Hunting PLC
2021 Half Year Report

HUNTING

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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.

Our engineering capabilities are also applied to other sectors including aerospace, medical and utilities, which require strongly quality assured components.

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

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Half Year Management Report

Hunting PLC, the international energy services group, announces its results for the six months ended 30 June 2021.

Group Review

Introduction

Hunting's performance in the first half of 2021 has been supported by increasing activity levels within the US onshore market, as crude oil and natural gas prices have strengthened. Management's priorities have remained keeping our employees safe and maintaining timely delivery to all our clients, while continuing to launch new products and introduce new technologies. This has been achieved against a challenging day-to-day trading backdrop of COVID-19 protocols and logistical pressures within the global supply chain as economies emerge from the pandemic.

Hunting Titan has benefited from improving US onshore activity, reporting sequential monthly increases in revenue throughout the reporting period, and has traded ahead of management's expectations. During the period, however, clients have remained focused on maintaining capital discipline and curtailing non-essential drilling spend. This, along with the continuing impact of COVID-19, has had an overall effect of dampening the speed of global economic recovery and has resulted in subdued activity within the Group's offshore and international focused businesses, leading to an operating loss at the Group level.

However, across the reporting period the Group moved from an EBITDA loss in Q1 2021 to a small positive EBITDA result being recorded in Q2 2021, underpinning management's view that Hunting will continue its path to positive earnings as economies reopen and energy demand increases.

Hunting's businesses have focused on cash generation from working capital reductions and minimising cash outflows, including capital expenditures. Inventory has reduced to $267.3m (31 December 2020 – $288.4m), which underpins a good performance in this area. At 30 June 2021, the Group recorded net assets of $940.0m (31 December 2020 – $976.6m) and total cash and bank of $105.7m (31 December 2020 – $101.7m), reflecting the strong capital discipline across all operating segments.

Strategic Initiatives

The Group has delivered on a number of strategic objectives during 2021:

Investment in Cumberland Additive Holdings LLC

In August 2021, the Group made a $5.0m equity investment in Cumberland Additive Holdings ("CAH"). CAH is a strong growth business providing 3D printing and additive manufacturing capabilities to clients operating in the oil and gas, aerospace and defence sectors. The investment provides Hunting with new manufacturing opportunities and new market channels, providing further potential for revenue diversification.

Investment in Well Data Labs

In February 2021, the Group entered into an agreement to provide $2.5m of convertible financing to Well Data Labs ("WDL"), a software business focused on oil and gas drilling data processing. The business has rapidly grown a blue-chip customer base within the upstream energy industry since the company was founded in 2014. Since the strategic investment was concluded, Hunting and WDL have begun a number of collaborative programmes, combining the Group's perforating products and instruments and the software of WDL.

Established Hunting Energy Services India

In March 2021, the Group completed the incorporation of an entity in India to address growth opportunities in-country, driven by the local content requirements of India's oil and gas industry. The Group has already benefited from a strong relationship with Jindal SAW, its partner in the country, and is exploring new collaboration projects in the supply of OCTG and accessories manufacturing.

Launch of H-3 Perforating System

In late Q2 2021, Hunting Titan launched the H-3 Perforating System to complement its existing integrated perforating systems portfolio. The H-3 Perforating System takes many of the reliability and safety features of Hunting's H-1 Perforating System and incorporates the industry's first wireless safe detonator and the latest switch technology, the ControlFire V3. The H-3 System is shorter than Hunting's H-1 System and other conventional guns, in line with industry efforts to reduce tool string length and weight. The H-3 System is also compatible with industry standard shaped charges, thus widening the appeal of this product to operators.

Increased Production of Factory-loaded Perforating Systems

A key initiative within the reporting period has been to increase production of factory-loaded perforating systems. During H2 2020, Hunting Titan completed an investment at its Milford, Texas, facility to address this customer requirement and during H1 2021 has seen strong sales for this offering, contributing to the strengthening revenue of the segment through the reporting period. As at 30 June 2021, more than 40% of total perforating gun sales were derived from this new offering.

Further Commercialisation of Organic Oil Recovery Technology

In H1 2021, the Group secured its first major well treatment programme with a major Bahraini operator. The c.$1.0m order will see the completion of a 30 well programme to increase production of mature fields. Hunting is in the process of negotiating an extension to its exclusive marketing agreement with the owner of the technology, which will extend the Group's geographic footprint to include all countries in the Eastern hemisphere, in addition to providing financial support for the construction of a test laboratory in the Middle East where a number of existing and potential customers are located. The technology continues to be closely monitored by major international energy groups.

Consolidation of Singapore Facilities

In the period, the Board approved a $3.0m project to consolidate the Group's existing sites in Singapore to a single, purpose-built location. The new operating site, to be operational by Q2 2022, will improve in-country synergies as it will combine the regional administration function and the OCTG, Accessories and Well Intervention manufacturing businesses.

Proposed launch of a Level 2 Sponsored American Depositary Receipt ("ADR") programme

The Board of Hunting has begun planning for the launch of a level 2 sponsored ADR programme, to enable Hunting shares to be traded more easily by US investors. The programme is likely to commence towards the end of 2021, following the appointment of a suitable sponsor and the receipt of approvals from the relevant US regulatory authorities. The Directors have commenced this process to increase the profile of Hunting with US investors, as the US has been the core of Hunting's business for a number of years, driving the majority of revenue and profits, and the US is where most of our quoted peers are listed.

Half Year Management Report

continued

Operational Footprint

At 30 June 2021, the Group's operating sites reduced by one to 30 (31 December 2020 – 31) and the number of distribution centres reduced by one to 15 (31 December 2020 – 16). During the period, the Group's Specialty business relocated to Conroe, Texas, utilising Hunting's former Drilling Tools facility, whilst its former facility at Cypress was closed. Hunting Titan has closed its distribution centre at Casper, Wyoming.

Market Overview

The WTI oil price strengthened during H1 2021, supported by the improving medium-term economic outlook. The oil price started the year at $48.52 per barrel and through the reporting period increased by 51% to close at $73.47 per barrel at 30 June 2021. This result is also a year-on-year improvement of 87%.

	At 30 June 2021	At 30 June 2020
WTI Oil Price – $/barrel	**73.47**	39.27
Henry Hub Natural Gas Price – $/mmBtu	**3.65**	1.75
US onshore rig count	**456**	254
US offshore rig count	**14**	11
International rig count	**758**	781

Source: Baker Hughes.

As noted in the table above, the US onshore rig count at the end of June 2021 was 456 units, reflecting a year-on-year increase of 80% compared to June 2020. The increase is partially reflected in the performance of Hunting Titan, as noted in this Half Year Report.

The international rig count has, however, declined year-on-year by 3% and averaged 758 units in June 2021 compared to 781 in the prior period, and underpins the challenges faced by Hunting's offshore and internationally focused businesses.

Performance Summary

For the six-month period to 30 June 2021, the Group reported revenue of $244.4m (H2 2020 – $248.3m; H1 2020 – $377.7m), an EBITDA loss of $3.6m (H2 2020 – $2.3m loss; H1 2020 – $28.4m profit) and an underlying loss from operations of $23.0m (H2 2020 – $22.1m loss; H1 2020 – $5.7m profit). The reported loss from operations for the period was $26.5m (H2 2020 – $36.4m loss; H1 2020 – $183.6m loss).

The Group has focused on retaining a strong balance sheet and is pleased to report that total cash and bank was $105.7m at 30 June 2021 (31 December 2020 – $101.7m) and net assets were $940.0m (31 December 2020 – $976.6m).

Dividend

The Board is declaring an interim dividend of 4.0 cents per share, which will absorb $6.5m of cash to be paid on 29 October 2021. In 2020, the Group paid two interim dividends, a 3.0 cents interim dividend that replaced the 2019 Final Dividend and a second interim dividend of 2.0 cents, which was declared at the Group's 2020 Half Year Results. The 2020 Final Dividend of 4.0 cents per share was paid to shareholders on 14 May 2021.

Market Outlook

The Board of Hunting has closely monitored industry commentators and activity projections published throughout the period. As noted in the tables below, there has been a significant improvement in the outlook for US onshore capital expenditures and rig counts for 2021 and beyond. Medium-term sentiment for the oil and gas industry indicates a good recovery driven by the anticipated growth in global economies, as the impact of the pandemic reduces.

Trading Outlook

The Group's results reported today reflect a similar performance when compared to H2 2020 as the global oil and gas industry slowly emerges from the impact of the COVID-19 pandemic. The market recovery in the US, while slower than anticipated, shows clear signs of growth, which is projected to accelerate as more global economies reopen and travel increases. The recovery within international markets, while still projected to grow in H2 2021 and into 2022, continues to be hampered by spiking COVID-19 infection rates, leading to ongoing caution within our client base.

Hunting has delivered on a number of strategic objectives in the period alongside our continuing drive for greater operating efficiency. These objectives include our new business investments in Well Data Labs and Cumberland Additive, which will assist the Group in diversifying our core competencies while increasing our overall technical offering to our clients. Management is further encouraged by the outlook for 2022, which is supported by a strengthening order book, as clients plan for new projects and robust commodity prices.

The Group continues to retain strong capital discipline across all areas of the business, which will see our balance sheet and cash and bank position remaining strong. However, given the overall trading seen in the current quarter and likely EBITDA run rate for the balance of the year, management now anticipates the 2021 full year EBITDA outturn to be c.$10m lower than the 2020 result, given the slower-than-anticipated recovery within our core energy markets.

	2021 Full Year Forecast Average Rig Count (#)			**2021 Full Year Forecast Capital Expenditure ($bn)**		
	US onshore	**US offshore**	**International**	**US onshore**	**US offshore**	**International**
December 2020	**352**	**16**	**652**	**37.5**	**2.7**	**55.5**
March 2021	**447**	**17**	**679**	**52.7**	**2.7**	**58.7**
June 2021	**451**	**15**	**665**	**60.6**	**2.4**	**57.9**

	2022 Full Year Forecast Average Rig Count (#)			**2022 Full Year Forecast Capital Expenditure ($bn)**		
	US onshore	**US offshore**	**International**	**US onshore**	**US offshore**	**International**
December 2020	**396**	**18**	**685**	**44.3**	**3.1**	**57.4**
March 2021	**557**	**19**	**724**	**63.7**	**3.2**	**61.3**
June 2021	**556**	**17**	**701**	**78.8**	**2.8**	**59.9**

Source: Spears & Associates Drilling and Production Reports dated December 2020, March 2021 and June 2021.

