HUNTING

HALF YEAR REPORT 2018

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: The Hunting Ballistic Release Tool, designed for long lateral wellbores, typical of shale formations.

HUNTING PLC, THE INTERNATIONAL ENERGY SERVICES GROUP, ANNOUNCES ITS RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018.

Group Review

Introduction

Hunting's performance in the first six months of the year has been driven by strong activity in the US onshore shale basins and improving offshore sentiment in North America. Increased revenues have improved operating leverage and this, combined with improved machine and facility utilisation, resulted in a return to profit and strong margin percentage growth.

With the WTI oil price trading in the range of c.$60 to $75 per barrel, demand for hydraulic fracturing equipment, including Hunting's proprietary perforating systems, energetic charges and instrumentation, has exceeded management's expectations, as North American operators progressed the development of their onshore portfolios.

This market environment has led to significant improvements in revenue and profitability in the Hunting Titan and US segments. Revenues for Canada and Asia Pacific have improved and losses have reduced. In Europe, revenues are down and losses have increased given the continued low activity levels in the North Sea. Losses in the Middle East and Africa have been reduced following the closure of the Cape Town operation.

Overall, the Group reports a 39% increase in period-on-period revenue to $442.8m (H1 2017 – $318.1m), underlying EBITDA of $72.6m (H1 2017 – $11.9m) and an underlying profit from operations of $53.5m (H1 2017 – $9.3m loss).

Based on this improved financial performance and full-year outlook, the Board is resuming shareholder distributions, with an interim dividend of 4.0 cents per share being declared, which will absorb $6.6m of cash and be paid on 24 October 2018.

Operational Initiatives

Since the year end, Hunting has continued to review its global operating footprint and international presence. As announced at the end of 2017, the Group closed its facility in South Africa, however it is maintaining a regional sales office in Cape Town.

Management has reviewed its joint venture in Kenya and, given the modest drilling activity forecast for East Africa in the medium term, has closed its facility in Mombasa, Kenya to save costs and curtail trading losses.

At the end of the period, Hunting had 34 manufacturing facilities (31 December 2017 – 35) and 21 distribution centres (31 December 2017 – 21) following the review of the Group's operational footprint.

An ongoing initiative across the Group has been to continue the drive to increase facility utilisation by insourcing production. Hunting Titan's perforating systems are now manufactured by business units in the Asia Pacific, Canada and US segments. Instrumentation components for Hunting Titan have also been insourced to the US Electronics business, retaining margin within the Group.

During the period, the Group has also continued to develop and commercialise new products to address the requirements of the recovering market.

- *Hunting Titan:* The business continues to develop its Autonomous Tool in collaboration with ExxonMobil and in H2 2018 plans to launch a cutting tool based on the technology. Hunting Titan is also developing a second generation H-1 Perforating System for launch in Q1 2019. Other products to be commercialised during the year include a next generation EQUAfrac™ shaped charge, a new Electronic Release Tool and a Magnetic Orientating Tool.
- *Premium Connections:* Since the start of the year, Hunting's Premium Connections business has broadened the suite of TEC-LOCK™ connections for use in onshore operations. The business has commercialised the TEC-LOCK BTC™, BTC-S™ and Wedge™ connection families and is seeing good customer acceptance of these product lines. The Premium Connections business has also increased the size ranges of the WEDGE-LOCK™ and SEAL-LOCK XD™ families to address new deepwater and international market applications.

Hunting's Advanced Manufacturing Group has also seen market acceptance of its integrated downhole tool manufacturing and assembling capability. In the period, the Group received and completed orders for an integrated tool, which combines the precision machining and electronic assembly expertise of Hunting's Manufacturing, Electronics, Hunting Specialty and Hunting Titan units.

Hunting Titan has commenced an investment programme to increase production capacity at its Milford and Pampa facilities. As part of this programme, a number of processes in the manufacture of perforating guns and energetic charges are being automated to improve production efficiencies and lower costs.

Outlook

The global oil and gas market experienced improved stability during the first half of the year, primarily due to the oil and gas price, which has continued to encourage investment in new drilling programmes and further development of US onshore portfolios.

For the remainder of the year, management anticipate that activity will continue at current levels within US onshore basins, while US offshore and international drilling will continue to slowly improve. However, it is likely that geopolitical and international trading headwinds, including ongoing inter-government dialogue on trade tariffs, will continue to suppress the rate of recovery, particularly within international markets.

Management, therefore, remains cautious on the performance of the Group's businesses outside of North America, with Hunting Titan and the US segment contributing positively to Hunting's full-year outturn and more than offsetting the trading losses of the Group's other segments. The Board remains comfortable with current full-year market consensus as the Group continues to trade in line with expectations.

Results from Operations
Basis of Preparation
The Group adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as of 1 January 2018. As a result of these new standards, the 2017 half year and full year financial statements have been restated for the adoption of IFRS 15. IFRS 9 has been adopted without restating comparative information. Note 16 explains the impact of the adoption on the Group's financial statements.

EBITDA, Working Capital, Gearing and Free Cash Flow are non-GAAP measures ("NGM"). The definition and calculation of these measures can be found on pages 37 and 38 of this report. For further information on the non-GAAP measures used by the Group, please refer to the 2017 Annual Report and Accounts.

Revenue
Revenue from operations for the six months ended 30 June 2018 increased by 39% to $442.8m compared to the prior period (H1 2017 – $318.1m).

With the exception of the Group's European and Exploration and Production segments, all regional businesses recorded a period-on-period increase in segmental revenue, reflecting the improving global market environment. Hunting Titan and the US operations reported a period-on-period increase in segmental revenue of 62% and 52% respectively, as onshore drilling increased the demand for equipment and services, leading both segments to report profitability.

The increase in inter-segment revenue from $13.1m in H1 2017 to $51.7m in the current period reflects the greater levels of in-house production of Perforating Systems and Well Intervention components, which were previously outsourced, combined with a general increase in activity levels.

Profit Measures
Gross profit increased by 94% to $137.3m in the period (H1 2017 – $70.8m), on an improved gross margin of 31% (H1 2017 – 22%).

Underlying EBITDA was $72.6m, against $11.9m in H1 2017, with EBITDA margin improving to 16% compared to 4% in the prior period.

Underlying profit from operations was $53.5m (H1 2017 – $9.3m loss). Following the charge for amortisation, as noted below, the reported profit from operations was $38.9m (H1 2017 – $23.9m loss). Net finance expense was $0.9m (H1 2017 – $1.1m).

Underlying profit before tax from operations was $52.6m (H1 2017 – $10.9m loss) and reported profit before tax from operations was $38.0m (H1 2017 – $25.5m loss).

Reported profit after tax from operations was $30.7m (H1 2017 – $25.4m loss).

Amortisation and Exceptional Items
The charge before tax for amortisation of acquired intangible assets in the period was $14.6m (H1 2017 – $14.6m).

During the period, the Group reversed an impairment charge for PPE of $2.0m for the South African manufacturing facility. A $1.0m write-down for Kenya's property, plant and equipment, a loss on disposal of Kenya's rental fleet of $0.5m and a provision of $0.5m for costs relating to the closure of the Kenya joint venture have been recognised in the period. There were no exceptional items in H1 2017.

Taxation
The underlying tax charge on operations was $10.9m (H1 2017 – $0.1m credit) and reflects an effective tax rate of 21% (H1 2017 – nil). Amortisation of acquired intangible assets and exceptional items in the period attracted a tax credit of $3.6m (H1 2017 – $nil). The reported tax charge on operations was therefore $7.3m (H1 2017 – $0.1m credit).

Dividend
The Board is pleased to announce the recommencement of shareholder distributions and is declaring an interim dividend of 4.0 cents per share (H1 2017 – nil) amounting to an estimated cash distribution of $6.6m.

The dividend will be paid in Sterling on 24 October 2018 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 5 October 2018, with an ex-dividend date of 4 October 2018.

Summary Group Results from Operations

	H1 2018 $m	Restated[1] H1 2017 $m
Revenue	**442.8**	318.1
Underlying[2] EBITDA (NGM A)	**72.6**	11.9
Depreciation, impairment and non-acquisition amortisation	**(19.1)**	(21.2)
Underlying[2] profit (loss) from operations	**53.5**	(9.3)
Amortisation of acquired intangible assets and exceptional items (note 4)	**(14.6)**	(14.6)
Reported[2] profit (loss) from operations	**38.9**	(23.9)
Underlying[2] Diluted EPS (note 6)	**25.0c**	(6.8)c
Reported[2] Diluted EPS (note 6)	**19.1c**	(15.8)c
Underlying[2] Basic EPS (note 6)	**26.1c**	(6.8)c
Reported[2] Basic EPS (note 6)	**19.9c**	(15.8)c

1. 2017 financial data has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers.
2. 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.

Group Funding and Position as at the Half Year

Cash Flow

Summary Group Cash Flow

	H1 2018 $m	Restated[1] H1 2017 $m
Underlying EBITDA (NGM A)	**72.6**	11.9
Add: share-based payments	**7.1**	7.1
	79.7	19.0
Working capital movements	**(66.2)**	(31.8)
Net interest paid and bank fees	**(0.4)**	(1.6)
Tax paid	**(1.4)**	(0.1)
Proceeds from disposal of PPE	**10.9**	3.3
Pension scheme refund	**–**	9.7
Disposal of business	**–**	1.8
Other	**(0.5)**	2.2
Free cash flow (NGM D)[2]	**22.1**	2.5
Capital investment	**(11.4)**	(4.5)
Intangible assets investments	**(1.7)**	(1.7)
Other	**(0.4)**	(0.1)
Net cash flow	**8.6**	(3.8)

1. 2017 financial data has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers.
2. The Group's definition of free cash flow has been revised. See NGM D.

The Group reports an underlying EBITDA of $72.6m in the period (H1 2017 – $11.9m), reflecting the improving market conditions in the US, and, in particular, within the onshore drilling segment of North America. When adjusted for non-cash share-based payment charges, cash inflows were $79.7m (H1 2017 – $19.0m).

During the period, the Group recorded a net working capital outflow of $66.2m (H1 2017 – $31.8m outflow). This was mainly driven by increased inventories in the Hunting Titan and US segments reflecting the improving activity levels. Receivable balances also increased in line with trading, with the days sales outstanding unchanged from the year end at 68 days.

In the period, the Group also received $10.9m in respect of the sale of property, plant and equipment, the majority of these proceeds relating to the sale of Hunting's South Africa manufacturing facility in early 2018.

With limited cash outflows for interest and tax payable, the free cash inflow in the period was $22.1m (H1 2017 – $2.5m).

In 2017, the Group's free cash flow included $1.8m from business disposals and the receipt of a $9.7m refund of surplus from the Company's UK Defined Benefit Pension Scheme following the decision to commence the winding down of the Scheme.

Capital investment totalled $11.4m in H1 2018 (H1 2017 – $4.5m), which includes commencement of Hunting Titan's energetic charge and perforating gun production expansion programmes.

Other net cash outflows totalled $0.9m in the period (H1 2017 – $2.1m inflow).

As a consequence of the above cash flows, net cash was $39.0m at 30 June 2018 (31 December 2017 – $30.4m net cash).

Summary Group Balance Sheet

	As at 30 June 2018 $m	Restated[1] As at 31 December 2017 $m
Property, plant and equipment	**365.3**	383.3
Goodwill	**230.1**	230.3
Other intangible assets	**111.0**	125.4
Working capital (NGM B)	**410.0**	344.9
Taxation (current and deferred)	**(12.3)**	(6.0)
Provisions	**(17.0)**	(18.0)
Other net assets	**20.4**	21.8
Capital employed (NGM C)	**1,107.5**	1,081.7
Net cash (note 13)	**39.0**	30.4
Net assets	**1,146.5**	1,112.1
Non-controlling interests	**(16.4)**	(18.8)
Equity attributable to owners of the parent	**1,130.1**	1,093.3

1. 2017 financial data has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers.

