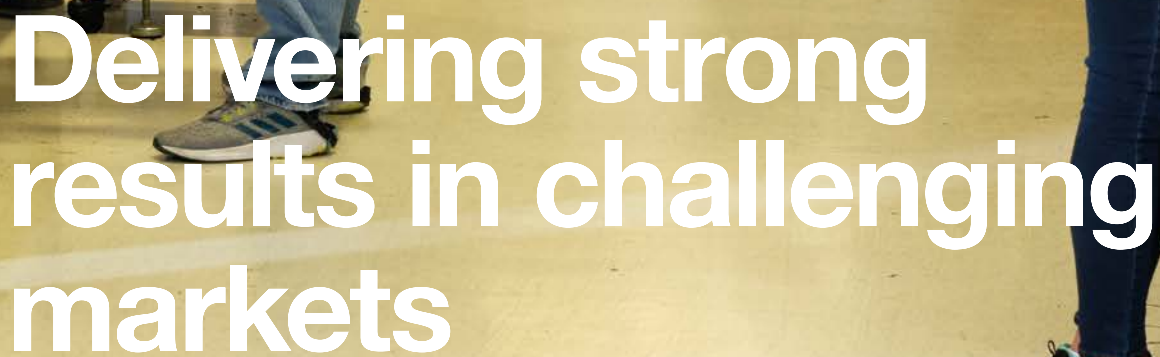
HUNTING



Delivering strong results in challenging markets

2019 Half Year Report

Hunting is a supplier to the upstream oil and gas industry.

Our strategy is to manufacture products and deliver services to our customers wherever in the world they are operating.

Hunting's product offering extends across the life cycle of an oil and gas well, and this focus allows us to create, distribute and sustain value for our shareholders.

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

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

Half Year Management Report

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

Group Review

Introduction

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

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

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

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

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

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

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

Operational Initiatives

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

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

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

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

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

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

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

Outlook

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

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

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

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

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

Results from Operations

Summary Group Results from Operations

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

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

Basis of Preparation

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

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

Revenue

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

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

Profit Measures

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

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

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

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

Amortisation and Exceptional Items

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

Taxation

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

Dividend

The Board is declaring an interim dividend of 5.0 cents per share (H1 2018 – 4.0 cents) amounting to an estimated cash distribution of $8.3m (H1 2018 – $6.6m). The dividend will be paid in Sterling on 23 October 2019 and the Sterling value of the dividend payable per share will be fixed and announced approximately two weeks prior to the payment date, based on the average spot exchange rate over the three business days preceding the announcement date. The dividend will be paid to those shareholders on the register at the close of business on 4 October 2019, with an ex-dividend date of 3 October 2019.

Group Funding and Position as at the Half Year

Cash Flow

Summary Group Cash Flow

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

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

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

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

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

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

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

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

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

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

Balance Sheet

Summary Group Balance Sheet

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

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

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

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

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

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

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

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

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

Exchange Rates

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

Segmental Trading Review

Hunting Titan

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

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

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

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

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

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

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

US

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

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

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

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

Segmental Results from Operations

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

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

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

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

Canada

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

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

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

Europe, Middle East and Africa ("EMEA")

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

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

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

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

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

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

Asia Pacific

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

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

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

Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2018 Annual Report and Accounts on pages 44 and 47, which includes the requirement for all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk.

There are a number of principal risks that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Some of the risks that Hunting is exposed to, which could have a material adverse impact on the Group, arise from the specific activities undertaken by the Group, whereas other risks are common to many international manufacturing companies. The principal risks are: competition; commodity prices; shale drilling; geopolitics; health, safety and environmental laws; loss of key executives; and product quality and reliability. Details of those principal risks facing the Group are on pages 49 to 52 of the Group's 2018 Annual Report and Accounts.

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

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

Forward-looking Statements

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

Jay Glick
Chairman

Jim Johnson
Chief Executive

29 August 2019

Statement of Directors' Responsibilities

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on these condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2018 Annual Report and Accounts.

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

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

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

On behalf of the Board

Peter Rose
Finance Director

29 August 2019

Independent Review Report to Hunting PLC

We have been engaged by the company to review the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related notes 1 to 18. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom

29 August 2019

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2019 Before Amortisation[ii] and exceptional items $m	Amortisation[ii] and exceptional items (note 4) $m	Total $m	Unaudited Six months ended 30 June 2018[i] Before Amortisation[ii] and exceptional items $m	Amortisation[ii] and exceptional items (note 4) $m	Total $m
Revenue	2,3	**508.9**	**–**	**508.9**	442.8	–	442.8
Cost of sales		**(363.3)**	**–**	**(363.3)**	(305.5)	–	(305.5)
Gross profit		**145.6**	**–**	**145.6**	137.3	–	137.3
Other operating income		**6.4**	**–**	**6.4**	4.3	–	4.3
Operating expenses		**(96.4)**	**(14.5)**	**(110.9)**	(88.1)	(14.6)	(102.7)
Profit (loss) from operations	2	**55.6**	**(14.5)**	**41.1**	53.5	(14.6)	38.9
Finance income		**1.7**	**–**	**1.7**	1.3	–	1.3
Finance expense		**(2.7)**	**–**	**(2.7)**	(2.2)	–	(2.2)
Profit (loss) before tax from operations		**54.6**	**(14.5)**	**40.1**	52.6	(14.6)	38.0
Taxation	5	**(13.3)**	**3.6**	**(9.7)**	(10.9)	3.6	(7.3)
Profit (loss) for the period		**41.3**	**(10.9)**	**30.4**	41.7	(11.0)	30.7
Profit (loss) attributable to:							
Owners of the parent		**40.7**	**(10.9)**	**29.8**	42.8	(10.2)	32.6
Non-controlling interests		**0.6**	**–**	**0.6**	(1.1)	(0.8)	(1.9)
		41.3	**(10.9)**	**30.4**	41.7	(11.0)	30.7

Earnings per share:		**cents**		**cents**	cents		cents
Basic	6	**24.6**		**18.0**	26.1		19.9
Diluted	6	**23.6**		**17.3**	25.0		19.1

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 17.
ii. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The notes on pages 16 to 30 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Income Statement continued

