Delivering strong results in challenging markets

2019 Half Year Report

Hunting is a 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.

Hunting is quoted on the London Stock Exchange and is a constituent of the FTSE 250 index.

Contents

Cover: Hunting Electronics manufactures printed circuit boards for downhole measuring tools and supports Hunting Titan in the manufacture of other key components.

Half Year Management Report

Hunting PLC, the international energy services group, announces its results for the six months ended 30 June 2019.

Group Review

Introduction

During H1 2019, Hunting has delivered strong results broadly in line with the first half of 2018, with revenue increasing by 15% to $508.9m and underlying profit from operations reporting a 4% increase to $55.6m. Reported profit from operations for H1 2019 was also up by a similar amount, increasing by $2.2m to $41.1m. Overall, the Group has traded in line with management's expectations for the first half of 2019.

While the WTI oil price strengthened during the first half of 2019, rising from $45 per barrel to $58 per barrel at 30 June, the US onshore industry started the year slowly following the c.40% decline in the oil price during the final quarter of 2018. This pricing environment contributed to a stalling of US drilling and completions activity early in the year, which has led to the US onshore rig count declining c.11% since year-end.

Given the Group's focus on the North American drilling market, this trading environment impacted the performance of those businesses sensitive to US onshore completions including Hunting Titan, Hunting Specialty and US Drilling Tools. To address this environment, and to maintain market share on certain product lines, during the first quarter Hunting Titan implemented targeted price reductions to reduce excess inventories.

Positively, there has been a strengthening in sentiment within international markets, based on the generally higher oil price throughout 2018 and into 2019, driving improved results within the Group's US Connections, Subsea, EMEA and Asia Pacific businesses. In particular, there has been a marked increase in downhole measurement tool purchasing by the Group's US clients that has supported growth within the Group's Advanced Manufacturing businesses.

Revenue in H1 2019 was $508.9m (H1 2018 – $442.8m), underlying EBITDA was $77.4m (H1 2018 – $72.6m) and underlying profit from operations was $55.6m (H1 2018 – $53.5m).

Based on this performance, the Board is declaring an interim dividend of 5.0 cents per share (H1 2018 – 4.0 cents) which will absorb $8.3m of cash (H1 2018 – $6.6m) and be paid on 23 October 2019.

The Group has adopted IFRS 16 Leases ("IFRS 16") from 1 January 2019. There has been minimal impact on the Group's profit before tax result within the consolidated income statement. Within the consolidated balance sheet $47.1m of lease liabilities and $39.6m of capitalised right-of-use assets have been recorded at 30 June 2019. For more information on the adoption of IFRS 16, please refer to the Results from Operations section of this report and also note 17.

Operational Initiatives

The Group's strategy has continued to be executed in the year to date and includes (i) the acquisition of new product lines to address gaps in Hunting's customer offering; (ii) completion of capacity expansion programmes for key products; (iii) introduction of new technologies and products to clients to maintain market leadership and market share; and (iv) restructuring and cost reduction initiatives to improve profitability and returns.

On 16 August 2019, Hunting announced the completion of the acquisition of the business and assets of RTI Energy Systems Inc. ("RTIES"), a leading manufacturer of production riser technologies for deep water applications within the offshore oil and gas industry. The bolt-on acquisition increases the Group's presence in the offshore market and complements Hunting's Subsea business unit, which provides hydraulic valves and couplings to many offshore clients. The acquisition price was $12.5m, and provides Hunting with new proprietary technology as well as access to additional offshore developments either in production or under development.

Hunting Titan has completed two capital investment programmes in the period to increase manufacturing capacity of its perforating gun and energetics products lines. The Group's facility in Pampa, Texas, has commissioned two automated production cells for the manufacture of the H-1 Perforating System. This investment allows for higher volumes of the H-1 system to be manufactured in-house, in addition to reducing costs through automation. The capital investment programme at Titan's Milford facility has also been completed, which enables a production capacity in excess of 1 million shaped charges per month to be achieved.

