting to reinforce its investment case to investors as global energy markets return to robust growth and as traditional and new technologies and markets contribute to the ever-increasing complexity of the energy industry and future landscape. The Group has a strong position and reputation across multiple industries and end markets, and is well positioned to deliver strong long-term cash flows and returns for stakeholders into the medium and long term.

Dividend

The Board is declaring an interim dividend of 5.0 cents per share (H1 2022 – 4.5 cents), which represents an 11% increase over the interim dividend paid in 2022. This distribution will amount to an estimated cash return of \$7.9m (H1 2022 – \$7.2m).

The dividend will be paid in Sterling on 27 October 2023 with the Sterling value of the dividend payable per share fixed and announced approximately two weeks prior to the payment date, based on the average spot exchange rate over the three business days preceding the announcement date. The dividend will be paid to those shareholders on the register at the close of business on 6 October 2023, with an ex-dividend date of 5 October 2023.

The 2022 final dividend of 4.5 cents per share was paid in May 2023, which absorbed \$7.1m.

Operating Results

Summary Group Operating Results

	H1 2023 \$m	H1 2022* \$m
Revenue	477.8	336.1
Cost of sales	(363.6)	(260.3)
Gross profit	114.2	75.8
Selling and distribution costs	(25.4)	(22.0)
Administrative expenses	(63.2)	(53.9)
Net operating income and other expenses	0.6	1.8
Operating profit	26.2	1.7
Adjusting items** (NGM A)	–	3.0
Adjusted operating profit** (NGM B)	26.2	4.7
EBITDA (NGM C)	48.7	23.6
Diluted earnings/(loss) per share – cents (note 7)	9.6c	(2.4)c
Adjusted diluted earnings/(loss) per share – cents** (NGM B)	9.6c	(0.5)c

* Restated for adjusting items in respect of legal fees incurred of \$3.0m, see note 1.

** Results are presented on a statutory basis as reported under UK adopted International Financial Reporting Standards. Adjusted results reflect adjusting items determined by management, which are described in NGM A.

Basis of Preparation

The Board continues to monitor the Group's progress using adjusted profitability measures and reviews and approves the adjusting items proposed by management, as the Group believes these adjusted measures aid the comparison of the Group's operating performance from one period to the next.

The Group's adjusted trading results have been highlighted in the management narrative below, with reconciliations between the statutory and adjusted results detailed in NGM A. Adjusting items for H1 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

The definition and calculation of a range of other NGMs including EBITDA, total cash and bank, working capital and free cash flow can be found on pages 33 to 38.

From 1 January 2023, Subsea Technologies is being reported as a separate operating segment. Hunting's presence within the subsea segment of the oil and gas industry has been steadily growing following the acquisition of RTI Energy Systems in August 2019, now called Subsea Spring, followed by the acquisition of Enpro Subsea in February 2020. Subsea Technologies was previously reported as part of the North America operating segment. The segmental results for 2022 were restated to show Subsea Technologies separately from North America as shown in note 2.

Revenue

Revenue for the six months ended 30 June 2023 increased by 42% to \$477.8m compared to \$336.1m in H1 2022. This increase reflects the strong international demand for oil and gas products generally, alongside a stable North America operating performance.

In the reporting period, all operating segments reported good growth in revenue compared to H1 2022. Hunting Titan increased its revenue by 6%; North America increased revenue by 55%; Subsea Technologies increased revenue by 20%; EMEA increased revenue by 25%; and Asia Pacific increased revenue by 172%.

Inter-segment revenue has also increased by \$5.1m to \$23.9m compared to \$18.8m in H1 2022, reflecting the overall increase in activity levels within the Group.

Gross Profit

H1 2023 gross profit was \$114.2m compared to \$75.8m in the comparative period. Gross margin was 24% in the period (H1 2022 – 23%) as product mix, increased pricing and higher utilisation of facilities provided a better profit drop-through.

Operating Profit

The Group's operating profit for the period was much improved at \$26.2m (H1 2022 – \$1.7m) and the operating margin was 5% (H1 2022 – 1%), with selling and distribution costs and administrative expenses increasing to reflect the increase in activity across the Group.

Profit/(Loss) Before Tax

Net finance expense in the period was \$3.5m (H1 2022 – \$0.9m), with the higher expense reflecting the interest paid on the utilisation of the Asset Based Lending ("ABL") facility.

The Group's share of associates' and joint ventures' results was a \$0.4m profit (H1 2022 – \$1.3m loss), which is predominantly attributed to the Group's investment in Rival Downhole Tools.

Following the charges for interest and the associates' and joint ventures' results noted above, profit before tax in the period was \$23.1m (H1 2022 – \$0.5m loss).

Tax

The tax charge for the period was \$5.7m (H1 2022 – \$3.2m). This reflects an effective tax rate ("ETR") for the Group of 25% (H1 2022 – minus 640%). The Group has a somewhat volatile ETR whilst US deferred tax assets remain unrecognised.

Profit/(Loss) for the Period

The profit for the period was \$17.4m (H1 2022 – \$3.7m loss), with profit attributable to owners of the parent of \$16.0m (H1 2022 – \$3.9m attributable loss).

This profit resulted in diluted earnings per share of 9.6 cents (H1 2022 – 2.4 cents loss per share).

Adjusting Items

There were no adjusting items in H1 2023. Adjusting items for the comparative period in 2022 comprise \$3.0m of legal fees incurred in relation to the Group's defence against a patent infringement claim. No tax arose on these due to the fact that deferred tax was not recognised in relation to this jurisdiction. The adjusted ETR for the Group for H1 2022 was, therefore, 128% (NGM D).

Non-GAAP Measures

In H1 2023, the Group generated EBITDA of \$48.7m compared to an EBITDA of \$23.6m in H1 2022.

The EBITDA margin of the Group has improved in the reporting period and in H1 2023 was 10% compared to 7% in H1 2022.

The Group generated EBITDA in the first half of 2023 similar to what was reported for the whole of 2022, demonstrating the increasing strength of global energy markets, the Group's sales order book and overall demand for its diverse product portfolio.

As there were no adjusting items in the reporting period, the Group's adjusted profit measures are the same as the statutory results.

Group Funding and Cash Position at the Half Year

	H1 2023 \$m	H1 2022* \$m
EBITDA (NGM C)	48.7	23.6
Add: share-based payment charge	7.5	4.6
	56.2	28.2
Working capital movements (NGM K)	(85.9)	(22.1)
Lease payments	(5.6)	(4.5)
Net interest and bank fees paid	(2.2)	(3.2)
Net tax paid	(4.7)	(2.3)
Proceeds from business and asset disposals	1.3	7.5
Net gains on business and asset disposals	(1.3)	(2.2)
Legal fees to defend patent infringement claim	–	(3.0)
Other operating and non-cash movements	2.4	(1.6)
Free cash flow (NGM L)	(39.8)	(3.2)
Capital investment	(13.2)	(7.4)
Intangible asset investment	(6.5)	(1.5)
Investment in associates and joint ventures	(1.6)	(1.9)
Dividend received from associates	0.6	–
Dividends paid to equity shareholders	(7.1)	(6.4)
Net purchase of treasury shares	(8.5)	(4.0)
Net cash outflow	(76.1)	(24.4)
Foreign exchange	(0.1)	(4.2)
Movement in total cash and bank borrowings	(76.2)	(28.6)
Opening total cash and bank borrowings	24.5	114.2
Closing total cash and bank borrowings (NGM I)	(51.7)	85.6

* Restated for adjusting items in respect of legal fees incurred of \$3.0m, see note 1.

Hunting reported EBITDA of \$48.7m during H1 2023 (H1 2022 – \$23.6m). When adjusted for non-cash share-based payment charges, the inflow for the period was \$56.2m (H1 2022 – \$28.2m inflow).

In H1 2023, the Group recorded a \$85.9m working capital outflow (NGM K) compared to \$22.1m in H1 2022. This reflects the significant increase in activity across the Group. Hunting is measuring balance sheet efficiency using working capital as a percentage of annualised revenue. On this measure, half year at 42% is slightly improved on the position at the end of 2022 of 44% (NGM E). Supporting measures of inventory days have improved, from 159 days at 31 December to 143 days at 30 June (NGM F), receivable days have remained broadly flat at 86 days compared to 84 days at 31 December (NGM G), and payable days have reduced slightly from 50 days to 44 days (NGM H). In addition, Hunting has reduced its payments on account to suppliers and increased its advances from customers.

During the period, the Group's leasing arrangements gave rise to cash payments of \$5.6m (H1 2022 – \$4.5m), with the majority of the increase attributable to a one-off payment made to exit a lease for a surplus property in Canada.

Net interest and bank fees paid in the period were \$2.2m (H1 2022 – \$3.2m), mainly due to interest paid on the borrowings under the ABL facility. H1 2022 included \$3.0m relating to ABL fees paid, which were capitalised on the balance sheet.

Net tax paid in the period was \$4.7m (H1 2022 – \$2.3m).

Proceeds from the disposal of assets and businesses totalled \$1.3m (H1 2022 – \$7.5m). In H1 2022, net proceeds comprised a net \$5.0m received following the sale of a property in Casper, Wyoming and a net receipt of \$2.4m to exit the leased property at Benoi Road in Singapore.

Legal fees of \$3.0m were paid in H1 2022 in relation to the Group's defence against a patent infringement claim, which it won in January 2023. The case has now concluded.

Group Funding and Cash Position at the Half Year continued

As a result of the above and other cash inflows of \$2.4m (H1 2022 – \$1.6m outflows), free cash outflows were \$39.8m compared to \$3.2m outflows in H1 2022.

Capital investment in the period totalled \$13.2m in H1 2023 (H1 2022 – \$7.4m). In the period, Hunting Titan spent \$1.5m, with \$0.9m in relation to capacity expansion in Milford; \$8.1m was in North America, with \$4.0m spent by Dearborn and \$2.0m spent by Electronics on new machines and upgrades; \$1.1m was in Subsea Technologies on two new machines; \$1.7m was in EMEA, with \$1.1m on new plant and machinery; \$0.7m by Asia Pacific; and \$0.1m centrally.

Intangible asset investment in the period was \$6.5m (H1 2022 – \$1.5m), with \$4.4m incurred on software and global data centres, and \$1.1m of intangible expenditure on internally generated technology by Hunting Titan.

In H1 2023, the Group made a further investment in Cumberland Additive of \$1.6m, following the \$1.6m in H2 2022. In H1 2022, Hunting invested \$1.9m in the joint venture with Jindal SAW in India to support the development of the new threading facility. The Group also received a \$0.6m distribution from an associate in the period (H1 2022 – \$nil).

The 2022 final dividend of 4.5 cents per share was paid to equity shareholders on 12 May 2023, which absorbed \$7.1m. In H1 2022, equity shareholders received the 2021 Final Dividend totalling 4.0 cents per share resulting in a payment of \$6.4m.

In H1 2023, the Company purchased 2.9m (H1 2022 – 1.0m) Ordinary shares as treasury shares for a total consideration of \$8.9m (H1 2022 – \$4.2m) through Hunting's Employee Share Trust. These shares will be used to satisfy future awards under the Group's share award programme. The purchase of treasury shares was offset by proceeds on the disposal of treasury shares of \$0.4m (H1 2022 – \$0.2m).

Overall, in the period, the Group recorded a net cash outflow of \$76.1m (H1 2022 – \$24.4m), driven by the absorption of cash into working capital as market activity continued to strengthen. As a result of the above cash outflows and \$0.1m adverse foreign exchange movements, total cash and bank borrowings (NGM I) reduced to a net borrowing position of \$51.7m, compared to a net cash position of \$24.5m at 31 December 2022.

Balance Sheet

Summary Group Balance Sheet

	30 June 2023 \$m	31 December 2022 \$m
Property, plant and equipment	255.2	256.7
Right-of-use assets	23.4	26.0
Goodwill	154.4	155.5
Other intangible assets	39.9	35.7
Investments in associates and joint ventures	21.5	20.1
Working capital (NGM E)	445.9	362.8
Taxation (current and deferred)	3.2	4.0
Provisions	(9.8)	(8.9)
Other net assets	4.8	4.3
Capital employed	938.5	856.2
Total cash and bank borrowings	(51.7)	24.5
Lease liabilities	(26.7)	(30.6)
Shareholder loan from non-controlling interest	(3.9)	(3.9)
Net debt (note 12)	(82.3)	(10.0)
Net assets	856.2	846.2

Property, plant and equipment was \$255.2m at 30 June 2023 compared to \$256.7m at 31 December 2022, a slight reduction of \$1.5m. Depreciation of \$14.6m was offset by additions of \$12.5m, as discussed above, and other items of \$0.6m, giving the closing balance noted.

