Hunting PLC
2022 Half Year Report

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Hunting is a key supplier to the upstream oil and gas industry. Our strategy is to manufacture products and deliver services to our customers, wherever in the world they are operating. Hunting's product offering extends across the life cycle of an oil and gas well and this focus allows us to create, distribute and sustain value for our shareholders and stakeholders.

Hunting's manufacturing capabilities enable us to participate in a diverse range of sectors other than oil and gas, including geothermal and carbon capture projects. The Board expects to develop the Group's non-oil and gas offering and grow these areas of the business in the coming years.

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

Contents

Half Year Management Report

Hunting PLC, the international energy services group, announces its results for the six months ended 30 June 2022.

Group Review

Introduction

The reporting period has seen a significant increase in positive sentiment for the global oil and gas industry, as general market conditions materially improved and global economies exited from the COVID-19 pandemic. Further, geopolitical events in Europe and across the world have also increased the importance of energy security which is now a key political priority for many western governments.

Global pricing of oil and gas increased from late February 2022, with WTI crude oil averaging $102 per barrel and Henry Hub natural gas in the US averaging $6 per mmBtu in the period, which are levels not seen for nearly a decade.

These issues, coupled with the large increases to the rate of inflation and the overall cost of living, have put traditional energy supply at the centre of current economic narrative, and following years of under investment in new production, have contributed to a position where the short-to-medium term outlook for Hunting is highly robust due to the need for new drilling and production.

As a result of this market environment, Hunting's global businesses have seen a marked increase in enquiries and orders placed during the period. Those Hunting businesses, which are driven by sales order books in particular, have seen a material increase in the period with the Group's Premium Connections, Accessories Manufacturing, Subsea and Advanced Manufacturing units reporting strong increases in their order backlogs – supporting a strengthening revenue profile for the remainder of the year and into 2023. At 30 June 2022, the Group's sales order book stood at c.$326m compared with $215m as at 31 December 2021.

Across North America, activity has strengthened as commodity prices have increased, while in Europe sentiment has markedly improved given the energy security issues emanating from the Ukraine/Russia conflict. In the Middle East, activity levels are rebounding strongly, while in Asia Pacific, activity levels are likely to improve when the impact of COVID-19 fully recedes.

Strategic Initiatives

The Group has delivered on a number of strategic objectives during H1 2022:

Contract awarded by ExxonMobil for Titanium Stress Joints on Yellowtail Development in Guyana

In Q1 2022, Hunting was awarded a contract to supply titanium stress joints ("TSJs") to the ExxonMobil Yellowtail development in Guyana. The TSJs will be used in a new application on the Floating Production Storage and Offloading ("FPSO") facility planned for the project. This opportunity opens up new revenue channels for the Group, as Hunting's TSJs are now applicable to most FPSO operations globally.

Contract awarded by CNOOC for Premium Connections and OCTG

In August 2022, the Group's Asia Pacific operating segment was awarded a contract for OCTG that management estimates to be worth up to $86m for Hunting's proprietary SEAL-LOCK XD™ premium connections and associated OCTG for an offshore project in China. The order is the largest OCTG and Premium Connections order win in the Group's recent history and provides further visibility to revenue and earnings into 2023.

Strong Development of Non-oil and Gas Order Book within the Advanced Manufacturing Group

The Dearborn and Electronics businesses have both successfully increased their respective order books in the period, which includes significant non-oil and gas work and strong progress in the power generation, aviation, defence and space sectors.

In particular, the Dearborn business now has a forward sales order book of $81m which comprises c.80% of non-oil and gas sales and which extends into 2024.

Commenced Construction of a Premium Connection Threading Facility in India

During the period, the Group has formally incorporated a joint venture company in India, with its partner Jindal SAW. Construction of the new premium connection threading facility has commenced in Nashik province, with the commissioning date remaining on track for Q1 2023.

Successful Transition of New OCTG Business Model in the UK and Netherlands

In December 2021, the Group successfully concluded the restructuring of its European OCTG business. During H1 2022, the Group implemented a new manufacturing and service business model, which has led to improved financial performance for the business.

Further commercialisation of New Perforating and Completion Products within Hunting Titan

In H1 2022, Hunting Titan has fully commercialised the H-3 perforating system and migrated clients to this new, more efficient well completion system. The operating segment has launched a new shooting panel used in completion procedures and expanded production of its detonation cord manufacturing capabilities. In support of US domestic demand, Hunting Titan is also investing in new perforating system capacity at its facility in Mexico and has fully re-activated the Oklahoma City manufacturing facility in the period.

$150m Asset Based Lending Facility

On 7 February 2022, the Group agreed a $150m Asset Based Lending ("ABL") facility to replace its $160m Revolving Credit Facility. The ABL is secured against certain US trade receivables, inventory and freehold properties. During the period and at 30 June 2022, the ABL was undrawn, given the total cash and bank position reported by the Group.