Results from Operations

Summary Group Results from Operations

	H1 2021 $m	H2 2020 $m	H1 2020 $m
Revenue	**244.4**	248.3	377.7
Cost of sales	**(200.3)**	(206.1)	(295.1)
Gross Profit	**44.1**	42.2	82.6
Other operating income	**2.4**	4.7	5.6
Other operating expenses	**(69.5)**	(69.0)	(82.5)
Underlying* (loss) profit from operations	**(23.0)**	(22.1)	5.7
Amortisation and exceptional items (note 5)	**(3.5)**	(14.3)	(189.3)
Reported* loss from operations	**(26.5)**	(36.4)	(183.6)
EBITDA (NGM A)	**(3.6)**	(2.3)	28.4
Underlying* Diluted EPS (note 7)	**(16.1)c**	(11.0)c	1.0c
Reported* Diluted EPS (note 7)	**(18.9)c**	(17.5)c	(125.7)c
Underlying* Basic EPS (note 7)	**(16.1)c**	(11.0)c	1.0c
Reported* Basic EPS (note 7)	**(18.9)c**	(17.5)c	(125.7)c

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

Basis of Preparation

As previously announced, on 1 January 2021 the Group merged its US and Canada operating segments, following the restructuring completed in 2020. The Group now reports a North America segment to reflect this change. EBITDA, Working Capital and Free Cash Flow are non-GAAP measures ("NGMs"). The definition and calculation of these measures can be found on pages 37 to 39 of this report. For further information on the non-GAAP measures used by the Group, please refer to the 2020 Annual Report and Accounts.

Revenue

Revenue from operations for the six months ended 30 June 2021 reduced by 35% to $244.4m compared to $377.7m in H1 2020. The result in H1 2020 was, for the most part, not impacted by COVID-19, with revenue thereafter reflecting the economic climate driven by the pandemic. Revenue in North America, Asia Pacific and EMEA was down by $57.2m, $52.2m and $23.3m respectively compared to H1 2020. Titan was impacted the least with revenue down 13% or $13.8m compared to H1 2020.

The Group's revenue for H1 2021 was broadly in line with revenue of $248.3m in H2 2020. In the reporting period, Hunting Titan increased its revenue by 50% compared to H2 2020. However, Titan's improved revenue was offset by Asia Pacific's revenue falling by $18.9m, as the region experienced a slower than anticipated recovery, and North America's revenue declining by $10.0m, as the delayed effect of the slowdown on Subsea businesses was felt and weak activity levels in the Gulf of Mexico impacted OCTG sales.

Inter-segment revenue reduced to $13.2m in H1 2021 compared to $26.4m in H1 2020, reflecting the general decline in activity levels.

Profit Measures

Underlying gross profit decreased by 47%, compared to H1 2020, to $44.1m in the period (H1 2020 – $82.6m), with underlying gross margin being 18% (H1 2020 – 22%).

However, underlying gross profit margin of 18% was broadly in line with H2 2020 of 17%.

Exceptional items charged to cost of sales totalled $0.1m in the period (H2 2020 – $7.2m; H1 2020 – $49.5m), reflecting restructuring costs of $0.9m offset by the reversal to inventory impairments charged in the prior period of $0.8m.

Reported gross profit was, therefore, $44.0m compared to $35.0m in H2 2020 and $33.1m in H1 2020. Reported gross margin was, therefore, 18% (H2 2020 – 14%; H1 2020 – 9%).

The underlying EBITDA loss was $3.6m, against an EBITDA loss of $2.3m in H2 2020 and $28.4m EBITDA profit in H1 2020. An EBITDA loss in Q1 2021 was partially offset by a small positive EBITDA result in Q2 as market conditions improved, which particularly benefited Hunting Titan. The EBITDA margin was (1)% in the period (H2 2020 – (1)%; H1 2020 – 8%).

The underlying loss from operations was $23.0m (H2 2020 – $22.1m loss; H1 2020 – $5.7m profit).

The charges for amortisation and exceptional items, as noted above and below, totalled $3.5m (H2 2020 – $14.3m; H1 2020 – $189.3m), leading to a reported loss from operations of $26.5m (H2 2020 – $36.4m; H1 2020 – $183.6m).

Net finance expense was $1.0m (H2 2020 – $1.2m; H1 2020 – $1.8m). The Group's share of associates' post-tax losses was $1.1m from its investment in Rival at the end of 2020. Underlying loss before tax from operations was $25.1m (H2 2020 – $23.3m loss; H1 2020 – $3.9m profit).

The reported loss before tax from operations was $28.6m (H2 2020 – $37.6m; H1 2020 – $185.4m).

Amortisation and Exceptional Items

The charge before tax for amortisation of acquired intangible assets in the period was $4.3m (H2 2020 – $5.0m; H1 2020 – $12.3m). In addition, the following charges and credits were recorded in the period, as exceptional items.

	H1 2021 $m
Restructuring costs	**(1.2)**
Profit on surrender of lease	**1.0**
Reversal of impairment of inventories	**0.8**
Profit on disposal of Canadian assets	**0.2**
Total	**0.8**

The total charge in H1 2021 for amortisation and exceptional items was, therefore, $3.5m (H2 2020 – $14.3m; H1 2020 – $189.3m).

Taxation

The underlying tax charge on operations was $2.1m (H2 2020 – $3.5m credit; H1 2020 – $2.6m charge) and reflects an effective tax rate ("ETR") of (8)% (H2 2020 – 15%; H1 2020 – 67%) (NGM B). A tax charge of $1.0m has been included in the condensed consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items (H2 2020 – $3.8m credit; H1 2020 – $19.9m charge). The reported tax charge on operations was, therefore, $3.1m (H2 2020 – $7.3m credit; H1 2020 – $22.5m charge). The Group's ETR is significantly different to that which might be expected from prevailing jurisdictional rates as it is impacted by a mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss-making jurisdictions.

Half Year Management Report

continued

Dividend

As noted above, the Board is declaring an interim dividend of 4.0 cents per share (H1 2020 – 2.0 cents) amounting to an estimated cash distribution of $6.5m (H1 2020 – $3.3m). The dividend will be paid in Sterling on 29 October 2021 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 8 October 2021, with an ex-dividend date of 7 October 2021.

Group Funding and Position as at the Half Year

Cash Flow

Summary Group Cash Flow

	H1 2021 $m	H2 2020 $m	H1 2020 $m
Underlying EBITDA (NGM A)	**(3.6)**	(2.3)	28.4
Add: share-based payments	**5.1**	4.1	4.9
	1.5	1.8	33.3
Working capital movements (NGM F)	**24.0**	70.0	(31.2)
Net tax received (paid)	**1.1**	1.0	(6.0)
Proceeds from business and asset disposals	**4.4**	1.7	2.2
Gains on business and asset disposals	**(0.7)**	(1.4)	(1.0)
Lease payments	**(6.2)**	(4.4)	(6.0)
Restructuring costs	**(1.2)**	(8.3)	(2.4)
Other	**(0.5)**	(1.2)	(0.3)
Free cash flow (NGM G)	**22.4**	59.2	(11.4)
Capital investment	**(3.6)**	(4.2)	(10.5)
Intangible assets investments	**(1.1)**	(2.8)	(1.5)
Investment in Well Data Labs	**(2.5)**	–	–
Acquisition of businesses	**–**	(0.2)	(34.0)
Dividends paid to equity shareholders and NCI	**(6.4)**	(3.3)	(5.8)
Net purchase of treasury shares	**(5.0)**	(3.3)	(5.9)
Share buyback	**–**	–	(5.1)
Net cash flow	**3.8**	45.4	(74.2)
Foreign exchange	**0.2**	7.5	(4.0)
Movement in total cash and bank (note 13)	**4.0**	52.9	(78.2)
Opening total cash and bank	**101.7**	48.8	127.0
Closing total cash and bank	**105.7**	101.7	48.8

Hunting reported an underlying EBITDA loss of $3.6m (H2 2020 – $2.3m loss; H1 2020 – $28.4m profit). When adjusted for non-cash share-based payment charges, the inflow for the period was $1.5m (H2 2020 – $1.8m inflow; H1 2020 – $33.3m inflow).

In H1 2021, the Group recorded a $24.0m working capital inflow compared to an inflow of $70.0m in H2 2020 and a $31.2m outflow in H1 2020. Inventories have continued to reduce throughout the reporting period, with a $22.1m cash inflow recorded since 31 December 2020 and a reduction in inventory days (NGM D) from 270 days at the year end to 250 days at 30 June 2021. Trade payables increased slightly in the period with a $1.0m cash inflow, while trade receivables also had a small inflow of $0.9m.

Net tax received in the period was $1.1m (H2 2020 – $1.0m received; H1 2020 – $6.0m paid) and includes a refund in the UK of $2.4m due to an overpayment made in 2020.

Proceeds from the disposal of assets and businesses totalled $4.4m (H2 2020 – $1.7m; H1 2020 – $2.2m) and includes $2.2m from the disposal of a held-for-sale property.

During the period, the Group's leasing arrangements gave rise to cash payments of $6.2m (H2 2020 – $4.4m; H1 2020 – $6.0m), including $1.3m on the surrender of the Group's Biggin Hill lease.

Restructuring costs were $1.2m (H2 2020 – $8.3m; H1 2020 – $2.4m).

As a result of the above and other cash outflows of $0.5m, free cash net inflows were $22.4m compared to a net inflow of $59.2m in H2 2020 and a net outflow of $11.4m in H1 2020.

Capital and intangible investments have been minimised in the period. Capital investment totalled $3.6m in H1 2021 (H2 2020 – $4.2m; H1 2020 – $10.5m), with $0.4m spent on improvements at Conroe, which was vacated by US Drilling Tools and is now being used by Specialty.

Intangible asset investment was $1.1m (H2 2020 – $2.8m; H1 2020 – $1.5m), which includes $0.4m of expenditure on global data centres that will reduce the Group's IT running costs going forward. During 2020, intangible asset spend largely related to technology and software development.

On 3 February 2021, the Group provided $2.5m in convertible financing to Well Data Labs, as noted above.

The 2020 Final Dividend of 4.0 cents per share was paid to equity shareholders on 14 May 2021, which absorbed $6.4m. In H1 2020, equity shareholders received an interim dividend totalling 3.0 cents per share resulting in a payment of $4.9m, which replaced the 2019 Final Dividend, as noted above, and dividends totalling $0.9m were paid to non-controlling interests.

In H1 2021, the Company purchased 1.7m Ordinary shares (H1 2020 – 1.5m Ordinary shares) as treasury shares for a total consideration of $5.2m (H1 2020 – $6.0m) through Hunting's Employee Share Trust. These shares will be used to satisfy future awards under the Group's share award programme. The purchase of treasury shares is offset by proceeds on disposal of $0.2m. In H1 2020, the Company completed a share buyback programme whereby 2.0 million shares were purchased by Hunting's corporate brokers, which were subsequently cancelled.