Net assets reported at 30 June 2018 of $1,146.5m were materially unchanged compared to the position at 31 December 2017 of $1,112.1m. The net increase of $34.4m comprises the $30.7m retained profit for the period, $6.8m in relation to share awards and other items of $1.4m, offset by $4.5m of foreign exchange adjustments.

Exchange Rates

Average exchange rates used to translate Sterling and Canadian dollar denominated results into US dollars were £0.7271 (H1 2017 – £0.7948) and Can$1.2778 (H1 2017 – Can$1.3345). Spot exchange rates for Sterling and Canadian dollar at 30 June 2018 were £0.7574 and Can$1.3155, at 30 June 2017 were £0.7698 and Can$1.2987, and at 31 December 2017 were £0.7392 and Can$1.2530 respectively.

Segmental Trading Review
Hunting Titan
Hunting Titan has reported a 62% period-on-period increase in segmental revenue to $216.7m (H1 2017 – $133.4m), leading to an underlying profit from operations of $57.3m (H1 2017 – $19.1m). The reported profit from operations was $44.3m (H1 2017 – $6.1m).

During the period, Hunting Titan reported a number of record months in terms of revenue and profit, which has been driven by strong US onshore completions activity, coupled with the increased commercialisation of proprietary technologies including the H-1 Perforating System, EBFire™ and ControlFire™ switches and EQUAfrac™ charges.

The manufacture of Hunting Titan perforating guns has been extended across the wider Group's international manufacturing footprint, which has enabled the business to increase production capacity, while also increasing its competitiveness within certain product segments. The production of the H-1 Perforating System is now focused at the Group's Pampa and Oklahoma City, US, facilities, while other perforating gun ranges are manufactured at Group facilities in Canada, China and the US. Additional H-1 Perforating System manufacturing capacity is being added to the Pampa facility and is forecast to be fully operational by Q1 2019.

Monthly production of shaped charges averaged 751,000 during the first six months of the year, representing an increase of 21% over the prior period in 2017. To address market demand, Hunting is investing $11.9m to expand the Group's shaped charge manufacturing facility in Milford, Texas. The investment introduces higher levels of automation, which will reduce production costs. The expansion programme is due to complete in Q2 2019.

Hunting Titan's Instrumentation division reports an 81% increase in sales compared to H1 2017, driven by stronger demand for logging and perforating instruments for downhole tools within US onshore markets.

Key areas of international future growth include China, where domestic drilling is increasing strongly and western technologies for hydraulic fracturing operations are being adopted, as well as new opportunities across the Middle East, where the Group's sales presence and reputation is well established. In South America, Hunting Titan's product offering has also recorded good sales growth in Argentina and Colombia.

Hunting Titan's manufacturing and distribution footprint has remained unchanged during H1 2018, with five manufacturing facilities and 19 distribution centres. Two new US distribution centres are planned to open in H2 2018 in Pennsylvania and Colorado to address the markets in the Marcellus and Niobrara shale areas.

US
Hunting's US operations reported a 52% period-on-period increase in segmental revenue to $145.8m (H1 2017 – $96.1m), leading to an underlying profit from operations of $7.1m (H1 2017 – $13.4m loss). The reported profit from operations was $5.5m (H1 2017 – $15.0m loss).

The segment has reported strong demand from onshore-focused customers and has seen improved order flow from operators on the US continental shelf in the Gulf of Mexico.

The Group's Premium Connections and Manufacturing businesses have continued the commercialisation of Hunting's TEC-LOCK™ connection, with a steady increase in order flow noted from onshore customers, leading to production being widened to the Group's Ramsey Road, Marrero and Ameriport facilities. Orders for the TEC-LOCK™ connection are also being completed in Canada, with marketing of the connection also to commence shortly in Asia Pacific, where interest has been shown from operators in the Philippines for conventional oil and gas applications, and in Australia for Coal Bed Methane developments. Offshore clients have also increased orders for Hunting's WEDGE-LOCK™ and SEAL-LOCK™ premium connections leading to an increase in the number of shifts at the Group's busier facilities. The Group's Houma facility in Louisiana has also increased its utilisation levels with the production of perforating guns for Hunting Titan and a pick up in international completion business, including a recent order from Guyana.

Segmental Results from Operations

	H1 2018			H1 2017[1]		
Business Unit	Revenue $m	Underlying[2] profit (loss) from operations $m	Reported[2] profit (loss) from operations $m	Revenue $m	Underlying[2] profit (loss) from operations $m	Reported[2] profit (loss) from operations $m
Hunting Titan	**216.7**	**57.3**	**44.3**	133.4	19.1	6.1
US	**145.8**	**7.1**	**5.5**	96.1	(13.4)	(15.0)
Canada	**21.7**	**(1.3)**	**(1.3)**	15.8	(1.9)	(1.9)
Europe	**45.0**	**(5.6)**	**(5.6)**	47.2	(4.3)	(4.3)
Asia Pacific	**51.2**	**(1.5)**	**(1.5)**	29.4	(4.6)	(4.6)
Middle East, Africa and Other	**12.6**	**(1.7)**	**(1.7)**	7.3	(3.7)	(3.7)
Exploration and Production	**1.5**	**(0.8)**	**(0.8)**	2.0	(0.5)	(0.5)
Inter-segment elimination	**(51.7)**	**–**	**–**	(13.1)	–	–
Group	**442.8**	**53.5**	**38.9**	318.1	(9.3)	(23.9)

1. 2017 financial data has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers.
2. 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's US Drilling Tools operation continues to benefit from better onshore activity levels, supported by increasing rig counts in the Permian, Williston, Marcellus and Utica shale basins. The business has seen improved utilisation levels for its mud motor fleet following the introduction of a new mud lube design in 2017 providing longer life and lower maintenance costs.

The Advanced Manufacturing Group reports improved performance since the year-end as demand for new MWD/LWD tools, including steel housings and electronic components, increased with activity levels principally in the US. The Group reports new enquiries from Asia Pacific, as the international market stabilises. Further, the Electronics business has increased the manufacture of Hunting Titan components, including firing switches, leading to improved profitability compared to the prior period in 2017. As noted above, the Advanced Manufacturing Group, in collaboration with Hunting Titan, Hunting Specialty and Manufacturing business units, has received and completed a number of orders for a fully assembled integrated downhole tool. More orders for this capability have been received and are to be completed in the balance of the year.

Hunting Specialty has reported good results in the first six months of the year as US onshore drilling continues to improve. The business has seen good order flow from customers operating in the Texas shale basins and has also supported Hunting Titan in manufacturing components previously outsourced.

Hunting Subsea continues to report subdued demand from the offshore drilling segment of the market, however, visibility on future projects has improved in recent months as international markets continue to stabilise. During the period, the business has commenced work on projects with the Advanced Manufacturing Group to diversify its revenue streams.

Hunting's Trenchless business has reported good progress in H1 2018, recording modest profitability as sales increased with a key partner. New mud motor sizes are also being developed, which will broaden the business's offering to clients. Further, plans to introduce the Group's products into Europe are being progressed, utilising Hunting's Netherlands facility for final assembly and stocking.

Canada
Hunting's Canadian operations have reported a 37% period-on-period increase in segmental revenue to $21.7m (H1 2017 – $15.8m). Despite this, the segment reports underlying and reported losses from operations of $1.3m (H1 2017 – $1.9m loss).

The performance of the Group's Canadian segment continues to be impacted by relatively low levels of drilling rig utilisation, the lack of pipeline infrastructure from production in Western Canada and the price discount for crude oil being achieved for domestic output. Given this market environment, competition between suppliers has remained strong in the period, with many customers selling at a loss to maintain market share for certain product lines. While the business has continued to support its key customers during H1 2018 for OCTG and accessories manufacturing work, a key development in the reporting period has been to further increase production capacity of perforating gun manufacturing for Hunting Titan. New machinery has been installed and commissioned, which will improve manufacturing efficiencies and reduce gun manufacturing costs.

Europe
Hunting's European operations have reported a 5% period-on-period decrease in segmental revenue to $45.0m (H1 2017 – $47.2m). This reduced performance reflects continued low rig counts in the UK North Sea together with non-recurring sales that were completed in H1 2017. Given this challenging market environment the business has reported underlying and reported losses from operations of $5.6m (H1 2017 – $4.3m loss).

The segment continues to be impacted by projects being delayed across the region. Despite this, in H1 2018 the OCTG business renewed its contract with Spirit Energy against strong competition, to support ongoing drilling and development work. In addition, contract extensions with CNR and Apache have been agreed, which will support activity in Aberdeen for the remainder of the year.

The business group has launched a number of new product initiatives during the period, which will see Hunting working with regional partners to commercialise new products across the region. At the time of publication, new initiatives included enhanced oil recovery technologies, which align with the UK Government's strategic initiative to increase recovery from established fields in the North Sea.

In Norway, drilling activity levels and investment are increasing, as independent operators start new projects on the Norwegian Continental Shelf, with tenders for OCTG and accessories planned in the coming months.

Asia Pacific
Hunting's Asia Pacific operations have reported a 74% increase in segmental revenue to $51.2m (H1 2017 – $29.4m) and underlying and reported losses from operations of $1.5m (H1 2017 – $4.6m loss).

As the crude oil price increased during the reporting period, enquiry levels have improved leading to a more stable outlook for the Group's Asia Pacific business.

Activity has increased in China, predominantly as domestic OCTG orders have been completed, along with the increase in production of perforating guns for Hunting Titan.

In Singapore, orders have been completed for customers operating in the Middle East and Africa, while in Indonesia the market remains subdued.

While the number of tenders is increasing throughout the region, competition remains strong. Further, the segment anticipates an improving market in H2 2018 for drilling accessory work as certain customers increase their commitments across the region.

Middle East, Africa and Other
Hunting's Middle East operations have reported a 73% increase in segmental revenue to $12.6m (H1 2017 – $7.3m) and underlying and reported losses from operations of $1.7m (H1 2017 – $3.7m loss).

The business has seen an increase in Thru-Tubing well intervention work in Iraq during the reporting period, reflecting a wider increase in demand for work across the region. Sales of OCTG have also improved as operators increase drilling activity. Activity levels within Hunting's Saudi Arabia joint venture continue to improve, as local sourcing initiatives of equipment and services are implemented by Saudi Aramco. The JV's order book has steadily improved throughout H1 2018.

As previously noted, the Group closed its Mombasa, Kenya facility in June 2018, given the medium-term outlook from trading opportunities in East Africa. Closure of the facility will reduce trading losses within the segment, which in the full year 2017 amounted to an operating loss of $1.2m. Following the closure of the Cape Town manufacturing facility, announced in December 2017, the Company has opened a sales office in Cape Town in order to maintain a presence and service clients in sub-Sahara Africa. The segment now has two manufacturing facilities in operation.

Board Changes
On 18 April 2018, John Nicholas retired from the Group as a non-executive Director following completion of nine years' service.

On 23 April 2018, Carol Chesney and Keith Lough were appointed as independent non-executive Directors of the Company. Mrs Chesney was appointed as Chair of the Audit Committee, following Mr Nicholas' retirement.

On 30 August 2018, John Hofmeister also retired from the Group after nine years' service. In compliance with section 430(2B) of the Companies Act 2006, Mr Hofmeister will shortly receive all relevant fees up to today's date in respect of his role, with no further payments due to him after his retirement date.

Following Mr Hofmeister's retirement, Annell Bay has been appointed Chair of the Remuneration Committee and Keith Lough has been appointed Senior Independent Director.

The Board extends its thanks to Messrs Nicholas and Hofmeister for their contributions and wise counsel since 2009.