Hunting's business units have also continued to introduce or develop new products for clients during the reporting period:

- In February 2019 the Group launched the H-2 Perforating System, which complements the H-1 system. The H-2 system has shorter modules in its configuration allowing a higher intensity hydraulic fracturing completion procedure to be achieved. The system aligns with the evolution of the US onshore industry, which has increased the number of perforating guns per fracking stage to enable more charges to be used per stage.
- Hunting Titan introduced the E-SUB Perforating System to the market during the period, which supports the Group's conventional perforating gun offering.
- Hunting Titan has also introduced the T-Set One setting tool to clients in the period. The tool combines four tool operations into one product and has seen good customer interest since launch.
- The Group's Subsea business unit has developed new hydraulic valves in the period, while the US Premium Connections business continues to develop and test new size variants of its major connection families including SEAL-LOCK™, WEDGE-LOCK™ and TEC-LOCK™.

The Group has combined its Middle East and African operating segments with Hunting's Europe operating segment. This follows the facility closure in Africa in 2017/18, headcount reductions in the Middle East and the sale of the small Thru-Tubing service business in Dubai as part of the rationalisation of the region's operations. During Q2 2019, the Group's Canada segment has also been restructured given the current market environment, which will result in further cost savings being achieved going forward. In addition, the Group's Exploration and Production operation has been combined into the US segment, given the decision to cease investing in new E&P operations going forward.

At 30 June 2019 the Group operated from 35 manufacturing facilities and 17 distribution centres. As part of the Group's targeted expansion into Norway, a new leased facility was commissioned in April 2019, to replace the smaller existing facility, and will service the growing well intervention sales into the country.

Outlook

In line with recent commentary from clients and competitors in the sector, the global outlook for the second half of the year remains dependent upon commodity prices, as economic and geopolitical factors impact short to medium term energy demand.

The Company continues to see a slowing in the pace of activity within the US onshore drilling market, as clients restrict expenditures to within current cash flows and budgets. International and offshore US drilling markets continue to grow as projects are sanctioned by the major exploration and production companies.

These market factors are driving positive trading particularly within the Group's US Connections, Advanced Manufacturing and Subsea businesses and Hunting's EMEA segment also reports positive market sentiment for the second half.

Hunting Titan continues to retain market leadership within the US onshore market, and anticipates international growth in the second half, however, the business' results will continue to trend with onshore market activity, which remains highly competitive, given the strong budgetary discipline for all clients operating in the subsector.

Given the fluidity of the market backdrop, the near-term outlook remains uncertain, however, based on trading in the year to date, the Board is satisfied with progress towards full year expectations, and will continue to update investors on a regular basis as the year progresses and the short-term outlook becomes clearer.

Results from Operations

Summary Group Results from Operations

	H1 2019 $m	H1 2018 $m
Revenue	**508.9**	442.8
Underlying* EBITDA (NGM A)	**77.4**	72.6
Depreciation, impairment and non-acquisition amortisation	**(21.8)**	(19.1)
Underlying* profit from operations	**55.6**	53.5
Amortisation of acquired intangible assets and exceptional items (note 4)	**(14.5)**	(14.6)
Reported* profit from operations	**41.1**	38.9
Underlying* Diluted EPS (note 6)	**23.6c**	25.0c
Reported* Diluted EPS (note 6)	**17.3c**	19.1c
Underlying* Basic EPS (note 6)	**24.6c**	26.1c
Reported* Basic EPS (note 6)	**18.0c**	19.9c

* Underlying results are based on operations before amortisation of acquired intangible assets and exceptional items. Reported results are based on the statutory results for operations as reported under International Financial Reporting Standards.

Basis of Preparation

The Group has adopted IFRS 16 from 1 January 2019, which replaces IAS 17 Leases. As permitted by the new standard, Hunting has used the modified retrospective approach, whereby the Group's opening retained earnings have been adjusted to reflect the cumulative effect of the new standard. Comparative financial information has not been restated. Following analysis of all leases held, Hunting has recorded $47.1m of lease liabilities and $39.6m of right-of-use assets in the consolidated balance sheet at 30 June 2019. The Group's reported profit before tax result within the consolidated income statement has not been materially impacted by the adoption of IFRS 16. For further information on the adoption of IFRS 16 and its impact on the Group's financial statements, please refer to note 17.