Overall, in the period, the Group recorded a net cash inflow of $3.8m (H2 2020 – $45.4m inflow; H1 2020 – $74.2m outflow). As a consequence of the above cash flows and $0.2m foreign exchange movements, total cash and bank (note 13) was $105.7m at 30 June 2021 (31 December 2020 – $101.7m).

Balance Sheet

Summary Group Balance Sheet

	At 30 June 2021 $m	At 31 December 2020 $m
Property, plant and equipment	**295.0**	307.1
Right-of-use assets	**26.5**	29.8
Goodwill	**164.4**	164.2
Other intangible assets	**38.4**	42.9
Investments in associates	**17.0**	18.1
Working capital (NGM C)	**334.7**	358.3
Taxation (current and deferred)	**2.1**	6.0
Provisions	**(8.9)**	(8.9)
Other net assets	**3.2**	1.6
Capital employed	**872.4**	919.1
Total cash and bank	**105.7**	101.7
Lease liabilities	**(34.2)**	(40.3)
Other	**(3.9)**	(3.9)
Net cash (note 13)	**67.6**	57.5
Net assets	**940.0**	976.6

Property, plant and equipment was $295.0m at 30 June 2021 compared to $307.1m as at 31 December 2020, a reduction of $12.1m. Depreciation of $14.5m and other items of $1.3m were offset by additions of $3.7m, giving the closing balance noted.

Right-of-use assets totalled $26.5m at 30 June 2021 compared to $29.8m at 31 December 2020. The movement during the period includes additions of $0.5m, as new lease arrangements were entered into, modifications of $0.6m and foreign exchange movements of $0.1m, offset by depreciation of $3.4m and a disposal of $1.1m in respect of the surrender of the Group's lease at Biggin Hill, leading to an overall net decline of $3.3m being recorded.

Goodwill is materially unchanged at $164.4m at the balance sheet date compared to the 2020 year-end position of $164.2m.

Other intangible assets have reduced by $4.5m to $38.4m at 30 June 2021, with the amortisation charge of $5.8m (H1 2020 – $14.7m) being offset by additions of $1.1m, primarily related to the capitalisation of technology and IT data centres, and foreign exchange movements of $0.2m.

Investments in associates have declined by $1.1m, reflecting our share of the post-tax loss from Rival recognised in the period.

Working capital (NGM C) has reduced by $23.6m, largely due to the reduction in inventory of $21.1m. Receivables were materially unchanged at $137.2m. Receivable days were 89 at 30 June 2021 compared to 92 days at 31 December 2020 and 30 June 2020 (NGM E). The balance on working capital at 30 June 2021 was $334.7m (31 December 2020 – $358.3m).

Current and deferred taxation recorded a net asset of $2.1m compared to 31 December 2020, which was $6.0m.

Provisions were unchanged at $8.9m (31 December 2020 – $8.9m) in the period, with other net assets materially unchanged at $3.2m (31 December 2020 – $1.6m).

Net cash (note 13) at 30 June 2021 was $67.6m (31 December 2020 – $57.5m). Total cash and bank balances have increased since the year end to $105.7m at 30 June 2021 (31 December 2020 – $101.7m) due to a strong cash management focus, as described above. Net cash includes $34.2m of lease liabilities, which have decreased since the year end, mainly due to the lease payments made of $6.2m.

The overall decrease in net assets of $36.6m is driven by the reported loss in the period of $31.7m; dividends paid of $6.4m to equity shareholders of Hunting PLC; and the net purchase of treasury shares of $5.0m; offset by foreign exchange and other items totalling $6.5m.

Segmental Review of Operations

Hunting Titan

Hunting Titan's revenue in the period decreased by 13% to $88.7m compared to H1 2020; however, revenue increased by 50% compared to H2 2020 as the US onshore drilling market slowly recovered from the impact of COVID-19 and was driven, in part, by the strengthening oil price. Overall, Hunting Titan has traded ahead of management's expectations in the period.

The segment reported an underlying loss from operations of $1.6m in H1 2021, compared to a $1.7m profit in H1 2020, and a $7.3m loss in H2 2020. Following charges for the amortisation of acquired intangible assets and exceptional items, which totalled $3.5m, the reported loss from operations was $5.1m (H2 2020 – $11.6m loss; H1 2020 – $114.4m loss).

Segmental Review

*Segmental Results from Operations***

	H1 2021			H2 2020			H1 2020		
Operating Segment	**Revenue $m**	**Underlying* result from operations $m**	**Reported* result from operations $m**	Revenue $m	Underlying* result from operations $m	Reported* result from operations $m	Revenue $m	Underlying* result from operations $m	Reported* result from operations $m
Hunting Titan	**88.7**	**(1.6)**	**(5.1)**	59.2	(7.3)	(11.6)	102.5	1.7	(114.4)
North America**	**122.2**	**(10.4)**	**(11.5)**	132.2	(7.1)	(14.4)	179.4	3.6	(47.6)
EMEA	**27.6**	**(6.6)**	**(6.5)**	27.9	(8.9)	(10.9)	50.9	(3.1)	(23.0)
Asia Pacific	**19.1**	**(4.4)**	**(4.4)**	38.0	1.2	0.5	71.3	3.5	1.4
Not allocated to a segment	**–**	**–**	**1.0**	–	–	–	–	–	–
Inter-segment elimination	**(13.2)**	**–**	**–**	(9.0)	–	–	(26.4)	–	–
Group	**244.4**	**(23.0)**	**(26.5)**	248.3	(22.1)	(36.4)	377.7	5.7	(183.6)

* 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 UK adopted International Financial Reporting Standards.

** On 1 January 2021, the Group's US and Canadian operating segments were merged following the restructuring in Canada in H2 2020.

Half Year Management Report

continued

In the period, the business has seen good demand for its factory-loaded perforating gun offering (Payload™) following the investment at the Group's Milford facility in 2020. As market conditions improved, an increase in sales volumes was seen across most products lines, supported by sales of bundled products, reflecting evolving customer purchasing trends.

To address the increase in customer interest in the Group's pre-loaded gun offering, investments in the Group's Odessa and DuBois distribution centres are planned to enable these facilities to provide this product offering to clients located in key drilling regions.

An increasing trend within the segment's customer base is value-add technology, which supports safer and more cost efficient operations. Hunting Titan remains a technology leader in the sector and, in late Q2 2021, launched the H-3 Perforating System, which combines the industry's first wireless safe detonator and the latest switch technology, the ControlFire V3. The H-3 System also allows for a wider choice of charges to be incorporated into the system, enabling a broader customer appeal. The Group's detonation cord product continues to achieve good market acceptance, following the launch to clients in H2 2020.

The segment has seen good demand for its EQUAfrac™ charges in the period as market conditions improved, and as customers drive for better hole consistency in hydraulic fracturing operations. Hunting Titan has also expanded its T-Set One setting tool rental range during H1 2021 to address customer requirements in the field. This range of value-add technologies will continue to support client needs going forward as market acceptance increases for these higher margin products.

During the period, the distribution centre at Casper, Wyoming, was closed with clients to be serviced by the Greeley and Williston distribution centres. With continuing increases in activity at the start of H2 2021, the business has restarted manufacturing at its Oklahoma City facility and has reopened its distribution centre at Broussard, Louisiana.

In line with the increase in demand noted above, the headcount of the segment increased 14% to 432 compared to 380 at 31 December 2020.

North America

On 1 January 2021, the Group combined its US and Canadian operating segments, with prior period financial information being restated to reflect this change.

Revenue within the North America segment in H1 2021 was $122.2m compared to $132.2m in H2 2020 and $179.4m in H1 2020. The segment reported an underlying loss from operations of $10.4m in H1 2021 compared to a $7.1m loss in H2 2020 and a $3.6m profit in H1 2020. Following the charges for amortisation of acquired intangible assets and exceptional items, which totalled $1.1m, the reported loss from operations was $11.5m (H2 2020 – $14.4m loss; H1 2020 – $47.6m loss).

Despite the lower levels of US offshore and international activity, the Group's Premium Connections business has reported positive trading in the period compared to H2 2020, driven by demand for the Group's TEC-LOCK™ Wedge semi-premium connection and the WEDGE-LOCK™ premium connection. In addition, the business has seen good demand for the Group's other product lines in Canada, which has performed well following the adoption of the licensing business model in the country in H2 2020.

The segment's US Manufacturing business has seen challenging trading in H1 2021, as international and US offshore drilling projects continued to be deferred or cancelled. This led to a reduction-in-force programme being completed in the reporting period.

Within Advanced Manufacturing, the Electronics business has continued to develop its non-oil and gas sales and in H1 2021 commenced a number of medical-related orders, which were received following the award of the relevant certifications in 2020. Hunting Dearborn also continues to develop its non-oil and gas business, with continuing support for SpaceX and Blue Origin. Both units were, however, adversely impacted by lower oil- and gas-related sales in the period.

Hunting's Subsea group has seen mixed trading in H1 2021, with a number of large order wins within the Spring business unit (formerly RTI Energy Systems), for its titanium stress joints product offering, being offset by the Stafford business unit, which has been impacted by slowing offshore and international markets. Enpro Subsea continues to make progress within West Africa and Brazil; however it has been adversely impacted by lower international drilling expenditures. Enpro has reported increased decommissioning work, which partially offset declines elsewhere in the business.

The Trenchless business has also reported profitable trading in H1 2021, as the 5G fibre rollout in the US continues.

EMEA

Revenue within the EMEA segment in the period was $27.6m compared to $27.9m in H2 2020 and $50.9m in H1 2020. The segment reported an underlying loss from operations of $6.6m in H1 2021 compared to a loss of $8.9m in H2 2020 and a $3.1m loss in H1 2020. Following exceptional credits of $0.1m, the reported loss from operations was $6.5m (H2 2020 – $10.9m loss; H1 2020 – $23.0m loss).

The segment's OCTG businesses have seen a slow improvement in sentiment during the first half of 2021, as clients began to restart drilling programmes. While the trading results within the UK OCTG business were poor in the period, impacted by lockdown measures in the UK, activity is forecast to increase in H2 2021 and is projected to accelerate further in 2022.

The segment's Well Intervention business experienced a difficult H1 2021, as relatively good levels of rental business were offset by extremely subdued equipment sales, as customers maintained strict capital discipline.

Hunting's Well Testing business has reported modest results in the period, with clients recommitting to equipment capital expenditures since Q2 2021.