Consolidation of Singapore Facilities

During the period, the Group's Asia Pacific operating segment completed the relocation of its facilities to a new, single site in the Tuas port region of Singapore. The new facility incorporates OCTG threading, accessories manufacturing and yard services, in addition to Hunting's well intervention operations in the region.

Trading Outlook

The Group's results demonstrate a strong improvement in revenue and earnings in the period, leading to Hunting returning to monthly pre-tax profitability during the second quarter. The second half of the year is expected to see further improvement in earnings, which is supported by our forward sales order book which now exceeds the position seen in 2019, providing a positive outlook for the remainder of the year and into 2023.

Hunting Titan is likely to see further improvements to its trading results, supported by the increased drilling in North America, in addition to its growing international profile. The Group's North America operating segment has seen a strong increase in forward orders across all of its product lines, in particular the Premium Connection, Accessories Manufacturing, Advanced Manufacturing and Subsea businesses. The EMEA and Asia Pacific regions are also seeing further progress, as international drilling activity increases.

Despite recessionary fears, the energy industry is likely to remain on a firm footing given the macroeconomic and geopolitical movements reported in the period. Energy security planning will likely support industry growth for western economies into 2023, with the Company well placed to benefit from this outlook.

Half Year Management Report
continued

Operational Footprint
At 30 June 2022, the Group's operating sites reduced by one to 30 (31 December 2021 – 31) following the facility consolidation in Singapore. The number of distribution centres remained unchanged at 14 during the period (31 December 2021 – 14).

Dividend
The Board is declaring an interim dividend of 4.5 cents per share (H1 2021 – 4.0 cents) amounting to an estimated cash distribution of $7.2m (H1 2021 – $6.4m). The dividend will be paid in Sterling on 28 October 2022 and the Sterling value of the dividend payable per share will be 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 7 October 2022, with an ex-dividend date of 6 October 2022.

The 2021 Final Dividend of 4.0 cents per share was paid in May 2022, which absorbed $6.4m.

Market Overview and Market Outlook
Given the changes to the macroeconomic environment, as noted above, the average WTI crude price was $102 per barrel in H1 2022 compared to $62 per barrel in H1 2021.

This pricing environment has led to a steady increase in global rig counts, with the rate of increase being higher in the US onshore, as activity levels accelerated.

	At 30 June 2022	At 31 December 2021	At 30 June 2021
WTI Oil Price = $/barrel	**105.76**	75.21	73.47
Henry Hub Natural Gas Price – $/mmBtu	**5.42**	3.73	3.65
US onshore rig count	**733**	571	456
US offshore rig count	**17**	15	14
International rig count	**824**	834	758

Capital expenditures for drilling and production are also indicating rises for 2022 and beyond, given the overall global economic outlook. North America (US and Canada) onshore expenditures are likely to increase to $134.5bn for 2022, compared to $92.3bn in 2021, or an increase of 46%. At present, 2023 is projecting a further increase in total drilling expenditures of 33% across the region, to total $178.6bn, indicating strong underlying market fundamentals.

International drilling expenditures are also likely to increase to $71.1bn for 2022, compared to $60.0bn in 2021, or an increase of 19%. At present, a further 20% increase is projected for 2023 to total $85.1bn.

Overall, this market data suggests a robust outlook for the Hunting Group given its presence across North America, supported by its international operating footprint.

Performance Summary
For the six-month period to 30 June 2022, the Group reported revenue of $336.1m (H1 2021 – $244.4m; H2 2021 – $277.2m), EBITDA of $20.6m (H1 2021 – $3.6m loss; H2 2021 – $6.7m) and a profit from operations of $1.7m (H1 2021 – $26.5m loss; H2 2021 – $53.2m loss). As noted below, the Group has simplified the presentation of its condensed consolidated income statement and has removed the "underlying" and "middle" columns. Adjusted profitability measures that correlate to the "underlying" results presented historically and a range of other non-GAAP measures ("NGMs") are presented on pages 35 to 39. In H1 2022, the Group's adjusted profit from operations was $1.7m, as there were no adjusting items in the period (H1 2021 – $23.0m loss; H2 2021 – $12.1m loss).

Results from Operations
Summary Group Results from Operations

	H1 2022 $m	H1 2021 $m	H2 2021 $m
Revenue	**336.1**	244.4	277.2
Cost of sales	**(260.3)**	(200.4)	(256.3)
Gross profit	**75.8**	44.0	20.9
Selling and distribution costs	**(22.0)**	(18.1)	(20.0)
Administrative expenses	**(53.9)**	(48.0)	(48.0)
Net operating income and other expenses	**1.8**	(4.4)	(6.1)
Profit (loss) from operations	**1.7**	(26.5)	(53.2)
Adjusting items (NGM A)	**–**	3.5	41.1
Adjusted profit (loss) from operations* (NGM B)	**1.7**	(23.0)	(12.1)
EBITDA (NGM C)	**20.6**	(3.6)	6.7
	cents	cents	cents
Diluted LPS* (note 6)	**(2.4)**	(18.9)	(34.3)
Adjusted diluted (LPS)* (NGM B)	**(2.4)**	(16.1)	(11.0)

* 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
In line with current practice and guidance, the Group has presented its condensed consolidated income statement on a statutory basis only, without an "underlying" or "middle" column. The Board believes that this enhances the transparency of the Group's financial statements.