EBITDA, Working Capital and Free Cash Flow are non-GAAP measures ("NGMs"). The definition and calculation of these measures can be found on pages 31 and 32 of this report. For further information on the non-GAAP measures used by the Group, please refer to the 2018 Annual Report and Accounts.

Revenue

Revenue from operations for the six months ended 30 June 2019 increased by 15% to $508.9m compared to the prior period (H1 2018 – $442.8m).

Hunting Titan's sales in the period were marginally lower compared to H1 2018, while the Group's US, EMEA and Asia Pacific segments all reported good year-on-year growth throughout H1 2019. Revenue in Canada declined reflecting the government mandated slowdown in oil and gas production during the period, coupled with extremely cold weather in Alberta during January and February 2019, which resulted in operations ceasing for a short time. Inter-segment revenue reduced to $39.9m in H1 2019 compared to the prior period (H1 2018 – $50.2m) reflecting the slowing of the global manufacture of conventional perforating guns as inventory was worked off by Hunting Titan.

Profit Measures

Underlying and reported gross profit increased by 6% to $145.6m in the period (H1 2018 – $137.3m) as revenue increased. Underlying and reported gross margin declined to 29% (H1 2018 – 31%) reflecting management's actions within Hunting Titan to reduce inventory levels and pricing on certain product lines.

Underlying EBITDA was $77.4m, against $72.6m in H1 2018, with EBITDA margin declining to 15% (H1 2018 – 16%) for the reasons noted above. In addition, the H1 2019 EBITDA benefits from a reduced operating lease charge of $4.6m following the adoption of IFRS 16. The depreciation charge in the period was $20.1m (H1 2018 – $17.7m), and includes an additional $4.0m in relation to right-of-use assets following the adoption of IFRS 16. On a like-for-like basis, EBITDA is in line with H1 2018. Reported EBITDA was $77.4m (H1 2018 – $71.6m).

Underlying profit from operations was $55.6m (H1 2018 – $53.5m). After the charge for amortisation, as noted below, the reported profit from operations was $41.1m (H1 2018 – $38.9m).

Net finance expense was $1.0m (H1 2018 – $0.9m). Underlying profit before tax from operations was $54.6m (H1 2018 – $52.6m) and reported profit before tax from operations was $40.1m (H1 2018 – $38.0m).

Amortisation and Exceptional Items

The charge before tax for amortisation of acquired intangible assets in the period was $14.5m (H1 2018 – $14.6m). There were no exceptional items in H1 2019.

Taxation

The underlying tax charge on operations was $13.3m (H1 2018 – $10.9m) and reflects an effective tax rate (NGM B) of 24% (H1 2018 – 21%). Amortisation of acquired intangible assets in the period attracted a tax credit of $3.6m (H1 2018 – $3.6m credit). The reported tax charge on operations was therefore $9.7m (H1 2018 – $7.3m).

Dividend

The Board is declaring an interim dividend of 5.0 cents per share (H1 2018 – 4.0 cents) amounting to an estimated cash distribution of $8.3m (H1 2018 – $6.6m). The dividend will be paid in Sterling on 23 October 2019 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 4 October 2019, with an ex-dividend date of 3 October 2019.