As noted above, the Group's Organic Oil Recovery business received its first major order in the period. The 30 well treatment programme with a major operator in Bahrain marks the commercial progress of the technology from laboratory testing to full field trials in 2020, leading to this order. The programme is being monitored closely by a number of major operators in the region, and, therefore, the Group is planning the construction of a purpose-built laboratory in the Middle East, to support further field testing programmes.

The Group's Norway business has also reported improving results in H1 2021 compared to H2 2020, principally due to improved sales of well intervention pressure control products.

Across the Middle East, business levels have been more sluggish as economies continue to be impacted by COVID-19 restrictions.

The EMEA segment has also progressed initiatives that form part of the energy transition, including exploring participation in carbon capture projects and geothermal developments, the latter being increasingly pursued across Europe, with new projects being commissioned.

Asia Pacific

Revenue within the Asia Pacific segment was $19.1m compared to $38.0m in H2 2020 and $71.3m in H1 2020. The segment reported an underlying loss from operations of $4.4m in H1 2021 compared to a $1.2m profit in H2 2020 and a $3.5m profit in H1 2020. The reported loss from operations was $4.4m (H2 2020 – $0.5m profit; H1 2020 – $1.4m profit).

The Asia Pacific segment was the only segment to remain profitable in 2020; however, it has faced an extremely challenging period in H1 2021, as countries across South East Asia, the Middle East and the Indian sub-continent continue to be impacted by COVID-19. The segment has also seen a number of trading headwinds within its markets during the period, including strong competition within OCTG tender processes, increasing raw material costs in China and adverse foreign exchange movements. However, new tenders continue to be issued across the Middle East and Asia Pacific driven by the higher oil price, with clients restarting cancelled projects.

To address the growth opportunities in India, the Group has established a legal entity in-country in H1 2021, which will provide new collaboration opportunities with Jindal SAW, supporting Hunting's ambition of becoming a key in-country supplier to India's oil and gas industry.

During H1 2021, the segment received its first order for its micro hydro-generators, as the segment also pursues non-oil and gas sales.

Half Year Management Report

continued

Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2020 Annual Report and Accounts on pages 50 to 54, which includes the requirement for all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk.

There are a number of principal risks that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Some of the risks that Hunting is exposed to, which could have a material adverse impact on the Group, arise from the specific activities undertaken by the Group, whereas other risks are common to many international manufacturing companies. The principal risks are: commodity prices; competition; 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 55 to 59 of the Group's 2020 Annual Report and Accounts.

As a result of the ongoing COVID-19 pandemic dampening the speed of global economic recovery and therefore continuing to impact the Group through the first half of 2021, the risks have remained at their heightened levels and there has been no change to the principal risks since the publication of the 2020 Annual Report and Accounts. COVID-19 has continued to slow the Group's offshore and international markets and although an uptick in activity has been observed in the US onshore market since the year end, returning to pre-pandemic levels is expected to be a gradual process, consequently maintaining the likelihood of the Group's principal risks occurring. The Group continues to report climate as an emerging risk.

Formation of Ethics and Sustainability Committee

As announced on 29 June 2021, the Board has reviewed its governance framework and has formed an Ethics and Sustainability Committee which will comprise of Hunting's independent non-executive Directors and will be chaired by Jay Glick, non-executive Chairman.

The Committee will have oversight of Hunting's ethics, environmental, social and governance reporting matters and will monitor the Group's evolving carbon and climate strategies, its stakeholder initiatives, including its employee, customer and supplier engagement programmes, while also assuming oversight of the Group's anti-bribery and corruption, modern slavery, sanctions and related procedures.

Hunting Executive Committee

In addition to the formation of the Ethics and Sustainability Committee, the membership of the Hunting Executive Committee ("ExCo") has been reviewed and the Board has appointed the following managers to the ExCo:

Liese Borden
Chief HR Officer

Ryan Elliott
Chief Information Officer

Greg Farmer
Director of Health, Safety and Environment and Quality Assurance

Ben Willey
Company Secretary

All new members of the ExCo are now Persons Discharging Managerial Responsibilities of the Company.

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

26 August 2021

Statement of Directors' Responsibilities

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on these condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2020 Annual Report and Accounts.

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

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

On behalf of the Board

Bruce Ferguson
Finance Director

26 August 2021

Independent Review Report to Hunting PLC

Introduction

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 2021, which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, Interim Financial Reporting.

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 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our Report

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.

Deloitte LLP
Statutory Auditor
London, United Kingdom

26 August 2021

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2021 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m	Unaudited Six months ended 30 June 2020 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m
Revenue	2,3	**244.4**	**–**	**244.4**	377.7	–	377.7
Cost of sales		**(200.3)**	**(0.1)**	**(200.4)**	(295.1)	(49.5)	(344.6)
Gross profit		**44.1**	**(0.1)**	**44.0**	82.6	(49.5)	33.1
Other operating income	4	**2.4**	**1.2**	**3.6**	5.6	–	5.6
Operating expenses[ii]		**(69.5)**	**(4.6)**	**(74.1)**	(82.5)	(139.8)	(222.3)
(Loss) profit from operations		**(23.0)**	**(3.5)**	**(26.5)**	5.7	(189.3)	(183.6)
Finance income		**1.6**	**–**	**1.6**	1.8	–	1.8
Finance expense		**(2.6)**	**–**	**(2.6)**	(3.6)	–	(3.6)
Share of associates' post-tax losses		**(1.1)**	**–**	**(1.1)**	–	–	–
(Loss) profit before tax from operations		**(25.1)**	**(3.5)**	**(28.6)**	3.9	(189.3)	(185.4)
Taxation	6	**(2.1)**	**(1.0)**	**(3.1)**	(2.6)	(19.9)	(22.5)
(Loss) profit for the period		**(27.2)**	**(4.5)**	**(31.7)**	1.3	(209.2)	(207.9)
(Loss) profit attributable to:							
Owners of the parent		**(26.0)**	**(4.5)**	**(30.5)**	1.5	(208.0)	(206.5)
Non-controlling interests		**(1.2)**	**–**	**(1.2)**	(0.2)	(1.2)	(1.4)
		(27.2)	**(4.5)**	**(31.7)**	1.3	(209.2)	(207.9)

Earnings per share		**cents**		**cents**	cents		cents
Basic	7	**(16.1)**		**(18.9)**	1.0		(125.7)
Diluted	7	**(16.1)**		**(18.9)**	1.0		(125.7)

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in administrative expenses is the net impairment loss on trade and other receivables (note 14(b)(ii)) recognised in the period of $0.2m (30 June 2020 – $1.9m).

Condensed Consolidated Income Statement

continued

	Notes	Audited Year ended 31 December 2020 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m
Revenue	2,3	626.0	–	626.0
Cost of sales		(501.2)	(56.7)	(557.9)
Gross profit (loss)		124.8	(56.7)	68.1
Other operating income	4	10.3	0.8	11.1
Operating expenses[ii]		(151.5)	(147.7)	(299.2)
Loss from operations		(16.4)	(203.6)	(220.0)
Finance income		1.4	–	1.4
Finance expense		(4.4)	–	(4.4)
Loss before tax from operations		(19.4)	(203.6)	(223.0)
Taxation	6	0.9	(16.1)	(15.2)
Loss for the year		(18.5)	(219.7)	(238.2)
Loss attributable to:				
Owners of the parent		(16.5)	(218.2)	(234.7)
Non-controlling interests		(2.0)	(1.5)	(3.5)
		(18.5)	(219.7)	(238.2)
Loss per share:		cents		cents
Basic	7	(10.0)		(143.2)
Diluted	7	(10.0)		(143.2)

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in operating expenses is the net impairment loss on trade and other receivables recognised in the year of $1.8m.

The notes on pages 18 to 36 are an integral part of these condensed set of consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2021 $m	Unaudited Six months ended 30 June 2020 $m	Audited Year ended 31 December 2020 $m
Comprehensive income			
Loss for the period	**(31.7)**	(207.9)	(238.2)
Components of other comprehensive income (expense) after tax			
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments	**1.9**	(7.7)	5.9
Fair value gains and losses			
– gains originating on net investment hedges arising during the period	**–**	1.1	0.4
	1.9	(6.6)	6.3
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension schemes	**(0.1)**	0.2	–
Other comprehensive income (expense) after tax	**1.8**	(6.4)	6.3
Total comprehensive expense for the period	**(29.9)**	(214.3)	(231.9)
Total comprehensive expense attributable to:			
Owners of the parent	**(28.9)**	(212.7)	(228.9)
Non-controlling interest	**(1.0)**	(1.6)	(3.0)
	(29.9)	(214.3)	(231.9)

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 2021 $m**	Unaudited As at 30 June 2020 $m	Audited As at 31 December 2020 $m
ASSETS				
Non-current assets				
Property, plant and equipment	8	**295.0**	331.0	307.1
Right-of-use assets	8	**26.5**	30.5	29.8
Goodwill	8	**164.4**	162.8	164.2
Other intangible assets	8	**38.4**	44.2	42.9
Associates		**17.0**	0.7	18.1
Investments	10	**4.4**	1.6	1.7
Trade and other receivables	11	**2.3**	3.3	2.0
Deferred tax assets		**12.0**	3.0	15.3
		560.0	577.1	581.1
Current assets				
Inventories	12	**267.3**	331.1	288.4
Trade and other receivables	11	**135.6**	173.6	136.3
Cash and cash equivalents		**83.4**	50.2	102.9
Current tax assets		**1.1**	2.7	3.0
Held-for-sale assets		**–**	1.3	1.8
Investments	10	**23.0**	–	–
		510.4	558.9	532.4
LIABILITIES				
Current liabilities				
Trade and other payables		**69.0**	76.7	67.9
Lease liabilities		**8.3**	9.5	10.2
Borrowings		**0.7**	1.4	1.2
Provisions		**3.1**	3.0	2.9
Current tax liabilities		**3.2**	0.9	2.5
		84.3	91.5	84.7
Net current assets		**426.1**	467.4	447.7
Non-current liabilities				
Trade and other payables		**2.7**	2.9	2.4
Lease liabilities		**25.9**	29.9	30.1
Borrowings		**3.9**	3.9	3.9
Provisions		**5.8**	5.9	6.0
Deferred tax liabilities		**7.8**	5.0	9.8
		46.1	47.6	52.2
Net assets		**940.0**	996.9	976.6
Equity attributable to owners of the parent				
Share capital		**66.5**	66.5	66.5
Share premium		**153.0**	153.0	153.0
Other components of equity		**42.7**	39.2	52.3
Retained earnings		**666.6**	724.6	692.6
		928.8	983.3	964.4
Non-controlling interests		**11.2**	13.6	12.2
Total equity		**940.0**	996.9	976.6