	Notes	Audited Year ended 31 December 2018[i] Before amortisation[ii] and exceptional items $m	Amortisation[ii] and exceptional items (note 4) $m	Total $m
Revenue	2,3	911.4	–	911.4
Cost of sales		(636.3)	–	(636.3)
Gross profit		275.1	–	275.1
Other operating income		7.8	–	7.8
Operating expenses		(178.2)	(29.3)	(207.5)
Profit (loss) from operations	2	104.7	(29.3)	75.4
Finance income		2.6	–	2.6
Finance expense		(3.3)	–	(3.3)
Profit (loss) before tax from operations		104.0	(29.3)	74.7
Taxation	5	(22.0)	33.0	11.0
Profit for the year		82.0	3.7	85.7
Profit attributable to:				
Owners of the parent		84.8	4.5	89.3
Non-controlling interests		(2.8)	(0.8)	(3.6)
		82.0	3.7	85.7

Earnings per share:		cents		cents
Basic	6	51.6		54.4
Diluted	6	49.6		52.3

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 17.

ii. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2019 $m	Unaudited Six months ended 30 June 2018 $m	Audited Year ended 31 December 2018 $m
Comprehensive income:			
Profit for the period	**30.4**	30.7	85.7
Components of other comprehensive income (expense) after tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments	**1.0**	(4.5)	(8.4)
Fair value gains and losses			
– (losses) gains originating on net investment hedges arising during the period	**(0.4)**	0.7	–
– gains originating on cash flow hedges arising during the period	**-**	0.1	0.2
	0.6	(3.7)	(8.2)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**(0.2)**	0.8	1.5
Other comprehensive income (expense) after tax	**0.4**	(2.9)	(6.7)
Total comprehensive income for the period	**30.8**	27.8	79.0
Total comprehensive income (expense) attributable to:			
Owners of the parent	**30.2**	30.2	83.8
Non-controlling interests	**0.6**	(2.4)	(4.8)
	30.8	27.8	79.0

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

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2019 $m	Unaudited As at 30 June 2018[i] $m	Audited At 31 December 2018[i] $m
ASSETS				
Non-current assets				
Property, plant and equipment	7,9	**362.0**	365.3	360.2
Right-of-use assets	8,9	**39.6**	–	–
Goodwill	9	**230.0**	230.1	229.9
Other intangible assets	10	**85.9**	111.0	99.8
Deferred tax assets		**22.7**	4.5	26.0
Trade and other receivables	11	**3.3**	2.4	3.5
Investments		**2.7**	2.4	2.4
		746.2	715.7	721.8
Current assets				
Inventories	12	**336.6**	322.4	348.2
Trade and other receivables	11	**263.4**	217.4	231.0
Cash and cash equivalents		**87.4**	45.3	67.9
Current tax assets		**0.1**	1.1	0.1
Retirement benefit assets		**–**	18.2	–
		687.5	604.4	647.2
LIABILITIES				
Current liabilities				
Trade and other payables		**139.2**	128.6	140.9
Current tax liabilities		**12.1**	6.2	11.2
Lease liabilities		**10.0**	–	–
Borrowings		**3.0**	2.4	2.7
Provisions		**2.6**	6.5	4.7
		166.9	143.7	159.5
Net current assets		**520.6**	460.7	487.7
Non-current liabilities				
Lease liabilities		**37.1**	–	–
Provisions		**5.6**	10.5	9.5
Trade and other payables		**4.6**	3.8	3.8
Borrowings		**3.9**	3.9	3.9
Deferred tax liabilities		**1.3**	11.7	1.2
		52.5	29.9	18.4
Net assets		**1,214.3**	1,146.5	1,191.1
Equity attributable to owners of the parent				
Share capital		**67.3**	66.7	66.7
Share premium		**153.0**	153.0	153.0
Other components of equity		**63.2**	85.3	75.8
Retained earnings		**916.4**	825.1	881.6
		1,199.9	1,130.1	1,177.1
Non-controlling interests		**14.4**	16.4	14.0
Total equity		**1,214.3**	1,146.5	1,191.1

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2019						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 31 December 2018 as previously reported	**66.7**	**153.0**	**75.8**	**881.6**	**1,177.1**	**14.0**	**1,191.1**
Adjustment on adoption of IFRS 16 (note 17)	**–**	**–**	**–**	**(0.6)**	**(0.6)**	**(0.2)**	**(0.8)**
At 1 January 2019 restated	**66.7**	**153.0**	**75.8**	**881.0**	**1,176.5**	**13.8**	**1,190.3**
Profit for the period	**–**	**–**	**–**	**29.8**	**29.8**	**0.6**	**30.4**
Other comprehensive income (expense)	**–**	**–**	**0.6**	**(0.2)**	**0.4**	**–**	**0.4**
Total comprehensive income (expense)	**–**	**–**	**0.6**	**29.6**	**30.2**	**0.6**	**30.8**
Dividends to equity shareholders (note 13)	**–**	**–**	**–**	**(8.3)**	**(8.3)**	**–**	**(8.3)**
Shares issued							
– share option schemes and awards	**0.6**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Treasury shares							
– purchase of treasury shares	**–**	**–**	**–**	**(4.9)**	**(4.9)**	**–**	**(4.9)**
Share options and awards							
– value of employee services	**–**	**–**	**6.6**	**–**	**6.6**	**–**	**6.6**
– discharge	**–**	**–**	**(11.5)**	**10.7**	**(0.8)**	**–**	**(0.8)**
– taxation							
Transfer between reserves[i]	**–**	**–**	**(8.3)**	**8.3**	**–**	**–**	**–**
Total transactions with owners	**0.6**	**–**	**(13.2)**	**5.8**	**(6.8)**	**–**	**(6.8)**
At 30 June 2019	**67.3**	**153.0**	**63.2**	**916.4**	**1,199.9**	**14.4**	**1,214.3**

i. $8.3m of the merger reserve is now considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 has now met the definition of qualifying consideration, and has been transferred to retained earnings.