Group Funding and Position as at the Half Year

Cash Flow

Summary Group Cash Flow

	H1 2019 $m	H1 2018 $m
Underlying EBITDA (NGM A)	**77.4**	72.6
Add: share-based payments	**6.6**	7.1
	84.0	79.7
Working capital movements	**(21.3)**	(66.2)
Net interest, bank fees and net tax paid	**(3.7)**	(1.8)
Proceeds from disposal of assets	**4.7**	10.9
Other	**(3.7)**	(0.5)
Free cash flow (NGM F)	**60.0**	22.1
Capital investment	**(20.3)**	(11.4)
Intangible assets investments	**(2.2)**	(1.7)
Dividends paid to equity shareholders	**(8.3)**	–
Purchase of treasury shares	**(4.2)**	–
Share capital issued	**0.6**	0.3
Net cash flow	**25.6**	9.3
Initial recognition of lease liabilities	**(49.0)**	–
New lease financing and interest	**(3.8)**	–
Foreign exchange	**(0.7)**	(0.7)
Movement in net cash (note 14)	**(27.9)**	8.6

Hunting reports an underlying EBITDA of $77.4m (H1 2018 – $72.6m). When adjusted for non-cash share-based payment charges, cash inflows were $84.0m (H1 2018 – $79.7m).

Despite a $22.8m reduction in Hunting Titan inventory, during the period, the Group recorded a working capital outflow of $21.3m (H1 2018 – $66.2m outflow) reflecting improving activity levels particularly within North America. Receivable balances have increased in line with trading, with the sales days outstanding unchanged when compared to the year end position being 78 days (NGM D) in the period.

Cash outflows for interest of $0.1m and tax payable $3.6m remained generally low. Proceeds from the disposal of assets include $2.5m on the disposal of the Middle East Thru Tubing business. In 2018, the proceeds from disposal of assets included $8.0m proceeds from the sale of the Group's manufacturing facility in South Africa.

Free cash flow increased by $37.9m from $22.1m in H1 2018 to $60.0m in H1 2019, principally due to reduced absorption of working capital in H1 2019. In addition, the free cash flow in H1 2019 has benefited by $6.2m due to the conversion of lease accounting from IAS 17 Leases to IFRS 16 Leases.

Capital investment totalled $20.3m in H1 2019 (H1 2018 – $11.4m), which included investment in relation to the completion of Hunting Titan's energetics charge and perforating gun production expansion programmes and implementing the new power charge production line.

The 2018 final dividend was paid on 10 May 2019, which absorbed $8.3m (H1 2018 – $nil).

In Q2 2019, the Company purchased 750,000 Ordinary shares, for a total consideration of $4.9m (H1 2018 – $nil) through its Employee Share Trust, of which $4.2m was paid in the period. These shares will be used to satisfy future awards under the Group's share award programme.

Intangible asset investment was $2.2m (H1 2018 – $1.7m) and proceeds from shares issued were $0.6m (H1 2018 – $0.3m) leading to a net cash inflow of $25.6m (H1 2018 – $9.3m) in the period. This was before lease payments of $6.2m. When adjusted for proceeds from new borrowings of $0.2m, this resulted in a statutory net cash inflow of $19.6m (see page 15).

As a consequence of the above cash flows, net cash (note 14) was $33.4m at 30 June 2019 (31 December 2018 – $61.3m net cash). The net cash at 30 June 2019 includes lease liabilities of $47.1m following the adoption of IFRS 16 with effect from 1 January 2019. The figure for 31 December 2018 does not include any lease liabilities.

Balance Sheet

Summary Group Balance Sheet

	As at 30 June 2019 $m	As at 31 December 2018 $m
Property, plant and equipment	**362.0**	360.2
Right-of-use assets	**39.6**	–
Goodwill	**230.0**	229.9
Other intangible assets	**85.9**	99.8
Working capital (NGM C)	**459.3**	436.5
Taxation (current and deferred)	**9.4**	13.7
Provisions	**(8.2)**	(14.2)
Other net assets	**2.9**	3.9
Capital employed	**1,180.9**	1,129.8
Net cash (note 14)	**33.4**	61.3
Net assets	**1,214.3**	1,191.1
Non-controlling interests	**(14.4)**	(14.0)
Equity attributable to owners of the parent	**1,199.9**	1,177.1

Property, plant and equipment of $362.0m was materially unchanged at the half-year, with additions of $19.9m being offset by depreciation of $16.1m.

With the adoption of IFRS 16, right-of-use assets have been recognised on the balance sheet at 1 January 2019 of $40.4m. With depreciation charged on these assets in the period of $4.0m, additions of $2.5m and other movements of $0.7m, the balance at 30 June 2019 reduced to $39.6m.