Right-of-use assets totalled \$23.4m at 30 June 2023 compared to \$26.0m at 31 December 2022. Depreciation of right-of-use assets of \$3.2m was offset by other items totalling \$0.6m, leading to an overall net reduction of \$2.6m being recorded.

Goodwill is materially unchanged at \$154.4m at the balance sheet date compared to \$155.5m at the 2022 year-end, with impairment and foreign exchange movements totalling \$1.1m.

Other intangible assets have increased by \$4.2m to \$39.9m at 30 June 2023, with additions of \$6.5m, primarily related to the capitalisation of technology and IT data centres, and favourable foreign exchange movements of \$0.7m being offset by the amortisation charge of \$3.0m.

Investments in associates and joint ventures have increased by \$1.4m, reflecting a further investment in Cumberland Additive of \$1.6m, the Group's share of associates' and joint ventures' net results for the period of \$0.4m largely attributable to the investment in Rival Downhole Tools, offset by the receipt of a \$0.6m distribution.

Working capital (NGM E) has increased by \$83.1m to \$445.9m, in line with the growth in activity in the business. Working capital as a percentage of annualised revenue (NGM E) has improved from 44% at 31 December 2022 to 42% at 30 June 2023. Further improvements in working capital efficiencies are expected in H2 2023.

Current and deferred taxation recorded a net asset of \$3.2m compared to 31 December 2022, which was a net asset of \$4.0m. Management continues to monitor the supporting evidence that will determine when the unrecognised deferred tax assets, mainly in the US, will be recognised (see note 6).

Summary Group Balance Sheet continued

Provisions were materially unchanged at \$9.8m (31 December 2022 – \$8.9m) in the period, with other net assets increasing slightly to \$4.8m (31 December 2022 – \$4.3m).

As a result of the above charges, capital employed increased by \$82.3m to \$938.5m at 30 June 2023. The return on average capital employed was, therefore, 4% in H1 2023 compared to (1)% in H1 2022 (NGM M).

Net debt (note 12) at 30 June 2023 was \$82.3m (31 December 2022 – \$10.0m net debt), with working capital outflows reflecting the strong trading environment and increased sales order book, as described above. Net debt includes \$26.7m of lease liabilities, which have decreased by \$3.9m since the year-end due to lease payments being made. Total cash and bank borrowings have decreased since the year-end by \$76.2m, as shown above, to a net borrowing position of \$51.7m at 30 June 2023 (31 December 2022 – \$24.5m net cash position). Management anticipates that this position will unwind by the year-end as larger projects are completed in H2 2023.

Net assets have, therefore, increased by \$10.0m to \$856.2m at 30 June 2023, compared to \$846.2m at the 2022 year-end. This has been driven by the profit in the period of \$17.4m and foreign exchange and other items totalling \$8.2m offset by dividends paid of \$7.1m to equity shareholders of Hunting PLC and the net purchase of treasury shares of \$8.5m.

Product Group Financial Data and Sales Order Book

The Hunting business is organised and managed by segment, but has a consistent product structure that runs across the organisation. In order to provide better insight and visibility, management has provided additional information for revenue and EBITDA by product group, which clarifies the relationship between Hunting's operating segments and key product groups. The sales order book comprises the value of all unsatisfied orders from customers and is expected to be recognised as revenue in future periods. The sales order book represents the aggregate amount of the transaction price allocated to partially or fully unsatisfied performance obligations, as defined in IFRS 15 Revenue from Contracts with Customers.

As noted above, the Group's sales order book has increasingly become a more meaningful measure for shareholders to monitor the Company's trading outlook. Management, therefore, presents below the sales order book of the Group, as at 30 June 2023, by operating segment and product group to assist in the outlook for the medium term.

Segmental Review**Segmental Results from Operations**

	H1 2023				H1 2022*			
	Revenue \$m	EBITDA** \$m	Adjusted operating result*** \$m	Sales order book \$m	Revenue \$m	EBITDA** \$m	Adjusted operating result*** \$m	Sales order book \$m
Hunting Titan	134.5	12.1	7.5	36.3	127.2	11.8	7.3	29.2
North America	191.3	28.7	17.9	283.2	123.4	8.7	–	241.1
Subsea Technologies	42.5	3.2	(0.4)	101.3	35.3	2.4	–	52.9
EMEA	46.5	0.8	(1.1)	31.7	37.1	(0.3)	(2.2)	19.1
Asia Pacific	86.9	3.9	2.3	176.3	31.9	1.0	(0.4)	33.4
Inter-segment elimination	(23.9)	–	–	(99.1)	(18.8)	–	–	(49.8)
	477.8	48.7	26.2	529.7	336.1	23.6	4.7	325.9

* Restated for adjusting items in respect of legal fees incurred of \$3.0m, see note 1.

** EBITDA is a non-GAAP measure, see NGM C.

*** Reported results are based on the statutory results for operations as reported under UK adopted International Financial Reporting Standards. Adjusted results reflect adjusting items determined by management which are described in NGM A.

Results by Product Group

	H1 2023			H1 2022*		
	Revenue \$m	EBITDA** \$m	Sales order book \$m	Revenue \$m	EBITDA** \$m	Sales order book \$m
Perforating Systems	126.8	13.7	21.6	121.6	12.7	17.7
OCTG	213.4	24.1	248.1	109.6	5.4	112.0
Advanced Manufacturing	53.1	4.5	146.0	34.0	0.5	133.0
Subsea	42.5	3.2	101.3	35.3	2.4	52.9
Other Manufacturing***	42.0	3.2	12.7	35.6	2.6	10.3
	477.8	48.7	529.7	336.1	23.6	325.9

* Restated for adjusting items in respect of legal fees incurred of \$3.0m, see note 1.

** EBITDA is a non-GAAP measure, see NGM C.

*** Other Manufacturing now includes the previously disclosed Well Intervention product group.

Hunting Titan

During the period, the Hunting Titan operating segment reported a 6% increase in revenue to \$134.5m compared to \$127.2m in H1 2022. These results have predominantly been driven by: (i) the continued adoption of the H-3 Perforating System™ across North America; (ii) strong demand for Hunting Titan's Pre-Loaded Gun ("PLG") offering; (iii) increased sales of detonation cord; and (iv) strong international sales growth.

EBITDA of \$12.1m and an EBITDA margin of 9% in the reporting period was unchanged from H1 2022, with EBITDA reported in the comparative period of \$11.8m and an EBITDA margin of 9% in H1 2022. With the introduction of the H-3 Perforating System™, EBITDA margins for Hunting Titan have remained stable, reflecting the lower manufacturing cost of the product line.

The adjusted operating profit was \$7.5m, compared to an adjusted operating profit of \$7.3m in H1 2022. Hunting Titan's reported operating profit was \$7.5m in the period and \$4.3m in H1 2022 after legal fees were incurred in defending a patent infringement claim.

Hunting Titan continued

At 30 June 2023, the sales order book for the segment was \$36.3m compared to \$29.2m at 30 June 2022. Hunting Titan operates a short-cycle business model and does not carry a significant order book.

The segment continued to implement operational cost savings in the period, which, as noted above, includes the closure of the manufacturing facility at Oklahoma City. Investment in production has been made at the Pampa, US, and Monterrey, Mexico, facilities during the past two years, which includes increased automation of perforating gun production and migration to lower cost manufacturing, enabling the closure of this facility. A distribution centre will, however, be retained in Oklahoma City to support customers in the area. In addition, the segment also reduced its external North America freight and transportation costs by purchasing a small truck fleet to service specific parts of the US. These initiatives combined provide for a lower cost base going into H2 2023.

Overall, in the period, the headcount of the segment is largely unchanged at 660 compared to 656 at 31 December 2022.

Hunting Titan primarily supplies Perforating Systems products that account for around 95% of its revenue, with the remaining products falling within Advanced Manufacturing. About 98% of Perforating Systems activity fell within Hunting Titan, with some international sales being recorded through EMEA and Asia Pacific, and there is an internal supply of electronic components being undertaken by the North America operating segment.

Perforating Systems (Group)

Perforating Systems revenue increased marginally from \$121.6m in H1 2022 to \$126.8m in H1 2023, with sale volumes of Perforating Systems in North America flat compared to H1 2022 given the shift from gas to oil drilling reported across the industry. During H1 2023, Hunting Titan saw strong international demand for its technology as unconventional resources, particularly in South America, Middle East and China adopt more efficient completion techniques. Hunting Titan's international strategy is focused on component sales, rather than system sales, as this provides flexibility to the client in respect of the preferred architecture of the completion string. In the period, international sales were \$22.2m (H1 2022 – \$16.5m).

Following the introduction of the H-3 Perforating System™, Hunting Titan will be launching the H-4 Perforating System™ ("H-4") in the second half of the year, which will provide new sales growth and margin expansion opportunities. The H-4 is a self-orientating system that will provide more accurate well completions.

The segment's Pre-loaded Guns ("PLG") offering has seen strong sales in H1 2023 as further acceptance of this product continues across North America. Hunting Titan will be introducing the offering into the Canadian market in H2 2023 utilising the current distribution centre in Grand Prairie.

Further, sales of detonation cord have been robust in the reporting period. A 30% capacity increase is planned for early Q3 2023 to meet the increased market demand.

Hunting continued its strategy of introducing new technology to clients in the reporting period, with the launch of the Perf+ shooting panel in the US, which will further increase reliability and operational efficiency whilst maintaining industry leading safety.

North America

The Group's North America operating segment reported a 55% increase in revenue to \$191.3m compared to \$123.4m in H1 2022, as broad-based demand across North America and internationally, particularly in South America, drove activity in many of its businesses.

EBITDA in the reporting period was \$28.7m with an EBITDA margin of 15% compared to \$8.7m and an EBITDA margin of 7% in H1 2022, an increase of \$20.0m and eight percentage points. This significant improvement has been driven by higher facility utilisation, improved pricing and a broad-based increase in internationally focused business.

The adjusted and reported operating profit for H1 2023 was \$17.9m compared to a break-even result in H1 2022.

At 30 June 2023, the sales order book for the segment was \$283.2m compared to \$241.1m at 30 June 2022.

In line with the overall increase in demand, the headcount in North America increased by 6% to 869 at 30 June 2023, compared to 818 at 31 December 2022.

The North America segment performs activities across all but the Subsea product group. About 50% of its products are OCTG, and 25% Advanced Manufacturing, less than 10% are the electronic components for Perforating Systems, and the balance is Other Manufacturing, which includes Trenchless and Well Intervention activities.

OCTG (North America)

Hunting's Premium Connections business reported a further increase in demand for its products in the period, with the TEC-LOCK Wedge™ product line seeing good demand across North America, with revenue for the period increasing by \$34.5m from \$66.7m in H1 2022 to \$101.2m for H1 2023. The business reported renewed interest in offshore projects, with orders being placed for Hunting's deep water-orientated connection. In Canada, the Group's OCTG and connection sales continue to grow following the implementation of a new business model in 2020. Hunting has continued to introduce new connections technology in the period including the TEC-LOCK Flush Joint™ design, which is targeted at onshore drilling projects. The TEC-LOCK™ family of connections now has five designs targeted at a wide range of onshore applications.

Hunting's Accessories manufacturing business reported an exceptionally strong performance during the reporting period as turnkey manufacturing, premium threading and well completion accessories manufacturing orders have increased materially, with clients across North and South America and internationally stepping up drilling programmes. The business has seen a notable increase in sales for offshore activity with orders received from the Gulf of Mexico and from Guyana in support of the major drilling and developments in those regions.

North America continued*Advanced Manufacturing (Group)*

Within the Advanced Manufacturing group, both the Dearborn and Electronics businesses are seeing supply chain constraints easing, which supports stronger throughputs of orders. Revenue in H1 2023 was \$53.1m compared to \$34.0m in H1 2022. These businesses have continued to diversify their revenue streams with new orders being pursued in the medical, defence and commercial space arenas.

The Advanced Manufacturing order book was \$146.0m at 30 June 2023 compared to \$133.0m at 30 June 2022. The Electronics business has reported a strong increase in oil and gas orders as industry activity has strengthened in the period, with strong sales order back logs being reported from the major energy service companies. Defence-related orders were also secured in the period, with some orders completed for electric vehicle charging product lines. This demonstrates the flexibility of the business to pursue both energy-related and non-oil and gas work.