Formation of Executive Committee
The Group has formed an Executive Committee effective from 30 August 2018 comprising senior executives of the Group. Details of the Executive Committee's operations and responsibilities will be incorporated into the 2018 Annual Report. All members of the Executive Committee are deemed to be "Persons Discharging Managerial Responsibility" ("PDMRs"). Hunting PLC's PDMRs therefore comprise all members of the Hunting PLC Board, plus:

Rick Bradley – Chief Operating Officer
Jason Mai – Managing Director, Hunting Titan
Scott George – Managing Director, US
Chris Wallace – Managing Director, Canada
Bruce Ferguson – Managing Director, Europe
Daniel Tan – Managing Director, Asia Pacific
Sean O'Shea – Managing Director, Middle East

Principal Risks and Uncertainties Facing the Business
The Group has an established risk management reporting framework, as detailed in the Group's 2017 Annual Report and Accounts on pages 47 and 48, 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: commodity prices; shale drilling; competition; loss of key executives; geopolitics; health, safety and environmental laws; and product quality and reliability. Details of those principal risks facing the Group are on pages 51 to 54 of the Group's 2017 Annual Report and Accounts.

The Directors do not consider that the principal risks have changed significantly since the publication of the 2017 Annual Report and Accounts, and as such, these risks continue to apply to the Group for the remaining six months of the financial year.

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.

John Glick
Chairman

Jim Johnson
Chief Executive

30 August 2018

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 the condensed set of consolidated 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 2017 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 2017 Annual Report and Accounts and on the Company's website: www.huntingplc.com.

As noted on page 6, a number of changes to the Company's non-executive Directors have taken place since publication of the 2017 Annual Report and Accounts. Messrs Nicholas and Hofmeister retired on 18 April 2018 and 30 August 2018 respectively, with Mrs Carol Chesney and Mr Keith Lough both being appointed to the Board on 23 April 2018.

On behalf of the Board

Peter Rose
Finance Director

30 August 2018

INDEPENDENT REVIEW REPORT TO HUNTING PLC

Report on the Condensed Consolidated Interim Financial Statements

Our Conclusion

We have reviewed Hunting PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Hunting PLC for the six-month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have Reviewed

The interim financial statements comprise:

– the Condensed Consolidated Balance Sheet as at 30 June 2018;
– the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
– the Condensed Consolidated Statement of Changes in Equity for the period then ended;
– the Condensed Consolidated Statement of Cash Flows for the period then ended; and
– the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Responsibilities for the Condensed Consolidated Interim Financial Statements and the Review

Our Responsibilities and those of the Directors

The Half Year Report, including the interim financial statements, 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 sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a Review of Condensed Consolidated Financial Statements Involves

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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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.

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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

30 August 2018

Notes:
(a) The maintenance and integrity of the Hunting PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30 June 2018 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 4) $m	Total $m	Restated Unaudited Six months ended 30 June 2017 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 4) $m	Total $m
Revenue	2, 3	**442.8**	**–**	**442.8**	318.1	–	318.1
Cost of sales		**(305.5)**	**–**	**(305.5)**	(247.3)	–	(247.3)
Gross profit		**137.3**	**–**	**137.3**	70.8	–	70.8
Other operating income		**4.3**	**–**	**4.3**	2.4	–	2.4
Operating expenses		**(88.1)**	**(14.6)**	**(102.7)**	(82.5)	(14.6)	(97.1)
Profit (loss) from operations	2	**53.5**	**(14.6)**	**38.9**	(9.3)	(14.6)	(23.9)
Finance income		**1.3**	**–**	**1.3**	1.6	–	1.6
Finance expense		**(2.2)**	**–**	**(2.2)**	(2.7)	–	(2.7)
Share of associates' post-tax losses		**–**	**–**	**–**	(0.5)	–	(0.5)
Profit (loss) before tax from operations		**52.6**	**(14.6)**	**38.0**	(10.9)	(14.6)	(25.5)
Taxation	5	**(10.9)**	**3.6**	**(7.3)**	0.1	–	0.1
Profit (loss) for the period		**41.7**	**(11.0)**	**30.7**	(10.8)	(14.6)	(25.4)
Profit (loss) attributable to:							
Owners of the parent		**42.8**	**(10.2)**	**32.6**	(11.1)	(14.6)	(25.7)
Non-controlling interests		**(1.1)**	**(0.8)**	**(1.9)**	0.3	–	0.3
		41.7	**(11.0)**	**30.7**	(10.8)	(14.6)	(25.4)
Earnings (loss) per share:		**cents**		**cents**	cents		cents
Basic	6	**26.1**		**19.9**	(6.8)		(15.8)
Diluted	6	**25.0**		**19.1**	(6.8)		(15.8)

i. Relates to amortisation of intangible assets that arise on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The income statement for the six months ended 30 June 2017 has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

The notes on pages 16 to 36 are an integral part of these condensed consolidated financial statements.

	Notes	Restated Year ended 31 December 2017 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 4) $m	Total $m
Revenue	2, 3	724.9	–	724.9
Cost of sales		(549.5)	(10.0)	(559.5)
Gross profit		175.4	(10.0)	165.4
Other operating income		7.6	–	7.6
Operating expenses		(168.7)	(29.1)	(197.8)
Profit (loss) from operations	2	14.3	(39.1)	(24.8)
Finance income		3.3	–	3.3
Finance expense		(4.8)	–	(4.8)
Share of associates' post-tax losses		(1.3)	–	(1.3)
Profit (loss) before tax from operations		11.5	(39.1)	(27.6)
Taxation	5	(1.0)	–	(1.0)
Profit (loss) for the year		10.5	(39.1)	(28.6)
Profit (loss) attributable to:				
Owners of the parent		13.0	(39.1)	(26.1)
Non-controlling interests		(2.5)	–	(2.5)
		10.5	(39.1)	(28.6)
Earnings (loss) per share:		cents		cents
Basic	6	8.0		(16.0)
Diluted	6	8.0		(16.0)

i. Relates to amortisation of intangible assets that arise on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The income statement for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2018 $m	Restated Unaudited Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Comprehensive income (expense):			
Profit (loss) for the period	**30.7**	(25.4)	(28.6)
Components of other comprehensive income (expense) after tax:			
Items that have been reclassified to profit or loss:			
Fair value losses transferred to the income statement on disposal of cash flow hedges	**–**	–	0.1
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments	**(4.5)**	6.9	12.7
Fair value gains and losses			
– gains (losses) originating on fair value hedges arising during the year	**0.7**	–	(0.2)
– gains (losses) originating on cash flow hedges arising during the year	**0.1**	–	(0.2)
	(3.7)	6.9	12.3
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**0.8**	(0.8)	(1.6)
Other comprehensive (expense) income after tax	**(2.9)**	6.1	10.8
Total comprehensive income (expense) for the period	**27.8**	(19.3)	(17.8)
Total comprehensive income (expense) attributable to:			
Owners of the parent	**30.2**	(20.7)	(17.3)
Non-controlling interests	**(2.4)**	1.4	(0.5)
	27.8	(19.3)	(17.8)

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 2018 $m	Restated Unaudited At 30 June 2017 $m	Restated At 31 December 2017 $m
ASSETS				
Non-current assets				
Property, plant and equipment	7, 8	**365.3**	403.2	383.3
Goodwill		**230.1**	230.0	230.3
Other intangible assets	9	**111.0**	137.1	125.4
Investments in associates		**0.7**	2.7	0.7
Investments		**1.7**	11.1	1.8
Retirement benefit assets		**–**	18.5	–
Trade and other receivables	10	**2.4**	2.5	3.3
Deferred tax assets		**4.5**	8.3	4.2
		715.7	813.4	749.0
Current assets				
Inventories	11	**322.4**	281.7	281.0
Trade and other receivables	10	**217.4**	161.8	185.7
Current tax assets		**1.1**	9.2	1.1
Investments		**–**	0.8	10.4
Retirement benefit assets		**18.2**	–	18.6
Cash at bank and in hand		**45.3**	19.9	36.4
		604.4	473.4	533.2
LIABILITIES				
Current liabilities				
Trade and other payables		**128.6**	108.6	130.9
Current tax liabilities		**6.2**	8.6	5.1
Borrowings		**2.4**	6.0	2.1
Provisions		**6.5**	6.2	6.4
		143.7	129.4	144.5
Net current assets		**460.7**	344.0	388.7
Non-current liabilities				
Borrowings		**3.9**	20.4	3.9
Deferred tax liabilities		**11.7**	7.1	6.2
Provisions		**10.5**	11.1	11.6
Other payables		**3.8**	12.9	3.9
		29.9	51.5	25.6
Net assets		**1,146.5**	1,105.9	1,112.1
Equity attributable to owners of the parent				
Share capital		**66.7**	66.4	66.4
Share premium		**153.0**	153.0	153.0
Other components of equity		**85.3**	82.6	91.7
Retained earnings		**825.1**	783.2	782.2
		1,130.1	1,085.2	1,093.3
Non-controlling interests		**16.4**	20.7	18.8
Total equity		**1,146.5**	1,105.9	1,112.1

The balance sheets at 30 June 2017 and 31 December 2017 have been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
	Unaudited Six months ended 30 June 2018						
At 31 December 2017 as previously reported	**66.4**	**153.0**	**91.7**	**780.6**	**1,091.7**	**18.8**	**1,110.5**
Adjustment on adoption of IFRS 15 (note 16)	**–**	**–**	**–**	**1.6**	**1.6**	**–**	**1.6**
At 31 December 2017 restated	**66.4**	**153.0**	**91.7**	**782.2**	**1,093.3**	**18.8**	**1,112.1**
Adjustment on adoption of IFRS 9 (note 16)	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
At 1 January	**66.4**	**153.0**	**91.7**	**782.0**	**1,093.1**	**18.8**	**1,111.9**
Profit (loss) for the period	**–**	**–**	**–**	**32.6**	**32.6**	**(1.9)**	**30.7**
Other comprehensive (expense) income	**–**	**–**	**(3.2)**	**0.8**	**(2.4)**	**(0.5)**	**(2.9)**
Total comprehensive (expense) income	**–**	**–**	**(3.2)**	**33.4**	**30.2**	**(2.4)**	**27.8**
Shares issued							
– share option schemes and awards	**0.3**	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Share options and awards							
– value of employee services	**–**	**–**	**7.0**	**–**	**7.0**	**–**	**7.0**
– discharge	**–**	**–**	**(10.2)**	**9.7**	**(0.5)**	**–**	**(0.5)**
Total transactions with owners	**0.3**	**–**	**(3.2)**	**9.7**	**6.8**	**–**	**6.8**
At 30 June	**66.7**	**153.0**	**85.3**	**825.1**	**1,130.1**	**16.4**	**1,146.5**

	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
	Restated Unaudited Six months ended 30 June 2017						
At 1 January as previously reported	66.3	153.0	78.8	800.0	1,098.1	19.3	1,117.4
Adjustment on adoption of IFRS 15 (note 16)	–	–	–	1.0	1.0	–	1.0
At 1 January restated	66.3	153.0	78.8	801.0	1,099.1	19.3	1,118.4
Restated (loss) profit for the period	–	–	–	(25.7)	(25.7)	0.3	(25.4)
Other comprehensive income (expense)	–	–	5.8	(0.8)	5.0	1.1	6.1
Total comprehensive income (expense)	–	–	5.8	(26.5)	(20.7)	1.4	(19.3)
Shares issued							
– share option schemes and awards	0.1	–	–	–	0.1	–	0.1
Share options and awards							
– value of employee services	–	–	6.8	–	6.8	–	6.8
– discharge	–	–	(8.8)	8.7	(0.1)	–	(0.1)
Total transactions with owners	0.1	–	(2.0)	8.7	6.8	–	6.8
At 30 June	66.4	153.0	82.6	783.2	1,085.2	20.7	1,105.9