However, 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 B. 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 35 to 39.

The 30 June 2021 condensed consolidated financial statements were restated to present the Fixed Term Funds ("FTFs") of $16.1m as cash and cash equivalents rather than as current investments. The reclassification of these financial instruments ensures that the treatment is consistent with the 31 December 2021 consolidated financial statements (see note 1).

Revenue
Revenue for the six months ended 30 June 2022 increased by 38% to $336.1m compared to $244.4m in H1 2021 and by 21% compared to $277.2m in H2 2021. This increase reflects the higher number of parts manufactured and sold across the Group in the period, with some additional price increases introduced as activity improved, particularly within the US and Canada.

In the reporting period, all operating segments reported good increases in revenue compared to H1 2021. Hunting Titan increased its revenue by 43%; North America increased revenue by 30%; EMEA increased revenue by 34%; and Asia Pacific increased revenue by 67%. Inter-segment revenue has also increased by $5.6m to $18.8m compared to $13.2m in H1 2021 and by 23% compared to $15.3m in H2 2021, reflecting the overall increase in activity levels within the Group.

Profit Measures

H1 2022 gross profit was $75.8m compared to $44.0m in the comparative period and $20.9m in H2 2021, corresponding to a gross margin of 23% (H1 2021 – 18%; H2 2021 – 8%). The improvement to profitability compared to H1 2021 reflects the steadily increasing activity across the Group, where utilisation levels have increased within our facilities along with price increases being implemented, where possible.

In H2 2021, the Group recognised an $8.6m impairment to PPE following completion of the restructuring of the Group's European OCTG businesses, and a further $26.7m net impairment to inventories, which led to the decline in gross profit reported in the second half of 2021.

Selling and distribution expenses increased to $22.0m compared to $18.1m in H1 2021 and $20.0m in H2 2021, reflecting the increase in activity for the Group.

Administrative expenses increased by $5.9m to $53.9m (H1 2021 – $48.0m; H2 2021 – $48.0m), with employee costs increasing as hiring recommenced, coupled with higher legal costs incurred in the period. The credit for net operating income and other expenses was $1.8m in the period (H1 2021 – $4.4m charge; H2 2021 – $6.1m charge), reflecting the benefit of lease curtailments in H1 2022 of $3.2m.

The Group's profit from operations for the period was $1.7m (H1 2021 – $26.5m loss; H2 2021 – $53.2m loss) and the operating margin was 1% (H1 2021: -11%; H2 2021: -19%).

Net finance expense in the period was $0.9m (H1 2021 – $1.0m expense; H2 2021 – $1.0m expense).

The Group's share of associates' losses was $1.3m (H1 2021 – $1.1m loss; H2 2021 – $2.7m loss), which can be predominantly attributed to the Group's investment in Rival Downhole Tools.

Following the charges for interest and the associates' losses noted above, the loss before tax in the period was $0.5m (H1 2021 – $28.6m loss; H2 2021 – $56.9m loss).

The tax charge on operations was $3.2m (H1 2021 – $3.1m charge; H2 2021 – $1.1m charge). The Group's effective tax rate ("ETR") is significantly different to that which might be expected from prevailing jurisdictional rates as it is impacted by a mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss-making jurisdictions. As there is a small overall loss before tax for the period, the impact of differences in the make-up of losses and profits across the Group has greater impact on the overall Group ETR. This is particularly notable in the US, where deferred tax is not recognised on the federal tax losses generated in the first half of the year. The loss before tax generated in the US (and other jurisdictions where deferred tax has not been recognised), is then offset at a Group level by profitable jurisdictions, mainly the UK, Canada and Singapore, where tax is recognised on these profits as they arise.

The loss for the period was $3.7m (H1 2021 – $31.7m loss; H2 2021 – $58.0m loss), with the loss attributable to Ordinary shareholders of $3.9m (H1 2021 attributable loss – $30.5m; H2 2021 attributable loss – $55.3m). This loss resulted in a diluted loss per share of 2.4 cents (H1 2021 – 18.9 cents LPS; H2 2021 – 34.3 cents LPS).

Adjusting Items

The Group previously recorded a number of adjusting items, as noted in the table below; however, there were no adjusting items during the reporting period. For further information, please see NGM A.