The Dearborn business reported an improvement to its trading results as new equipment was commissioned in Q4 2022. The business continues to report a strong non-oil and gas sales order book, as power generation, aviation and commercial space clients continue to increase activity.

Other Manufacturing (North America)

The Hunting Trenchless business continued to report good performance, as 5G networking and broadband infrastructure investment in the US continued to grow and, with infrastructure drilling backlogs across the industry at an all-time high, the outlook for this business remains positive.

Subsea Technologies*Subsea (Group)*

Hunting's Subsea Technologies operating segment was formed on 1 January 2023 (see note 2), and the Subsea Technologies segment and the Subsea product group are identical. The segment reported a 20% increase in revenue to \$42.5m compared to \$35.3m in H1 2022.

EBITDA in the reporting period was \$3.2m compared to \$2.4m in H1 2022, with EBITDA margins improving from 7% in H1 2022 to 8%, reflecting the benefit of drop through margins as the segment begins to scale up its revenue.

The adjusted and reported operating loss for the period was \$0.4m compared to an adjusted and reported breakeven result in H1 2022. This reflects the impact of a \$1.4m impairment in Enpro goodwill due to increases in discount rates. The underlying profitability of the segment has improved, and this trend is expected to continue.

During the reporting period, the segment's Spring business continued to complete orders for steel and titanium stress joints for clients in the Gulf of Mexico and South America. The application of its stress joint technology to Floating Production, Storage and Offloading ("FPSO") vessels continued to see increased customer acceptance and will likely be a major source of revenue growth in the medium term as clients focus on short-term cash generation and returns to shareholders from offshore projects.

The segment's Stafford business continued to report good results as demand for its hydraulic valves and couplings increased in line with the continued growth of offshore markets.

Enpro Subsea reported a slower first half of the year given some delays to projects, however, the outlook remains positive as clients shift to more standardised deep water project development with a strong focus on modular field build-out to increase short-term cash flows. The business is also consolidating its operations into Hunting's existing facilities in Aberdeen to increase cost efficiencies.

Due to the above increase in activity, the sales order book at 30 June 2023 has nearly doubled from 30 June 2022 of \$52.9m to \$101.3m.

The headcount within the Subsea Technologies operating segment has increased to 180 compared to 155 at 31 December 2022.

Europe, Middle East and Africa ("EMEA")

Hunting's EMEA operating segment reported a 25% increase in revenue to \$46.5m compared to \$37.1m in H1 2022.

EBITDA in the reporting period was \$0.8m compared to an EBITDA loss of \$0.3m in H1 2022, an increase of \$1.1m, and the adjusted and reported operating loss narrowed to \$1.1m compared to a \$2.2m loss in H1 2022, due to an increase in activity within our OCTG businesses in relation to the Tubacex order for Brazil, which led to the Group's Netherlands facility being at full capacity during the period as this order was progressed. In H1 2023, the Group's Aberdeen facilities also provided support to this contract.

The Group's Netherlands OCTG facility also completed a number of orders for geothermal applications as projects accelerate across Europe. Activity levels across the Middle East continued to increase during the period, resulting in higher sales of pressure control equipment and increased revenue from Hunting Titan perforating products. As announced separately today, the Group has begun a process of consolidating its facilities across Europe, with the segment's main well testing assembly operations to be transferred to Dubai by 2024. The Group plans to relocate its operating site in the UAE to a larger facility in the region to accommodate this new capability, which also supports the Group's ambition of increasing its presence in the Middle East in the long term.

At 30 June 2023, the sales order book for the segment was \$31.7m compared to \$19.1m at 30 June 2022, reflecting an increase in orders for OCTG product in the Netherlands.

The headcount within the EMEA operating segment increased to 259 compared to 247 at 31 December 2022.

The EMEA segment splits broadly 50% OCTG and 50% Other Manufacturing, which includes Well Intervention, Well Testing and Organic Oil Recovery.

Europe, Middle East and Africa (“EMEA”) continued*Other Manufacturing (EMEA)*

The Organic Oil Recovery technology continued to make strong progress throughout the reporting period, with new trials and field pilots being agreed or commenced by an increasing number of major international energy companies. The technology has now been proven to support sustained increases to production in end-of-life fields, which provides higher cash flows to customers on brown field developments. At present, the technology is being assessed for application in Angola, Azerbaijan, Malaysia, Nigeria, Saudi Arabia and the UK.

The Group's UK well intervention business has seen a steady increase in activity during the period as market activity improved across the region. The business saw a notable improvement to rental equipment sales as clients increase budgets.

Asia Pacific

The increase in international drilling activity and the growth in energy markets across the Asia Pacific region have been the core drivers of growth for the segment in H1 2023, with revenue increasing by 172% to \$86.9m from \$31.9m in H1 2022. EBITDA in the reporting period was \$3.9m with an EBITDA margin of 4% compared to \$1.0m in H1 2022 and an EBITDA margin of 3%.

The adjusted and reported operating profit was \$2.3m compared to a \$0.4m loss in H1 2022, an increase of \$2.7m.

The commissioning of the Group's new threading facility in Nashik Province, India with Hunting's joint venture partner Jindal SAW was completed in July 2023, with the opening to be held on 19 September 2023. With this facility, the Group now has a leading position in the manufacture and provision of Premium Connections and OCTG in China, India, Indonesia and Singapore, with unique raw material supply channels in place to service the Middle East and Asia Pacific.

At 30 June 2023, the sales order book for the segment was \$176.3m compared to \$33.4m at 30 June 2022 largely due to the CNOOC and Vedanta Limited orders, discussed below.

During the period, the headcount within the Asia Pacific operating segment has increased to 314 at 30 June 2023 compared to 309 at 31 December 2022.

The Asia Pacific segment primarily trades in OCTG products, with small levels of activity in support of Perforating Systems and Other Manufacturing.

OCTG (excluding North America)

The Group's OCTG product group, excluding North America, reported an increase in revenue from \$42.9m in H1 2022 to \$112.2m in H1 2023, an increase of 162%.

During H1 2023, the Group's China and Singapore facilities have continued work on the large OCTG order from CNOOC, which was secured in August 2022. The order will be completed in H2 2023. Hunting also won a \$91m order from Cairn Oil and Gas, Vedanta Limited in May 2023. This three-year contract will see the Group providing OCTG with Hunting's SEAL-LOCK XD™ premium connection applied, for a programme of up to 100 wells in Rajasthan, India.

The Asia Pacific region is rapidly becoming a leader in the development of carbon capture and geothermal projects, with countries including Indonesia and Thailand looking to rapidly build out capacity. As noted in the Strategic Initiatives section, the Strategic Alliance with Jiuli provides Hunting with a partner who will provide corrosion resistant alloys including high nickel and chrome OCTG, which is required by these challenging operating conditions.

Board Changes

On 3 January 2023, the Board announced the appointment of Stuart Brightman as an independent, non-executive Director of the Company. At the Company's 2023 Annual General Meeting ("AGM"), Mr Brightman automatically retired and offered himself for re-appointment by shareholders. All other Directors were submitted for re-election by shareholders at the AGM, with each Director receiving the required votes in favour. Mr Brightman has been appointed to all of the Committees of the Board.

Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2022 Annual Report and Accounts on pages 102 to 109, which includes the requirement for all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk.

There are a number of principal risks that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Some of the risks that Hunting is exposed to, which could have a material adverse impact on the Group, arise from the specific activities undertaken by the Group, whereas other risks are common to many international manufacturing companies.

The principal risks are: competition; US shale drilling; climate change; commodity prices; geopolitics; health, safety and environmental laws; loss of key executives; and product quality. Details of those principal risks facing the Group are on pages 105 to 109 of the Group's 2022 Annual Report and Accounts.

The Group has not identified any emerging risks in H1 2023 or throughout 2022.

Capital Markets Day

The Company will be holding a Capital Markets Day on Wednesday 13 September 2023. At the event, management will present the Hunting 2030 Strategy, which was launched in March 2023.

The Hunting 2030 Strategy includes management's strategic ambitions to grow the Company's presence in both traditional energy and energy transition markets, in addition to diversifying the Group's long-term revenue to non-oil and gas markets, including power aviation, commercial space, medical and power generation sectors.

Management will announce financial milestones and targets for the end of the decade, which will include its focus on strong cash generation following the COVID-19 downturn, in addition to providing details of capital allocation policies, to support stronger shareholder distributions and returns. Presentations will be delivered by the Company's executive management, including the Group's leadership team.

The Capital Markets Day will be held at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS.

Investor Meet Company

On 24 August 2023, commencing at 3.30pm (UK) / 9.30am (CST), the Company will be hosting a briefing via the 'Investor Meet Company' platform.

The presentation is open to all existing and potential shareholders. Questions can be submitted prior to this presentation via the Investor Meet Company dashboard up until 9.00am the day before the meeting or at any time during the live presentation. Investors can sign up to Investor Meet Company for free and add to meet Hunting PLC at:

<https://www.investormeetcompany.com/hunting-plc/register-investor>.

Investors who already follow Hunting PLC on the Investor Meet Company platform will automatically be invited.

Forward-looking Statements

Certain statements in this Half Year Report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Jay Glick
Chairman

Jim Johnson
Chief Executive

24 August 2023

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with United Kingdom adopted IAS 34 Interim Financial Reporting and that the Half Year Management Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on these condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2022 Annual Report and Accounts.

The Directors believe that the Half Year Report taken as a whole is fair, balanced and understandable. In arriving at this conclusion the Board considered the opinion and recommendation of the Audit Committee who undertook the following work:

- review of early drafts of the Half Year Report;
- regular review of and discussion over the financial results during the period, including briefings by Group finance; and
- receipt and review of a report from the external auditors.

On behalf of the Board

Bruce Ferguson
Finance Director

24 August 2023

Independent Review Report to Hunting PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023, which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting" and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the entity to cease to continue as a going concern.

Directors' Responsibilities

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. In preparing the half-yearly financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our Report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom

24 August 2023

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2023 \$m	Unaudited Six months ended 30 June 2022 \$m
Revenue	2,3	477.8	336.1
Cost of sales		(363.6)	(260.3)
Gross profit		114.2	75.8
Selling and distribution costs		(25.4)	(22.0)
Administrative expenses		(63.2)	(53.9)
Net operating income and other expenses	4	0.6	1.8
Operating profit		26.2	1.7
Finance income		1.9	1.3
Finance expense		(5.4)	(2.2)
Share of associates' and joint ventures' results		0.4	(1.3)
Profit/(loss) before tax		23.1	(0.5)
Taxation	6	(5.7)	(3.2)
Profit/(loss) for the period		17.4	(3.7)
Attributable to:			
Owners of the parent		16.0	(3.9)
Non-controlling interests		1.4	0.2
		17.4	(3.7)
Earnings/(loss) per share:		cents	cents
Basic	7	10.1	(2.4)
Diluted	7	9.6	(2.4)

The notes on pages 19 to 32 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2023 \$m	Unaudited Six months ended 30 June 2022 \$m
Profit/(loss) for the period	17.4	(3.7)
Other comprehensive income/(expense), after tax		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Exchange adjustments	2.2	(8.4)
Fair value (losses)/gains arising on cash flow hedges during the period	(0.5)	0.2
Fair value gains arising on cash flow hedges reclassified to profit or loss	(0.1)	–
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit pension schemes	–	0.1
Other comprehensive income/(expense), after tax	1.6	(8.1)
Total comprehensive income/(expense) for the period	19.0	(11.8)
Attributable to:		
Owners of the parent	18.1	(11.6)
Non-controlling interests	0.9	(0.2)
	19.0	(11.8)

Total comprehensive income/(expense) attributable to owners of the parent arises from the Group's continuing operations.