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2021						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January 2021	**66.5**	**153.0**	**52.3**	**692.6**	**964.4**	**12.2**	**976.6**
Loss for the period	–	–	–	(30.5)	(30.5)	(1.2)	(31.7)
Other comprehensive income (expense)	–	–	1.7	(0.1)	1.6	0.2	1.8
Total comprehensive expense	–	–	1.7	(30.6)	(28.9)	(1.0)	(29.9)
Dividends to equity shareholders (note 16)	–	–	–	(6.4)	(6.4)	–	(6.4)
Treasury shares							
– purchase of treasury shares	–	–	–	(5.2)	(5.2)	–	(5.2)
– disposal of treasury shares	–	–	–	0.2	0.2	–	0.2
Share options and awards							
– value of employee services	–	–	4.9	–	4.9	–	4.9
– discharge	–	–	(9.8)	9.6	(0.2)	–	(0.2)
Transfer between reserves[i]	–	–	(6.4)	6.4	–	–	–
Total transactions with owners	–	–	(11.3)	4.6	(6.7)	–	(6.7)
At 30 June 2021	**66.5**	**153.0**	**42.7**	**666.6**	**928.8**	**11.2**	**940.0**

i. $6.4m 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 2020						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January 2020	67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8
Loss for the period	–	–	–	(206.5)	(206.5)	(1.4)	(207.9)
Other comprehensive (expense) income	–	–	(6.4)	0.2	(6.2)	(0.2)	(6.4)
Total comprehensive expense	–	–	(6.4)	(206.3)	(212.7)	(1.6)	(214.3)
Dividends to equity shareholders (note 16)	–	–	–	(4.9)	(4.9)	–	(4.9)
Dividends to non-controlling interest	–	–	–	–	–	(0.9)	(0.9)
Share buyback	(0.8)	–	0.6	(5.1)	(5.3)	–	(5.3)
Treasury shares							
– purchase of treasury shares	–	–	–	(6.0)	(6.0)	–	(6.0)
– disposal of treasury shares	–	–	–	0.1	0.1	–	0.1
Share options and awards							
– value of employee services	–	–	4.6	–	4.6	–	4.6
– discharge	–	–	(11.2)	11.0	(0.2)	–	(0.2)
Acquisition of non-controlling interest	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves[ii]	–	–	(4.9)	4.9	–	–	–
Total transactions with owners	(0.8)	–	(10.9)	(0.2)	(11.9)	(0.7)	(12.6)
At 30 June 2020	66.5	153.0	39.2	724.6	983.3	13.6	996.9

ii. $4.9m of the merger reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 met the definition of qualifying consideration, and was transferred to retained earnings.

Condensed Consolidated Statement of Changes in Equity

continued

	Audited Year ended 31 December 2020						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January 2020	67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8
Loss for the year	–	–	–	(234.7)	(234.7)	(3.5)	(238.2)
Other comprehensive income	–	–	5.8	–	5.8	0.5	6.3
Total comprehensive expense	–	–	5.8	(234.7)	(228.9)	(3.0)	(231.9)
Dividends to equity shareholders (note 16)	–	–	–	(8.2)	(8.2)	–	(8.2)
Dividends to non-controlling interest	–	–	–	–	–	(0.9)	(0.9)
Share buyback	(0.8)	–	0.6	(5.1)	(5.3)	–	(5.3)
Treasury shares							
– purchase of treasury shares	–	–	–	(9.4)	(9.4)	–	(9.4)
– disposal of treasury shares	–	–	–	0.2	0.2	–	0.2
Share options and awards							
– value of employee services	–	–	9.0	–	9.0	–	9.0
– discharge	–	–	(11.4)	11.2	(0.2)	–	(0.2)
– taxation	–	–	–	(0.5)	(0.5)	–	(0.5)
Acquisition of non-controlling interest	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves[iii]	–	–	(8.2)	8.2	–	–	–
Total transactions with owners	(0.8)	–	(10.0)	(3.8)	(14.6)	(0.7)	(15.3)
At 31 December 2020	66.5	153.0	52.3	692.6	964.4	12.2	976.6

iii. $8.2m of the merger reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 met the definition of qualifying consideration, and was transferred to retained earnings.

Condensed Consolidated Statement of Cash Flows

	Notes	**Unaudited six months ended 30 June 2021 $m**	Unaudited six months ended 30 June 2020 $m	Audited year ended 31 December 2020 $m
Operating activities				
Reported loss from operations		**(26.5)**	(183.6)	(220.0)
Acquisition amortisation and exceptional items	5	**3.5**	189.3	203.6
Depreciation and non-acquisition amortisation		**19.4**	22.7	42.5
Underlying EBITDA (NGM A)		**(3.6)**	28.4	26.1
Share-based payment expense		**5.1**	4.9	9.0
Decrease (increase) in inventories		**22.1**	(11.8)	30.2
Decrease (increase) in receivables		**0.9**	29.6	67.5
Increase (decrease) in payables		**1.0**	(49.0)	(58.9)
Increase (decrease) in provisions		**–**	0.1	(0.2)
Net taxation received (paid)		**1.1**	(6.0)	(5.0)
Net gain on disposal of property, plant and equipment		**(0.3)**	(1.0)	(2.4)
Proceeds from disposal of property, plant and equipment held for rental		**–**	0.5	1.3
Purchase of property, plant and equipment held for rental		**(0.3)**	(1.6)	(3.0)
Gain on disposal of held for sale asset		**(0.4)**	–	–
Restructuring costs shown as exceptional item		**(1.2)**	(2.4)	(10.7)
Acquisition costs shown as exceptional item		**–**	(1.2)	(1.4)
Payment of US pension scheme liabilities		**–**	(0.5)	(0.5)
Other non-cash flow items		**(0.9)**	(0.2)	(1.0)
Net cash inflow (outflow) from operating activities		**23.5**	(10.2)	51.0
Investing activities				
Interest received		**1.2**	0.5	0.8
Net movement on loans to and from associates		**(0.3)**	–	–
Proceeds from disposal of property, plant and equipment		**0.4**	1.1	2.0
Proceeds from disposal of property, plant and equipment – exceptional item	5	**1.8**	–	–
Proceeds from disposal of held-for-sale assets		**2.2**	–	–
Proceeds from disposal of business		**–**	0.6	0.6
Proceeds from disposal of investments		**–**	0.5	0.5
Increase in current investments		**(23.0)**	–	–
Investment in Well Data Labs		**(2.5)**	–	–
Purchase of subsidiaries net of cash acquired		**–**	(32.8)	(32.8)
Purchase of property, plant and equipment		**(3.3)**	(8.9)	(11.7)
Purchase of intangible assets		**(1.1)**	(1.5)	(4.3)
Net cash outflow from investing activities		**(24.6)**	(40.5)	(44.9)
Financing activities				
Interest and bank fees paid		**(0.5)**	(0.7)	(1.1)
Payment of lease liabilities		**(4.9)**	(6.0)	(10.4)
Lease surrender payment – exceptional item	5	**(1.3)**	–	–
Dividends paid to Hunting PLC shareholders	16	**(6.4)**	(4.9)	(8.2)
Dividends paid to non-controlling interest		**–**	(0.9)	(0.9)
Share buyback		**–**	(5.1)	(5.1)
Purchase of treasury shares		**(5.2)**	(6.0)	(9.4)
Disposal of treasury shares		**0.2**	0.1	0.2
Net cash outflow from financing activities		**(18.1)**	(23.5)	(34.9)
Net cash outflow in cash and cash equivalents		**(19.2)**	(74.2)	(28.8)
Cash and cash equivalents at the beginning of the period		**101.7**	127.0	127.0
Effect of foreign exchange rates		**0.2**	(4.0)	3.5
Cash and cash equivalents at the end of the period		**82.7**	48.8	101.7
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		**83.4**	49.7	102.9
Money market funds		**–**	0.5	–
Cash and cash equivalents included in current assets		**83.4**	50.2	102.9
Bank overdrafts included in borrowings		**(0.7)**	(1.4)	(1.2)
		82.7	48.8	101.7

Notes

1. Basis of Accounting

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is 5 Hanover Square, London, W1S 1HQ, United Kingdom.

The condensed consolidated half year financial report to 30 June 2021 is presented in US dollars and has been prepared in accordance with United Kingdom adopted IAS 34 Interim Financial Reporting and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

This condensed set of consolidated financial statements does not include all of the notes of the type normally included in an annual financial report. Accordingly, this interim financial report should be read in conjunction with the 2020 Annual Report and Accounts, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and with any public announcements made by Hunting PLC during the interim period.

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 213 to 215 contained in the 2020 Annual Report and Accounts.

The information for the year ended 31 December 2020 contained in this interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

The accounting policies applied and the significant judgements, estimates and assumptions made by management in this condensed set of consolidated financial statements are consistent with those applied in the 2020 Annual Report and Accounts except for the estimation of income taxes, which are accrued using an estimated weighted average tax rate that would be applicable to the full year profit or loss, and the adoption of new and amended standards as described below.

(a) New and Amended Standards Adopted by the Group

A number of amended standards became effective for the financial year beginning on 1 January 2021; however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(i) Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ("IBORs") is being assessed and is ongoing. None of the Group's hedge accounting has been impacted by the reform regarding LIBOR, as none of the Group's hedging relationships have any exposure to interest rate benchmarks that are subject to the proposed regulatory reform.

However, the Group's RCF and other bilateral funding arrangements are impacted by the move away from LIBOR, as LIBOR is currently used as the benchmark for the interest rate applied. The RCF commitment fee is calculated as a percentage of the prevailing credit margin that is then applied to the undrawn amount of the facility. The commitment fee is not linked to LIBOR and will be unaffected by the proposed regulatory reform.

The Group's cash and cash equivalents of $83.4m and overdrafts of $0.7m at the period end have variable interest rates that are referenced to Central Bank base rates and have not been affected by the IBOR reforms.

There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference LIBOR to SONIA (in respect of GBP denominated contracts) or SOFR (in respect of USD denominated contracts), adjustments for term differences and credit differences might need to be applied to SONIA and/or SOFR, to enable the benchmark rates to be economically equivalent on transition. The Group's treasury department is responsible for managing the Group's LIBOR transition plan.

(b) Impact of Standards Issued but not yet Applied by the Group

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.

(c) Critical Judgements and Key Estimates

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

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes, as tax legislation can be complex and open to different interpretation. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This is considered by jurisdiction, or by entity, dependent on the tax laws of the jurisdiction.