Adjusting Item	**H1 2022 $m**	H1 2021 $m	H2 2021 $m
Amortisation of acquired intangible assets	**–**	(4.3)	(2.4)
PPE impairments	**–**	–	(8.6)
Net inventory impairments	**–**	0.8	(26.7)
Restructuring costs	**–**	(1.2)	(0.8)
Settlement of warranty claim	**–**	–	(1.7)
Loss on disposal of business	**–**	–	(0.9)
Gain on surrender of lease	**–**	1.0	–
Gain on disposal of Canada assets	**–**	0.2	–
Net charge in respect of adjusting items	**–**	(3.5)	(41.1)

Adjusting items charged to cost of sales $nil (H1 2021 – $0.1m; H2 2021 – $35.6m); credited to other operating income $nil (H1 2021 – $1.2m; H2 2021 – $nil); charged to other operating expenses $nil (H1 2021 – $4.6m; H2 2021 – $5.5m).

There was no tax charge (NGM A) in respect of adjusting items in the condensed consolidated income statement for the period (H1 2021 – $1.0m charge; H2 2021 – $1.7m credit).

Non-GAAP Measures

In H1 2022, the Group generated EBITDA of $20.6m compared to an EBITDA loss of $3.6m in H1 2021 and an EBITDA of $6.7m in H2 2021.

The EBITDA margin of the Group has improved throughout the reporting period and in H1 2022 was 6% compared to -1% in H1 2021 and 2% in H2 2021.

The Group reports a significant improvement to its EBITDA between Q1 and Q2 2022, following a reasonably slow start to the year, which was impacted by COVID-related and supply chain constraints across some of our operations.

Adjusted profit from operations was $1.7m (H1 2021 – $23.0m loss; H2 2021 – $12.1m loss), with the adjusted operating margin being 1% (H1 2021: -9%; H2 2021: -4%).

The adjusted tax charge on operations for the period was $3.2m (H1 2021 – $2.1m charge; H2 2021 – $2.8m charge) (NGM D).

The adjusted loss attributable to Ordinary shareholders for the period was $3.9m (H1 2021 attributable loss – $26.0m; H2 2021 attributable loss – $17.7m). This loss resulted in an adjusted diluted loss per share of 2.4 cents (H1 2021 – 16.1 cents LPS; H2 2021 – 11.0 cents LPS).

Group Funding and Position at the Half Year

	H1 2022 $m	H1 2021 $m	H2 2021 $m
EBITDA (NGM C)	**20.6**	(3.6)	6.7
Add: share-based payments	**4.6**	5.1	4.1
	25.2	1.5	10.8
Working capital movements (NGM J)	**(22.1)**	24.0	(1.2)
Net interest and bank fees (paid) received	**(3.2)**	0.7	(1.1)
Net tax (paid) received	**(2.3)**	1.1	(0.5)
Proceeds from business and asset disposals	**7.5**	4.4	31.5
(Gains) losses on business and asset disposals	**(2.2)**	(0.7)	0.1
Lease payments	**(4.5)**	(6.2)	(4.4)
Restructuring costs	**–**	(1.2)	(0.8)
Settlement of warranty claim	**–**	–	(1.7)
Other	**(1.6)**	(1.2)	(0.7)
Free cash flow (NGM K)	**(3.2)**	22.4	32.0
Capital investment	**(7.4)**	(3.6)	(3.0)
Intangible asset investment	**(1.5)**	(1.1)	(1.6)
Convertible financing – Well Data Labs	**–**	(2.5)	–
Investment in associates and JV	**(1.9)**	–	(5.1)
Acquisition of businesses	**–**	–	(3.8)
Dividends paid to equity shareholders	**(6.4)**	(6.4)	(6.4)
Net purchase of treasury shares	**(4.0)**	(5.0)	(2.6)
Net cash flow	**(24.4)**	3.8	9.5
Foreign exchange	**(4.2)**	0.2	(1.0)
Movement in total cash and bank (note 12)	**(28.6)**	4.0	8.5
Opening total cash and bank	**114.2**	101.7	105.7
Closing total cash and bank	**85.6**	105.7	114.2

Hunting reported an EBITDA of $20.6m during H1 2022 (H1 2021 – $3.6m loss; H2 2021 – $6.7m). When adjusted for non-cash share-based payment charges, the inflow for the period was $25.2m (H1 2021 – $1.5m inflow; H2 2021 – $10.8m inflow).

In H1 2022, the Group recorded a $22.1m working capital outflow, reflecting increased activity across the Group. This compared to an inflow of $24.0m in H1 2021 and a $1.2m outflow in H2 2021. Inventories have increased during the reporting period, with a $17.6m cash outflow recorded compared to a $22.1m inventory inflow in H1 2021. Inventory days (NGM F) have decreased from 163 days at the year-end to 143 days at 30 June 2022. Trade receivable days (NGM G) have decreased to 80 days at 30 June 2022 compared to 87 days at the year-end despite a cash outflow in trade receivables of $31.9m. Trade payables increased in the period with a $27.4m inflow.