Condensed Consolidated Balance Sheet

	Notes	Unaudited At 30 June 2023 \$m	Audited At 31 December 2022 \$m
ASSETS			
Non-current assets			
Property, plant and equipment	8	255.2	256.7
Right-of-use assets	8	23.4	26.0
Goodwill	8	154.4	155.5
Other intangible assets	8	39.9	35.7
Investment in associates and joint ventures		21.5	20.1
Investments		5.0	4.8
Trade and other receivables	10	2.0	2.8
Deferred tax assets		13.2	13.7
		514.6	515.3
Current assets			
Inventories	11	322.3	272.1
Trade and other receivables	10	275.0	232.4
Cash and cash equivalents		36.5	29.4
Current tax assets		0.9	0.1
		634.7	534.0
LIABILITIES			
Current liabilities			
Trade and other payables		150.1	141.8
Lease liabilities		8.0	9.1
Borrowings	12	88.2	4.9
Provisions		5.8	4.6
Current tax liabilities		4.0	3.4
		256.1	163.8
Net current assets			
		378.6	370.2
Non-current liabilities			
Trade and other payables		3.5	3.2
Lease liabilities		18.7	21.5
Borrowings	12	3.9	3.9
Provisions		4.0	4.3
Deferred tax liabilities		6.9	6.4
		37.0	39.3
Net assets			
		856.2	846.2
Equity attributable to owners of the parent			
Share capital		66.5	66.5
Share premium		153.0	153.0
Other components of equity		7.7	15.8
Retained earnings		626.5	609.3
Total attributable to owners of the parent		853.7	844.6
Non-controlling interests			
		2.5	1.6
Total equity			
		856.2	846.2

Condensed Consolidated Statement of Changes in Equity

	Notes	Unaudited Six months ended 30 June 2023						Total equity \$m
		Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total attributable to owners of the parent \$m	Non- controlling interests \$m	
At 1 January 2023		66.5	153.0	15.8	609.3	844.6	1.6	846.2
Profit for the period		-	-	-	16.0	16.0	1.4	17.4
Other comprehensive income/(expense)		-	-	2.1	-	2.1	(0.5)	1.6
Total comprehensive income		-	-	2.1	16.0	18.1	0.9	19.0
Transfer of cash flow hedging gains to the initial carrying value of hedged items		-	-	(0.1)	-	(0.1)	-	(0.1)
Dividends to Hunting PLC shareholders	15	-	-	-	(7.1)	(7.1)	-	(7.1)
Treasury shares								
- purchase of treasury shares		-	-	-	(8.9)	(8.9)	-	(8.9)
- disposal of treasury shares		-	-	-	0.4	0.4	-	0.4
Share options and awards								
- value of employee services		-	-	7.2	-	7.2	-	7.2
- discharge		-	-	(7.5)	7.2	(0.3)	-	(0.3)
- taxation		-	-	-	(0.2)	(0.2)	-	(0.2)
Transfer between reserves ⁱ		-	-	(9.8)	9.8	-	-	-
At 30 June 2023		66.5	153.0	7.7	626.5	853.7	2.5	856.2

i. \$7.1m of the merger reserve is now considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 has now met the definition of qualifying consideration, and has been transferred to retained earnings. There was also a transfer of \$2.7m between the currency translation reserve and retained earnings.

	Notes	Unaudited Six months ended 30 June 2022						Total equity \$m
		Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total attributable to owners of the parent \$m	Non- controlling interests \$m	
At 1 January 2022		66.5	153.0	38.0	612.4	869.9	1.4	871.3
(Loss)/profit for the period		-	-	-	(3.9)	(3.9)	0.2	(3.7)
Other comprehensive (expense)/income		-	-	(7.8)	0.1	(7.7)	(0.4)	(8.1)
Total comprehensive (expense)/income		-	-	(7.8)	(3.8)	(11.6)	(0.2)	(11.8)
Dividends paid to Hunting PLC shareholders	15	-	-	-	(6.4)	(6.4)	-	(6.4)
Treasury shares								
- purchase of treasury shares		-	-	-	(4.2)	(4.2)	-	(4.2)
- disposal of treasury shares		-	-	-	0.2	0.2	-	0.2
Share options and awards								
- value of employee services		-	-	4.4	-	4.4	-	4.4
- discharge		-	-	(8.8)	8.5	(0.3)	-	(0.3)
Transfer between reserves ⁱⁱ		-	-	(6.4)	6.4	-	-	-
At 30 June 2022		66.5	153.0	19.4	613.1	852.0	1.2	853.2

ii. \$6.4m of the merger reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 met the definition of qualifying consideration, and was transferred to retained earnings.

Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended 30 June 2023 \$m	Restated ¹ Unaudited Six months ended 30 June 2022 \$m
Operating activities			
Operating profit		26.2	1.7
Adjusting items (NGM A)	5	–	3.0
Depreciation, amortisation and impairment (NGM C)		22.5	18.9
EBITDA (NGM C)		48.7	23.6
Share-based payment expense		7.5	4.6
Increase in inventories		(50.1)	(17.6)
Increase in receivables		(43.1)	(31.9)
Increase in payables		7.3	27.4
Increase/(decrease) in provisions		1.5	(2.0)
Net taxation paid		(4.7)	(2.3)
Net (gain)/loss on disposal of property, plant and equipment		(1.3)	1.0
Net gain on curtailment of leases		–	(3.2)
Proceeds from disposal of property, plant and equipment held for rental		–	0.2
Purchase of property, plant and equipment held for rental		(0.5)	(0.4)
Legal fees incurred defending patent infringement claim		–	(3.0)
Other non-cash flow items		0.9	0.4
Net cash outflow from operating activities		(33.8)	(3.2)
Investing activities			
Interest received		0.3	0.4
Proceeds from disposal of property, plant and equipment		1.3	5.0
Decrease in current investments		–	6.5
Dividend received from associates		0.6	–
Investment in associates and joint ventures		(1.6)	(1.9)
Purchase of property, plant and equipment		(12.7)	(7.0)
Purchase of intangible assets		(6.5)	(1.5)
Net cash (outflow)/inflow from investing activities		(18.6)	1.5
Financing activities			
Interest and bank fees paid		(2.5)	(3.6)
Payment of lease liabilities		(5.6)	(4.5)
Net proceeds on disposal of lease liabilities		–	2.3
Increase in bank borrowings		84.6	–
Dividends paid to Hunting PLC shareholders	15	(7.1)	(6.4)
Purchase of treasury shares		(8.9)	(4.2)
Proceeds on disposal of treasury shares		0.4	0.2
Net cash inflow/(outflow) from financing activities		60.9	(16.2)
Net increase/(decrease) in cash and cash equivalents		8.5	(17.9)
Cash and cash equivalents at the beginning of the period		27.3	107.4
Effect of foreign exchange rates		(0.8)	(3.9)
Cash and cash equivalents at the end of the period		35.0	85.6
Cash and cash equivalents at the end of the period comprise:			
Cash at bank and in hand		36.5	54.7
Money market funds		–	11.1
Fixed Term Funds		–	10.0
Short-term deposits with less than 3 months to maturity		–	11.3
Cash and cash equivalents included in current assets		36.5	87.1
Bank overdrafts included in borrowings		(1.5)	(1.5)
		35.0	85.6

i. The 30 June 2022 condensed consolidated cash flow statement has been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end. This resulted in a cash inflow from adjusting items of \$3.0m and a cash outflow to legal fees incurred defending the patent infringement claim of \$3.0m, all within cash flows from operating activities (see note 1).

Notes

1. Basis of Accounting

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is 30 Panton Street, London, SW1Y 4AJ, United Kingdom.

The condensed consolidated interim financial report to 30 June 2023 is presented in US dollars and has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

This condensed set of consolidated financial statements does not include all of the notes of the type normally included in an annual financial report. Accordingly, this interim financial report should be read in conjunction with the 2022 Annual Report and Accounts, which was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and with any public announcements made by Hunting PLC during the interim period.

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 252 to 255 contained in the 2022 Annual Report and Accounts.

The information for the year ended 31 December 2022 contained in this interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

The accounting policies applied and the significant judgements, estimates and assumptions made by management in this condensed set of consolidated financial statements are consistent with those applied in the 2022 Annual Report and Accounts except for the following:

- the estimation of income taxes, which are accrued using an estimated weighted average tax rate that would be applicable to the full year profit or loss; and
- the adoption of new and amended standards as described below.

New and Amended Standards Adopted by the Group

IFRS 17 Insurance Contracts and a number of amended standards became effective for the financial year beginning on 1 January 2023; however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as Hunting PLC. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the condensed consolidated interim financial statements.

Prior Period Restatement

Material items, as shown in note 5 and adjusting items, as shown in NGM A, for the six months ended 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end. The legal fees were incurred by the Hunting Titan operating segment. The related cash flow movement for the six months ended 30 June 2022 was also restated to reflect this change using the appropriate line items within cash flows from operating activities. This restatement had no impact on the Group's net assets, income statement or net cash flow from operating activities for the six months ended 30 June 2022.

1. Basis of Accounting *continued*

Critical Judgements and Key Estimates

Critical judgements are those that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's financial statements. Key assumptions are those concerning future expectations and other key sources of estimation uncertainty at the end of the reporting period and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical judgements were made in the following areas:

- In determining if the contractual terms for various significant Subsea contracts met the requirements of over time revenue accounting, as described in note 3;
- In considering whether the conditions were appropriate to recognise deferred tax assets (see note 6); and
- In the assessment of whether an extension option, early termination option or a purchase option in a lessee contract is likely to be exercised by the entity.

The key estimates used in the preparation of the accounts were:

- The estimates of future cash flows in the budget and extended forecasts considered in the impairment test for cash generating units and the carrying values (see note 9); and
- Estimates of future turn rates by inventory line item in determining inventory provisions (see note 11).

The Directors believe that there are no other critical judgements or estimates applied in the preparation of the consolidated financial statements.

Climate Change

The Directors have considered the potential impact that climate change could have on the financial statements of the Group and recognise that climate change is a principal risk that the Group will monitor and will react to appropriately. In the judgement of the Directors, the external mid and long-term forecasts used by the Company incorporate climate change developments and support the view that there will be robust demand for the Group's oil- and gas-based products for a significant time span. The Group utilises mid-term forecasts to consider whether there are any concerns regarding the carrying values or expected lives of longer-lived assets, including goodwill. Climate related risks are not expected to have a significant adverse impact on the Group's revenue or EBITDA in the medium term. The Directors also believe there is significant operational adaptability in the Group's asset base to move into other non-hydrocarbon product lines, if required.

Going Concern and Liquidity

(a) Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on overall market conditions, the variety of its products and services and its ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 30 June 2023, covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer-term funding needs.

The Group has access to sufficient financial resources, including a \$150m secured committed asset-based lending facility ("ABL"). In the first half of 2023, the facility was temporarily utilised in order to fund working capital. At 30 June 2023, the Group had net bank debt of \$52m. The Group's internal financial projections indicate that the Group is expected to return to a cash positive position and consequently has sufficient resources to meet its liabilities over the twelve months following the date of approval of this report.

(b) Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the principal risks faced by the Group and the potential financial impact of the estimates, judgements and assumptions that were used to prepare this condensed set of financial statements. Management also sensitised the forecasts to reflect reasonably plausible downside scenarios and these demonstrated that the Group is able to maintain sufficient cash resources to meet its liabilities as they fall due over the twelve months following the date of approval of this report. The Board is also satisfied that no material uncertainties have been identified.

(c) Conclusion

The Board is satisfied that it has conducted a robust review of the Group's going concern and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due. Consequently, the Board has considered it appropriate to adopt the going concern basis of accounting in preparing the half year financial report.

2. Segmental Reporting

For the six months ended 30 June 2023, the Group has been reporting on five operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The Hunting PLC Board examines the Group's performance mainly from a geographic perspective, based on the location of the operating activities, as well as by product group, in order to understand the drivers of Group performance and trends. Due to their size and/or nature of their operations, Hunting Titan and Subsea Technologies are reported separately.

From 1 January 2023, the Group has reported Subsea Technologies as a separate operating segment as management believes this will be a growth area for the Group. Hunting's presence within the subsea segment of the oil and gas industry has been steadily growing since 2019, starting with the acquisition of RTI Energy Systems in August 2019, now called Subsea Spring, followed by the acquisition of Enpro Subsea in February 2020. Subsea Technologies was previously reported as part of the North America operating segment. The segmental results for 2022 have been restated to show Subsea Technologies separately from North America. There has been no impact on external revenue, total segment revenue or inter-segment revenue following the restatement.

The Board assesses the performance of the operating segments based on revenue and adjusted operating results. Adjusted operating result is a profit-based measure and excludes adjusting items (see NGM A).

Finance income and finance expense are not allocated to operating segments, as this type of activity is overseen by the Group's central treasury function, which manages the funding position of the Group. Inter-segment sales are priced in line with the transfer pricing policy on an arm's length basis and are eliminated on consolidation. Costs and overheads are apportioned to the operating segments on the basis of time attributed to those operations by senior executives.