Goodwill was materially unchanged from 31 December 2018 at $230.0m, while Other Intangible Assets reduced by $13.9m, mainly reflecting the amortisation charge for intangible assets arising on the acquisition of businesses, which totalled $14.5m in the period (H1 2018 – $14.6m).

Working capital (NGM C) increased in the six months to 30 June 2019 to $459.3m (2018 – $436.5m), principally driven by higher receivables following strong sales in the second quarter.

Current and deferred taxation recorded a net asset position of $9.4m compared to 2018, which recorded a $13.7m net asset.

Provisions reduced to $8.2m (2018 – $14.2m) following the adjustment on the adoption of IFRS 16 and the release of property lease provisions to reserves of $4.2m. Other net assets were $2.9m (2018 – $3.9m) being materially unchanged in the period.

Net cash (note 14) at 30 June 2019 was $33.4m and includes $47.1m of lease liabilities recognised following the adoption of IFRS 16 lease accounting. Net cash balances at 31 December 2018 and 30 June 2018 of $61.3m and $39.0m do not include lease liabilities, as the new standard was adopted with effect from 1 January 2019 with no restatement of prior period financials. For further information, please see note 14 on page 25.

The overall increase in net assets of $23.2m is driven by the profit in the period of $30.4m, foreign exchange of $1.0m and other items totalling $0.9m being offset by the payment of dividends of $8.3m and the $0.8m net reduction on the adoption of IFRS 16.

Exchange Rates

Average exchange rates used to translate Sterling and Canadian dollar denominated results into US dollars were £0.7731 (H1 2018 – £0.7271) and Can$1.3336 (H1 2018 – Can$1.2778). Spot exchange rates for Sterling and Canadian dollar at 30 June 2019 were £0.7857 and Can$1.3068, at 30 June 2018 were £0.7574 and Can$1.3155, and at 31 December 2018 were £0.7852 and Can$1.3658 respectively.

Segmental Trading Review

Hunting Titan

Hunting Titan has reported revenues of $206.1m in the period (H1 2018 – $216.7m), which is 5% lower than the prior period. Underlying profit from operations reduced to $42.2m (H1 2018 – $59.2m) as excess inventory was sold during the period but also includes some price reductions within certain product lines to retain market share. Reported profit from operations was $29.3m (H1 2018 – $46.2m).

Unit sales of Perforating Systems, including the H-1 and E-SUB Perforating Systems have increased during H1 2019, compared with the prior period. Following the launch of the H-2 Perforating System in Q1 2019, the system has been successfully trialled by a number of operators, demonstrating higher efficiency hydraulic fracturing procedures. Conventional gun volumes declined as lower cost imports and increased competition adversely impacted the more commoditised segment of the market, leading to reduced revenues and profits from this product line.

In line with the general US onshore trading environment, a decrease in the total volume of energetics shaped charges sold, compared to H1 2018, has been recorded. However, the EQUAfrac™ charge continues to report strong increases in unit sales compared to the prior year.

Unit sales of ControlFire™ addressable switches were strong in the period exceeding the number of units sold in H1 2018, as the industry moved from the use of pressure switches to addressable switch technology.

From a geographic perspective, sales in North America declined, however, the business has successfully increased international sales in the period with new customers in Latin America, the Middle East and Asia Pacific.

In H1 2019, the business completed two capital investment programmes to increase production capacity. Two automated perforating gun manufacturing cells were commissioned at the Pampa facility and are now close to the required cycle times. The cells are currently manufacturing smaller diameter perforating guns. At the Milford facility, the capital investment programme to increase energetic shaped charge production capacity to more than 1 million units per month has also been completed.

Hunting Titan has continued to introduce new products to customers in the period including: the H-2 Perforating System, which incorporates shorter perforating sections to enable a higher intensity hydraulic fracturing completion procedure; the E-SUB Perforating System, which supports Hunting's conventional perforating gun offering; a zero-phased H-1 Perforating System; the T-Set One setting tool and a new Release Tool. All these products are seeing good customer interest. The business has also introduced its own power charge products to clients in the period, following the investment in a stand-alone production line.