Net interest and bank fees paid in the period was $3.2m (H1 2021 – $0.7m received; H2 2021 – $1.1m paid), reflecting the $3.0m fees paid by the Group to put in place the new ABL facility. Net tax paid in the period was $2.3m (H1 2021 – $1.1m received; H2 2021 – $0.5m paid).

Proceeds from the disposal of assets and businesses totalled $7.5m (H1 2021 – $4.4m; H2 2021 – $31.5m) and includes 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. H1 2021 proceeds comprised $2.2m received for a held-for-sale property and $2.2m for the disposal of PPE, including $1.8m received on the disposal of Canadian assets. In H2 2021, proceeds comprised $31.5m for the disposal of the UK OCTG business to Marubeni-Itochu as part of the European OCTG restructuring.

During the period, the Group's leasing arrangements gave rise to cash payments of $4.5m (H1 2021 – $6.2m; H2 2021 – $4.4m).

Restructuring costs were $nil in the period (H1 2021 – $1.2m; H2 2021 – $0.8m).

As a result of the above and other cash outflows of $1.6m, free cash net outflows were $3.2m compared to a net inflow of $22.4m in H1 2021 and a net inflow of $32.0m in H2 2021.

Capital investment in the period totalled $7.4m in H1 2022 (H1 2021 – $3.6m; H2 2021 – $3.0m), with $1.2m spent by Hunting Titan, mainly for Pampa automation and general equipment purchases; $1.1m spent by Dearborn on machinery and $1.8m spent on the fit-out of the leased property in Tuas, Singapore and the UK's new headquarters. Intangible asset investment in the period was $1.5m (H1 2021 – $1.1m; H2 2021 – $1.6m), with $1.0m of intangible expenditure by Hunting Titan on internally generated technology and $0.5m on global data centres.

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. In H1 2021, the Group provided $2.5m in convertible financing to Well Data Labs and in H2 2021 invested $5.1m in Cumberland Additive Holdings Inc, representing a 27% equity share. Also in H2 2021, the Group acquired the 40% non-controlling interest in HES UK, which was purchased from Marubeni-Itochu for $3.8m.

The 2021 Final Dividend of 4.0 cents per share was paid to equity shareholders on 13 May 2022, which absorbed $6.4m. In H1 2021, equity shareholders received the 2020 Final Dividend totalling 4.0 cents per share resulting in a payment of $6.4m.

In H1 2022, the Company purchased 1.0m Ordinary shares (H1 2021 – 1.7m Ordinary shares; H2 2021 – 1.0m Ordinary shares) as treasury shares for a total consideration of $4.2m (H1 2021 – $5.2m; H2 2021 – $2.7m) 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 is offset by proceeds on disposal of $0.2m (H1 2021 – $0.2m; H2 2021 – $0.1m).

Overall, in the period, the Group recorded a net cash outflow of $24.4m (H1 2021 – $3.8m inflow; H2 2021 – $9.5m inflow), largely driven by the absorption of cash into working capital. As a result of the above cash outflows and $4.2m adverse foreign exchange movements, total cash and bank (NGM H) was $85.6m at 30 June 2022 (31 December 2021 – $114.2m).

Balance Sheet

Summary Group Balance Sheet

	30 June 2022 $m	31 December 2021 $m
Property, plant and equipment	**260.5**	274.4
Right-of-use assets	**20.1**	24.7
Goodwill	**162.6**	164.1
Other intangible assets	**34.0**	36.2
Investments in associates and JVs	**20.0**	19.4
Working capital (NGM E)	**299.7**	278.0
Taxation (current and deferred)	**0.8**	1.4
Provisions	**(6.8)**	(8.1)
Other net assets	**5.4**	2.7
Capital employed	**796.3**	792.8
Total cash and bank	**85.6**	114.2
Lease liabilities	**(24.8)**	(31.8)
Shareholder loan from NCI	**(3.9)**	(3.9)
Net cash (note 12)	**56.9**	78.5
Net assets	**853.2**	871.3

Property, plant and equipment was $260.5m at 30 June 2022 compared to $274.4m at 31 December 2021, a reduction of $13.9m. Depreciation of $13.3m, disposals of $6.3m and other items of $1.6m more than offset additions of $7.3m, giving the closing balance noted.

Right-of-use assets totalled $20.1m at 30 June 2022 compared to $24.7m at 31 December 2021. The movement during the period includes additions of $5.1m, as new lease arrangements were entered into, largely in relation to the move of the UK headquarters. Right-of-use asset additions were offset by depreciation of $3.5m and modifications of $5.5m as leases were exited in relation to the Singapore facility consolidation and the change in the UK headquarters; and adverse foreign exchange movements of $0.7m, leading to an overall net decline of $4.6m being recorded.

Goodwill is materially unchanged at $162.6m at the balance sheet date compared to $164.1m at the 2021 year-end. The movement in the period was wholly due to foreign exchange movements.