1. Basis of Accounting continued

(c) Critical Judgements and Key Estimates continued

At each balance sheet date, the Directors will consider the medium-term forecasts of the business and determine whether the generation of taxable income within a reasonable time frame is probable. If actual results differ from the forecasts then the impact of not being able to utilise the expected amount of deferred tax assets can have a material impact on the Group's tax charge for the year. The key decision regarding the recognition of deferred tax as at 30 June 2021 related to the recognition of deferred taxes in the US. The Directors concluded that there have not been any significant changes in the medium-term taxable profit forecasts for the US and so the full recognition of the US deferred tax asset position continues to not be recognised. To the extent that the US deferred tax asset is not offset against the deferred tax liability recognised relating to goodwill in the US, the deferred tax asset remains unrecognised.

Hunting holds pressure control equipment inventory in the US that has a carrying value of $23.2m at 30 June 2021. As a result of the severely adverse trading conditions caused by the COVID-19 pandemic, sales have been limited with customers curtailing capital expenditure, and the majority of this equipment has been in stock for two to three years. This is high quality, durable product that is certified to latest API quality specifications. In H1 2021, there has been a significant upturn in requests for quotation and orders taken. Various industry forecasts indicate there will be strong growth as the recovery commences through to 2026. The Directors, therefore, believe that this carrying value is appropriate; however, if trading does not improve over the next 12 to 18 months, as expected, this position may need to be reassessed.

The Directors have considered the potential impact that climate change could have on the financial statements of the Group. The Directors' view is that climate change is an emerging risk that the Group is cognisant of, and will react to appropriately. External long-term forecasts used by the Directors, that recognise and incorporate climate change developments, support the view that there will be robust demand for the Group's oil- and gas-based products for a significant time span and these do not currently identify any concerns regarding the carrying values or expected lives of longer-lived assets, including goodwill. The Directors also believe there is significant operational adaptability in the Group's asset base to move into other non-hydrocarbon product lines if required.

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

(d) Going Concern and Liquidity

(i) Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on overall market conditions, the variety of its products and 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 2021, 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.

At 30 June 2021, the Group had total cash and bank funds of $105.7m and our internal financial projections indicate that the Group has sufficient liquidity to meet its funding requirements over the next 12 months.

(ii) 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 in light of the Group's strong cash and bank position at 30 June 2021. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare this condensed set of consolidated financial statements.

Management has performed a stress test on the forecast to identify the conditions necessary to fully consume the Group's available cash reserves and require the Group to borrow funds, which it technically cannot do under the current secured committed credit facility without gaining consent from the participating banks, see note 14(a)(i). The stress tests include a significant drop in revenue and EBITDA margins, an increase in inventory days and delays in crystallising trade receivables. The Board considered that the likelihood of such a combined occurrence over the next 12 months is remote, particularly in light of improving market expectations for 2022. The Board is therefore satisfied that no material uncertainties have been identified.

(iii) 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 financial report.

Notes

continued

2. Segmental Reporting

For the six months ended 30 June 2021, the Group has been reporting on four 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"). Previously, the Group reported on five operating segments.

From 1 January 2021, the US and Canada operating segments have been merged to form the North America operating segment, following the restructuring that took place in Canada in H2 2020 that saw the closure of manufacturing operations in Calgary, Alberta. Canada's ongoing business is now being managed as part of the Connections group and, therefore, the new operating segment reflects the way the businesses in the US and Canada are being managed. The segmental results for the six months ended 30 June 2020 and the year ended 31 December 2020 have been restated to reflect this change. There has been no impact on external revenue for 30 June 2020 or 31 December 2020.

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 5). 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 overseen by the Group's central treasury function, which manages the funding position of the Group.

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

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: Due to its size and nature of operations, Hunting Titan's activities are reported separately. 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 T-Set™ 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.

North America: The US businesses supply premium connections, oil country tubular goods ("OCTG"), 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. Although located in the UK, Enpro has been classified as part of this segment, as it falls under the management of the Subsea business in the US, as it participates in global offshore projects. Although the Canadian segment did not meet the quantitative thresholds required by IFRS 8 for reportable segments, until 2020 this segment was reported separately as it was monitored individually by the Board and the management of the operations was in Canada. Following the change to the Canadian operations during H2 2020, the management of the ongoing business has moved to the US and from 2021 the results have been reported as part of the North American segment. The Group's Canadian business now focuses on OCTG threading, which is subcontracted to facilities who hold manufacturing licences for Hunting's premium and semi-premium connections. The segment also includes the results of the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico. The business and assets of the Drilling Tools business were divested to Rival Downhole Tools ("Rival") in December 2020. Hunting holds a 23.5% equity interest in Rival and the results from this operation are presented in the income statement as share of associate's post-tax results.

Europe, Middle East and Africa ("EMEA"): Hunting's European operations comprise businesses in the UK, Netherlands and Norway. Revenue from this segment is generated from the supply of OCTG (including threading, pipe storage and accessories manufacturing) and the sale and rental of in-field well intervention products in the UK; OCTG and well testing equipment manufacture in the Netherlands; and well intervention services and distribution in Norway. Hunting's Middle East manufacturing operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group's operations in Saudi Arabia are through a 65% joint venture arrangement with Saja Energy and 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. Following a change of management to Singapore Well Intervention, the results from this business, previously included in the EMEA segment, are now included in the Asia Pacific segment. The prior year segmental information has not been restated as the amounts are not considered to be material.

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

2. Segmental Reporting continued

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

(a) Segment Revenue and Profit

	Six months ended 30 June 2021					
	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	**88.7**	**(2.2)**	**86.5**	**(1.6)**	**(3.5)**	**(5.1)**
North America	**122.2**	**(10.2)**	**112.0**	**(10.4)**	**(1.1)**	**(11.5)**
EMEA	**27.6**	**(0.3)**	**27.3**	**(6.6)**	**0.1**	**(6.5)**
Asia Pacific	**19.1**	**(0.5)**	**18.6**	**(4.4)**	**–**	**(4.4)**
Exceptional item not apportioned to operating segments	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Total from operations	**257.6**	**(13.2)**	**244.4**	**(23.0)**	**(3.5)**	**(26.5)**
Net finance expense				**(1.0)**	**–**	**(1.0)**
Share of associates' post-tax loss				**(1.1)**	**–**	**(1.1)**
Loss before tax from operations				**(25.1)**	**(3.5)**	**(28.6)**

i. Relates to amortisation of acquired intangible assets.

Amortisation and exceptional items by operating segment:

	Six months ended 30 June 2021					
	Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Unallocated $m	Total $m
Amortisation of acquired intangible assets	**(3.4)**	**(0.9)**	**–**	**–**	**–**	**(4.3)**
Restructuring costs	**(0.1)**	**(1.1)**	**–**	**–**	**–**	**(1.2)**
Reversal of impairments of inventories	**–**	**0.7**	**0.1**	**–**	**–**	**0.8**
Profit on disposal of Canadian assets	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Profit on surrender of lease	**–**	**–**	**–**	**–**	**1.0**	**1.0**
	(3.5)	**(1.1)**	**0.1**	**–**	**1.0**	**(3.5)**

	Restated Six months ended 30 June 2020					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[ii] and exceptional items $m	Reported result $m
Hunting Titan	102.5	(2.5)	100.0	1.7	(116.1)	(114.4)
North America	179.4	(22.1)	157.3	3.6	(51.2)	(47.6)
EMEA	50.9	(0.3)	50.6	(3.1)	(19.9)	(23.0)
Asia Pacific	71.3	(1.5)	69.8	3.5	(2.1)	1.4
Total from operations	404.1	(26.4)	377.7	5.7	(189.3)	(183.6)
Net finance expense				(1.8)	–	(1.8)
Profit (loss) before tax from operations				3.9	(189.3)	(185.4)

ii. Relates to amortisation of acquired intangible assets.

Notes

continued

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

Amortisation and exceptional items by operating segment:

	Restated Six months ended 30 June 2020				
	Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Total $m
Amortisation of acquired intangible assets	(11.3)	(1.0)	–	–	(12.3)
Impairments of goodwill	(65.6)	(9.9)	(4.3)	–	(79.8)
Impairments of other intangible assets	(29.7)	(7.0)	(2.5)	–	(39.2)
Impairments of property, plant and equipment	(0.1)	(10.2)	(9.0)	–	(19.3)
Impairments of right-of-use assets	(0.2)	(1.9)	–	–	(2.1)
Impairments of inventories	(7.0)	(20.2)	(4.0)	(2.1)	(33.3)
Impairments of receivables	(1.2)	–	–	–	(1.2)
Restructuring costs	(1.0)	(2.3)	(0.1)	–	(3.4)
Acquisition costs	–	(1.2)	–	–	(1.2)
Remeasurement of contingent consideration on acquisition of Enpro	–	2.5	–	–	2.5
	(116.1)	(51.2)	(19.9)	(2.1)	(189.3)

	Restated Year ended 31 December 2020					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[iii] and exceptional items $m	Reported result $m
Hunting Titan	161.7	(4.7)	157.0	(5.6)	(120.4)	(126.0)
North America	311.6	(28.0)	283.6	(3.5)	(58.5)	(62.0)
EMEA	78.8	(0.7)	78.1	(12.0)	(21.9)	(33.9)
Asia Pacific	109.3	(2.0)	107.3	4.7	(2.8)	1.9
Total from operations	661.4	(35.4)	626.0	(16.4)	(203.6)	(220.0)
Net finance expense				(3.0)	–	(3.0)
Loss before tax from operations				(19.4)	(203.6)	(223.0)

iii. Relates to amortisation of acquired intangible assets.