	Unaudited Six months ended 30 June 2018						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
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	–	–	–	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	–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2018 restated	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 2018	66.7	153.0	85.3	825.1	1,130.1	16.4	1,146.5

Condensed Consolidated Statement of Changes in Equity continued

	Audited Year ended 31 December 2018						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
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	–	–	–	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	–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2018 restated	66.4	153.0	91.7	782.0	1,093.1	18.8	1,111.9
Profit (loss) for the year	–	–	–	89.3	89.3	(3.6)	85.7
Other comprehensive (expense) income	–	–	(7.0)	1.5	(5.5)	(1.2)	(6.7)
Total comprehensive income	–	–	(7.0)	90.8	83.8	(4.8)	79.0
Hedging losses transferred to the carrying value of inventory purchased in the year	–	–	(0.1)	–	(0.1)	–	(0.1)
Dividends to equity shareholders (note 13)	–	–	–	(6.6)	(6.6)	–	(6.6)
Shares issued							
– share option schemes and awards	0.3	–	–	–	0.3	–	0.3
Treasury shares							
– purchase of treasury shares	–	–	–	(5.7)	(5.7)	–	(5.7)
Share options and awards							
– value of employee services	–	–	13.1	–	13.1	–	13.1
– discharge	–	–	(9.7)	9.2	(0.5)	–	(0.5)
– taxation	–	–	–	(0.3)	(0.3)	–	(0.3)
Transfer between reserves	–	–	(12.2)	12.2	–	–	–
Total transactions with owners	0.3	–	(8.8)	8.8	0.3	–	0.3
At 31 December 2018	66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1

Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended 30 June 2019 $m	Unaudited Six months ended 30 June 2018[i] $m	Audited Year ended 31 December 2018[i] $m
Operating activities				
Reported profit from operations		**41.1**	38.9	75.4
Acquisition amortisation and exceptional items	4	**14.5**	14.6	29.3
Depreciation and non-acquisition amortisation		**21.8**	19.1	37.6
Underlying EBITDA (NGM A)		**77.4**	72.6	142.3
Share-based payment expense		**6.6**	7.1	13.2
Decrease (increase) in inventories		**12.2**	(43.7)	(72.7)
Increase in receivables		**(32.7)**	(31.9)	(47.3)
(Decrease) increase in payables		**(0.8)**	9.4	23.4
Decrease in provisions		**(1.6)**	(1.2)	(3.8)
Taxation paid		**(3.6)**	(1.4)	(2.6)
Receipt of surplus UK defined benefit pension assets		**–**	–	10.6
Payment of US pension scheme liabilities		**–**	(10.4)	(10.4)
Proceeds from disposal of property, plant and equipment held for rental		**1.7**	2.5	3.9
Purchase of property, plant and equipment held for rental		**(4.1)**	(3.1)	(5.8)
Net gain on disposal of property, plant and equipment		**(0.6)**	(0.7)	(1.0)
Gain on disposal of business		**(1.6)**	–	–
Other non-cash flow items		**–**	1.5	2.9
Net cash inflow from operating activities		**52.9**	0.7	52.7
Investing activities				
Interest received		**0.6**	0.3	0.4
Net movement on loans to and from associates		**0.1**	(0.1)	–
Proceeds from disposal of business		**2.5**	–	–
Proceeds from disposal of associates		**–**	–	1.3
Proceeds from disposal of investments		**–**	10.4	10.4
Proceeds from disposal of property, plant and equipment		**0.5**	8.4	12.5
Purchase of property, plant and equipment		**(16.2)**	(8.3)	(24.3)
Purchase of intangible assets		**(2.2)**	(1.7)	(6.6)
Net cash (outflow) inflow from investing activities		**(14.7)**	9.0	(6.3)
Financing activities				
Interest and bank fees paid		**(0.7)**	(0.7)	(2.4)
Dividends paid to equity shareholders		**(8.3)**	–	(6.6)
Share capital issued		**0.6**	0.3	0.3
Purchase of Treasury shares		**(4.2)**	–	(5.7)
Payment of lease liabilities		**(6.2)**	–	–
Proceeds from new borrowings		**0.2**	–	0.9
Net cash outflow from financing activities		**(18.6)**	(0.4)	(13.5)
Net cash inflow in cash and cash equivalents		**19.6**	9.3	32.9
Cash and cash equivalents at the beginning of the period		**66.1**	34.3	34.3
Effect of foreign exchange rates		**(0.2)**	(0.7)	(1.1)
Cash and cash equivalents at the end of the period		**85.5**	42.9	66.1
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		**42.3**	45.3	32.4
Money Market Funds		**45.1**	–	26.1
Short-term deposits		**–**	–	9.4
Cash and cash equivalents per the balance sheet		**87.4**	45.3	67.9
Bank overdrafts included in borrowings		**(1.9)**	(2.4)	(1.8)
		85.5	42.9	66.1

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.

Notes

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 2018 Annual Report and Accounts, which have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRSs") 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 2018 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.

IFRS 16 Leases has been adopted and is effective for the financial year beginning as of 1 January 2019. The Group has changed its accounting policies as a result of adopting IFRS 16 Leases. The new accounting policy and the impact of adopting this accounting standard have been shown in note 17.

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2019, 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 170 and 171 contained in the 2018 Annual Report and Accounts.

The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

IFRS 17 Insurance Contracts is effective subsequent to the period end, and is being assessed to determine whether there is a significant impact on the Group's results or financial position.

Going Concern and Liquidity

Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on 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 2019, 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 $160m of secured committed facilities, which were undrawn on 30 June 2019. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next twelve months.

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 no 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

Following a restructuring in reporting lines and the reduced operations in Africa and the Middle East, the Middle East, Africa and Other operating segment has been combined with the Europe operating segment to form the Europe, Middle East and Africa segment ("EMEA"). In addition, due to diminished materiality, the Exploration and Production segment has been combined with the US segment. Therefore, for the six months ended 30 June 2019, the Group has been reporting on five operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The segment information for 2018 has been restated to reflect these changes.

The Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and who undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and underlying operating results. Underlying operating result 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 transfer pricing policy on an arm's length basis. Central 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 a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1™ gun systems, ControlFire™ switches, EQUAfrac™ shaped charges, the TSet™ line of setting tools and the PowerSet family of power charges. The business has manufacturing facilities in the US and Mexico, and is supported by strategically-located distribution centres across North America.

US: The US businesses supply premium connections, oil country tubular goods ("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 manufactures perforating system products for Hunting Titan. The segment also includes the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico.

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 for Hunting Titan.

Europe, Middle East and Africa ("EMEA"): Revenue from this segment is generated from the supply of OCTG and well intervention equipment to operators in the North Sea as well as the sale and rental of in-field well intervention products across the Middle East region. In the Middle East, the operations also act as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

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 for sale to Hunting Titan and for sale in its domestic markets.