US

The US segment has reported a 23% increase in revenue in the period to $181.1m (H1 2018 – $147.3m), led by increases in the sale of premium and semi-premium connections, subsea products and measurement tools. Underlying profit from operations was $12.9m (H1 2018 – $3.2m), and reported profit from operations was $11.3m (H1 2018 – $1.6m).

Hunting's premium and semi-premium connection product lines, including SEAL-LOCK™, WEDGE-LOCK™ and TEC-LOCK™ products all reported good increases in order flow, as Gulf of Mexico and onshore shale-focused drilling continued. The segment's US Manufacturing business has seen a good increase in accessories manufacturing orders, as the major oil service groups increased business levels with the Group.

Within the Advanced Manufacturing group, Hunting Electronics has reported strong increases in orders for measurement tool printed circuits boards and has continued to support the manufacture of addressable switches for Hunting Titan. Hunting Dearborn has also continued to see good order intake during the period for downhole measurement tools, as well as precision engineering orders from the military and aviation industries. Both businesses have reported a strong increase in order book levels in the period led by oil and gas clients, with the outlook for the remainder of the year remaining positive.

Hunting Specialty and the Drilling Tools business units have seen a decline in activity, as the US onshore rig count reduced across the period leading to a generally more competitive trading environment. The Drilling Tools business introduced more mud-lube motors to its fleet during the period, which will improve in-field performance and reduce refurbishing costs. Hunting Specialty has also started to supply products to the Group's US distribution centres, which has opened up new sales channels for the business.

Segmental Results from Operations

	H1 2019			H1 2018		
Business Unit	**Revenue $m**	**Underlying* profit (loss) from operations $m**	**Reported* profit (loss) from operations $m**	Revenue $m	Underlying* profit (loss) from operations $m	Reported* profit (loss) from operations $m
Hunting Titan	**206.1**	**42.2**	**29.3**	216.7	59.2	46.2
US	**181.1**	**12.9**	**11.3**	147.3	3.2	1.6
Canada	**19.5**	**(3.0)**	**(3.0)**	21.7	(1.1)	(1.1)
Europe, Middle East and Africa	**67.0**	**0.2**	**0.2**	56.1	(6.8)	(6.8)
Asia Pacific	**75.1**	**3.3**	**3.3**	51.2	(1.0)	(1.0)
Inter-segment elimination	**(39.9)**	**–**	**–**	(50.2)	–	–
Group	**508.9**	**55.6**	**41.1**	442.8	53.5	38.9

* Underlying results are based on operations before amortisation of acquired intangible assets and exceptional items. Reported results are based on the statutory results for continuing operations as reported under International Financial Reporting Standards.

Hunting Subsea has reported a good increase in international sales during the period, as the global drilling market environment improved. As noted previously, the Group has acquired the business and assets of RTI Energy Systems Inc. RTIES's business will be integrated into the Subsea business and reflects the Group delivering on its stated strategic goal of targeting investments that provide complementary technology to the offshore oil and gas industry.

The segment's non-oil and gas Trenchless business has also seen strong orders for its mud motors, which has led to a good performance in the period.

Canada

Hunting's Canada segment has reported revenue of $19.5m in the period (H1 2018 – $21.7m), which is 10% lower compared to the prior period. The underlying and reported loss from operations was $3.0m (H1 2018 – $1.1m loss).

During the period, the Group successfully retained its key accounts, despite the challenging market conditions, however, revenues were lower due to the general operating environment. Production of perforating guns in Canada was slowed, due to management's action to work off excess inventory for the product line, leading to lower inter-segment revenues compared to the prior period. New distribution channels are, however, being pursued within the Canadian oil and gas supply chain to market the Group's premium and semi-premium connections and hydraulic fracturing product lines to new customers.