Amortisation and exceptional items by operating segment:

	Restated Year ended 31 December 2020				
	Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Total $m
Amortisation of acquired intangible assets	(14.8)	(2.5)	–	–	(17.3)
Impairments of goodwill	(65.6)	(9.9)	(4.3)	–	(79.8)
Impairments of other intangible assets	(29.5)	(7.1)	(2.6)	–	(39.2)
Impairments of property, plant and equipment	(0.4)	(10.2)	(8.8)	–	(19.4)
Impairments of right-of-use assets	(0.2)	(3.9)	–	–	(4.1)
Impairments of inventories	(7.1)	(20.2)	(4.3)	(2.6)	(34.2)
Impairments of receivables	(1.2)	–	–	–	(1.2)
Restructuring costs	(1.6)	(6.6)	(1.9)	(0.2)	(10.3)
Profit on disposal of Canadian assets	–	0.8	–	–	0.8
Acquisition costs	–	(1.4)	–	–	(1.4)
Remeasurement of contingent consideration on acquisition of Enpro	–	2.5	–	–	2.5
	(120.4)	(58.5)	(21.9)	(2.8)	(203.6)

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Perforating Systems	**85.8**	97.2	154.5
OCTG	**76.8**	169.2	264.7
Advanced Manufacturing	**29.1**	40.9	74.3
Subsea	**29.6**	33.8	69.8
Intervention Tools	**12.1**	17.0	30.7
Drilling Tools	**–**	6.3	9.9
Other	**11.0**	13.3	22.1
Total	**244.4**	377.7	626.0
Revenue from products is further analysed between:			
Oil and gas	**226.9**	357.6	586.2
Non-oil and gas	**17.5**	20.1	39.8
Total	**244.4**	377.7	626.0

3. Revenue

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

	Six months ended 30 June 2021			
	Revenue from contracts with customers $m	**Rental revenue $m**	**Other revenue $m**	**Total external revenue $m**
Hunting Titan	**86.3**	**0.2**	**–**	**86.5**
North America	**110.2**	**1.0**	**0.8**	**112.0**
EMEA	**26.0**	**1.3**	**–**	**27.3**
Asia Pacific	**18.6**	**–**	**–**	**18.6**
Total	**241.1**	**2.5**	**0.8**	**244.4**

	Restated Six months ended 30 June 2020			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	100.0	–	–	100.0
North America	149.0	7.2	1.1	157.3
EMEA	48.5	2.1	–	50.6
Asia Pacific	69.8	–	–	69.8
Total	367.3	9.3	1.1	377.7

	Restated Year ended 31 December 2020			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	157.0	–	–	157.0
North America	270.6	11.1	1.9	283.6
EMEA	75.0	3.1	–	78.1
Asia Pacific	107.3	–	–	107.3
Total	609.9	14.2	1.9	626.0

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

Notes
continued

4. Other Operating Income

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Operating lease rental income	**0.7**	1.0	1.8
Gain on disposal of property, plant and equipment	**0.3**	0.7	2.8
Gain on disposal of held for sale asset	**0.4**	–	–
Government grants	**0.4**	1.9	3.8
Foreign exchange gains	**0.3**	1.5	1.4
Other income	**0.3**	0.5	0.5
Other operating income before amortisation[i] and exceptional items	**2.4**	5.6	10.3
Other operating income included in amortisation and exceptional items (note 5)	**1.2**	–	0.8
Total	**3.6**	5.6	11.1

i. Relates to amortisation of acquired intangible assets.

Government Grants

Hunting PLC has benefited from a number of government schemes to support companies because of the COVID-19 pandemic. These schemes include the COVID-19 Job Support Scheme and property tax rebate in Singapore, the Coronavirus Job Retention Scheme ("CJRS") in the UK, and the Canada Emergency Wage Subsidy in Canada. The Group received $0.3m in the six months ended 30 June 2021, $1.8m in the six months ended 30 June 2020 and $3.6m for the year ended 31 December 2020 relating to COVID-19 support.

The Group also benefits from a number of other ongoing government schemes, including the receipt of a Scottish Enterprise grant of $0.1m (six months ended 30 June 2020 – $0.1m; year ended 31 December 2020 – $0.1m) for Enpro. Other government assistance totalled $0.1m in the year ended 31 December 2020.

There are no repayment conditions attached to any government grants or assistance.

5. Amortisation and Exceptional Items

Due to their size and nature, the following items have been disclosed as "middle column" items in the condensed set of consolidated financial statements:

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Impairments of property, plant and equipment	**–**	14.4	14.8
Reversal of impairments of inventories (note 9(c))	**(0.8)**	–	–
Impairments of inventories	**–**	33.3	34.2
Restructuring costs	**0.9**	1.8	7.7
Charged to cost of sales	**0.1**	49.5	56.7
Profit on disposal of Canadian assets	**(0.2)**	–	(0.8)
Profit on surrender of lease	**(1.0)**	–	–
Credited to other income	**(1.2)**	–	(0.8)
Amortisation of acquired intangible assets	**4.3**	12.3	17.3
Impairments of goodwill	**–**	79.8	79.8
Impairments of other intangible assets	**–**	39.2	39.2
Impairments of property, plant and equipment	**–**	4.9	4.6
Impairments of right-of-use assets	**–**	2.1	4.1
Impairments of receivables	**–**	1.2	1.2
Restructuring costs	**0.3**	1.6	2.6
Acquisition costs	**–**	1.2	1.4
Remeasurment of contingent consideration on Enpro acquisition	**–**	(2.5)	(2.5)
Charged to operating expenses	**4.6**	139.8	147.7
Total amortisation and exceptional items charged to (loss) profit from operations	**3.5**	189.3	203.6
Taxation on amortisation and exceptional items	**1.0**	19.9	16.1
	4.5	209.2	219.7

On 19 April 2021, the lease and the sub-lease on a property held by a UK head office company were surrendered. A final payment of $1.3m was made to settle the lease. Following the surrender of the lease, the gain recognised on the disposal of the lease and the corresponding right-of-use asset was $1.0m. The gain has not been allocated to an operating segment as the original property provisions were not allocated to an operating segment at the time they were recognised.

5. Amortisation and Exceptional Items continued

During the period, a further gain of $0.2m (year ended 31 December 2020 – $0.8m) on the disposal of Canadian assets was recognised, following the closure of the Canadian operations. The Group received disposal proceeds of $1.8m for these assets during the period.

Restructuring costs of $1.2m relating to the implementation of cost-base reduction measures, which began in 2020, have been incurred and paid in the period. These have been recognised in the Titan and North America operating segments. Total restructuring costs of $10.3m were incurred in 2020, with $10.7m paid during 2020. Restructuring costs in 2020 benefited from the release of unused restructuring provisions recognised in prior years. During 2020, a US property was reclassified to held-for-sale assets. At 30 June 2020, a $0.5m write-down to the property was recognised in restructuring costs to reflect its expected recoverable amount given the market conditions prevailing at the time. The impairment was reversed in the second half of the year following receipt of new information about its market value. The property was sold in 2021 for $2.2m.

The following items were recognised as exceptional during 2020:

Following a carrying value review, impairments of goodwill, property, plant and equipment, right-of-use assets, other intangible assets and inventories were recognised in the six months to 30 June 2020 and in the year ended 31 December 2020. Details on the 2020 impairments can be found in note 16 of the 2020 Annual Report and Accounts.

Acquisition-related costs that arose on the acquisition of Enpro were charged to operating expenses and were paid in 2020.

The contingent consideration recognised on the acquisition of Enpro had a fair value of $nil at 30 June 2020 and so the amount of $2.5m recognised at the date of the acquisition was reversed. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised at acquisition of $2.5m was released.

6. Taxation

The underlying taxation charge for the six months ended 30 June 2021 has been calculated as follows:

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

The underlying tax charge for the six months ended 30 June 2021 is $2.1m (six months ended 30 June 2020 – $2.6m charge; year ended 31 December 2020 – $0.9m credit). This reflects an effective tax rate of (8)% (six months ended 30 June 2020 – 67%; year ended 31 December 2020 – 5%) (NGM B). The Group's estimated tax rate ("ETR") is significantly different to that which might be expected from prevailing jurisdictional rates as it is impacted by a mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss-making jurisdictions.

Amortisation of acquired intangible assets and exceptional items arising in the six months ended 30 June 2021 (detailed in note 5) have been taxed on an item-by-item basis. A tax charge of $1.0m has been included in the condensed consolidated income statement in respect of these items (six months ended 30 June 2020 – $19.9m charge; year ended 31 December 2020 – $16.1m charge). The charges incurred during 2020 primarily reflected the reversal of net deferred tax assets of $22.9m for the six months ended 30 June 2020 and $21.5m for the year ended 31 December 2020. During 2020, Hunting derecognised deferred tax assets for the US businesses as realisation of the tax benefit was not considered probable within a reasonable time frame, except for losses offset to the extent possible against goodwill tax liabilities. The 2020 charge was offset by tax credits associated with the amortisation of acquired intangible assets and exceptional items.

The reported tax charge for the six months ended 30 June 2021 is $3.1m (six months ended 30 June 2020 – $22.5m charge; year ended 31 December 2020 – $15.2m charge).

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the period to 30 June 2021. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind. The effect of the change in tax rate on the opening UK deferred tax balances has been recognised as a discrete taxation event in the period.

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7. (Loss) Earnings per Share

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

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

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Reported loss attributable to Ordinary shareholders	**(30.5)**	(206.5)	(234.7)
Add: amortisation[i] and exceptional items after taxation	**4.5**	208.0	218.2
Underlying (loss) earnings attributable to Ordinary shareholders	**(26.0)**	1.5	(16.5)
	millions	millions	millions
Basic weighted average number of Ordinary shares	**161.3**	164.2	163.9
Long-term incentive plans	**6.1**	3.9	4.8
Adjusted weighted average number of Ordinary shares	**167.4**	168.1	168.7
	cents	cents	cents
Reported loss per share:			
Basic EPS	**(18.9)**	(125.7)	(143.2)
Diluted EPS[ii]	**(18.9)**	(125.7)	(143.2)
Underlying (loss) earnings per share:			
Basic EPS	**(16.1)**	1.0	(10.0)
Diluted EPS[ii]	**(16.1)**	1.0	(10.0)

i. Relates to amortisation of acquired intangible assets.
ii. For the six months ended 30 June 2021 and 30 June 2020 and the year ended 31 December 2020, the Group reported a loss and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they have not been used to calculate diluted (loss) earnings per share.

8. Non-current Assets – PPE, ROU Assets, Goodwill and Other Intangible Assets

	Property, plant and equipment $m	**Right-of-use assets $m**	**Goodwill $m**	**Other intangible assets $m**
Cost:				
At 1 January 2021	**757.6**	**90.5**	**532.0**	**390.7**
Exchange adjustments	**0.8**	**0.7**	**1.1**	**0.5**
Additions	**3.7**	**0.5**	**–**	**1.1**
Reclassification from inventories (note 12)	**0.1**	**–**	**–**	**–**
Disposals	**(16.1)**	**(26.6)**	**–**	**(0.3)**
Modifications	**–**	**0.6**	**–**	**–**
At 30 June 2021	**746.1**	**65.7**	**533.1**	**392.0**
Accumulated depreciation and impairment:				
At 1 January 2021	**450.5**	**60.7**	**367.8**	**347.8**
Exchange adjustments	**0.5**	**0.6**	**0.9**	**0.3**
Charge for the year	**14.5**	**3.4**	**–**	**5.8**
Disposals	**(14.4)**	**(25.5)**	**–**	**(0.3)**
At 30 June 2021	**451.1**	**39.2**	**368.7**	**353.6**
Net book amount at 30 June 2021	**295.0**	**26.5**	**164.4**	**38.4**

8. Non-current Assets – PPE, ROU Assets, Goodwill and Other Intangible Assets continued

(a) Property, Plant and Equipment

Additions to property plant and equipment include $1.1m for land and buildings, $1.9m for plant, machinery and motor vehicles, $0.4m for oil and gas exploration and development and $0.3m for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for at 30 June 2021, amounted to $0.7m (30 June 2020 – $1.9m; at 31 December 2020 – $0.6m).