Due to its size and nature of operations, Hunting Titan's activities are reported separately. Although the Canada segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, this segment is separately reported as it is separately 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 2019					
	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	**206.1**	**(2.1)**	**204.0**	**42.2**	**(12.9)**	**29.3**
US	**181.1**	**(20.3)**	**160.8**	**12.9**	**(1.6)**	**11.3**
Canada	**19.5**	**(4.4)**	**15.1**	**(3.0)**	**–**	**(3.0)**
EMEA	**67.0**	**(4.1)**	**62.9**	**0.2**	**–**	**0.2**
Asia Pacific	**75.1**	**(9.0)**	**66.1**	**3.3**	**–**	**3.3**
Total from operations	**548.8**	**(39.9)**	**508.9**	**55.6**	**(14.5)**	**41.1**
Net finance expense				**(1.0)**	**–**	**(1.0)**
Profit (loss) before tax from operations				**54.6**	**(14.5)**	**40.1**

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

	Restated 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	59.2	(13.0)	46.2
US	147.3	(22.5)	124.8	3.2	(1.6)	1.6
Canada	21.7	(6.3)	15.4	(1.1)	–	(1.1)
EMEA	56.1	(6.8)	49.3	(6.8)	–	(6.8)
Asia Pacific	51.2	(10.6)	40.6	(1.0)	–	(1.0)
Total from operations	493.0	(50.2)	442.8	53.5	(14.6)	38.9
Net finance expense				(0.9)	–	(0.9)
Profit (loss) before tax from operations				52.6	(14.6)	38.0

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

The segment information for 30 June 2018 has been restated for the change in the Group's operating segments reported to the CODM as discussed above. The segment information for 30 June 2018 has also been restated for a change in the calculation of central costs, which was implemented in H2 2018. Previously, certain segmental costs had been identified as central costs. The impact of the change in central costs has been to increase Hunting Titan's results by $1.9m, reduce the US results by $3.1m and increase Canada, EMEA and Asia Pacific's results by $0.2m, $0.5m and $0.5m respectively.

2. Segmental Reporting continued

	Restated Year ended 31 December 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	418.2	(6.9)	411.3	106.9	(26.1)	80.8
US	329.7	(43.0)	286.7	14.2	(3.2)	11.0
Canada	44.8	(9.6)	35.2	(1.8)	–	(1.8)
EMEA	107.3	(9.9)	97.4	(13.8)	–	(13.8)
Asia Pacific	107.0	(26.2)	80.8	(0.8)	–	(0.8)
Total from operations	1,007.0	(95.6)	911.4	104.7	(29.3)	75.4
Net finance expense				(0.7)	–	(0.7)
Profit (loss) before tax from operations				104.0	(29.3)	74.7

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

The segment information for 31 December 2018 has been restated for the change in the Group's operating segments reported to the CODM, as discussed above.

Revenue by Products and Services

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

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Perforating Systems	**199.4**	209.4	404.1
OCTG	**181.7**	123.6	277.4
Advanced Manufacturing	**59.4**	46.6	98.5
Intervention Tools	**24.9**	22.3	46.4
Subsea	**18.9**	13.4	30.5
Drilling Tools	**11.3**	13.1	27.6
Other	**13.3**	14.4	26.9
Total external revenue	**508.9**	442.8	911.4

3. Revenue

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

	Six month ended 30 June 2019			
	Revenue from contracts with customers $m	**Rental revenue $m**	**Other revenue $m**	**Total external revenue $m**
Hunting Titan	**204.0**	**–**	**–**	**204.0**
US	**147.6**	**12.2**	**1.0**	**160.8**
Canada	**15.1**	**–**	**–**	**15.1**
EMEA	**59.3**	**3.6**	**–**	**62.9**
Asia Pacific	**66.1**	**–**	**–**	**66.1**
External revenue	**492.1**	**15.8**	**1.0**	**508.9**

	Restated Six month ended 30 June 2018			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	212.7	–	–	212.7
US	109.4	13.9	1.5	124.8
Canada	15.3	0.1	–	15.4
EMEA	44.6	4.7	–	49.3
Asia Pacific	40.6	–	–	40.6
External revenue	422.6	18.7	1.5	442.8

The table above has been restated for the change in operating segments.

	Restated Year ended 31 December 2018			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	411.3	–	–	411.3
US	254.5	29.6	2.6	286.7
Canada	35.1	0.1	–	35.2
EMEA	87.8	9.6	–	97.4
Asia Pacific	80.8	–	–	80.8
External revenue	869.5	39.3	2.6	911.4

The table above has been restated for the change in operating segments.

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. Invoices for products are issued when the product is shipped or made available to the customer and invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.

4. Amortisation and Exceptional Items

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Closure of South African facility	**–**	(2.0)	(2.0)
Closure of Kenya joint venture	**–**	2.0	2.0
Charged to cost of sales	**–**	–	–
Amortisation of acquired intangible assets charged to operating expenses	**14.5**	14.6	29.3
Total amortisation and exceptional items charged to profit from operations	**14.5**	14.6	29.3
Taxation on amortisation and exceptional items	**(3.6)**	(3.6)	(33.0)
	10.9	11.0	(3.7)

Due to their size and nature, the following items have been disclosed as exceptional items in the financial statements:

In 2018, the Group 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 2018 in relation to the disposal of property, plant and equipment from the South African facility. Also, given the modest drilling activity forecast for East Africa in the medium term, the Board made the decision to close its Kenyan joint venture in Mombasa in H1 2018. 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 were recognised in 2018, totalling $2.0m.

There were no exceptional items in the six months ended 30 June 2019.

5. Taxation

The taxation charge for the six months ended 30 June 2019 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 2019 is 24% (NGM B) and has been used for the six months ended 30 June 2019 (six months ended 30 June 2018 – 21%).

The underlying tax charge for the six months ended 30 June 2019 is $13.3m (six months ended 30 June 2018 – $10.9m; year ended 31 December 2018 – $22.0m).

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 2018 – $3.6m; year ended 31 December 2018 – $33.0m). The tax credit for the year ended 31 December 2018 of $33.0m included a credit of $25.3m for the recognition of US deferred tax assets, as a result of improved trading conditions in the US. The credit was shown as part of the credit in respect of amortisation of acquired intangible assets and exceptional items, which was consistent with the treatment of tax on amortisation in prior years.