Other intangible assets have reduced by $2.2m to $34.0m at 30 June 2022, with the amortisation charge of $2.1m and adverse foreign exchange movements of $1.6m being offset by additions of $1.5m, primarily related to the capitalisation of technology and IT data centres.

Investments in associates and joint ventures have increased by $0.6m, reflecting the $1.9m addition in the joint venture company in India, with its partner Jindal SAW, and the Group's share of the associates' losses for the period of $1.3m largely attributable to the investment in Rival Downhole Tools.

Working capital (NGM E) has increased by $21.7m, largely due to the investment in inventory and higher levels of receivables, as market conditions improved. Inventory at 30 June 2022 was $15.8m higher at $220.2m. Receivables increased significantly by $31.0m to $188.2m. These increases were partly offset by a $25.1m increase in trade and other payables to $108.7m. The balance on working capital at 30 June 2022 was $299.7m (31 December 2021 – $278.0m).

Current and deferred taxation recorded a net asset of $0.8m compared to 31 December 2021, which was a net asset of $1.4m. Provisions were materially unchanged at $6.8m (31 December 2021 – $8.1m) in the period, with other net assets increasing to $5.4m (31 December 2021 – $2.7m), as fees related to the Asset Based Lending facility were capitalised on inception.

Net cash (note 12) at 30 June 2022 was $56.9m (31 December 2021 – $78.5m). Total cash and bank balances have decreased since the year-end to $85.6m at 30 June 2022 (31 December 2021 – $114.2m) as described above. Net cash includes $24.8m of lease liabilities, which have decreased significantly since the year-end, as discussed above.

The overall decrease in net assets of $18.1m is driven by the loss in the period of $3.7m; dividends paid of $6.4m to equity shareholders of Hunting PLC; the net purchase of treasury shares of $4.0m; and foreign exchange and other items totalling $4.0m.

Segmental Review of Operations

Hunting Titan

During the period, the Hunting Titan operating segment reported a 43% increase in revenue to $127.2m compared to $88.7m in H1 2021 and an increase of 26% compared to revenue of $100.6m in H2 2021 as market conditions within North America continued to improve. Activity levels increased in H1 2022 as the US onshore rig count increased from 571 at the 2021 year-end to 733 at 30 June 2022, leading to selected price increases being implemented through the period. The period saw an increase in volumes for all its key product lines, with sales of perforating systems and instruments particularly robust, leading to an adjusted profit from operations of $4.3m compared to a $1.6m loss in H1 2021 and a $0.7m profit in H2 2021. The reported profit from operations was $4.3m in the period compared to a $5.1m loss in H1 2021, which included $3.4m of acquired intangible amortisation, and a $3.9m loss in H2 2021, which included net inventory impairment charges of $3.1m and acquired intangible amortisation of $1.5m.

In order to support demand in the US, the Group is investing $0.8m in new capacity at its existing Mexico facility to increase the manufacturing of perforating systems.

The Group migrated certain clients to the H-3 perforating system during the period, which allows for more efficient completion procedures. Sales of addressable switches were carefully managed since the start of the year, given the global shortage of microchips. Hunting Titan addressed this issue by focusing on system sales, rather than selling stand-alone switches. Sales of Hunting Titan's detonation cord continued to increase during H1 2022, with an increase in total market share in North America reported. Plans are underway at the Group's Milford facility to implement further capacity increases to meet the increased demand for this product.

During H1 2022, Hunting Titan's sales into the international market, i.e. outside of North America, increased steadily, with solid growth reported in South America and the Middle East as activity levels accelerated in these regions. International sales were $16.5m in the period compared to $13.1m in H1 2021.

Segmental Review

*Segmental Results from Operations**

	H1 2022			H1 2021			H2 2021		
Operating Segment	**Revenue $m**	**Adjusted* result from operations $m**	**Reported* result from operations $m**	Revenue $m	Adjusted* result from operations $m	Reported* result from operations $m	Revenue $m	Adjusted* result from operations $m	Reported* result from operations $m
Hunting Titan	**127.2**	**4.3**	**4.3**	88.7	(1.6)	(5.1)	100.6	0.7	(3.9)
North America	**158.7**	**–**	**–**	122.2	(10.4)	(11.5)	132.4	(5.7)	(27.2)
EMEA	**37.1**	**(2.2)**	**(2.2)**	27.6	(6.6)	(6.5)	30.5	(4.6)	(19.7)
Asia Pacific	**31.9**	**(0.4)**	**(0.4)**	19.1	(4.4)	(4.4)	29.0	(2.5)	(2.4)
Not allocated to a segment	**–**	**–**	**–**	–	–	1.0	–	–	–
Inter-segment elimination	**(18.8)**	**–**	**–**	(13.2)	–	–	(15.3)	–	–
Group	**336.1**	**1.7**	**1.7**	244.4	(23.0)	(26.5)	277.2	(12.1)	(53.2)

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

Hunting Titan continued
Hunting Titan will continue to launch new products in the second half of 2022, which will include an H-4 self-orienting perforating system, in addition to a new automated shooting panel that will be integrated with the Perf+ logging software. Development of a time-delay fuse, utilising the licenced technology from Nammo Defense Inc., has continued in H1 2022, with a product launch planned for Q4 2022.