Accounting policies used for segmental reporting reflect those used for the Group. The UK is the domicile of Hunting PLC.

Segment Revenue and Profit

The following tables present the results of the operating segments on the same basis as that used for internal reporting purposes to the CODM.

	Six months ended 30 June 2023					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Adjusted result \$m	Adjusting items \$m	Reported result \$m
Hunting Titan	134.5	(4.0)	130.5	7.5	–	7.5
North America	191.3	(18.4)	172.9	17.9	–	17.9
Subsea Technologies	42.5	–	42.5	(0.4)	–	(0.4)
EMEA	46.5	(0.6)	45.9	(1.1)	–	(1.1)
Asia Pacific	86.9	(0.9)	86.0	2.3	–	2.3
Total	501.7	(23.9)	477.8	26.2	–	26.2
Net finance expense				(3.5)	–	(3.5)
Share of associates' and joint ventures' results				0.4	–	0.4
Profit before tax				23.1	–	23.1

	Restated ⁱ Six months ended 30 June 2022					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Adjusted result \$m	Adjusting items \$m	Reported result \$m
Hunting Titan	127.2	(3.8)	123.4	7.3	(3.0)	4.3
North America	123.4	(10.5)	112.9	–	–	–
Subsea Technologies	35.3	–	35.3	–	–	–
EMEA	37.1	(1.0)	36.1	(2.2)	–	(2.2)
Asia Pacific	31.9	(3.5)	28.4	(0.4)	–	(0.4)
Total	354.9	(18.8)	336.1	4.7	(3.0)	1.7
Net finance expense				(0.9)	–	(0.9)
Share of associates' and joint ventures' results				(1.3)	–	(1.3)
Profit/(loss) before tax				2.5	(3.0)	(0.5)

i. Adjusting items for 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

2. Segmental Reporting continued

A breakdown of external revenue by product group is presented below:

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m
Perforating Systems	126.8	121.6
OCTG	213.4	109.6
Advanced Manufacturing	53.1	34.0
Subsea	42.5	35.3
Other Manufacturing ⁱ	42.0	35.6
Total	477.8	336.1
Revenue from products is further analysed between:		
Oil and gas	441.7	312.0
Non-oil and gas	36.1	24.1
Total	477.8	336.1

i. The Other Manufacturing product group comprises the Intervention Tools and Other product groups that were reported separately in 2022.

3. Revenue

In the following tables, a breakdown of the Group's different revenue streams by segment has been given, including the disaggregation of revenue from contracts with customers.

	Six months ended 30 June 2023			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	129.8	0.7	–	130.5
North America	171.6	0.6	0.7	172.9
Subsea Technologies	42.5	–	–	42.5
EMEA	43.3	2.6	–	45.9
Asia Pacific	86.0	–	–	86.0
Total	473.2	3.9	0.7	477.8
	Six months ended 30 June 2022			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	122.9	0.5	–	123.4
North America	109.7	0.8	2.4	112.9
Subsea Technologies	35.3	–	–	35.3
EMEA	33.6	2.5	–	36.1
Asia Pacific	28.4	–	–	28.4
Total	329.9	3.8	2.4	336.1

There is no material difference in the timing of revenue recognition between contracts with customers at a point in time and contracts with customers over time, as the majority of Hunting's performance obligations are relatively short. Revenue is typically recognised for products when the product is shipped or made available to customers for collection and for services either on completion of the service or, at a minimum, monthly for services covering more than one month. The majority of the Group's revenue recognised over time is within the Subsea Technologies and North America operating segments. The amount of consideration is not adjusted for the effects of a significant financing component as, at contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

4. Net Operating Income and Other Expenses

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m
Operating income from subleasing assets	1.4	1.0
Gain on disposal of property, plant and equipment	1.3	0.2
Gain on curtailment of leases	–	3.2
Foreign exchange gains	0.9	0.8
Other income	1.3	1.1
Total operating income	4.9	6.3
Loss on disposal of property, plant and equipment	–	(1.2)
Foreign exchange losses	(1.9)	(1.2)
Research and development costs expensed	(2.2)	(2.0)
Other operating expenses	(0.2)	(0.1)
Total other operating expenses	(4.3)	(4.5)
Net operating income and other expenses	0.6	1.8

5. Material Items

Due to their size and nature, the following items have been disclosed separately, as required by IAS 1.

No items have been disclosed as material items in the six months ended 30 June 2023.

During the six months ended 30 June 2022, Hunting incurred legal fees of \$3.0m in defending a claim made by a competitor against the Group relating to a patent infringement. These costs were included in administrative expenses. No tax arose in relation to these legal fees due to the fact deferred tax was not recognised in relation to this jurisdiction. Material items for the six months ended 30 June 2022 were restated to include the legal fees to be consistent with their treatment in the 2022 year-end.

6. Taxation

The taxation charge for the six months ended 30 June 2023 has been calculated as follows:

- A weighted average annual tax rate has been applied, where appropriate, in line with IAS 34 methodology. This has been calculated on a jurisdiction basis and the full year forecast jurisdictional average tax rate has been applied to the profit or loss for the period of that jurisdiction.
- Where the weighted average annual tax rate would not provide a reliable estimate of the taxation for the period, we have used a discrete taxation basis, taxing these items in the period on an item-by-item basis. Examples of discrete items in the period are tax rate changes that have been substantively enacted in the first half of the year and prior year adjustments that have crystallised in the first half of the year.

The taxation charge for the six months ended 30 June 2023 is \$5.7m (six months ended 30 June 2022 – \$3.2m). This reflects an effective tax rate of 25% (six months ended 30 June 2022 – minus 640%).

Adjusting items are taxed on an item-by-item basis; however, for the six months ended 30 June 2023 there were no adjusting items (six months ended 30 June 2022 – \$3.0m of adjusting items with no associated tax impact), as detailed in NGM A.

The adjusted taxation charge (NGM D) for the six months ended 30 June 2023 was, therefore, \$5.7m (six months ended 30 June 2022 – \$3.2m).

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in 2021. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

Tax-related Judgements

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes, as tax legislation can be complex and open to different interpretation. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised. The recoverability of deferred tax assets is supported by deferred tax liabilities against which the reversal can be offset and the expected level of future profits. This is considered by jurisdiction, or by entity, dependent on the tax laws of the jurisdiction. Where there is both a history of loss making and continued loss making in the year, stronger supporting evidence is required to meet recognition policy criteria. Supporting evidence reviewed includes: whether actual results, when excluding non-recurring items, meet or exceed budget; the level of taxable profits generated in the base case and downside case longer-term forecasts; and the nature of how the deferred tax assets arose and how this relates to the ongoing activities of the business.

The recognition of deferred tax assets as at 30 June 2023 has been based on the forecast accounting profits in the 2023 and 2024 Budget and the extended forecast period as presented to the Board. This is the same forecast that is used to derive cash flows for the goodwill impairment test. For periods extending beyond the extended forecast period, profits have been assumed to grow in a manner consistent with the terminal growth rate assumptions used for impairment testing. In addition, a risk factor has been applied to reduce future profits for the extended forecast period and beyond. These adjustments are to reflect the potential decrease in reliability of forecasts for future periods beyond the Board approved budget period.

6. Taxation continued

Tax-related Judgements continued

Historic tax losses make up the majority of the deductible temporary differences. These losses mainly arose from varying factors including non-recurring events such as losses arising at the start of newly formed businesses and losses arising from periods of economic downturn, such as during the COVID-19 pandemic. The majority of the deferred tax not recognised in the Group is in relation to deferred tax arising in the US. Based on the review of tax adjusted forecasts, management have assessed that in spite of positive signs of recovery continuing over the interim period, currently there is not sufficient support for the recognition of a deferred tax asset in respect of historic tax losses and other deductible temporary differences in the US due to uncertainty in recovery. Management will continue to monitor the position in the US and if the recovery continues to follow an upward trajectory and current forecasts are met, then it is expected that the recognition criteria set by management could be met within the next 12 months.

7. Earnings/(Loss) per Share

Basic earnings/(loss) per share ("EPS/(LPS)") is calculated by dividing the earnings/(loss) attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the period.

For diluted earnings/(loss) per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. Dilution arises through the possible issue of shares to satisfy awards made under the Group's long-term incentive plans.

Reconciliations of the earnings/(loss) and weighted average number of Ordinary shares used in the calculations are set out below:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Reported earnings attributable to Ordinary shareholders \$m	Basic weighted average number of Ordinary shares millions	Earnings per share cents	Reported loss attributable to Ordinary shareholders \$m	Basic weighted average number of Ordinary shares millions	Loss per share cents
Basic EPS/(LPS)	16.0	159.0	10.1	(3.9)	160.6	(2.4)
Effect of dilutive long-term incentive plans	–	8.1	(0.5)	–	7.9	–
Diluted EPS/(LPS)ⁱ	16.0	167.1	9.6	(3.9)	168.5	(2.4)

i. For the six months ended 30 June 2022, the Group reported a loss and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they were not used to calculate diluted loss per share.

The calculation of adjusted earnings/(loss) per share can be found in NGM B.

8. Non-current Assets – Property, Plant and Equipment; Right-of-use Assets; Goodwill and Other Intangible Assets

	Property, plant and equipment \$m	Right-of-use assets \$m	Goodwill \$m	Other intangible assets \$m
Cost:				
At 1 January 2023	723.6	62.8	527.1	183.3
Exchange adjustments	3.1	(0.1)	1.9	1.4
Additions	12.5	0.2	–	6.5
Disposals	(31.4)	(0.3)	–	(0.5)
Transfer to held for sale	(72.8)	–	–	–
Modifications	–	1.0	–	–
At 30 June 2023	635.0	63.6	529.0	190.7
Accumulated depreciation/amortisation and impairment:				
At 1 January 2023	(466.9)	(36.8)	(371.6)	(147.6)
Exchange adjustments	(2.2)	(0.2)	(1.6)	(0.7)
Charge for the year	(14.6)	(3.5)	(1.4)	(3.0)
Disposals	31.1	0.3	–	0.5
Transfer to held for sale	72.8	–	–	–
At 30 June 2023	(379.8)	(40.2)	(374.6)	(150.8)
Net book amount at 30 June 2023	255.2	23.4	154.4	39.9

8. Non-current Assets – Property, Plant and Equipment; Right-of-use Assets; Goodwill and Other Intangible Assets continued

(i) Property, Plant and Equipment

Additions to property plant and equipment include \$0.6m for land and buildings, \$11.2m for plant, machinery and motor vehicles, \$0.1m for oil and gas exploration and development, and \$0.6m for rental tools.

Oil and gas exploration and development assets within property, plant and equipment with a net book amount of \$nil (cost of \$72.8m and accumulated depreciation and impairment of \$72.8m) have been classified as held for sale at 30 June 2023. These assets, which were owned by Tenkey Resources, Inc and reported as part of the North America operating segment, were disposed of in July 2023.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for at 30 June 2023 amounted to \$2.3m (31 December 2022 – \$3.7m).

In accordance with the requirements of the Group's committed ABL bank facility, security was granted over specific properties, plant and equipment ("PPE") in the US, which have a carrying value of \$140.0m (31 December 2022 – \$141.9m).

(ii) Goodwill

Hunting Titan represents 74% of the goodwill balance at 30 June 2023 (31 December 2022 – 74%).

Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:

CGU	Operating segment	At 30 June 2023 \$m	At 31 December 2022 \$m
Hunting Titan	Hunting Titan	114.9	114.9
US Subsea	Subsea Technologies	15.0	15.0
Enpro	Subsea Technologies	4.4	5.5
Dearborn	North America	7.6	7.6
US Manufacturing	North America	12.5	12.5
Total		154.4	155.5

9. Impairment of Non-current Assets

a) Indicators of Impairment and Updated Impairment Tests

In preparing the condensed consolidated financial statements for the six months ended 30 June 2023, the Group has considered whether any indicators of impairment exist, that may indicate that the carrying amount of any of the cash generating units ("CGUs") may not be recoverable. As part of this assessment, the Group reviewed the key assumptions underlying the fair value less cost of disposal ("FVLCD") valuations used in the 2022 annual impairment test. This included comparisons of performance in the period and the latest outlook for 2023 against budget, reviews of the latest external market drilling and production outlook, as well as considering possible changes in discount rates used to discount the cash flow projections and long-term growth rates.