The reported tax charge for the six months ended 30 June 2019 is $9.7m (six months ended 30 June 2018 – $7.3m charge; year ended 31 December 2018 – $11.0m credit).

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 29 October 2018. The Finance Act 2019 was enacted on 12 February 2019. 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.

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

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Reported earnings attributable to Ordinary shareholders	**29.8**	32.6	89.3
Add (subtract): amortisation and exceptional items after taxation	**10.9**	10.2	(4.5)
Underlying earnings attributable to Ordinary shareholders	**40.7**	42.8	84.8

	millions	millions	millions
Basic weighted average number of Ordinary shares	**165.1**	163.9	164.1
Long-term incentive plans	**7.0**	7.3	6.6
Adjusted weighted average number of Ordinary shares	**172.1**	171.2	170.7

	cents	cents	cents
Reported earnings per share:			
Basic EPS	**18.0**	19.9	54.4
Diluted EPS	**17.3**	19.1	52.3
Underlying earnings per share:			
Basic EPS	**24.6**	26.1	51.6
Diluted EPS	**23.6**	25.0	49.6

7. Property, Plant and Equipment

During the first six months of 2019, the net book value of property, plant and equipment increased from $360.2m to $362.0m due to additions of $19.9m being offset by disposals of $2.0m and depreciation of $16.1m.

Additions include $3.4m for land and buildings, $12.5m for plant, machinery and motor vehicles and $4.0m for rental tools.

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for at 30 June 2019 amounted to $13.4m (30 June 2018 – $9.5m; at 31 December 2018 – $15.0m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade properties, plant and equipment in the UK and US, which have a carrying value of $232.3m (six months ended 30 June 2018 – $226.8m; year ended 31 December 2018 – $229.6m).

8. Right-of-use Assets

On the adoption of IFRS 16 Leases as at 1 January 2019 (note 17), the Group recognised right-of-use assets of $40.4m; $39.9m for land and buildings and $0.5m for plant, machinery and motor vehicles. Additions in the year of $2.5m, foreign exchange adjustments of $0.4m and modifications of $0.3m were offset by depreciation of $4.0m. The net book value at 30 June 2019 was $39.6m.

9. Indicators of Impairment and Updated Impairment Tests

In preparing the June 2019 accounts, Hunting has considered whether any indicators of impairment exist, in particular considering those CGUs which were considered sensitive in the 2018 Annual Report and Accounts (as disclosed in notes 12 and 13). For these, conditions in the North Sea have been improving and there are no negative indicators of change for our Aberdeen / Netherlands OCTG and European Well Intervention CGUs. In Canada, current market conditions are worse than originally expected and the CGU is performing below budget, which was the basis for impairment testing projections. Management has, however, implemented restructuring actions and revised projections, including the cost savings implemented, indicate that impairment is not required and that sensitivities are not adverse to those disclosed in the 2018 year-end accounts.

After right-of-use assets have been recognised under IFRS 16 Leases they become subject to the same impairment testing considerations required by IAS 36 Impairment as other non-current assets. This assessment was carried out on adoption on 1 January 2019 as disclosed in note 17b. A right of use asset will be impaired if expected cash flows are insufficient to justify the carrying value. If a right-of-use asset is no longer being used by the business this is an indictor of impairment. In such a case any contractual cash flows from sub-leasing the asset are taken into consideration in an impairment assessment. There have been no indicators of impairment since adoption, in particular there have been no changes in contractual terms for right-of-use assets which are not being used by the Group.

10. Other Intangible Assets

During the first six months of 2019, the net book value of other intangible assets decreased from $99.8m to $85.9m due to amortisation charges of $14.5m on intangible assets arising on business acquisitions and $1.7m on purchased intangible assets, which are offset by $2.2m of additions and $0.1m foreign exchange adjustments.

11. Trade and Other Receivables

	At 30 June 2019 $m	At 30 June 2018 $m	At 31 December 2018 $m
Non-current:			
Prepayments	**1.7**	1.7	2.5
Loan note	**0.6**	0.6	0.6
Other receivables	**1.0**	0.1	0.4
	3.3	2.4	3.5

	At 30 June 2019 $m	At 30 June 2018 $m	At 31 December 2018 $m
Current:			
Contract assets	**14.7**	8.7	11.8
Trade receivables	**209.0**	169.5	185.0
Accrued revenue	**8.4**	8.3	7.9
Gross receivables	**232.1**	186.5	204.7
Less: provision for impairment	**(3.4)**	(3.7)	(3.0)
Net receivables	**228.7**	182.8	201.7
Prepayments	**27.5**	28.5	22.5
Loan note	**0.6**	0.6	0.6
Other receivables[i]	**6.6**	5.5	6.2
	263.4	217.4	231.0

i. Other receivables include a provision for impairment of $nil (30 June 2018 – $nil; 31 December 2018 – $0.1m).

The net impairment loss on trade and other receivables recognised in the income statement in the period is $0.4m (30 June 2018 – $0.3m; 31 December 2018 – $1.1m).

In accordance with the amendments made to the Group's core committed 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 $162.8m (six months ended 30 June 2018 – $143.6m; year ended 31 December 2018 – $153.6m).

12. Inventories

	At 30 June 2019 $m	At 30 June 2018 $m	At 31 December 2018 $m
Raw materials	**106.1**	103.7	113.8
Work in progress	**62.0**	75.1	67.7
Finished goods	**193.9**	170.2	191.2
Gross inventories	**362.0**	349.0	372.7
Less: provision for losses	**(25.4)**	(26.6)	(24.5)
Net inventories	**336.6**	322.4	348.2

Gross inventories have decreased $10.7m from $372.7m at 31 December 2018 to $362.0m at 30 June 2019. Additions to inventories of $339.0m and foreign exchange movements of $1.3m were offset by inventories expensed to cost of sales of $349.7m and utilisation of inventory provisions of $1.3m.

The inventory provision has increased by $0.9m from $24.5m at 31 December 2018 to $25.4m at 30 June 2019, with $1.3m of the provision being utilised in the period. After foreign exchange movements of $0.1m, a net charge of $2.1m has been recognised in cost of sales in the period. Overall, Hunting's provision for inventory losses of 7% of gross inventory balances at 30 June 2019 remains unchanged from 31 December 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 $231.3m (six months ended 30 June 2018 – $210.0m; year ended 31 December 2018 – $234.1m).