The statement of changes in equity for the six months ended 30 June 2017 has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Restated Year ended 31 December 2017						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January as previously reported	66.3	153.0	78.8	800.0	1,098.1	19.3	1,117.4
Adjustment on adoption of IFRS 15 (note 16)	–	–	–	1.0	1.0	–	1.0
At 1 January restated	66.3	153.0	78.8	801.0	1,099.1	19.3	1,118.4
Restated loss for the year	–	–	–	(26.1)	(26.1)	(2.5)	(28.6)
Other comprehensive income (expense)	–	–	10.4	(1.6)	8.8	2.0	10.8
Total comprehensive income (expense)	–	–	10.4	(27.7)	(17.3)	(0.5)	(17.8)
Shares issued							
– share option schemes and awards	0.1	–	–	–	0.1	–	0.1
Share options and awards							
– value of employee services	–	–	11.6	–	11.6	–	11.6
– discharge	–	–	(9.1)	8.9	(0.2)	–	(0.2)
Total transactions with owners	0.1	–	2.5	8.9	11.5	–	11.5
At 31 December	66.4	153.0	91.7	782.2	1,093.3	18.8	1,112.1

The statement of changes in equity for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Unaudited Six months ended 30 June 2018 $m**	Restated Unaudited Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Operating activities				
Reported profit (loss) from operations		**38.9**	(23.9)	(24.8)
Acquisition amortisation and exceptional items	4	**14.6**	14.6	39.1
Depreciation and non-acquisition amortisation		**19.1**	21.2	41.7
Underlying EBITDA (NGM A)		**72.6**	11.9	56.0
Share-based payment expense		**7.1**	7.1	11.9
Payment of US pension scheme liabilities		**(10.4)**	–	–
Net gain on disposal of property, plant and equipment		**(0.7)**	(0.5)	(0.5)
Gain on disposal of held for sale assets		**–**	–	(1.2)
Increase in inventories		**(43.7)**	(22.6)	(19.5)
Increase in receivables		**(31.9)**	(45.4)	(66.7)
Increase in payables		**9.4**	36.2	46.3
(Decrease) increase in provisions		**(1.2)**	1.2	(1.0)
Taxation (paid) received		**(1.4)**	(0.1)	6.5
Proceeds from disposal of property, plant and equipment held for rental		**2.5**	1.9	4.4
Purchase of property, plant and equipment held for rental		**(3.1)**	(1.0)	(2.3)
Receipt of surplus UK pension assets[i]		**–**	9.7	9.7
Other non-cash flow items		**1.5**	1.5	2.2
Net cash inflow (outflow) from operating activities		**0.7**	(0.1)	45.8
Investing activities				
Interest received		**0.3**	0.3	0.3
Net movement on loans to and from associates		**(0.1)**	–	–
Proceeds from disposal of investments		**10.4**	–	–
Proceeds from disposal of held for sale assets		**–**	1.2	1.2
Proceeds from disposal of property, plant and equipment		**8.4**	1.4	1.8
Purchase of property, plant and equipment		**(8.3)**	(3.5)	(9.1)
Purchase of intangibles		**(1.7)**	(1.7)	(5.5)
Decrease in bank deposit investments		**–**	–	0.8
Net proceeds from disposal of subsidiaries		**–**	0.6	0.6
Net cash inflow (outflow) from investing activities		**9.0**	(1.7)	(9.9)
Financing activities				
Interest and bank fees paid		**(0.7)**	(1.9)	(2.7)
Share capital issued		**0.3**	0.1	0.1
Proceeds from new borrowings		**–**	17.0	–
Repayment of borrowings		**–**	(16.0)	(20.6)
Net cash outflow from financing activities		**(0.4)**	(0.8)	(23.2)
Net cash inflow (outflow) in cash and cash equivalents		**9.3**	(2.6)	12.7
Cash and cash equivalents at the beginning of the period		**34.3**	20.3	20.3
Effect of foreign exchange rates		**(0.7)**	0.4	1.3
Cash and cash equivalents at the end of the period		**42.9**	18.1	34.3
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		**45.3**	19.9	36.4
Bank overdrafts included in borrowings		**(2.4)**	(1.8)	(2.1)
		42.9	18.1	34.3

i. Following the decision to commence the winding down of the UK defined benefit pension scheme, the Group received a refund of $9.7m surplus pension assets.

The statement of cash flows for the six months ended 30 June 2017 and for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

1. Basis of Accounting

The financial information contained in this Half Year Report is presented in US dollars and complies with IAS 34 Interim Financial Reporting, as adopted by the European Union, and with the Disclosure and Transparency Rules of the Financial Conduct Authority. The condensed set of consolidated financial statements should be read in conjunction with the 2017 Annual Report and Accounts, which have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. In preparing this condensed set of consolidated financial statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies were the same as those applied in the 2017 Annual Report and Accounts except as described below.

For interim periods, taxes on income are accrued using an estimated weighted average tax rate that would be applicable to the full year profit or loss.

The following standards have been adopted and are effective for the financial year beginning as of 1 January 2018. The Group has changed its accounting policies and made retrospective adjustments as a result of adopting IFRS 15. The impact of adopting these accounting standards has been shown in note 16.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2018, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 162 and 163 contained in the 2017 Annual Report and Accounts.

This Half Year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2017 has been delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

Standards effective subsequent to the period end, which are being assessed to determine whether there is a significant impact on the Group's results or financial position include:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts

IFRS 16 Leases will be adopted by the Group on 1 January 2019. As described on page 106 of the 2017 Annual Report and Accounts, management has completed an initial assessment of the potential impact on its financial performance and position but has not yet completed its detailed assessment. To date, this work has involved identifying the Group's lease contracts, agreeing our interpretation of the key principles of the standard with our auditors and selecting a software system to support the new accounting requirements. The actual impact of applying IFRS 16 on the financial statements will depend on future economic conditions, including the calculation of the Group's applicable discount rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. The most significant impact identified is that the Group will recognise new assets and lease liabilities for its operating leases of offices, warehouses and factory facilities. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to $64.9m on an undiscounted basis.

Going Concern

Introduction

The Group's principal cash outflows include capital investment, labour costs and inventory purchases. 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 the overall market conditions, the variety of its products 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 2018, 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 $200m of secured committed facilities, which was undrawn on 30 June 2018. At 30 June 2018, the Group consequently had sufficient headroom over all its bank covenants and the Group's internal financial projections indicate that this will remain the case for at least the next 12 months from the date of approval of this Half Year Report.

1. Basis of Accounting continued

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 potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. The Board is satisfied that all material uncertainties have been identified.

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 considered it appropriate to adopt the going concern basis of accounting in preparing the Half Year Report.

2. Segmental Reporting

For the six months ended 30 June 2018, the Group reports on seven 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 Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and undertake exploration and production activities.

The segment information for the six months ended 30 June 2017 has been restated to reflect the changes made to the Group's reporting segments during the year ended 31 December 2017, following changes to the Hunting PLC Board, which came into effect on 1 September 2017. The information for the six months ended 30 June 2017 and 31 December 2017 has been restated to take into account the change in accounting policy following the adoption of IFRS 15 Revenue from Contracts with Customers (see note 16).

The Board assesses the performance of the operating segments based on revenue and operating results. Operating results is a profit-based measure and excludes the effects of amortisation of acquired intangible assets and any exceptional items (see note 4). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the funding position of the Group.

Inter-segment sales are priced in line with the Group's transfer pricing policy on an arms-length basis. Costs and overheads are apportioned to the operating segments on the basis of time attributed to those operations by senior executives.

Further, the Board is also provided revenue information by product group, in order to help with an understanding of the drivers of Group performance trends.

Hunting Titan: Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include the H-1 Perforating System and the EQUAfrac™ shaped charge technology. The business has four manufacturing facilities in the US and one in Mexico, supported by a distribution centre network at 19 locations across North America.

US: The US businesses supply premium connections, OCTG, drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The segment also produces perforating system products for Hunting Titan.

Canada: Hunting's Canadian business manufactures premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays which require specialist tubing technologies. Canada also manufactures perforating guns.

Europe: This segment derives its revenue primarily from the supply of OCTG and well intervention equipment to operators in the North Sea.

Asia Pacific: Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and OCTG supply. Asia Pacific also manufactures perforating guns.

Middle East, Africa and Other: Revenue from the Middle East and Africa is from the sale and rental of in-field well intervention products across the region, which also acts as a sales hub for other products manufactured globally by the Group.

Exploration and Production: The Exploration and Production business comprises the Group's exploration and production activities in the Southern US and offshore Gulf of Mexico.

Due to its size and nature of operations, Hunting Titan's activities are reported separately. Hunting's non-core Exploration and Production business unit is also reported separately as its activities are different in nature to the Group's other reporting segments. Although the Canada and Exploration and Production segments do not meet the quantitative thresholds required by IFRS 8 for reportable segments, these segments are separately reported and monitored by the Board.

2. Segmental Reporting continued

Accounting policies used for segmental reporting reflect those used for the Group.

The UK is the domicile of Hunting PLC.

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

Segment Revenue and Profit

	Six months ended 30 June 2018					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	**216.7**	**(4.0)**	**212.7**	**57.3**	**(13.0)**	**44.3**
US	**145.8**	**(22.5)**	**123.3**	**7.1**	**(1.6)**	**5.5**
Canada	**21.7**	**(6.3)**	**15.4**	**(1.3)**	**–**	**(1.3)**
Europe	**45.0**	**(7.0)**	**38.0**	**(5.6)**	**–**	**(5.6)**
Asia Pacific	**51.2**	**(10.6)**	**40.6**	**(1.5)**	**–**	**(1.5)**
Middle East, Africa and Other	**12.6**	**(1.3)**	**11.3**	**(1.7)**	**–**	**(1.7)**
Exploration and Production	**1.5**	**–**	**1.5**	**(0.8)**	**–**	**(0.8)**
Total from operations	**494.5**	**(51.7)**	**442.8**	**53.5**	**(14.6)**	**38.9**
Net finance expense				**(0.9)**	**–**	**(0.9)**
Profit before tax from operations				**52.6**	**(14.6)**	**38.0**

	Restated Six months ended 30 June 2017					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	133.4	(1.8)	131.6	19.1	(13.0)	6.1
US	96.1	(3.2)	92.9	(13.4)	(1.6)	(15.0)
Canada	15.8	(3.3)	12.5	(1.9)	–	(1.9)
Europe	47.2	(1.8)	45.4	(4.3)	–	(4.3)
Asia Pacific	29.4	(2.2)	27.2	(4.6)	–	(4.6)
Middle East, Africa and Other	7.3	(0.8)	6.5	(3.7)	–	(3.7)
Exploration and Production	2.0	–	2.0	(0.5)	–	(0.5)
Total from operations	331.2	(13.1)	318.1	(9.3)	(14.6)	(23.9)
Net finance expense				(1.1)	–	(1.1)
Share of associates' post-tax losses				(0.5)	–	(0.5)
Loss before tax from operations				(10.9)	(14.6)	(25.5)

i. Relates to amortisation of acquired intangible assets.

2. Segmental Reporting continued

	Restated Year ended 31 December 2017					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	312.8	(4.1)	308.7	63.3	(25.9)	37.4
US	218.9	(14.1)	204.8	(17.0)	(3.2)	(20.2)
Canada	36.5	(8.9)	27.6	(3.7)	–	(3.7)
Europe	89.2	(5.9)	83.3	(14.8)	–	(14.8)
Asia Pacific	88.1	(8.3)	79.8	(5.4)	–	(5.4)
Middle East, Africa and Other	18.6	(1.2)	17.4	(7.0)	(10.0)	(17.0)
Exploration and Production	3.3	–	3.3	(1.1)	–	(1.1)
Total from operations	767.4	(42.5)	724.9	14.3	(39.1)	(24.8)
Net finance expense				(1.5)	–	(1.5)
Share of associates' post-tax losses				(1.3)	–	(1.3)
Profit (loss) before tax from operations				11.5	(39.1)	(27.6)

i. Relates to amortisation of acquired intangible assets.