In the first half of 2023, Group performance has been strong with growth of 42% in revenue and 106% in EBITDA over the same period last year, reflecting the robust international demand for oil and gas products generally, together with stable operating performance in North America. Additionally, the trading outlook looks strong, and the Group expects the momentum to continue into the second half of 2023.

The Group's review for potential indicators of impairment did not indicate that the carrying value of any of the CGUs was not recoverable as at 30 June 2023, except for at Enpro, where an impairment charge of \$1.4m was taken, resulting from an increase in discount rates driven by a rise in risk free rates which are determined using long-dated government borrowing instruments. There was no impairment in the first half of 2022.

(b) Impairment Tests for Individual Assets

For individual assets, an impairment test is conducted if there are indicators of impairment. Impairment arises when the carrying value of the asset is greater than the higher of its FVLCD or its value-in-use. The FVLCD or the value-in-use is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. If the cash flows of an asset cannot be assessed individually, the asset or the group of assets are aggregated into a CGU and tested as part of the impairment testing of CGUs. There were no indicators of impairment relating to individual assets in the first half of 2023 or 2022, except for a right-of-use asset in 2023 where an impairment charge of \$0.3m was taken in relation to a vacant facility.

10. Trade and Other Receivables

	At 30 June 2023 \$m	At 31 December 2022 \$m
Non-current:		
Prepayments	1.9	2.7
Other receivables	0.1	0.1
	2.0	2.8
	At 30 June 2023 \$m	At 31 December 2022 \$m
Current:		
Contract assets	15.7	8.6
Trade receivables	232.4	183.1
Accrued revenue	6.5	2.2
Gross receivables	254.6	193.9
Less: provision for impairment	(4.1)	(3.7)
Net receivables	250.5	190.2
Prepayments	20.9	37.9
Other receivables	3.6	4.3
	275.0	232.4

In accordance with the requirements of the Group's committed ABL bank facility, security was granted over certain US and Canadian trade and other receivables, which had a carrying value of \$106.0m at 30 June 2023 (31 December 2022 – \$96.3m).

Impairment of Trade and Other Receivables

At 30 June 2023, the ageing of the Group's gross financial assets, based on days overdue, is as follows:

	Not overdue \$m	1 – 30 days \$m	31 – 60 days \$m	61 – 90 days \$m	91 – 120 days \$m	More than 120 days \$m	Total gross financial assets \$m
Trade receivables – contracts with customers	133.1	33.1	31.8	18.5	7.6	6.3	230.4
Trade receivables – rental receivables	0.5	0.4	0.2	0.5	0.2	0.1	1.9
Trade receivables – other	0.1	–	–	–	–	–	0.1
Total gross trade receivables	133.7	33.5	32.0	19.0	7.8	6.4	232.4
Contract assets	15.7	–	–	–	–	–	15.7
Accrued revenue – contracts with customers	6.3	–	–	–	–	–	6.3
Accrued revenue – rental receivables	0.1	–	–	–	–	–	0.1
Accrued revenue – other	0.1	–	–	–	–	–	0.1
Other receivables ⁱ	2.5	–	–	–	–	–	2.5
	158.4	33.5	32.0	19.0	7.8	6.4	257.1

i. Other receivables excludes \$1.1m in relation to receivables from tax as these are not considered financial assets.

During the period, the amount of trade receivables not overdue as a percentage of total gross trade receivables has increased from 56% at 31 December 2022 to 58% at 30 June 2023. However, total gross trade receivables have increased by 27% from \$183.1m at 31 December 2022 to \$232.4m at 30 June 2023. Despite the increases in trade receivables and the proportion of amounts not overdue, trade receivable days have remained steady at 86 days at 30 June 2023 compared to 84 days at 31 December 2022 (NGM G).

At 31 December 2022, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue \$m	1 – 30 days \$m	31 – 60 days \$m	61 – 90 days \$m	91 – 120 days \$m	More than 120 days \$m	Total gross financial assets \$m
Trade receivables – contracts with customers	101.9	36.6	17.6	8.2	9.5	6.3	180.1
Trade receivables – rental receivables	0.5	0.6	0.3	0.5	0.1	0.1	2.1
Trade receivables – other	0.9	–	–	–	–	–	0.9
Total gross trade receivables	103.3	37.2	17.9	8.7	9.6	6.4	183.1
Contract assets	8.6	–	–	–	–	–	8.6
Accrued revenue – contracts with customers	2.0	–	–	–	–	–	2.0
Accrued revenue – rental receivables	0.2	–	–	–	–	–	0.2
Other receivables ⁱⁱ	3.8	–	–	–	–	–	3.8
	117.9	37.2	17.9	8.7	9.6	6.4	197.7

ii. Other receivables excludes \$0.5m in relation to receivables from tax as these are not considered financial assets.

Whilst a proportion, 6% (2022 – 9%), of the Group's trade receivables are more than 90 days overdue, the majority of these have not been impaired. Overdue debts arise due to a number of different factors, including the time taken in resolving any disputes, a culture of slow/late payment in some jurisdictions, and some debtors experiencing cash flow difficulties. Where there is no history of bad debts and there are no indicators that the debts will not be settled, these have not been impaired. These customers are monitored very closely for any indicators of impairment.

10. Trade and Other Receivables continued**Provision for Impairment – Trade and Other Receivables**

During the period, the following gains and losses were recognised in profit or loss in relation to impaired financial assets:

	Six months ended 30 June 2023 \$m	Year ended 31 December 2022 \$m
At 1 January	(3.7)	(4.6)
Charge to the consolidated income statement – lifetime expected credit losses	(0.5)	(0.3)
Unused provisions released to the consolidated income statement	0.1	0.9
Utilised against receivables written off	–	0.3
	(4.1)	(3.7)

The provision for the impairment of trade and other receivables has remained broadly flat in the period despite trade receivable balances increasing.

11. Inventories

	At 30 June 2023 \$m	At 31 December 2022 \$m
Raw materials	144.0	118.7
Work in progress	97.6	82.7
Finished goods	131.7	120.7
Gross inventories	373.3	322.1
Less: provision for impairment	(51.0)	(50.0)
Net inventories	322.3	272.1

	At 30 June 2023 \$m	At 31 December 2022 \$m
Gross inventories:		
At 1 January	322.1	263.9
Exchange adjustments	0.7	(3.7)
Inventory additions	403.1	584.5
Expensed to cost of sales in the consolidated income statement	(352.6)	(521.0)
Reclassification to property, plant and equipment	–	(1.6)
	373.3	322.1
Provisions for impairment:		
At 1 January	(50.0)	(59.5)
Exchange adjustments	(0.3)	0.9
Charge to the consolidated income statement (cost of sales)	(4.5)	(6.4)
Provisions utilised against inventories written off	3.2	9.3
Provisions released to the consolidated income statement	0.6	5.7
	(51.0)	(50.0)
Net inventories	322.3	272.1

The Group's inventory is highly durable and is well maintained and it can, therefore, hold its value well with the passing of time. The nature of our market is that demand for products depends on the technical requirements of the projects being developed. For some markets and product lines there may be a limited number of sales, or even no sales, to form a benchmark in the current year. Management looks at relevant historical activity levels and has to form a judgement as to likely future demand in light of market forecasts and likely competitor activities.

During the first half of 2023, inventory provisions increased by \$1.0m to \$51.0m at 30 June 2023, which represents 14% of gross cost balances. The broadly unchanged provision in the period reflects new charges offsetting utilisation of provisions and the reversal of unutilised provisions.

Inventories of \$225.3m are expected to be realised within 12 months of the balance sheet date (31 December 2022 – \$194.5m) and \$97.0m after 12 months (31 December 2022 – \$77.6m).

In accordance with the requirements of the Group's committed ABL bank facility, security has been granted over inventories in certain US and Canadian subsidiaries, which had a carrying value of \$166.8m at 30 June 2023 (31 December 2022 – \$142.9m).

12. Changes in Net Cash/(Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. Net cash/(debt) (NGM J) is a non-GAAP measure; however, management and the Group treasury function monitor total cash and bank (NGM I) to ensure there is sufficient liquidity to meet business requirements. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Management Report. The net cash/(debt) reconciliation below provides an analysis of the movement in the period for each component of net cash/(debt) split between cash and non-cash items. Net cash/(debt) comprises total cash and bank less total lease liabilities and the shareholder loan from a non-controlling interest.

	At 1 January 2023 \$m	Cash flow \$m	Non-cash movements on lease liabilities ⁱ \$m	Exchange movements \$m	At 30 June 2023 \$m
Cash and cash equivalents	29.4	7.9	–	(0.8)	36.5
Bank overdrafts ⁱⁱ	(2.1)	0.6	–	–	(1.5)
Cash and cash equivalents – per condensed consolidated statement of cash flows	27.3	8.5	–	(0.8)	35.0
Total lease liabilities	(30.6)	5.6	(1.8)	0.1	(26.7)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Bank borrowings – current ⁱⁱ	(2.8)	(84.6)	–	0.7	(86.7)
Liabilities arising from financing activities	(37.3)	(79.0)	(1.8)	0.8	(117.3)
Total net cash/(debt)	(10.0)	(70.5)	(1.8)	–	(82.3)

i. Non-cash movements on lease liabilities comprise new leases of \$0.2m, interest expense of \$0.7m and lease modifications of \$0.9m.

ii. Bank overdrafts and bank borrowings totalling \$88.2m are presented within current borrowings in the condensed consolidated balance sheet.

During the period to 30 June 2023, \$0.4m loan facility fees paid in relation to the ABL facility were amortised.

	At 1 January 2022 \$m	Cash flow \$m	Non-cash movements on lease liabilities ⁱⁱ \$m	Exchange movements \$m	At 30 June 2022 \$m
Cash and cash equivalents	108.4	(17.4)	–	(3.9)	87.1
Bank overdrafts	(1.0)	(0.5)	–	–	(1.5)
Cash and cash equivalents – per condensed consolidated statement of cash flows	107.4	(17.9)	–	(3.9)	85.6
Current investments – investment of surplus cash	6.8	(6.5)	–	(0.3)	–
Total lease liabilities	(31.8)	4.5	1.5	1.0	(24.8)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(35.7)	4.5	1.5	1.0	(28.7)
Total net cash/(debt)	78.5	(19.9)	1.5	(3.2)	56.9

ii. Non-cash movements on lease liabilities comprise new leases of \$4.5m and interest expense of \$0.7m, offset by lease modifications of \$6.7m.

During the period ended 30 June 2022, \$3.0m loan facility fees were paid in relation to the new ABL facility. These fees were capitalised, included in prepayments and will be amortised over the expected life of the facility. During the period to 30 June 2022, \$0.4m fees were amortised.

13. Financial Instruments: Fair Values

This note provides information about the Group's financial instruments measured at fair value, including information about determining the fair value of the instruments, and any judgements and estimation uncertainty involved.

The Group's exposure to various risks associated with financial instruments is discussed in note 14. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets. Contract assets are not financial assets; however, they are explicitly included in the scope of IFRS 7 for the purpose of the credit risk disclosures in note 14.

(a) Valuation Techniques used to Determine Fair Values

There have been no changes to the valuation techniques used during the period since the year-end.

(b) Fair Value Hierarchy

The following tables present the Group's net financial assets and liabilities that are measured and recognised at fair value at the period-end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the period.

	Fair value at 30 June 2023 \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m
Equity instruments at fair value through profit or loss				
Listed equity investments and mutual funds	2.1	2.1	–	–
Debt instruments at fair value through profit or loss				
Well Data Labs convertible financing	2.9	–	–	2.9
Current derivatives in a hedge				
Derivative financial assets	0.2	–	0.2	–
Derivative financial liabilities	(0.9)	–	(0.9)	–
Current derivatives held for trading				
Derivative financial assets	0.5	–	0.5	–
Derivative financial liabilities	(0.2)	–	(0.2)	–
	4.6	2.1	(0.4)	2.9

	Fair value at 31 December 2022 \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m
Equity instruments at fair value through profit or loss				
Listed equity investments and mutual funds	1.9	1.9	–	–
Debt instruments at fair value through profit or loss				
Well Data Labs convertible financing	2.9	–	–	2.9
Current derivatives in a hedge				
Derivative financial assets	0.5	–	0.5	–
Current derivatives held for trading				
Derivative financial assets	0.1	–	0.1	–
Derivative financial liabilities	(0.1)	–	(0.1)	–
	5.3	1.9	0.5	2.9

The fair value hierarchy has the following levels:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 – unobservable inputs used in the valuation.

The fair values of non-US dollar denominated financial instruments are translated into US dollars using the period-end exchange rate.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy.