13. Dividends Paid to Equity Shareholders

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Ordinary dividends:			
2018 final paid – 5.0c	**8.3**	–	–
2018 interim paid – 4.0c	**–**	–	6.6
	8.3	–	6.6

The 2018 final dividend was paid on 10 May 2019.

The Board is declaring an interim dividend of 5.0 cents (2018 – 4.0 cents) per share, which will absorb an estimated $8.3m, and be paid on 23 October 2019 to shareholders on the register at the close of business on 4 October 2019. The ex-dividend date is 3 October 2019.

14. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. As the Group manages funding on a net cash/debt basis, internal reporting focuses on changes in net cash/debt and this is presented in the Management Report. The net cash/debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items. Net cash/debt comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current borrowings, and current and non-current lease liabilities.

	At 1 January 2019 $m	Adoption of IFRS 16 $m	Restated at 1 January 2019 $m	Cash flow $m	New lease liabilities $m	Reclassified as current liabilities $m	Exchange and other movements $m	At 30 June 2019 $m
Cash and cash equivalents	67.9	–	67.9	19.7	–	–	(0.2)	87.4
Bank overdrafts	(1.8)	–	(1.8)	(0.1)	–	–	–	(1.9)
Cash and cash equivalents - per cash flow statement	66.1	–	66.1	19.6	–	–	(0.2)	85.5
Current lease liabilities	–	(9.3)	(9.3)	6.2	–	(6.8)	(0.1)	(10.0)
Non-current lease liabilities	–	(39.7)	(39.7)	–	(2.7)	6.8	(1.5)	(37.1)
Total lease liabilities	–	(49.0)	(49.0)	6.2	(2.7)	–	(1.6)	(47.1)
Unsecured bank loans	(0.9)	–	(0.9)	(0.2)	–	–	–	(1.1)
Non-current borrowings	(3.9)	–	(3.9)	–	–	–	–	(3.9)
Liabilities arising from financing activities	(4.8)	(49.0)	(53.8)	6.0	(2.7)	–	(1.6)	(52.1)
Total net cash (debt)	61.3	(49.0)	12.3	25.6	(2.7)	–	(1.8)	33.4

During the period ended 30 June 2019, $0.4m loan facility fees were paid and $0.2m fees were amortised.

	At 1 January 2018 $m	Cash flow $m	Exchange movements $m	At 30 June 2018 $m
Cash and cash equivalents	36.4	9.6	(0.7)	45.3
Bank overdrafts	(2.1)	(0.3)	–	(2.4)
Cash and cash equivalents - per cash flow statement	34.3	9.3	(0.7)	42.9
Non-current borrowings	(3.9)	–	–	(3.9)
Liabilities arising from financing activities	(3.9)	–	–	(3.9)
Total net cash (debt)	30.4	9.3	(0.7)	39.0

During the period ended 30 June 2018, $0.2m loan facility fees were amortised.

	At 1 January 2018 $m	Cash flow $m	Exchange movements $m	At 31 December 2018 $m
Cash and cash equivalents	36.4	32.6	(1.1)	67.9
Bank overdrafts	(2.1)	0.3	–	(1.8)
Cash and cash equivalents - per cash flow statement	34.3	32.9	(1.1)	66.1
Other current borrowings	–	(0.9)	–	(0.9)
Non-current borrowings	(3.9)	–	–	(3.9)
Liabilities arising from financing activities	(3.9)	(0.9)	–	(4.8)
Total net cash (debt)	30.4	32.0	(1.1)	61.3

During the year ended 31 December 2018, $0.5m loan facility fees were paid, $0.6m fees were accrued and $0.4m were amortised.

15. 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 2018 Annual Report and Accounts. There have been no changes in any risk management policies since the year-end.

16. Financial Instruments: Fair Values

The carrying value of investments, the loan note, contract assets, trade receivables, accrued revenue, other receivables, short-term deposits, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and other unsecured loans approximates their fair value. Drawdowns under the revolving credit facility are typically for periods of one month or less and, as a result, the carrying value and the fair value are considered to be the same.

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The fair value of Money Market Funds and listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the period-end exchange rate.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy. The fair value of Money Market Funds and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy.

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

The Group also has lease liabilities of $47.1m, which are not measured at fair value, in the balance sheet. The fair value of these financial liabilities has not been disclosed as their fair value cannot be measured reliably as there is no active market for these financial instruments. There is no expectation that the lease liabilities will be disposed of in the future.

17. Change in Accounting Policies

IFRS 16 Leases ("IFRS 16") has replaced IAS 17 Leases ("IAS 17") and its related interpretations. IFRS 16 establishes new principles for the recognition, measurement, presentation and disclosure of leases and became effective for the Group on 1 January 2019.

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

IFRS 16 has been adopted by applying the modified retrospective approach from 1 January 2019; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

Under IFRS 16, lessor accounting requirements remain largely unchanged from IAS 17, and continue to require a lessor to classify a lease either as an operating lease or a finance lease. There has been no impact on the Group's lessor accounting following the adoption of IFRS 16.

17a. Practical expedients applied on Adoption of IFRS 16

In applying IFRS 16 for the first time, the Group has applied the following practical expedients as permitted by the standard:

- for contracts entered into before the transition date, the Group has relied on its assessment made when applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Contracts have not been reassessed to determine if a contract is, or contains, a lease at the date of initial application;
- the accounting for operating leases with a remaining lease term of 12 months or less as at 1 January 2019 as short-term leases, with costs charged directly to the income statement;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

17b. Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases previously identified as operating leases in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. These lease liabilities were measured at 1 January 2019 at the present value of the remaining lease payments payable after that date. The associated right-of-use assets have been recognised as at 1 January 2019 on a retrospective basis as if IFRS 16 had always been applied.

17. Change in Accounting Policies continued

17b. Adjustments Recognised on Adoption of IFRS 16 continued

The lease term has been determined according to management's expectation of exercising any available extension/break/purchase options.