Revenue by Products and Services
A breakdown of external revenue by products and services is presented below:

	Six months ended 30 June 2018 $m	Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
OCTG and Premium Connections	**123.6**	114.8	254.8
Perforating Systems	**209.4**	131.6	305.6
Subsea	**13.4**	9.6	20.8
Intervention Tools	**22.3**	14.5	34.3
Drilling Tools	**13.1**	10.2	25.8
Advanced Manufacturing	**46.6**	31.7	61.1
Other	**12.9**	3.7	19.2
Exploration and Production	**1.5**	2.0	3.3
Total external revenue	**442.8**	318.1	724.9

Major Customer Information
The Group received $56.2m (six months ended 30 June 2017 – $28.0m; year ended 31 December 2017 – $67.9m) of revenue from the Halliburton Company consolidated group, which is 13% (six months ended 30 June 2017 – 9%; year ended 31 December 2017 – 9%) of the Group's revenue from operations from external customers. All of Hunting's core operating segments have benefited from trading with Halliburton.

3. Revenue

Disaggregation of Revenue from Contracts with Customers
In the following table, revenue from contracts with customers is disaggregated by geographical markets. The table also includes a reconciliation of the disaggregated revenue with the revenue for the Group's seven operating segments.

	Six months ended 30 June 2018			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Operating segments:				
Hunting Titan	**212.7**	**–**	**–**	**212.7**
US	**109.4**	**13.9**	**–**	**123.3**
Canada	**15.3**	**0.1**	**–**	**15.4**
Europe	**35.7**	**2.3**	**–**	**38.0**
Asia Pacific	**40.6**	**–**	**–**	**40.6**
Middle East, Africa and Other	**8.9**	**2.4**	**–**	**11.3**
Exploration and Production	**–**	**–**	**1.5**	**1.5**
External revenue	**422.6**	**18.7**	**1.5**	**442.8**

	Six months ended 30 June 2017			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Operating segments:				
Hunting Titan	131.6	–	–	131.6
US	81.9	11.0	–	92.9
Canada	12.4	0.1	–	12.5
Europe	43.1	2.3	–	45.4
Asia Pacific	27.2	–	–	27.2
Middle East, Africa and Other	4.5	2.0	–	6.5
Exploration and Production	–	–	2.0	2.0
External revenue	300.7	15.4	2.0	318.1

	Year ended 31 December 2017			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Operating segments:				
Hunting Titan	308.7	–	–	308.7
US	176.9	27.9	–	204.8
Canada	27.4	0.2	–	27.6
Europe	78.1	5.2	–	83.3
Asia Pacific	79.8	–	–	79.8
Middle East, Africa and Other	13.6	3.8	–	17.4
Exploration and Production	–	–	3.3	3.3
External revenue	684.5	37.1	3.3	724.9

The adoption of IFRS 15 has not had a significant impact on the Group's accounts and 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.

4. Amortisation and Exceptional Items

	Six months ended 30 June 2018 $m	Six months ended 30 June 2017 $m	Year ended 31 December 2017 $m
Closure of South African facility	**(2.0)**	–	10.0
Closure of Kenya joint venture	**2.0**	–	–
Charged to cost of sales	**–**	–	10.0
Amortisation of acquired intangible assets charged to operating expenses	**14.6**	14.6	29.1
Total amortisation and exceptional items charged to profit (loss) from operations	**14.6**	14.6	39.1
Taxation on amortisation and exceptional items	**(3.6)**	–	–
	11.0	14.6	39.1

In December 2017, the Board completed a review of the Group's operating presence in South Africa and decided to close its manufacturing facility in Cape Town, given the poor market outlook for the medium term and the continuing drive to reduce losses around the Group. An impairment of property, plant and equipment totalling $7.6m was recorded in the 2017 accounts, together with other costs of $2.4m relating to the closure of the facility.

In 2018, the Group has reversed $2.0m of the impairment provision for property, plant and equipment in relation to the closure of the South African facility in Cape Town. The Group received $8.0m in relation to the disposal of property, plant and equipment from the South African facility.

Given the modest drilling activity forecast for East Africa in the medium term, the Board has made the decision to close its Kenyan joint venture in Mombasa. An impairment of property, plant and equipment totalling $1.0m, a loss on disposal of Kenya's rental fleet of $0.5m and a provision for costs of $0.5m relating to the closure of the facility have been recognised in the period, totalling $2.0m.

5. Taxation

The taxation charge for the six months ended 30 June 2018 is calculated by applying the estimated annual Group effective rate of tax to the profit for the period. The underlying estimated weighted average tax rate for the year ending 31 December 2018 is 21% and has been used for the six months ended 30 June 2018 (six months ended 30 June 2017 – nil).

The underlying tax charge for the six months ended 30 June 2018 is $10.9m (six months ended 30 June 2017 – $0.1m credit; year ended 31 December 2017 – $1.0m).

A tax credit of $3.6m has been included in the income statement in respect of amortisation of acquired intangible assets and exceptional items (six months ended 30 June 2017 – $nil; year ended 31 December 2017 – $nil).

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 22 November 2017. The Finance Bill 2018 received Royal Assent on 15 March 2018. The Finance Bill 2016, which received Royal Assent on 15 September 2016, included reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The changes are not expected to have a material impact on the Group's deferred tax balances.

6. Earnings per Share

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

For diluted earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. The dilution in respect of share options applies where the exercise price is less than the average market price of the Company's Ordinary shares during the period and the possible issue of shares under the Group's long-term incentive plans.

6. Earnings per Share continued

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

	Six months ended 30 June 2018 $m	Restated Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Basic and diluted earnings (loss) attributable to Ordinary shareholders	**32.6**	(25.7)	(26.1)
Add: amortisation and exceptional items after tax attributable to Ordinary shareholders	**10.2**	14.6	39.1
Basic and diluted earnings (loss) attributable to Ordinary shareholders before amortisation and exceptional items	**42.8**	(11.1)	13.0
	millions	millions	millions
Basic weighted average number of Ordinary shares	**163.9**	163.1	163.3
Long-term incentive plans	**7.3**	8.2	6.8
Adjusted weighted average number of Ordinary shares	**171.2**	171.3	170.1
	cents	cents	cents
Reported earnings (loss) per share:			
Basic EPS	**19.9**	(15.8)	(16.0)
Diluted EPS[i]	**19.1**	(15.8)	(16.0)
Underlying earnings (loss) per share:			
Basic EPS	**26.1**	(6.8)	8.0
Diluted EPS[i]	**25.0**	(6.8)	8.0

i. For the six months ended 30 June 2017 and the year ended 31 December 2017, the effect of dilutive share options and long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

7. Property, Plant and Equipment

During the first six months of 2018, the net book value of property, plant and equipment reduced from $383.3m to $365.3m due to additions of $11.3m and the reversal of impairment of $2.0m being offset by foreign exchange adjustments of $1.3m, disposals of $11.1m, depreciation of $17.7m, an impairment charge of $1.0m and reclassifications of $0.2m. The $2.0m reversal of impairment relates to property, plant and equipment that was sold in 2018 following the closure of the manufacturing facility in Cape Town, South Africa.

Additions include $1.1m for land and buildings, $6.7m for plant, machinery and motor vehicles, $3.0m for rental tools and $0.5m for oil and gas exploration and development.

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for at 30 June 2018 amounted to $9.5m (30 June 2017 – $1.1m; 31 December 2017 – $0.9m).

In accordance with the amendments made to the Group's financial covenants over the bank facility in July 2016, security has been granted over specific properties in the UK and US, which have a carrying value of $226.8m (30 June 2017 – $235.6m; 31 December 2017 – $230.8m).

8. Indicators of Impairment and Updated Impairment Tests

The carrying value of PPE assets in certain CGUs at 30 June 2018 remain sensitive to reasonably foreseeable declines in future revenue growth as measured by changes in compound annual growth rates ("CAGRs"). These sensitivities are based on the impairment test process described in note 14 of the 2017 Annual Report and Accounts.

- For Canada, a reduction in the expected revenue CAGR for 2017 to 2022 of 3% points or more would result in impairment (31 December 2017 – 2% point or more reduction). The net book value of PPE in Canada is $2.9m (31 December 2017 – $3.4m).
- For Aberdeen/Netherlands OCTG, a reduction in the expected revenue CAGR for 2017 to 2022 of 2% points or more would result in impairment (31 December 2017 – 3% point or more reduction). The net book value of PPE in Aberdeen/Netherlands OCTG is $6.6m (31 December 2017 – $7.6m).

There are no other reasonably foreseeable changes in revenue growth rates that would give rise to impairment charges in other CGUs.

9. Other Intangible Assets

During the first six months of 2018, the net book value of other intangible assets decreased from $125.4m to $111.0m due to additions of $1.7m being offset by amortisation charges of $14.6m on acquired intangible assets and $1.4m amortisation on purchased intangible assets and foreign exchange adjustments of $0.1m.

10. Trade and Other Receivables

	At 30 June 2018 $m	At 30 June 2017 $m	At 31 December 2017 $m
Non-current:			
Loan note	**0.6**	0.7	1.3
Prepayments	**1.7**	1.6	1.7
Other receivables	**0.1**	0.2	0.3
	2.4	2.5	3.3

	At 30 June 2018			
	Contracts with customers $m	**Rental receivables $m**	**Other receivables $m**	**Total trade and other receivables $m**
Current:				
Contract assets	**8.7**	**–**	**–**	**8.7**
Trade receivables	**157.7**	**11.8**	**–**	**169.5**
Accrued revenue	**5.4**	**2.9**	**–**	**8.3**
Gross receivables	**171.8**	**14.7**	**–**	**186.5**
Less: provision for impairment	**(2.7)**	**(1.0)**	**–**	**(3.7)**
Net receivables	**169.1**	**13.7**	**–**	**182.8**
Prepayments	**–**	**–**	**28.5**	**28.5**
Other receivables	**–**	**–**	**6.1**	**6.1**
	169.1	**13.7**	**34.6**	**217.4**

	Restated At 30 June 2017			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total trade and other receivables $m
Current:				
Contract assets	4.0	–	–	4.0
Trade receivables	121.4	9.8	–	131.2
Accrued revenue	7.0	1.4	–	8.4
Gross receivables	132.4	11.2	–	143.6
Less: provision for impairment	(4.4)	(0.3)	–	(4.7)
Net receivables	128.0	10.9	–	138.9
Prepayments	–	–	15.1	15.1
Other receivables	–	–	7.8	7.8
	128.0	10.9	22.9	161.8

The net impairment loss on trade and other receivables recognised in the income statement in the period was $0.3m (30 June 2017 – $0.3m loss).

10. Trade and Other Receivables continued

	Restated At 31 December 2017			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total trade and other receivables $m
Current:				
Contract assets	6.8	–	–	6.8
Trade receivables	139.9	12.9	–	152.8
Accrued revenue	4.5	1.7	–	6.2
Gross receivables	151.2	14.6	–	165.8
Less: provision for impairment	(4.4)	(0.4)	–	(4.8)
Net receivables	146.8	14.2	–	161.0
Prepayments	–	–	17.6	17.6
Other receivables	–	–	7.1	7.1
	146.8	14.2	24.7	185.7

The net impairment loss on trade and other receivables recognised in the income statement in the year was $0.6m.

In accordance with the amendments made to the Group's financial covenants over the bank facility in July 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $143.6m (six months ended 30 June 2017 – $104.3m; year ended 31 December 2017 – $125.4m).