In line with the overall increase in demand, the headcount of the segment has increased 15% to 595 compared to 517 at 31 December 2021.

North America
The Group's North America operating segment reported a 30% increase in revenue to $158.7m compared to $122.2m in H1 2021 and a 20% increase compared to revenue of $132.4m in H2 2021, as activity levels across the US and Canada accelerated in the period. This led to a break-even result at the adjusted operating profit level compared to a $10.4m loss in H1 2021 and a $5.7m loss in H2 2021. The operating segment also reported a break-even result for reported operating profit in the period compared to an $11.5m loss in H1 2021 and a $27.2m loss in H2 2021, which included $18.8m of net inventory impairment charges.

During the reporting period, the sales order books of businesses within the segment increased by $92m as both domestic and international activity strengthened in line with the prevailing commodity price environment.

Within the Group's Premium Connections and Accessories manufacturing businesses, order books more than doubled during the period, with price increases being applied where possible. Demand for the Group's TEC-LOCK™ Wedge semi-premium connection for onshore drilling projects increased, with orders for multiple clients now extending into 2023. The Group's WEDGE-LOCK™ premium connection also saw a good increase in orders and enquiries as offshore drilling projects recommenced in the Gulf of Mexico and internationally.

The order books for Hunting's accessories manufacturing business also significantly improved in the period, with both domestic US onshore and offshore Gulf of Mexico, Guyana and other international drilling programmes stepping up equipment purchasing during H1 2022.

In Canada, the Group continues to see robust activity levels, with demand for Hunting's TKC-4040 connection, in addition to the SEAL-LOCK™ and TEC-LOCK™ connections, seeing good traction.

The Group's Subsea businesses continued to report strengthening order books as new offshore projects were sanctioned. The Subsea Stafford business saw a modest increase in its order book as projects in Brazil and Guyana accelerated. The Subsea Spring business has won a number of major orders since the start of 2022 for projects in the Gulf of Mexico and internationally. The Yellowtail project in Guyana was a particularly pleasing win for the Group, as Hunting's titanium stress joints ("TSJs") will be applied to a Floating Production Storage and Offloading ("FPSO") facility, which is a new market application for this technology, in addition to the existing semi-submersible global rig market where TSJs have been traditionally applied. The Enpro business saw a steady increase in its sales order book over the period as demand for Flow Access Modules and Well Abandonment work improved.

Within the Advanced Manufacturing group, both the Dearborn and Electronics businesses saw robust increases in their respective order books, with non-oil and gas enquiries improving strongly and efforts to diversify the Group's revenue streams accelerating. Within the Hunting Electronics business, the performance in the period was below the comparative period in 2021 due to component supply constraints, with the global supply of microchips continuing to have long delivery lead times, which affects the delivery of orders.

However, forward orders for oil and gas related equipment increased materially in the first half of the year. The Electronics business also increased the manufacture of switches for the Hunting Titan segment, as US onshore activity continued to accelerate.

The Hunting Dearborn business started the year slowly, due to spikes in cases of COVID-19 in January and February, but now reports a stronger outlook, with the current order book more than double 2021 sales, with c.80% of the forward sales order book orientated to defence, space, aviation and power generation customers. Within the Hunting Specialty business, the performance of the business also improved given the increased US onshore rig count.

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.

In the period, the segment disposed of its facility in Casper, Wyoming, which resulted in a loss on the sale of $0.9m. Overall, in the period, the headcount in North America increased by 9% to 910 at 30 June 2022, compared to 836 at 31 December 2021.

Europe, Middle East and Africa ("EMEA")
Hunting's EMEA operating segment saw a major change in its business model, following the completion of the restructuring of the UK and the Netherlands Oil Country Tubular Goods ("OCTG") businesses in December 2021. Hunting's business is now a capital-light operational model, following this change in strategy.

Revenue for the segment increased 34% in H1 2022 to $37.1m compared to $27.6m in H1 2021 and increased 22% compared to revenue of $30.5m in H2 2021. The adjusted loss from operations was $2.2m compared to a $6.6m loss in H1 2021 and $4.6m loss in H2 2021. The reported loss from operations was $2.2m in the period compared to a $6.5m loss in H1 2021 and a $19.7m loss in H2 2021, which included an $8.6m impairment charge for PPE and a $5.3m net charge for the impairment of inventories.

During the period, most customers operating on the UK Continental Shelf ("UKCS") have continued drilling operations, which led to sustained demand for OCTG in the North Sea. This led to good levels of inspection and service activity for the Group's Aberdeen business, in addition to good accessory sales in the period.