	Note	2019 $m
Total future aggregate minimum lease payments under non-cancellable operating leases (IAS 17)	1	**59.9**
Less: commitments in respect of leases that are not capitalised under IFRS 16	2	**(0.5)**
Less: lease that was incepted before 31.12.18 but which commenced after 31.12.18	3	**(0.6)**
Total future aggregate minimum lease payments of leases that are capitalised under IFRS 16		**58.8**
Less: Impact of discounting the future payments to their present value as at 31.12.18	4	**(9.8)**
Lease liability recognised as at 1 January 2019		**49.0**
Lease liabilities recognised on the balance sheet as at 1 January 2019:		
Current lease liabilities		**9.3**
Non-current lease liabilities		**39.7**
		49.0

Notes
1. As disclosed in note 35 of the 2018 Annual Report and Accounts. Under IAS 17, these future payments are not discounted for the time value of money.
2. Hunting PLC has elected to not capitalise leases that have a term of one year or less and leases that are for assets for which the Group would have had to have paid $5,000 or less if they were purchased, as new, instead of being leased.
3. The Group signed, and therefore "incepted", a lease in November 2018 and which, therefore, was a lease commitment as at 31 December 2018 under IAS 17. The property was first made available to the Group in February 2019, which is the commencement date for recognising the lease liability under IFRS 16.
4. Under IFRS 16, the Group's capitalised future lease commitments have been discounted using their relevant incremental borrowing rate, which has been determined by reference to the financial position of the operating unit that is leasing the asset, the amount of the gross lease obligation, the weighted average length of the lease term, the economic environment in which the lease takes place and the type of asset that is leased. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

The Group has elected not to apply the practical expedient of relying on its previous assessment of whether a lease is onerous as at 1 January 2019. Therefore, the measurement of certain right-of-use assets as at 1 January 2019 has been adjusted by an impairment charge. As a result of this, onerous lease provisions, required by IAS 17, of $4.1m have been derecognised and dilapidation provisions of $0.1m have also been derecognised. Lease incentive liabilities and rent expense accruals previously recognised in relation to operating leases of $2.3m have also been derecognised, together with rent prepayments of $0.4m, as these have been taken into account in the measurement of the lease liabilities and right-of-use assets.

The recognised right-of-use assets relate to the following types of assets:

	At 30 June 2019 $m	At 1 January 2019 $m
Land and buildings	**39.1**	**39.9**
Plant, machinery and motor vehicles	**0.5**	**0.5**
	39.6	**40.4**

17. Change in Accounting Policies continued

17b. Adjustments Recognised on Adoption of IFRS 16 continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As previously reported at 31 December 2018 $m	IFRS 16 $m	**At 1 January 2019 $m**
ASSETS			
Non-current assets			
Right-of-use assets	–	40.4	**40.4**
Deferred tax assets	26.0	1.7	**27.7**
Other non-current assets	695.8	–	**695.8**
	721.8	42.1	**763.9**
Current assets			
Trade and other receivables	231.0	(0.4)	**230.6**
Other current assets	416.2	–	**416.2**
	647.2	(0.4)	**646.8**
LIABILITIES			
Current liabilities			
Trade and other payables	140.9	(2.3)	**138.6**
Lease liabilities	–	9.3	**9.3**
Borrowings	2.7	–	**2.7**
Provisions	4.7	(1.1)	**3.6**
Current tax liabilities	11.2	–	**11.2**
	159.5	5.9	**165.4**
Net current assets	487.7	(6.3)	**481.4**
Non-current liabilities			
Lease liabilities	–	39.7	**39.7**
Provisions	9.5	(3.1)	**6.4**
Other non-current liabilities	8.9	–	**8.9**
	18.4	36.6	**55.0**
Net assets	1,191.1	(0.8)	**1,190.3**
Equity attributable to owners of the parent			
Retained earnings	881.6	(0.6)	**881.0**
Other equity reserves	295.5	–	**295.5**
	1,177.1	(0.6)	**1,176.5**
Non-controlling interests	14.0	(0.2)	**13.8**
Total equity	1,191.1	(0.8)	**1,190.3**

17. Change in Accounting Policies continued

17c. Impact on the 30 June 2019 Income Statement of the Adoption of IFRS 16

Underlying profit from operations has increased by $0.6m from $55.0m to $55.6m and underlying profit before tax has decreased from $55.1m to $54.6m following the adoption of IFRS 16. Reported profit from operations has increased by $0.6m from $40.5m to $41.1m for the period and reported profit before tax has decreased by $0.5m from $40.6m to $40.1m following the adoption of IFRS 16.

	Six months ended 30 June 2019 $m
Underlying and reported profit before taxation is stated after charging:	
Depreciation on right-of-use assets	**4.0**
Interest on lease liabilities	**1.1**

The underlying result and the reported result for the six months ended 30 June 2019 for the operating segments increased by $0.6m. The impact on the operating segments of adopting of IFRS 16 is shown below.

	Underlying result			Reported result		
	Pre IFRS 16 $m	IFRS 16 $m	Revised total $m	Pre IFRS 16 $m	IFRS 16 $m	Revised total $m
Hunting Titan	42.0	0.2	42.2	29.1	0.2	29.3
US	12.7	0.2	12.9	11.1	0.2	11.3
Canada	(3.1)	0.1	(3.0)	(3.1)	0.1	(3.0)
EMEA	0.2	–	0.2	0.2	–	0.2
Asia Pacific	3.2	0.1	3.3	3.2	0.1	3.3
	55.0	0.6	55.6	40.5	0.6	41.1

Underlying basic earnings per share decreased by 0.2 cents per share to 24.6 cents per share and underlying diluted earnings per share decreased by 0.2 cents per share to 23.6 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16. Reported basic earnings per share decreased by 0.2 cents per share to 18.0 cents per share and reported diluted earnings per share decreased by 0.2 cents per share to 17.3 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

Under IAS 17, all operating lease payments were included in cash flows from operating activities. Under IFRS 16, for capitalised leases, the lease payments are presented within financing activities and therefore cash inflows from operating activities have increased by $6.2m to $52.9m and cash outflows from financing activities have increased by $6.2m to $18.6m. For non-capitalised short-term leases and low-value asset leases cash outflows will be included in operating activities as was the case under IAS 17.