Management have addressed the segment's poor performance by reducing shift times at its Calgary facility and reducing headcount to reflect the generally subdued Canadian market.

Europe, Middle East and Africa ("EMEA")

The EMEA segment has reported a 19% increase in revenue to $67.0m (H1 2018 – $56.1m), as international markets continued to improve throughout the reporting period. The segment's Oil Country Tubular Goods ("OCTG") businesses in the North Sea benefited from good order flow from clients, while the performance of the well intervention and well testing businesses were more subdued. Overall, the general increase in activity has led to a return to a break-even position, with an underlying and reported profit from operations of $0.2m during H1 2019, compared to a $6.8m loss in the prior period.

The Group's OCTG business in the UK and the Netherlands has reported a steady increase in customer activity, with orders completed for clients including CNR, Apache, TAQA and Sumitomo. Of note has been the renewed demand for chrome alloy OCTG due to a tightening of the global supply chain, which has led to new orders being completed in the UK.

The European well intervention business has reported lower revenues in the period, delivering a break-even position. While the performance of the well testing business unit has been lower, compared to the prior period, the order book has strengthened during Q2 2019 with new orders being received from the Middle East.

In Norway, interest in the Group's well intervention and perforating product lines continues to increase. To support existing client orders, the business has relocated to a larger facility in the country and has appointed new sales staff to support clients.

Technologies from the region's TEK-HUB™ continue to be evaluated. The Group is currently marketing an enhanced oil recovery solution to clients in the North Sea and field tests are planned during the year.

Operations in the Middle East were restructured in the period following a reduction in headcount. As part of the restructuring, the unit's small Thru-Tubing service business was sold during the period, realising a gain of $1.6m.

Asia Pacific

The Asia Pacific segment has reported a 47% increase in revenue in the period to $75.1m (H1 2018 – $51.2m), leading to an underlying and reported profit from operations of $3.3m (H1 2018 – $1.0m loss).

The segment has completed a number of OCTG orders in the reporting period, in particular in Oman, Kuwait, Qatar, Pakistan and Australia, primarily driven by the general increase in the oil price across most of 2018 and during Q1 2019, which encouraged new activity within the Group's customer base. This increase in activity has contributed to strong increases in revenue and a return to profitability for the segment. Sales into the domestic Chinese market have also improved in the period, as operators continue to develop conventional and shale resources in the country. Inter-segmental revenue declined in the period, as the manufacture of perforating guns for Hunting Titan slowed, as noted above.

The Group has entered into a strategic partnership with Indian OCTG manufacturer, Jindal SAW Ltd, whereby Hunting will provide its premium connection technologies, allowing the partnership to access regional OCTG pipe supply contracts. Regulators in India have mandated local content requirements on the oil and gas supply chain, with legislation becoming effective in 2021. Hunting identified Jindal SAW Ltd as a key partner in India to access regional contract opportunities.

Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2018 Annual Report and Accounts on pages 44 and 47, 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; commodity prices; shale drilling; geopolitics; health, safety and environmental laws; loss of key executives; and product quality and reliability. Details of those principal risks facing the Group are on pages 49 to 52 of the Group's 2018 Annual Report and Accounts.

The Directors do not consider that the principal risks have changed significantly since the publication of the 2018 Annual Report and Accounts, and as such, these risks continue to apply to the Group for the remaining six months of the financial year.

Further, the Directors continue to believe that Brexit will have minimal impact on the Group's operations.

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	**Jim Johnson**
Chairman	Chief Executive

29 August 2019

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 IAS 34 Interim Financial Reporting, as adopted by the European Union 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 2018 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.

The Directors of the Company are listed on pages 56 and 57 in Hunting PLC's 2018 Annual Report and Accounts and on the Company's website: www.huntingplc.com.

On behalf of the Board

Peter Rose
Finance Director

29 August 2019

Independent Review Report to Hunting PLC

We have been engaged by the company to review the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2019 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 the related notes 1 to 18. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 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.

Directors' responsibilities

The Half Year Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Year Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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.

Conclusion

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 Year Report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom

29 August 2019