11. Inventories

	Six months ended 30 June 2018 $m	Restated Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Raw materials	**103.7**	93.6	98.7
Work in progress	**75.1**	40.2	47.4
Finished goods	**170.2**	171.1	163.1
Gross inventories	**349.0**	304.9	309.2
Less: provision	**(26.6)**	(23.2)	(28.2)
Net inventories	**322.4**	281.7	281.0

Gross inventories have increased $39.8m from $309.2m (restated) at 31 December 2017 to $349.0m at 30 June 2018. Additions to inventories were $325.9m and transfers from PPE were $0.1m. These were offset by foreign exchange movements of $3.3m, inventories expensed to cost of sales of $279.8m and utilisation of inventory provisions of $3.1m.

The inventory provision has decreased by $1.6m from $28.2m (restated) at 31 December 2017 to $26.6m at 30 June 2018, with $3.1m of the provision being utilised in the period. After foreign exchange movements of $0.4m, a net charge of $1.9m has been recognised in cost of sales in the period. Overall, Hunting's provision for inventory losses has reduced from 9% of gross inventory balances at 31 December 2017 to 8% at 30 June 2018.

In accordance with the amendments to the Group's core committed bank facility in July 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $210.0m (30 June 2017 – $178.5m restated; 31 December 2017 – $188.0m restated).

12. Dividends Paid to Equity Shareholders

The Board is declaring an interim dividend of 4.0 cents per share, which will absorb an estimated $6.6m, and be paid on 24 October 2018 to shareholders on the register at the close of business on 5 October 2018. The ex-dividend date is 4 October 2018.

13. Changes in Net Cash (Debt)

Net cash (debt) comprises bank overdrafts, current and non-current borrowings, less cash and cash equivalents and bank deposits maturing after more than three months. The net cash (debt) reconciliation provides an analysis of the movement in the period for each component of net debt split between cash and non-cash items.

	At 1 January 2018 $m	**Cash flow $m**	**Exchange movements $m**	**Movements in capitalised loan facility fees $m**	**Reclassified to prepayments $m**	**At 30 June 2018 $m**
Cash at bank and in hand	**36.4**	**9.6**	**(0.7)**	**–**	**–**	**45.3**
Bank overdrafts	**(2.1)**	**(0.3)**	**–**	**–**	**–**	**(2.4)**
Cash and cash equivalents	**34.3**	**9.3**	**(0.7)**	**–**	**–**	**42.9**
Non-current borrowings	**(3.9)**	**–**	**–**	**–**	**–**	**(3.9)**
Total net cash (debt)	**30.4**	**9.3**	**(0.7)**	**–**	**–**	**39.0**

	At 1 January 2017 $m	Cash flow $m	Exchange movements $m	Movements in capitalised loan facility fees $m	Reclassified to prepayments $m	At 30 June 2017 $m
Cash at bank and in hand	63.5	(44.3)	0.7	–	–	19.9
Bank overdrafts	(43.2)	41.7	(0.3)	–	–	(1.8)
Cash and cash equivalents	20.3	(2.6)	0.4	–	–	18.1
Current investments	0.8	–	–	–	–	0.8
Non-current borrowings	(12.5)	(8.2)	(0.2)	–	–	(20.9)
Current bank loans	(11.1)	7.2	(0.3)	–	–	(4.2)
Total net borrowings	(2.5)	(3.6)	(0.1)	–	–	(6.2)
Capitalised loan facility fees	0.6	–	–	(0.1)	–	0.5
Total net cash (debt)	(1.9)	(3.6)	(0.1)	(0.1)	–	(5.7)

During the period, $0.1m loan facility fees were paid and $0.2m fees were amortised.

	At 1 January 2017 $m	Cash flow $m	Exchange movements $m	Movements in capitalised loan facility fees $m	Reclassified to prepayments $m	At 31 December 2017 $m
Cash at bank and in hand	63.5	(29.0)	1.9	–	–	36.4
Bank overdrafts	(43.2)	41.7	(0.6)	–	–	(2.1)
Cash and cash equivalents	20.3	12.7	1.3	–	–	34.3
Current investments	0.8	(0.8)	–	–	–	–
Non-current borrowings	(12.5)	9.0	(0.4)	–	–	(3.9)
Current bank loans	(11.1)	11.6	(0.5)	–	–	–
Total net (borrowings) cash	(2.5)	32.5	0.4	–	–	30.4
Capitalised loan facility fees	0.6	–	–	(0.2)	(0.4)	–
Total net cash (debt)	(1.9)	32.5	0.4	(0.2)	(0.4)	30.4

During the year, $0.2m loan facility fees were paid and $0.4m fees were amortised. The capitalised loan facility fees were transferred to prepayments as there were no borrowings under the loan facility at the end of 2017.

14. Financial Risk Management

The Group's activities expose it to a variety of financial risks, namely market risk (including currency risk, fair value interest rate risk and cash flow interest risk), credit risk and liquidity risk. The condensed interim 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 2017 Annual Report and Accounts. There have been no changes in any risk management policies since the year end.

15. Financial Instruments: Fair Values

The carrying value of financial assets and liabilities approximates their fair values. Non-current and current investments include listed equity investments and mutual funds, which are measured at fair value. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement can be categorised in Level 1 of the fair value hierarchy. The fair value of listed equity investments and mutual funds categorised in Level 1 of the fair value hierarchy at 30 June 2018 was $1.7m (30 June 2017 – $11.1m; 31 December 2017 – $12.2m).

There were no transfers between levels of the fair value hierarchy used in the measurement of the fair values of financial instruments.

16. Change in Accounting Policies

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on the Group's financial statements.

16a. Impact on the Financial Statements
As a result of the changes in the Group's accounting policies, the prior year financial statements have been restated for the effects of IFRS 15 Revenue from Contracts with Customers. IFRS 9 Financial Statements has been adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2017 and 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The tables below show the adjustments that have been made to each individual line item. Line items that have not been affected by the changes have not been included separately, but instead have been grouped together.

Condensed Consolidated Income Statement for the six months ended 30 June 2017

	As previously reported $m	IFRS 15 (note 16d) $m	Restated $m
Revenue	318.9	(0.8)	318.1
Cost of sales	(247.9)	0.6	(247.3)
Gross profit	71.0	(0.2)	70.8
Other operating income	2.4	–	2.4
Operating expenses	(97.1)	–	(97.1)
Loss from operations	(23.7)	(0.2)	(23.9)
Finance income	1.6	–	1.6
Finance expense	(2.7)	–	(2.7)
Share of associates' post-tax losses	(0.5)	–	(0.5)
Loss before tax from operations	(25.3)	(0.2)	(25.5)
Taxation	0.1	–	0.1
Loss for the period	(25.2)	(0.2)	(25.4)
Loss attributable to:			
Owners of the parent	(25.5)	(0.2)	(25.7)
Non-controlling interests	0.3	–	0.3
	(25.2)	(0.2)	(25.4)
Loss per share	cents	cents	cents
Basic	(15.6)	(0.2)	(15.8)
Diluted	(15.6)	(0.2)	(15.8)

IAS 1 paragraph 82(ba) requires impairment losses for the period (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9 to be presented on a separate line in the income statement. As the amounts are not considered to be material, the impairment losses for the period have been disclosed within note 10.

16. Change in Accounting Policies continued

16a. Impact on the Financial Statements continued
Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2017

	As previously reported $m	IFRS 15 (note 16d) $m	Restated $m
Comprehensive expense:			
Loss for the period	(25.2)	(0.2)	(25.4)
Components of other comprehensive income after tax	6.1	–	6.1
Total comprehensive expense for the period	(19.1)	(0.2)	(19.3)
Total comprehensive expense attributable to:			
Owners of the parent	(20.5)	(0.2)	(20.7)
Non-controlling interests	1.4	–	1.4
	(19.1)	(0.2)	(19.3)

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

Condensed Consolidated Balance Sheet as at 30 June 2017

	As previously reported $m	IFRS 15 (note 16d) $m	Restated $m
ASSETS			
Non-current assets	813.4	–	813.4
Current assets			
Inventories	284.9	(3.2)	281.7
Trade and other receivables	157.8	4.0	161.8
Other current assets	29.9	–	29.9
	472.6	0.8	473.4
LIABILITIES			
Current liabilities			
Trade and other payables	108.6	–	108.6
Other current liabilities	20.8	–	20.8
	129.4	–	129.4
Net current assets	343.2	0.8	344.0
Non-current liabilities	51.5	–	51.5
Net assets	1,105.1	0.8	1,105.9
Equity attributable to owners of the parent			
Retained earnings	782.4	0.8	783.2
Other equity balances	302.0	–	302.0
	1,084.4	0.8	1,085.2
Non-controlling interests	20.7	–	20.7
Total equity	1,105.1	0.8	1,105.9

16. Change in Accounting Policies continued

16a. Impact on the Financial Statements continued
Notes to the Financial Statements for the six months ended 30 June 2017

	As previously reported $m	IFRS 15 $m	Restated $m
Inventories			
Raw materials	93.9	(0.3)	93.6
Work in progress	42.9	(2.7)	40.2
Finished goods	171.5	(0.4)	171.1
Gross inventories	308.3	(3.4)	304.9
Less: provision	(23.4)	0.2	(23.2)
Net inventories	284.9	(3.2)	281.7

	As previously reported $m	IFRS 15 $m	Restated $m
Trade and other receivables			
Current:			
Contract assets	–	4.0	4.0
Trade receivables	131.2	–	131.2
Accrued revenue	8.4	–	8.4
Gross receivables	139.6	4.0	143.6
Less: provision for impairment	(4.7)	–	(4.7)
Net receivables	134.9	4.0	138.9
Prepayments	15.1	–	15.1
Other receivables	7.8	–	7.8
	157.8	4.0	161.8

	As previously reported $m	IFRS 15 $m	Restated $m
Trade and other payables			
Current:			
Contract liabilities	–	7.5	7.5
Trade payables	47.8	–	47.8
Accruals	38.5	–	38.5
Other current payables	22.3	(7.5)	14.8
	108.6	–	108.6

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2017

	Notes	As previously reported $m	IFRS 15 $m	Restated $m
Operating activities				
Reported loss from operations		(23.7)	(0.2)	(23.9)
Acquisition amortisation and exceptional items	4	14.6	–	14.6
Depreciation and non-acquisition amortisation		21.2	–	21.2
Underlying EBITDA		12.1	(0.2)	11.9
Increase in inventories		(22.0)	(0.6)	(22.6)
Increase in receivables		(46.2)	0.8	(45.4)
Increase in payables		36.2	–	36.2
Operating activities other cash flows		10.5	–	10.5
Operating activities non-cash flow items		9.3	–	9.3
Net cash outflow from operating activities		(0.1)	–	(0.1)
Net cash outflow from investing activities		(1.7)	–	(1.7)
Net cash outflow from financing activities		(0.8)	–	(0.8)
Net cash outflow in cash and cash equivalents		(2.6)	–	(2.6)
Cash and cash equivalents at the beginning of the period		20.3	–	20.3
Effect of foreign exchange rates		0.4	–	0.4
Cash and cash equivalents at the end of the period		18.1	–	18.1

16. Change in Accounting Policies continued

16a. Impact on the Financial Statements continued

Condensed Consolidated Income Statement for the year ended 31 December 2017

	As previously reported $m	IFRS 15 $m	Restated $m
Revenue	722.9	2.0	724.9
Cost of sales	(558.1)	(1.4)	(559.5)
Gross profit	164.8	0.6	165.4
Other operating income	7.6	–	7.6
Operating expenses	(197.8)	–	(197.8)
Loss from operations	(25.4)	0.6	(24.8)
Finance income	3.3	–	3.3
Finance expense	(4.8)	–	(4.8)
Share of associates' post-tax losses	(1.3)	–	(1.3)
Loss before tax from operations	(28.2)	0.6	(27.6)
Taxation	(1.0)	–	(1.0)
Loss for the year	(29.2)	0.6	(28.6)
Loss attributable to:			
Owners of the parent	(26.7)	0.6	(26.1)
Non-controlling interests	(2.5)	–	(2.5)
	(29.2)	0.6	(28.6)

Loss per share	cents	cents	cents
Basic	(16.4)	0.4	(16.0)
Diluted	(16.4)	0.4	(16.0)

IAS 1 paragraph 82(ba) requires impairment losses for the year (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9 to be presented on a separate line in the income statement. As the amounts are not considered to be material, the impairment losses for the year have been disclosed within note 10.

Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	As previously reported $m	IFRS 15 $m	Restated $m
Comprehensive expense:			
Loss for the year	(29.2)	0.6	(28.6)
Components of other comprehensive income after tax	10.8	–	10.8
Total comprehensive expense for the year	(18.4)	0.6	(17.8)
Total comprehensive expense attributable to:			
Owners of the parent	(17.9)	0.6	(17.3)
Non-controlling interests	(0.5)	–	(0.5)
	(18.4)	0.6	(17.8)

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

16. Change in Accounting Policies continued

16a. Impact on the Financial Statements continued
Condensed Consolidated Balance Sheet as at 31 December 2017

	As previously reported at 31 December 2017 $m	IFRS 15 (note 16d) $m	Restated at 31 December 2017 $m	IFRS 9 (note 16b) $m	Restated at 1 January 2018 $m
ASSETS					
Non-current assets	749.0	–	749.0	–	749.0
Current assets					
Inventories	286.2	(5.2)	281.0	–	281.0
Trade and other receivables	178.9	6.8	185.7	(0.2)	185.5
Other current assets	66.5	–	66.5	–	66.5
	531.6	1.6	533.2	(0.2)	533.0
LIABILITIES					
Current liabilities					
Trade and other payables	130.9	–	130.9	–	130.9
Other current liabilities	13.6	–	13.6	–	13.6
	144.5	–	144.5	–	144.5
Net current assets	387.1	1.6	388.7	(0.2)	388.5
Non-current liabilities	25.6	–	25.6	–	25.6
Net assets	1,110.5	1.6	1,112.1	(0.2)	1,111.9
Equity attributable to owners of the parent					
Retained earnings	780.6	1.6	782.2	(0.2)	782.0
Other equity balances	311.1	–	311.1	–	311.1
	1,091.7	1.6	1,093.3	(0.2)	1,093.1
Non-controlling interests	18.8	–	18.8	–	18.8
Total equity	1,110.5	1.6	1,112.1	(0.2)	1,111.9

16. Change in Accounting Policies continued

16a. Impact on the Financial Statements continued
Notes to the Financial Statements for the year ended 31 December 2017

	As previously reported at 31 December 2017 $m	IFRS 15 (note 16d) $m	Restated at 31 December 2017 $m	IFRS 9 (note 16b) $m	Restated at 1 January 2018 $m
Inventories					
Raw materials	99.2	(0.5)	98.7	–	98.7
Work in progress	52.0	(4.6)	47.4	–	47.4
Finished goods	163.6	(0.5)	163.1	–	163.1
Gross inventories	314.8	(5.6)	309.2	–	309.2
Less: provision	(28.6)	0.4	(28.2)	–	(28.2)
Net inventories	286.2	(5.2)	281.0	–	281.0
Trade and other receivables					
Current:					
Contract assets	–	6.8	6.8	–	6.8
Trade receivables	152.8	–	152.8	–	152.8
Accrued revenue	6.2	–	6.2	–	6.2
Gross receivables	159.0	6.8	165.8	–	165.8
Less: provision for impairment	(4.8)	–	(4.8)	(0.2)	(5.0)
Net receivables	154.2	6.8	161.0	(0.2)	160.8
Prepayments	17.6	–	17.6	–	17.6
Other receivables	7.1	–	7.1	–	7.1
	178.9	6.8	185.7	(0.2)	185.5
Trade and other payables					
Current:					
Contract liabilities	–	9.1	9.1	–	9.1
Trade payables	47.3	–	47.3	–	47.3
Accruals	49.9	–	49.9	–	49.9
Other current payables	33.7	(9.1)	24.6	–	24.6
	130.9	–	130.9	–	130.9

Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Notes	As previously reported year ended 31 December 2017 $m	IFRS 15 $m	Restated year ended 31 December 2017 $m
Operating activities				
Reported loss from operations		(25.4)	0.6	(24.8)
Acquisition amortisation and exceptional items	4	39.1	–	39.1
Depreciation and non-acquisition amortisation		41.7	–	41.7
Underlying EBITDA		55.4	0.6	56.0
Increase in inventories		(20.9)	1.4	(19.5)
Increase in receivables		(64.7)	(2.0)	(66.7)
Increase in payables		46.3	–	46.3
Operating activities other cash flows		18.3	–	18.3
Operating activities non-cash flow items		11.4	–	11.4
Net cash inflow from operating activities		45.8	–	45.8
Net cash outflow from investing activities		(9.9)	–	(9.9)
Net cash outflow from financing activities		(23.2)	–	(23.2)
Net cash inflow in cash and cash equivalents		12.7	–	12.7
Cash and cash equivalents at the beginning of the year		20.3	–	20.3
Effect of foreign exchange rates		1.3	–	1.3
Cash and cash equivalents at the end of the year		34.3	–	34.3

16. Change in Accounting Policies continued

16b. Impact of Adoption of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and establishes principles for the recognition, derecognition, classification and measurement of financial assets and liabilities, together with new requirements relating to the impairment of financial assets and new simplified hedge accounting rules. IFRS 9 became effective for the Group on 1 January 2018 and is generally applied retrospectively, except as described below.

In accordance with the transitional provisions of IFRS 9 (7.2.15), comparative figures have not been restated in respect of IFRS 9's classification and measurement (including impairment) requirements. Any differences in the carrying amounts of financial assets and financial liabilities as a result of adopting IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for the six months ended 30 June 2017 and the year ended 31 December 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. There was, therefore, no impact on the Group's retained earnings as at 1 January 2017 as a result of adopting IFRS 9.

The determination by each entity of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application, 1 January 2018.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	2018 $m
Closing retained earnings at 31 December 2017 – as previously reported under IAS 39 and IAS 18		780.6
Increase in provision for trade receivables and contract assets	(ii)	(0.2)
Restated opening retained earnings at 1 January 2018 under IFRS 9 (before restatement for IFRS 15)		780.4

(i) Derivatives and hedging

There is a new hedge accounting model, which has been simplified and is more closely aligned to the business's risk management activities. Any changes to hedge accounting under IFRS 9 are to be applied prospectively by Hunting from 1 January 2018 as Hunting has not taken the option to continue applying IAS 39 to its hedge accounting.

The Group had forward foreign exchange contracts and foreign currency swaps in place to hedge its exposure to foreign exchange rate movements at 31 December 2017.

Certain forward foreign exchange contracts had been designated in a cash flow hedge as at 31 December 2017 to hedge the foreign currency risk associated with forecast inventory purchases. These cash flow hedges have qualified as cash flow hedges under IFRS 9.

At 31 December 2017, forward foreign exchange contracts were designated in fair value hedges to hedge the foreign exchange movement in foreign currency trade payables. These fair value hedges have qualified as fair value hedges under IFRS 9.

A foreign currency swap was also designated in a fair value hedge to hedge the foreign exchange movements in a Canadian dollar-denominated pseudo equity loan at 31 December 2017. This fair value hedge has qualified as a fair value hedge under IFRS 9.

The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are treated as continuing under IFRS 9.

Under IAS 39, the Group designated the spot component of the change in fair value of the forward foreign exchange contracts in a cash flow hedge. Changes in the forward points, the differential between the forward rate and the market spot rate, were recognised in the income statement in finance costs.

Under IFRS 9, changes in the fair value of forward foreign exchange contracts attributable to forward points can be recognised as a cost of hedging in the hedging reserve. The Group has chosen to continue recognising the costs of hedging in the income statement immediately rather than deferring these in equity.

Under IAS 39, the amounts accumulated in the cash flow hedge reserve relating to the spot component were reclassified and included in the initial cost of the inventory item when it was recognised. The same approach applies under IFRS 9 to the amounts accumulated in the cash flow hedge reserve.

16. Change in Accounting Policies continued

16b. Impact of Adoption of IFRS 9 Financial Instruments continued
(ii) Impairment of financial assets
IAS 39's "incurred loss" model has been replaced with a new impairment model, the "expected loss" model. An entity will recognise a loss allowance from the point of initial recognition for all financial assets based on expected credit losses, which will result in the earlier recognition of credit losses i.e. a "day one" loss will be recognised. This will result in the earlier recognition of bad debt provisions.

Trade receivables, contract assets and accrued revenue
The Group applies the IFRS 9 simplified impairment model, which uses a lifetime expected loss allowance, to short-term trade receivables, accrued revenue, contract assets and lease receivables and long-term trade receivables, accrued revenue and contract assets. To measure the expected credit losses, trade receivables, accrued revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Contract assets represent the Group's right to consideration for goods or services that have been transferred to a customer while the right remains on condition that Hunting completes its promise. Accrued revenue represents unbilled revenue that is recognised after Hunting has completed its promise to a customer. As contract assets and accrued revenue have substantially the same credit risk characteristics as trade receivables for the same types of contracts, it was concluded that the expected loss rates for trade receivables are a reasonable approximation for the loss rates for contract assets and accrued revenue.

As at 31 December 2017, the impact on the Group's financial performance and position has been an increase in the bad debt provision of $0.2m. A reconciliation of the bad debt provision as at 31 December 2017 and 1 January 2018 is shown below.

	2018 $m
At 31 December 2017 – calculated under IAS 39	4.8
Additional impairment recognised at 1 January 2018 on trade receivables as at 31 December 2017	0.2
Opening bad debt provision as at 1 January 2018 – calculated under IFRS 9	5.0

The bad debt provision decreased to $3.7m during the six months ended 30 June 2018. The decrease would not have been materially different under the incurred loss model of IAS 39.

Trade receivables and contract assets are written off when there is no reasonable expectation that the Group will be able to collect all amounts due according to the original terms of sale. Indicators that the debt will not be recovered include defaults in payment and the debtor is in financial difficulty or the debtor has been placed into administration and is no longer trading.

Investments
The Group's listed equity investments and mutual funds are carried at fair value through profit or loss and are considered to have a low credit risk as they have a low risk of default. Funds are invested in a wide portfolio of US mutual funds and no individual exposure is considered to be significant.

Other financial assets at amortised cost
Other financial assets carried at amortised cost include the loan note, a receivable from the liquidators of an associate for the Group's share of net assets and other receivables. The loss allowance at 1 January 2018 as a result of applying the expected credit risk model under IFRS 9, was $nil and by 30 June 2018 the receivable from the liquidators of $1.7m had been collected in full.

(iii) Classification and Measurement
The classification and measurement of financial assets is now driven by the cash flow characteristics of the asset and the business model of the individual company. On 1 January 2018, the date of initial application of IFRS 9, management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. All of the Group's entities have a hold to collect business model and therefore the classification of financial assets has not changed following the adoption of IFRS 9. As a result, there has been no impact on the Group's retained earnings. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The classification of the Group's non-current and current investments under IFRS 9 has not changed from the classification under IAS 39 at fair value through profit or loss. Non-current and current other receivables, the loan note, net trade receivables, accrued revenue and cash at bank and in hand were previously classified as loans and receivables under IAS 39 are now classified as at amortised cost under IFRS 9.

The carrying amounts for financial assets under IFRS 9 have not changed from the carrying amounts under IAS 39, except for trade and other receivables. An increase of $0.2m in the bad debt provision was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9 and the carrying amount of net trade receivables reduced from $148.0m to $147.8m. These trade and other receivables do not include the additional contract assets of $6.8m that were recognised on the adoption of IFRS 15, see note 16d below.

16. Change in Accounting Policies continued

16c. IFRS 9 Financial Instruments Accounting Policies

(i) Financial Assets

- From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
  - those to be measured subsequently at fair value, either through OCI or through profit or loss; and
  - those to be measured at amortised cost.