The fair value of Fixed Term Funds, money market funds and listed equities and mutual funds are based on quoted market prices, and therefore the fair value measurements are categorised in Level 1 of the fair value hierarchy.

Due to unobservable inputs used in the valuation, the fair value of the Well Data Labs financial asset is a Level 3 measurement as per the fair value hierarchy.

(c) Fair values of Other Financial Instruments Carried at Amortised Cost

Due to their short-term nature, the carrying value of contract assets, trade receivables, accrued revenue, other receivables considered to be financial assets, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and bank borrowings approximates their fair value.

14. Financial Risk Management

The Group's activities expose it to a variety of financial risks, namely market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's risk management strategy seeks to mitigate potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge certain risk exposures. The condensed set of consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's 2022 Annual Report and Accounts.

(a) Liquidity Risk

(i) Bank Facilities

The Group's treasury function ensures that there are sufficient committed facilities available to the Group, with an appropriate maturity profile, to provide operational flexibility and to support investment in key Group projects.

The Group has sufficient credit facilities to meet both its long- and short-term requirements. The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities. The Group's credit facilities are provided by a variety of funding sources and total \$188.1m at 30 June 2023 (31 December 2022 – \$186.9m).

The Group's undrawn facilities at the period end were as follows:

	At 30 June 2023 \$m	At 31 December 2022 \$m
Secured committed facilities	77.4	155.0
Unsecured uncommitted facilities	22.0	31.9
	99.4	186.9

Secured Committed Facilities: Asset Based Lending Facility

The ABL facility of \$150.0m, arranged with a four-year term, matures on 7 February 2026. An accordion feature of up to \$50.0m was also agreed during facility negotiations. This feature allows the Group to increase the total facility quantum to \$200.0m, subject to further credit approval by the ABL lenders.

The Group's borrowing capacity is linked to secured asset values. The three main asset classes that form the "Borrowing Base" against which bank capital is advanced are North American-based trade receivables, inventories and freehold property. The Group is required to submit various reports to the facility agent each month so that any fluctuation in the carrying values of these assets are communicated to the lenders, and so that the borrowing base may be recalibrated based on the most recent asset values. Accordingly, availability under the ABL facility will fluctuate to the extent that the underlying asset values change over time, either up or down. The carrying amounts of the assets pledged as security are disclosed in notes 8, 10 and 11.

The ABL financial covenants are only measured under certain conditions, principally once utilisation of the facility goes through a predefined threshold i.e. 87.5% of the "Line Cap" ("Line Cap" is defined as the lesser of the total facility amount and the Borrowing Base), at which point the Fixed Charge Cover Ratio ("FCCR") is measured and must be complied with. The FCCR is a financial covenant that looks back over the trailing 12-month period to assess whether EBITDA (as defined by the ABL facility agreement) covers the Group's Fixed Charges (as defined by the facility agreement) at a ratio of at least 1:1. Management has detailed the wider considerations regarding going concern and future covenant compliance in the Going Concern Statement in note 1.

During 2023, the Group began drawing down on the ABL to fund its working capital requirements. However, utilisation of the facility has not exceeded the threshold of 87.5% of the Line Cap and, therefore, formal testing of the FCCR financial covenant has not been required.

Unsecured Uncommitted Facilities

To support the CNOOC order in China, three local facilities were arranged. One facility is with the Bank of Jiangsu for CNY50.0m and matures in October 2023 and another is with ICBC for CNY25.0m, maturing in December 2023. A third facility for CNY165.0m was provided by HSBC China in Suzhou. There is no formal termination date on this facility, which means it is available until further bilateral agreement. These facilities, totalling CNY240.0m (\$33.1m; 31 December 2022 – \$34.7m), have all been arranged on an uncommitted, unsecured basis and are only available to the Group's Chinese subsidiary. At 30 June 2023, \$16.1m of the facilities were utilised (31 December 2022 – \$2.8m).

There was also a \$5.0m line of credit provided by Wells Fargo at 30 June 2023, none of which was utilised. Since the year-end, the \$5.0m line of credit has been amended to include new reference rate language and to bring the agreement in line with changes to the terms and conditions that have occurred since the facility's inception in 2016. As a consequence, the facility will now be provided on an uncommitted basis going forward.

14. Financial Risk Management continued

(a) Liquidity Risk continued

(ii) Management of Cash

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and that adequate liquidity levels are maintained. All subsidiaries submit weekly cash forecasts to the treasury function to enable it to monitor the Group's cash requirements. A consolidated 12-week forecast, produced weekly, is maintained by the Group's treasury function, which monitors short- to medium-term liquidity requirements of the Group and also identifies any unexpected variances week-on-week.

Treasury's cash management objective is to centrally manage and, where possible, to concentrate the Group's cash and bank balances back to the central treasury function to ensure that funds are managed in the best interests of the Group. Short-term cash balances, together with undrawn facilities, enable the treasury function to manage the Group's day-to-day liquidity risk. Any short-term surplus is invested in accordance with Board-approved treasury policy. This strategy is subject to legislative and regulatory constraints in certain jurisdictions such as exchange control restrictions and minimum capital requirements. Where cash concentration cannot be applied, Group treasury approves all local banking arrangements, including the opening and closing of bank accounts, the investment of surplus cash via bank deposits and the arrangement of any local borrowing facilities.

(b) Credit Risk

The Group's credit risk arises from its cash at bank and in hand, investments, derivative financial instruments, accrued revenue, outstanding trade receivables, other receivables and contract assets.

At the period-end, the Group had credit risk exposure to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities whether through exposure to individual customers, specific industry sectors and/or regions.

(i) Credit Risk: Total Cash and Bank

Approved institutions that the Group's treasury function can invest surplus cash with must all have a minimum A2, P2 or F2 short-term rating from Standard & Poor's, Moody's or Fitch rating agencies respectively and AAA-mf Fitch rating for money market funds.

At 30 June 2023, cash at bank and in hand totalled \$36.5m (31 December 2022 – \$29.4m), with \$24.2m (31 December 2022 – \$19.7m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining \$12.3m (31 December 2022 – \$9.7m), \$8.6m (31 December 2022 – \$6.2m) was held with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit. Cash at bank and in hand within mainland China totalled \$12.9m at 30 June 2023 (31 December 2022 – \$6.2m). Whilst there are no formal restrictions on this cash as such, prior approval would be required from various state authorities in China before any cash could be paid offshore. This cash balance could be used by the Group to service intercompany loans, which total \$5.5m at the period-end. In order for the Group to access the balance of \$7.4m, a dividend could be declared once any local requirements have been met.

(ii) Credit Risk: Receivables

The Group makes sales to a large number of different customers; however a significant proportion of sales are made to service companies in the oil and gas sector. The majority of the Group's customers are based in North America. On a quarterly basis, the Group's entities submit information to the head office on individual receivables balances greater than \$0.2m, on individual receivable balances that are both greater than \$32,500 and 90 days overdue, and on quarterly average receivables balances. At 30 June 2023, trade receivables of \$208.6m (31 December 2022 – \$158.9m) comprised individual balances greater than \$0.2m, with no individual customer balance representing more than 16% (31 December 2022 – 7%) of the period-end receivables balance of \$232.4m (31 December 2022 – \$183.1m).

The risk of customer default for outstanding trade receivables and accrued revenue and contract assets is continuously monitored. Credit account limits are set locally by management and are primarily based on the credit quality of the customer taking into account past experience through trading relationships and the customer's financial position. As expected, the probability that a customer would default has declined in 2023 as trading continues to improve following the global economic downturn. The Group uses Credit Benchmark software to monitor the creditworthiness and changing credit profiles of its customers.

During H1 2023, 41% of sales, which is approximately \$196m of the Group's revenue (year ending 31 December 2022 – 37%/\$263m), were made to customers with a Credit Benchmark investment-grade rating of bbb or higher, as shown in the table below, and 23% of the Group's revenue was from customers with an a rating, compared to 16% for the year-ended 31 December 2022, an increase of 70 basis points. This includes customers with a single-source rating, whereby rating is based on only a single source rather than a consensus rating based on a number of contributing views.

Credit Benchmark – Credit Consensus Ratings	% of Revenue	
	Six months ended 30 June 2023	Year ended 31 December 2022
aa	1	2
a	23	16
bbb	17	19
bb	5	3
b	0	3
No rating	54	57

To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions.

Details of the impairment of trade and other receivables can be found in note 10.

15. Dividends Paid to Hunting PLC Shareholders

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m
Ordinary dividends:		
2022 final dividend paid – 4.5c	7.1	–
2021 final dividend paid – 4.0c	–	6.4
	7.1	6.4

The 2022 final dividend of 4.5 cents was paid on 12 May 2023. The Board is declaring a 2023 interim dividend of 5.0 cents per share, which will absorb an estimated \$7.9m, and be paid on 27 October 2023 to shareholders on the register at the close of business on 6 October 2023. The ex-dividend date is 5 October 2023.

16. Related Party Transactions

During the period, revenue of \$3.6m (six months ended 30 June 2022 – \$5.9m) was generated from sales to Bestlink Tube Pte. Ltd., the minority shareholder in Hunting Energy Services (China) Pte. Ltd.

An additional investment of \$1.6m was made in Cumberland Additive Holdings LLC in the period, with the Group's effective interest in the company remaining unchanged at 29.2%.

17. Contingent Liabilities

The Group recognises provisions for liabilities when it is more likely than not a settlement will be required and the value of the economic outflow can be estimated reliably. Liabilities that are not provided for in the financial position of the Group are disclosed as a contingent liability, unless the probability of an economic outflow is considered to be remote.

In 2021, a claim against the Group from a competitor relating to a patent infringement was disclosed. The legal case was settled in Hunting's favour in January 2023. During the period, the Group has received confirmation that an appeal will not be filed and now considers the case to be closed.

18. Events After the Balance Sheet Date

In July 2023, the Group disposed of certain oil and gas exploration and development assets that had a net book amount of \$nil (cost of \$72.8m and accumulated depreciation and impairment of \$72.8m) at 30 June 2023.

Non-GAAP Measures

The performance of the Group is assessed by the Directors using a number of measures, which are not defined under IFRS, and are therefore considered to be non-GAAP measures ("NGMs"). However, the measures used by the Group may not be comparable with similarly described measures presented by other businesses.

The Group presents adjusted profitability measures below, which exclude adjusting items (see NGM A). The adjusted results, when considered together with results reported under IFRS, provide investors, analysts and other stakeholders with helpful complementary information and they aid comparison of the Group's financial performance from one period to the next. These adjusted measures are used by management for planning, reporting and performance management purposes. The adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement, with details of the adjusting items provided in NGM A. Adjusted results can be higher than IFRS results as they often exclude significant costs and should not be regarded as a complete picture of the Group's financial performance, which is presented by the IFRS results in the income statement.

In addition, the Group's results and financial position are analysed using certain other measures that are not defined under IFRS and are therefore considered to be NGMs. These measures are used by management to monitor ongoing business performance. This section provides a definition of each NGM presented in this report, the purpose for which the measure is used, and a reconciliation of the NGM to the reported IFRS numbers.

This condensed set of consolidated financial statements do not include all NGMs of the Group; this section should be read in conjunction with the Group's 2022 Annual Report and Accounts.

A. Adjusting Items

Due to their size and nature, the following items are considered to be adjusting items and have been presented separately.

There are no adjusting items in the six months ended 30 June 2023.