17d. The Group's Leasing Activities and Accounting Treatment

Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between 3 and 10 years, but may have extension options as described in below. Rental contracts for equipment and vehicles are typically made for fixed periods of between 3 and 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases, however the Group did not have any leases classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

17. Change in Accounting Policies continued

17d. The Group's Leasing Activities and Accounting Treatment continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments are included once known;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Extension and break options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. For extension and break options that are exercisable only by the Group and not by the respective lessor, management considers all facts and circumstances that create an economic incentive for the Group to exercise an extension option, or not exercise a break option in determining the lease term. The lease term has been determined according to management's expectation of exercising any available extension and break options. Extension or termination options are only adjusted in the lease term if the lease option is reasonably certain to be exercised.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The majority of the Group's leases are calculated using an incremental borrowing rate.

In applying IFRS 16, the Group has elected to apply both of the available exemptions that permit lessees, under pre-defined conditions, not to recognise a lease liability and right-of-use asset in respect of certain leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a low value purchase price when new, typically $5,000 or less, and comprise items such as office equipment and small items of office furniture.

IFRS 16 permits a lessee not to separate out non-lease components, such as service charges, from the lease and instead account for the lease and associated non-lease component as a single arrangement. The Group has chosen not to apply this practical expedient.

Right-of-use Assets

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, where the initial amount is equal to the restoration liability.

The right-of-use asset is normally depreciated over the lease term on a straight-line basis, except where an option to purchase the asset is available, and it is reasonably certain that the option will be exercised, and then the asset will be depreciated over its useful life.

Right-of-use assets are presented as non-current assets in the balance sheet.

17e. Significant Judgements and Accounting Estimates

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options are exercisable only by the Group and not by the lessor.

Critical Judgements in Determining the Lease Term

In determining the lease term, management considers all facts and cirmcumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

18. Events After the Balance Sheet Date

On 16 August 2019, the Group announced the acquisition of the business and assets of RTI Energy Systems Inc. ("RTIES"). RTIES is a leading manufacturer of production riser technologies for deep water applications within the offshore oil and gas industry. The acquisition increases the Group's presence in the offshore market and complements Hunting's Subsea business unit, which provides hydraulic valves and couplings to many offshore clients, and provides Hunting with new proprietary technology as well as access to additional offshore developments either in production or under development. RTIES will form part of the Group's US operating segment. The cash consideration paid for RTIES was $12.5m. During the period to 30 June 2019, acquisition related costs of $0.4m have been recognised in the income statement. The fair values of acquired assets and liabilities, as required by IFRS 3 paragraph B64, have not been disclosed as the calculation of the provisional fair values is yet to be finalised.

Non-GAAP Measures

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 2018 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.

	Six months ended 30 June 2019[ii] $m	Six months ended 30 June 2018[i] $m	Year ended 31 December 2018[i] $m
Reported profit from operations	**41.1**	38.9	75.4
Add:			
Depreciation charge for property, plant and equipment	**16.1**	17.7	35.0
Depreciation charge for right-of-use assets[i]	**4.0**	–	–
Amortisation of other intangible assets	**16.2**	16.0	31.9
Impairment of property plant and equipment	**–**	1.0	1.0
Less:			
Reversal of Impairment of property plant and equipment and other assets	**–**	(2.0)	(2.0)
Reported EBITDA	**77.4**	71.6	141.3
Add exceptional items impacting EBITDA:			
Restructuring costs	**–**	0.5	0.5
Loss on disposal of Kenya rental fleet	**–**	0.5	0.5
Underlying EBITDA	**77.4**	72.6	142.3

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.
ii. EBITDA for the six months ended 30 June 2019 has benefited by $4.6m, which represents operating lease charges that would have been recognised in the income statement under IAS 17 Leases and have now been replaced by a depreciation charge of $4.0m for right-of-use assets under IFRS 16.

B. Underlying Tax Rate

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

Calculation definition: Taxation on underlying profit before tax divided by underlying profit before tax, expressed as a percentage.

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Underlying taxation charge (consolidated income statement)	**13.3**	10.9	22.0
Underlying profit before tax for the year (consolidated income statement)	**54.6**	52.6	104.0
Underlying tax rate	**24%**	21%	21%

C. 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.

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Trade and other receivables – non-current	**3.3**	2.4	3.5
Trade and other receivables – current	**263.4**	217.4	231.0
Inventories	**336.6**	322.4	348.2
Trade and other payables – current	**(139.2)**	(128.6)	(140.9)
Trade and other payables – non-current	**(4.6)**	(3.8)	(3.8)
Less: non-working capital loan note	**(1.2)**	(1.2)	(1.2)
Add: non-working capital US deferred compensation plan obligation	**2.0**	1.7	1.7
Less: non-working capital current other receivables and other payables	**(1.0)**	(0.3)	(2.0)
	459.3	410.0	436.5

D. Trade Receivables Days

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

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

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Net trade receivables	**205.6**	165.8	182.0
Contract assets	**14.7**	8.7	11.8
Acrued revenue	**8.4**	8.3	7.9
Net receivables (note 11)	**228.7**	182.8	201.7
Revenue for the last three months of the period	**268.0**	234.0	236.6
Trade receivables days	**78 days**	71 days	78 days

E. Inventory Days

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

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

	Six months ended 30 June 2019 $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Net inventories (note 12)	**336.6**	322.4	348.2
Underlying cost of sales for the last three months of the period	**191.5**	158.9	173.0
Inventory days	**160 days**	185 days	185 days

F. Free Cash Flow

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

Calculation definition: All cash flows before transactions with shareholders, investment in non-current assets and lease financing costs. The definition has been updated to take into account the adoption of IFRS 16 Leases from 1 January 2019. Comparatives for the 2018 reporting period have not been restated.

	Six months ended 30 June 2019[i] $m	Six months ended 30 June 2018 $m	Year ended 31 December 2018 $m
Underlying EBITDA (NGM A)	**77.4**	72.6	142.3
Add: share-based payment charge	**6.6**	7.1	13.2
	84.0	79.7	155.5
Working capital movements	**(21.3)**	(66.2)	(96.6)
Net interest, bank fees and net tax paid (consolidated statement of cash flows)	**(3.7)**	(1.8)	(4.6)
Proceeds from disposal of assets (consolidated statement of cash flows)	**4.7**	10.9	16.4
UK pension scheme refund (consolidated statement of cash flows)	**–**	–	10.6
Other operating cash and non-cash movements	**(3.7)**	(0.5)	(0.6)
	60.0	22.1	80.7

i. Free cash flow for the six months ended 30 June 2019 has benefited by $6.2m due to the conversion of lease accounting from IAS 17 Leases to IFRS 16 Leases.