  The classification is dependent on an entity's business model for managing its financial assets and the contractual terms of the cash flows of the financial asset.

- At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the income statement.
- Subsequent measurement of debt instruments depends on the business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified either into amortised cost or fair value through profit or loss, as explained below.
- Financial assets that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets.
- The Group's financial assets that are equity instruments are subsequently measured at fair value through profit or loss. Changes in the fair value of the equity instruments are recognised in other operating income or expense as appropriate.
- The Group assesses on a forward-looking basis the expected credit losses at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue.
- The Group applies the IFRS 9 simplified impairment model, to short-term trade receivables, accrued revenue, contract assets and lease receivables and long-term trade receivables, accrued revenue and contract assets. The simplified approach requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The entities use provision matrices for recognising expected credit losses on its receivables. Expected credit losses ("ECLs") are based on actual credit loss experience over the past two years, at a minimum. Receivables are appropriately grouped, and separate calculations produced, if historical or forecast credit loss experience shows significantly different loss patterns for different customer segments. For example, receivables could be grouped by geographical region, product type or type of customer. Actual credit loss experience is then adjusted to reflect differences in economic conditions over the period the historical data was collected, current economic conditions and the Group's view of economic conditions over the expected lives of the receivables.

(ii) Derivatives and hedging

- The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income (expenses).
- When forward foreign exchange contracts are designated in a cash flow hedge of forecast transactions, the Group generally designates only the change in fair value of the forward contract relating to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within the income statement immediately rather than in equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.
- Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the income statement.

16. Change in Accounting Policies continued

16d. Impact of Adoption of IFRS 15 Revenue from Contracts with Customers
IFRS 15 Revenue from Contracts with Customers establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers should be made. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for the Group from 1 January 2018. IFRS 15 must be applied retrospectively. However, an entity can choose whether to apply the standard retrospectively to each period presented or apply the modified retrospective method, whereby the cumulative effect of applying the standard is recognised in equity at the date of initial application.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules fully retrospectively, rather than the modified retrospective method as indicated in the 2017 Annual Report and Accounts, and has restated the comparatives for the 2017 financial year, as this is considered to enhance the clarity of the financial statements.

The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application, 1 January 2018.

	IAS 18 Carrying amount 31 December 2017 $m	Reclassification $m	Remeasurement $m	IFRS 15 Carrying amount 1 January 2018 $m
Net trade receivables	148.0	(148.0)	–	–
Net trade receivables – revenue from leasing contracts	–	12.5	–	12.5
Net trade receivables – IFRS 15 Revenue from Contracts with Customers	–	135.5	–	135.5
Current contract assets	–	–	6.8	6.8
Accrued revenue	6.2	(6.2)	–	–
Accrued revenue – leasing and insurance contracts	–	1.7	–	1.7
Accrued revenue – IFRS 15 Revenue from Contracts with Customers	–	4.5	–	4.5
Inventories	286.2	–	(5.2)	281.0
Current contract liabilities	–	(9.1)	–	(9.1)
Other payables – deferred revenue	(1.0)	–	–	(1.0)
Other payables – payments on account from customers	(9.1)	9.1	–	–

IFRS 15 requires an entity to recognise revenue when control of promised goods or services is passed to its customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will either be recognised at a point in time, when the entity has completed its performance obligation or over time as, while and when the promise is performed. Consequently, revenue that was previously recognised at a point in time may now have to be recognised over time.

Hunting's revenue is principally generated from the following sources:

- Sales of goods to customers; products include manufactured goods and OCTG supplies.
- Performance of services, which is principally comprised of threading plain-end pipe.
- Licensed use of Hunting's thread designs.
- Rental of equipment such as mud motors and drilling tools. Rental revenue does not fall within the scope of IFRS 15 and is unaffected by the requirements of the new accounting standard.

Management has identified two principal revenue streams that require an amendment to the Group's revenue accounting policies following the adoption of IFRS 15. These activities involve: (1) the manufacture of products that have been designed with the customer to their bespoke specifications and for which Hunting has an enforceable right to payment if the customer were to prematurely withdraw from the contract without cause; and (2) work performed by Hunting that enhances customer-owned products, such as lathing customer-owned plain-end pipe.

Under IFRS 15, apportionment of revenue between different financial reporting periods is required when Hunting's satisfaction of performance obligations straddles two or more financial reporting periods. The majority of Hunting's performance obligations are relatively short and consequently very few in number straddle two financial reporting periods. As a result, only a small proportion of the Group's annual revenue needs to be apportioned between financial reporting periods such that the impact on the Group's financial statements is minimal.

16. Change in Accounting Policies continued

16d. Impact of Adoption of IFRS 15 Revenue from Contracts with Customers continued
The impact on the Group's retained earnings as at 1 January 2017 is as follows:

	2017 $m
Opening retained earnings at 1 January 2017 (before restatement for IFRS 15)	800.0
Point in time sales recognised as over time sales under IFRS 15	1.0
Restated opening retained earnings at 1 January 2017 under IFRS 15	801.0

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 $m
Restated opening retained earnings at 1 January 2018 under IFRS 9 (before restatement for IFRS 15) (note 16b)	780.4
Point in time sales recognised as over time sales under IFRS 15	1.6
Restated opening retained earnings at 1 January 2018 under IFRS 9 and IFRS 15	782.0

Prior to the adoption of IFRS 15, the majority of the Group's revenue was recognised at the point in time when the goods or services were completed/delivered. IFRS 15 requires the Group to now recognise revenue when control of the goods or services transfers to the customer. For some of the Group's activities as described above, this requires the Group to recognise revenue while the goods are still being manufactured or the services are still being performed. Consequently, revenue on these activities is recognised earlier under IFRS 15 than it is recognised under the previous accounting standards. At 31 December 2017, the fair value of the accelerated revenue amounted to $6.8m and this is recognised as a contract asset, within current receivables, on the balance sheet and as additional revenue within the year ended 31 December 2017.

As a result of control of the goods and services transferring to the customer, the Group must also de-recognise the costs incurred to date in producing the goods or performing the services. As at 31 December 2017, the carrying value of the goods and services that had transferred to the customer, and which under the previous accounting standards was recognised as inventory, amounted to $5.2m.

The net impact of recognising an additional asset of $6.8m, carried at fair value, and de-recognising the associated cost of $5.2m, is to increase the Group's net assets by $1.6m, which is recognised as a $1.6m increase in retained earnings. As a result of the Group's tax position, the tax impact of these adjustments is $nil.

The presentation of certain amounts in the balance sheet has been changed to reflect the terminology of IFRS 15, as follows:

- Net trade receivables of $148.0m have now been presented as net trade receivables from revenue from contracts with customers of $135.5m and net trade receivables from revenue from leasing contracts of $12.5m.
- Accrued revenue of $6.2m has now been presented as accrued revenue arising from contracts with customers of $4.5m and accrued revenue arising from leasing contracts of $1.7m.
- Contract liabilities of $9.1m were previously presented as payments on account from customers in other payables.

16e. IFRS 15 Revenue from Contracts with Customers Accounting Policies
- Revenue from contracts with customers is measured as the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.
- Revenue is recognised when control over a good or a service is transferred to the customer.
- Revenue can be recognised at a point in time, which is normally on delivery of the products. Products include manufactured goods and OCTG supplies, including tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe. Invoices for products are issued when the product is delivered.
- Revenue can also be recognised over a period of time, where the customer simultaneously receives and consumes the benefits of Hunting's services over time, such as customers' own plain-end pipe on which lathing work has been applied, the manufacture of bespoke specialised circuitry and housing or pipe storage and management services. Invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.
- 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.
- The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payments are due within one year.

The Directors believe it is appropriate to include in the Half Year Report a number of non-GAAP measures ("NGMs") that are commonly used within the business. These measures supplement the information provided in the IFRS "reported" financial statements and accompanying notes, providing additional insight to the users of the Half Year Report. The condensed interim financial statements do not include all non-GAAP measures of the Group; this section should be read in conjunction with the Group's 2017 Annual Report and Accounts.

A. EBITDA
Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities.

Calculation Definition: Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation for continuing operations.

	Six months ended 30 June 2018 $m	Restated Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Reported profit (loss) from operations – as previously reported	**38.9**	(23.7)	(25.4)
Change in accounting policy	**–**	(0.2)	0.6
Reported profit (loss) from operations – restated	**38.9**	(23.9)	(24.8)
Add:			
Depreciation charge for property, plant and equipment	**17.7**	20.2	39.6
Amortisation of intangible assets	**16.0**	15.6	31.2
Impairment of property plant and equipment and other assets	**1.0**	–	7.6
Less:			
Reversal of impairment of property plant and equipment and other assets	**(2.0)**	–	–
Reported EBITDA	**71.6**	11.9	53.6
Add exceptional items impacting EBITDA:			
Loss on disposal of Kenya rental fleet	**0.5**	–	–
Restructuring costs	**0.5**	–	2.4
Underlying EBITDA	**72.6**	11.9	56.0

B. 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 the loan note, plus inventories less trade and other payables, excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	At 30 June 2018 $m	Restated At 30 June 2017 $m	Restated At 31 December 2017 $m
Trade and other receivables – non-current	**2.4**	2.5	3.3
Trade and other receivables – current	**217.4**	161.8	185.7
Inventories	**322.4**	281.7	281.0
Trade and other payables – current	**(128.6)**	(108.6)	(130.9)
Trade and other payables – non-current	**(3.8)**	(12.9)	(3.9)
Less: non-working capital loan note	**(1.2)**	(1.3)	(1.3)
Add: non-working capital non-current other payables	**1.7**	11.1	12.2
(Less) add: non-working capital current other receivables and other payables	**(0.3)**	0.2	(1.2)
	410.0	334.5	344.9

C. Gearing

Purpose: This ratio indicates the relative level of debt funding, or financial leverage, which the Group is subject to with higher levels indicating increasing levels of financial risk.

Calculation Definition: Gearing is calculated as net debt as a percentage of total equity.

	At 30 June 2018 $m	Restated At 30 June 2017 $m	Restated At 31 December 2017 $m
Total equity – as previously reported	**1,146.5**	1,105.1	1,110.5
Adjustment on adoption of IFRS 15 (note 16)	**–**	0.8	1.6
Total equity – restated	**1,146.5**	1,105.9	1,112.1
Net (cash) debt (note 13)	**(39.0)**	5.7	(30.4)
Capital employed	**1,107.5**	1,111.6	1,081.7
Gearing	**0%**	1%	0%

D. Free Cash Flow

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate from its activities and has available to retain, utilise for investment, whether organic or by way of acquisition, or return to shareholders.

Calculation Definition: Underlying profit or loss from operations adjusted for working capital, tax and interest.

	Six months ended 30 June 2018 $m	Restated Six months ended 30 June 2017 $m	Restated Year ended 31 December 2017 $m
Underlying EBITDA (NGM A)	**72.6**	11.9	56.0
Add: share-based payments	**7.1**	7.1	11.9
	79.7	19.0	67.9
Working capital movements	**(66.2)**	(31.8)	(39.9)
Net interest paid and bank fees	**(0.4)**	(1.6)	(2.4)
Tax (paid) received	**(1.4)**	(0.1)	6.5
Proceeds from disposal of PPE	**10.9**	3.3	6.2
Pension scheme refund	**–**	9.7	9.7
Disposal of business	**–**	1.8	1.8
Other	**(0.5)**	2.2	(0.5)
Free cash flow	**22.1**	2.5	49.3

Free cash flow has been restated at 30 June and 31 December 2017 for the impact of the adoption of IFRS 15. It has also been restated for the change in the definition of free cash flow, which excludes replacement capital expenditure and includes any profit or loss on disposal of assets. Management believe that the revised calculation of free cash flow provides them with a more relevant KPI.

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