	Six months ended 30 June 2022	
	Gross \$m	Tax \$m
Legal fees	(3.0)	–
Total adjustments to operating profit	(3.0)	–

Adjusting items for the six months ended 30 June 2022 were restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

	Six months ended 31 December 2022	
	Gross \$m	Tax \$m
Legal fees	(2.6)	–
Impairment of goodwill	(7.0)	–
Total adjustments to operating profit	(9.6)	–

	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
Gross adjusting items	(3.0)	(9.6)
Tax attributable to adjusting items	–	–
Adjusting items after tax	(3.0)	(9.6)
Adjusting items after tax attributable to Ordinary shareholders	(3.0)	(9.6)
Adjusting items after tax attributable to non-controlling interests	–	–
Adjusting items after tax	(3.0)	(9.6)

B. Adjusted Profitability Measures

Certain reported profit and loss measures are adjusted for the items described in NGM A. This is the basis used by the Directors in assessing performance.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
Operating profit – condensed consolidated income statement	26.2	1.7	0.3
Adjusting items (NGM A) ⁱ	–	3.0	9.6
Adjusted operating profit	26.2	4.7	9.9
Profit/(loss) before tax – condensed consolidated income statement	23.1	(0.5)	(1.9)
Adjusting items (NGM A) ⁱ	–	3.0	9.6
Adjusted profit before tax	23.1	2.5	7.7
Profit/(loss) for the period attributable to Ordinary shareholders – condensed consolidated income statement	16.0	(3.9)	(0.7)
Adjusting items after tax attributable to Ordinary shareholders (NGM A) ⁱ	–	3.0	9.6
Adjusted profit/(loss) for the period attributable to Ordinary shareholders	16.0	(0.9)	8.9
	millions	millions	millions
Basic weighted average number of Ordinary shares	159.0	160.6	160.0
Long-term incentive plans	8.1	7.9	10.3
Adjusted weighted average number of Ordinary shares	167.1	168.5	170.3
	cents	cents	cents
Adjusted earnings/(loss) per share:			
Adjusted basic EPS/(LPS)	10.1	(0.5)	5.5
Adjusted diluted EPS/(LPS) ⁱⁱ	9.6	(0.5)	5.2

- i. Adjusting items for 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.
- ii. For the six months ended 30 June 2022, the Group reported an adjusted loss and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they have not been used to calculate diluted loss per share.

C. EBITDA

Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities. EBITDA is frequently used by analysts, investors and other interested parties.

Calculation Definition: Adjusted results before share of associates' and joint ventures' results, interest, tax, depreciation, impairment and amortisation.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
Operating profit – condensed consolidated income statement	26.2	1.7	0.3
Add back adjusting items (NGM A)	–	3.0	9.6
Adjusted operating profit (NGM B)	26.2	4.7	9.9
Add back:			
Depreciation of property, plant and equipment (note 8)	14.6	13.3	13.3
Depreciation and impairment of right-of-use assets (note 8)	3.5	3.5	2.9
Impairment of goodwill (note 8)	1.4	–	–
Amortisation of other intangible assets (note 8)	3.0	2.1	2.3
	22.5	18.9	18.5
EBITDA	48.7	23.6	28.4

- i. Adjusting items for 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

C. EBITDA continued

EBITDA by Operating Segment

	Six months ended 30 June 2023					
	Hunting Titan \$m	North America \$m	Subsea Technologies \$m	EMEA \$m	Asia Pacific \$m	Total \$m
Operating profit – condensed consolidated income statement	7.5	17.9	(0.4)	(1.1)	2.3	26.2
Add back adjusting items (NGM A)	–	–	–	–	–	–
Adjusted operating profit (NGM B)	7.5	17.9	(0.4)	(1.1)	2.3	26.2
Add back:						
Depreciation of property, plant and equipment (note 8)	3.1	8.9	1.0	0.9	0.7	14.6
Depreciation and impairment of right-of-use assets (note 8)	0.6	1.2	0.2	0.8	0.7	3.5
Impairment of goodwill (note 8)	–	–	1.4	–	–	1.4
Amortisation of other intangible assets (note 8)	0.9	0.7	1.0	0.2	0.2	3.0
	4.6	10.8	3.6	1.9	1.6	22.5
EBITDA	12.1	28.7	3.2	0.8	3.9	48.7

	Six months ended 30 June 2022					
	Hunting Titan \$m	North America \$m	Subsea Technologies \$m	EMEA \$m	Asia Pacific \$m	Total \$m
Operating profit – condensed consolidated income statement	4.3	–	–	(2.2)	(0.4)	1.7
Add back adjusting items (NGM A) ⁱ	3.0	–	–	–	–	3.0
Adjusted operating profit (NGM B)	7.3	–	–	(2.2)	(0.4)	4.7
Add back:						
Depreciation of property, plant and equipment	3.1	7.2	1.3	1.0	0.7	13.3
Depreciation and impairment of right-of-use assets	0.7	1.1	0.1	0.9	0.7	3.5
Amortisation of other intangible assets	0.7	0.4	1.0	–	–	2.1
	4.5	8.7	2.4	1.9	1.4	18.9
EBITDA	11.8	8.7	2.4	(0.3)	1.0	23.6

i. Adjusting items for 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

D. Adjusted Tax Charge and Effective Tax Rate

Purpose: The weighted average tax rate represents the level of tax, both current and deferred, being borne by operations on an adjusted basis.

Calculation definition: The adjusted taxation charge/(credit) divided by adjusted profit/(loss) before tax, expressed as a percentage.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
Taxation charge/(credit) – condensed consolidated income statement	5.7	3.2	(1.9)
Tax charge/(credit) on adjusting items (NGM A)	–	–	–
Adjusted taxation charge/(credit)	5.7	3.2	(1.9)
Adjusted profit before tax for the period (NGM B)	23.1	2.5	7.7
Adjusted effective tax rate	25%	128%	(25)%

i. Adjusting items for 30 June 2022 have been restated to include \$3.0m of legal fees incurred in defending the legal case for the patent infringement claim to be consistent with the treatment of the legal fees at the 2022 year-end, see note 1.

E. Working Capital

Purpose: Working Capital is a measure of the Group's liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation definition: Trade and other receivables excluding receivables from associates, derivative financial assets and deferred bank fees, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	At 30 June 2023 \$m	At 31 December 2022 \$m
Trade and other receivables – non-current (note 10)	2.0	2.8
Trade and other receivables – current (note 10)	275.0	232.4
Inventories (note 11)	322.3	272.1
Trade and other payables – current	(150.1)	(141.8)
Trade and other payables – non-current	(3.5)	(3.2)
Add: non-working capital US deferred compensation plan obligation	2.1	1.9
Less: non-working capital current other receivables and other payables	(1.9)	(1.4)
	445.9	362.8
Revenue for the last three months of the period	266.3	207.1
Working capital as a percentage of annualised revenue	42%	44%

For the purposes of the above calculation, annualised revenue is calculated as revenue for the last three months of the period multiplied by four.

F. Inventory Days

Purpose: This is a working capital efficiency ratio that measures inventory balances relative to business activity levels.

Calculation definition: Inventory at the period-end divided by cost of sales for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

	At 30 June 2023 \$m	At 31 December 2022 \$m
Inventories (note 11)	322.3	272.1
Cost of sales for the last three months of the period	205.4	157.1
Inventory days	143 days	159 days

G. Trade Receivables Days

Purpose: This is a working capital efficiency ratio that measures receivable balances relative to business activity levels.

Calculation definition: Net trade receivables, contract assets and accrued revenue at the period-end divided by revenue for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

	At 30 June 2023 \$m	At 31 December 2022 \$m
Trade receivables	232.4	183.1
Contract assets	15.7	8.6
Accrued revenue	6.5	2.2
Less: provision for impairment	(4.1)	(3.7)
Net receivables (note 10)	250.5	190.2
Revenue for the last three months of the period	266.3	207.1
Trade receivables days	86 days	84 days

H. Trade Payables Days

Purpose: This is a working capital efficiency ratio that measures payable balances relative to business activity levels.

Calculation definition: Trade payables and accrued goods received not invoiced ("accrued GRN") at the period-end divided by purchased materials and cash costs for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

	At 30 June 2023 \$m	At 31 December 2022 \$m
Trade payables	70.4	66.8
Accrued GRN	7.1	8.4
Total payables	77.5	75.2
Purchased materials and cash costs for the last three months of the period	159.0	137.5
Trade payables days	44 days	50 days

I. Total Cash and Bank Borrowings

Purpose: Total cash and bank borrowings is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and reviews weekly forecasts to ensure there is sufficient liquidity to meet business requirements. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Management Report.

Calculation definition: Cash and cash equivalents, comprising cash at bank and in hand, less bank overdrafts and bank borrowings.

The Group's total cash and bank comprised:

	At 30 June 2023 \$m	At 31 December 2022 \$m
Cash and cash equivalents	36.5	29.4
Bank overdrafts secured – current borrowings	(1.5)	(2.1)
Cash and cash equivalents – condensed consolidated statement of cash flows	35.0	27.3
Bank borrowings – current (note 12)	(86.7)	(2.8)
	(51.7)	24.5

J. Net Cash/(Debt)

Purpose: Net cash/(debt) is a measure of the Group's liquidity and reflects the Group's cash and liquid assets that would remain if all of its debt were to be immediately paid off.

Calculation definition: Net cash/(debt) comprises total cash and bank borrowings (NGM I) less total lease liabilities and the shareholder loan from a non-controlling interest.

The Group's net cash/(debt) comprised:

	At 30 June 2023 \$m	At 31 December 2022 \$m
Total cash and bank borrowings (NGM I)	(51.7)	24.5
Total lease liabilities (note 12)	(26.7)	(30.6)
Shareholder loan from non-controlling interest (note 12)	(3.9)	(3.9)
	(82.3)	(10.0)

K. Cash Flow Working Capital Movements

Purpose: Reconciles the working capital movements in the Summary Group Cash Flow in the Management Report.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
Working capital – opening balance	362.8	278.0	299.7
Foreign exchange	(0.8)	0.6	(0.1)
Adjustments:			
Transfer to property, plant and equipment	–	(0.8)	(0.8)
Capital investment debtors/creditors cash flows	(0.7)	0.1	(0.7)
Other non-cash flow movements	(1.0)	(0.1)	0.2
Other cash flow movements	(0.3)	(0.2)	–
Working capital – closing balance (NGM E)	(445.9)	(299.7)	(362.8)
Cash flow	(85.9)	(22.1)	(64.5)

L. Free Cash Flow

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders and is a KPI used by management.

Calculation definition: All cash flows before transactions with shareholders and investment in non-current assets.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m	Six months ended 31 December 2022 \$m
EBITDA (NGM C)	48.7	23.6	28.4
Add: share-based payment charge	7.5	4.6	5.3
	56.2	28.2	33.7
Working capital movements (NGM K)	(85.9)	(22.1)	(64.5)
Lease payments – condensed consolidated statement of cash flows	(5.6)	(4.5)	(3.5)
Net interest and bank fees paid – condensed consolidated statement of cash flows	(2.2)	(3.2)	0.3
Net tax paid – condensed consolidated statement of cash flows	(4.7)	(2.3)	(1.6)
Proceeds from business and asset disposals – condensed consolidated statement of cash flows	1.3	7.5	1.5
Net gains on business and asset disposals – condensed consolidated statement of cash flows	(1.3)	(2.2)	(0.6)
Legal fees to defend patent infringement claim – consolidated statement of cash flows	–	(3.0)	(2.6)
Other operating cash and non-cash movements	2.4	(1.6)	2.1
	(39.8)	(3.2)	(35.2)
Reconciliation to the consolidated statement of cash flows:			
Net cash inflow/(outflow) from cash and cash equivalents	8.5	(17.9)	(57.7)
Cash flow from bank borrowings	(84.6)	–	(2.9)
Cash flow from current investments – investments of surplus cash	–	(6.5)	(0.2)
Net cash outflow from total cash and bank	(76.1)	(24.4)	(60.8)
Add/(deduct) investment in non-current assets:			
Purchase of property, plant and equipment	12.7	7.0	8.9
Purchase of property, plant and equipment held for rental	0.5	0.4	0.1
Purchase of intangible assets	6.5	1.5	4.1
Investment in associates and joint ventures	1.6	1.9	1.6
Dividend received from associates	(0.6)	–	–
	20.7	10.8	14.7
Add/(deduct) transactions with shareholders:			
Purchase of treasury shares	8.9	4.2	3.7
Disposal of treasury shares	(0.4)	(0.2)	–
Dividends paid to Hunting PLC shareholders	7.1	6.4	7.2
	15.6	10.4	10.9
Free cash flow	(39.8)	(3.2)	(35.2)

M. Return on Average Capital Employed

Purpose: Measures the levels of return the Group is generating from its capital employed

Calculation definition: Adjusted profit before interest and tax, amended to include the share of associates' and joint ventures' results, as a percentage of average gross capital employed. Average gross capital employed is a monthly average of capital employed based on 13 balance sheets from the closing June balance in the prior year to the closing June balance in the current year.

	Six months ended 30 June 2023 \$m	Six months ended 30 June 2022 \$m
Average monthly gross capital employed (13-point average)	880.6	838.5
Adjusted operating profit/(loss)	36.1	(7.4)
Adjusted share of associates' and joint ventures' loss	(1.0)	(3.7)
	35.1	(11.1)
Return on average capital employed	4%	(1)%

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