The Group's Netherlands OCTG business commenced a major order for Brazil in March 2022, with the contract extending to 2025. Hunting's Velsen-Noord facility will operate at full capacity for the remainder of the year and through 2023, with some overflow work being completed in Aberdeen.

The Group's UK well intervention business has seen a steady increase in activity during the period as North Sea activity improved, with the outlook significantly more positive since the start of the year. Hunting's well testing business in the Netherlands reported good activity levels in the period, with demand in the Middle East and South America supporting the business during the first half of the year.

In Norway, the Group saw good sales for Hunting's APRS technology in the period, with sales to Equinor and AkerBP. Hunting's Ezi-Shear Valve system also saw interest in the country with orders received in the first half of the year.

In the Middle East, activity levels started to increase during the period, resulting in higher sales of pressure control equipment and increased revenue from Titan perforating products.

The Group's licenced Organic Oil Recovery ("OOR") technology saw good progress during H1 2022, with full field treatments and new pilot tests commencing with a number of customers. Sales orders have been secured in the period for field treatments in the UK and Middle East, with strong interest being shown in Saudi Arabia.

Europe, Middle East and Africa ("EMEA") continued

Hunting has extended its marketing licence for the technology to 2030, with an improved profit split being agreed as part of the negotiations.

The headcount within the EMEA operating segment remained generally unchanged at 226 compared to 224 at 31 December 2021.

Asia Pacific

Hunting's Asia Pacific operating segment reported a 67% increase in revenue to $31.9m compared to $19.1m in H1 2021 and a 10% increase in revenue compared to $29.0m in H2 2021, despite significant market challenges across the region as COVID-19 cases in China increased, leading to the closure of the Shanghai port for most of the period. The adjusted loss from operations was $0.4m compared to a $4.4m loss in H1 2021 and a loss of $2.5m in H2 2021. The loss from operations in the period includes the net gain on the sale of the Benoi Road property of $2.4m. The reported loss from operations was $0.4m in the period compared to a $4.4m loss in H1 2021 and a loss of $2.4m in H2 2021.

The segment's OCTG business has continued to complete orders for clients in China, Kurdistan, India and Thailand, which have included both premium connection and accessories manufacturing work.

The Group has formally incorporated a joint venture entity with Jindal SAW, its partner in India. During the period, construction of the new premium connection threading facility started, with the commissioning date for the new plant remaining on track for Q1 2023. The partnership continues to win OCTG threading orders for clients in India, with orders for SEAL-LOCK XD™ being placed by Oil India.

The region's well intervention business also secured business for Thru Tubing work in Australia, Thailand and Vietnam.

In May 2022, the Group's Singapore facilities were relocated to a single, purpose-built manufacturing facility in the Tuas port region of Singapore. The Group received a net $2.4m, as noted above, to exit the leased property at Benoi Road, which has been included in the loss from operations of $0.4m.

As noted above, in August 2022, the Group was awarded a contract that management expects to be worth $86m for Hunting's proprietary SEAL-LOCK XD™ premium connections and associated OCTG for an offshore project. The order is the largest OCTG and Premium Connections order win in the Group's recent history and provides further visibility to revenue and earnings into 2023 for the segment.

During the period, the headcount within the Asia Pacific operating segment has remained consistent, with 298 at 30 June 2022 compared to 302 at 31 December 2021.

Board Changes

On 3 March 2022 the Board announced that Richard Hunting was to retire as a Director at the Company's 2022 Annual General Meeting ("AGM"). Therefore, on Wednesday 20 April 2022, Mr Hunting stepped down from the Board, after nearly 50 years of service to the Company.

On 3 March 2022, the Board proposed the appointment of Paula Harris as an independent, non-executive Director of the Company. The appointment was submitted to shareholders for approval at the 2022 AGM and, following receipt of the required votes in favour, Ms Harris joined the Board as a Director on 20 April 2022. Ms Harris 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 2021 Annual Report and Accounts on pages 82 to 85, 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 86 to 90 of the Group's 2021 Annual Report and Accounts.

Although the Group is not directly impacted by the ongoing Russian invasion of Ukraine, the risk of geopolitical uncertainty was raised by the Board in H1 2022 to reflect its wider impact on global economies and supply chains that could affect the Group, albeit potentially partly mitigated by the European Commission's renewed plans for energy security; in addition the Board noted the increased tensions between the US and China with regard to Taiwan.

As part of the Board's regular review of its principal risks, climate change was elevated from an emerging risk to a principal risk during 2021, reflecting the continued focus of the Board, management and Hunting's operations in this area. As a consequence of this change, that Group does not report any emerging risks, as required by the UK Corporate Governance Code.

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

25 August 2022

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 2021 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

25 August 2022

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 2022, 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 17.

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 2022 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 this ISRE (UK), 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 statement 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

25 August 2022