In accordance with the requirements of the Group's committed bank facility, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of $194.1m (six months ended 30 June 2020 – $205.2m; year ended 31 December 2020 – $200.6m).

(b) Right-of-use Assets

On 19 April 2021, the lease on one of the Group's UK properties was surrendered and the corresponding right-of-use asset was derecognised. Following the surrender of the lease, the gain recognised on the disposal of the lease and the corresponding right-of-use asset was $1.0m and has been recognised as an exceptional item (note 5).

(c) Goodwill

Hunting Titan represents 70% of the goodwill balance at 30 June 2021 (30 June 2020 – 71%; 31 December 2020 – 70%).

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

CGU	Operating segment	**At 30 June 2021 $m**	At 30 June 2020 $m	At 31 December 2020 $m
Hunting Titan	Titan	**115.0**	114.9	114.9
Hunting Stafford "Subsea"	North America	**15.0**	15.0	15.0
Enpro	North America	**14.3**	12.8	14.2
Dearborn	North America	**7.6**	7.6	7.6
US Manufacturing	North America	**12.5**	12.5	12.5
Total		**164.4**	162.8	164.2

(d) Other Intangible Assets

During the first six months of 2021, amortisation charges of $4.3m on intangible assets arising on business acquisitions were recognised as "middle column" items (note 5) and amortisation of $1.5m on purchased intangible assets was recognised in underlying results.

9. Impairment of Non-financial Assets

(a) Indicators of Impairment and Updated Impairment Tests

In the six months to 30 June 2020, impairments of $140.4m were charged in respect of non-current assets. This charge slightly increased to $142.5m in the full year to 31 December 2020. In preparing the 30 June 2021 condensed consolidated financial statement, Hunting has considered whether any indicators of impairment exist, in particular considering those CGUs that were considered sensitive in the 2020 Annual Report and Accounts (as disclosed in note 16). From 31 December 2020 to 30 June 2021, WTI oil prices increased by 51%, which was more than anticipated at the time of our projections. Market expectations have generally improved from this time, in particular US onshore. Management has reviewed performance of our business units and considered the impact for those businesses whose performance is below the projections used to support the impairment calculations. Management has concluded that no further impairment is required and that there has been no material change in the sensitivities disclosed in the 2020 Annual Report and Accounts.

Management has also considered whether any reversal of impairment is appropriate and have concluded that no reversal is required. It is noted that at 31 December 2020, $79.8m of the impairment was in respect of goodwill, which cannot be reversed, and that $24.6m was for customer relationships recognised on the acquisition of Titan that would have been fully amortised by the end of August 2021 in any case.

(b) Impairment Tests for Individual Assets

For individual assets, an impairment test is conducted if there are indicators of impairment. Impairment arises when the carrying value of the asset is greater than the higher of its fair value less costs of disposal ("FVLCD") or its value-in-use. The FVLCD or the value-in-use is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. If the cash flows of an asset cannot be assessed individually the asset or the group of assets are aggregated into a CGU and tested.

(c) Impairment Tests for Inventory

Certain inventory has been written down to its net realisable value due to the reduced movement in inventories, lower oil and gas prices reducing demand and inventory selling prices being lowered. A net impairment credit of $2.0m (note 12) was recognised in the period, with the reversal of inventory provisions of $0.8m credited to exceptional items (note 5), where the charge was previously recognised in exceptional items.

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10. Investments

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Non-current:			
Unlisted investment – Well Data Labs	**2.6**	–	–
Listed equity investments and mutual funds	**1.8**	1.6	1.7
	4.4	1.6	1.7

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Current:			
Unlisted investment – Fixed Term Funds	**16.1**	–	–
Deposits greater than 90 days	**6.9**	–	–
	23.0	–	–

(a) Well Data Labs

In February 2021, the Group entered into an agreement to provide $2.5m of convertible financing to Well Data Labs ("WDL"), a software business focused on oil and gas drilling data processing.

(b) Fixed Term Funds and Deposits Greater than 90 Days

During the six months to 30 June 2021, the treasury function invested surplus cash in deposits with a notice period of 95 days and Fixed Term Funds ("FTFs") with various financial institutions, in line with its cash management and investment policies (see note 14(a)(ii)).

11. Trade and Other Receivables

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Non-current:			
Prepayments	**1.6**	2.7	1.7
Other receivables	**0.7**	0.6	0.3
	2.3	3.3	2.0

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Current:			
Contract assets	**11.9**	9.4	9.8
Trade receivables	**109.6**	140.5	111.4
Accrued revenue	**3.6**	8.1	3.2
Gross receivables	**125.1**	158.0	124.4
Less: provision for impairment	**(4.7)**	(5.8)	(4.5)
Net receivables	**120.4**	152.2	119.9
Prepayments	**12.3**	14.1	13.1
Loan note	**–**	0.9	0.6
Other receivables	**2.9**	6.4	2.7
	135.6	173.6	136.3

In accordance with the requirements of the Group's committed bank facility, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $90.6m (six months ended 30 June 2020 – $106.8m; year ended 31 December 2020 – $84.3m).

12. Inventories

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Raw materials	**93.9**	123.7	101.6
Work in progress	**44.1**	59.1	50.9
Finished goods	**161.6**	202.3	173.1
Gross inventories	**299.6**	385.1	325.6
Less: provision for losses	**(32.3)**	(54.0)	(37.2)
Net inventories	**267.3**	331.1	288.4

The Group's inventory is highly durable and is well maintained. Therefore, it can hold its value well with the passing of time. When volume demand falls, or prices are reduced, management has to assess whether the carrying value of inventory can still be achieved. For some markets and product lines there may be a limited number, or even no sales, to form a benchmark in the current year. In these cases, management looks at historical activity levels and has to form a judgement as to likely future demand in the light of market forecasts and likely competitor activities. Management has considered the judgements and estimates made in each of the Group's businesses and has not identified any individual estimates, which, in the event of a change, would lead to a material change in the next financial period, except for our key estimate regarding pressure control equipment provisions as disclosed in note 1.

Because of such judgements, the net inventory balance comprises $205.6m of inventory carried at cost (30 June 2020 – $289.8m; 31 December 2020 – $240.6m) and $61.7m carried at net realisable value ("NRV"), which represents 23% of net inventories (30 June 2020 – $41.3m at NRV representing 12% of net inventories; 31 December 2020 – $47.8m at NRV representing 17% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**325.6**	377.3	377.3
Foreign exchange	**0.6**	0.8	4.8
Inventory additions	**175.5**	260.5	465.7
Expensed to cost of sales in the consolidated income statement	**(198.9)**	(248.5)	(505.7)
Provision utilised against inventories written off	**(3.1)**	(5.5)	(14.9)
Reclassification to PPE (note 8)	**(0.1)**	(0.2)	(0.6)
Acquisitions	**–**	0.7	0.7
Disposals	**–**	–	(1.7)
Gross inventories	**299.6**	385.1	325.6

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**(37.2)**	(26.5)	(26.5)
Foreign exchange	**(0.2)**	0.6	(0.2)
Charge to the consolidated income statement	**(1.8)**	(35.0)	(37.4)
Provision utilised against inventories written off	**3.1**	5.5	14.9
Provisions released to the consolidated income statement	**3.8**	1.4	12.0
Provision for losses	**(32.3)**	(54.0)	(37.2)

The reversal of previous write-downs occurred when inventory was sold for an amount higher than its net realisable value and where older inventories, which had previously been written off, were sold as market conditions improved in the oil and gas sector. Overall, Hunting's provision for inventory losses has remained constant at 11% (31 December 2020 – 11%) of gross inventory balances at 30 June 2021 following the downturn and slow recovery in the oil and gas sector.

In accordance with the requirements of the Group's committed bank facility, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $190.9m (six months ended 30 June 2020 – $246.3m; year ended 31 December 2020 – $198.2m).

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13. 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. Total cash and bank balance is a non-GAAP measure and is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and reviews weekly forecasts to ensure the business has sufficient liquidity to meet business requirements and to determine if the Group will need to draw down on its RCF. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Management Report. Total cash and bank comprises cash and cash equivalents (analysed in the condensed consolidated statement of cash flows) plus current investments of surplus cash funds. The net cash (debt) reconciliation below provides an analysis of the movement in the year for each component of net cash (debt) split between cash and non-cash items. Net cash (debt) comprises total cash and bank less total lease liabilities and the shareholder loan from a non-controlling interest.

	At 1 January 2021 $m	Cash flow $m	Non-cash movement on lease liabilities[i] $m	Exchange movements $m	At 30 June 2021 $m
Cash and cash equivalents	**102.9**	**(19.7)**	**–**	**0.2**	**83.4**
Bank overdrafts	**(1.2)**	**0.5**	**–**	**–**	**(0.7)**
Cash and cash equivalents – per condensed consolidated statement of cash flows	**101.7**	**(19.2)**	**–**	**0.2**	**82.7**
Current unlisted investments – Fixed Term Funds	**–**	**16.1**	**–**	**–**	**16.1**
Deposits greater than 90 days	**–**	**6.9**	**–**	**–**	**6.9**
Investment of surplus cash funds	**–**	**23.0**	**–**	**–**	**23.0**
Total lease liabilities[ii]	**(40.3)**	**6.2**	**0.1**	**(0.2)**	**(34.2)**
Shareholder loan from non-controlling interest	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Liabilities arising from financing activities	**(44.2)**	**6.2**	**0.1**	**(0.2)**	**(38.1)**
Total net cash (debt)	**57.5**	**10.0**	**0.1**	**–**	**67.6**
Analysed between:					
Total cash and bank	**101.7**	**3.8**	**–**	**0.2**	**105.7**
Total lease liabilities	**(40.3)**	**6.2**	**0.1**	**(0.2)**	**(34.2)**
Shareholder loan from non-controlling interest	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Total net cash (debt)	**57.5**	**10.0**	**0.1**	**–**	**67.6**

i. Non-cash movements on lease liabilities comprise new leases of $0.5m, lease modifications of $0.6m and interest expense of $0.8m offset by disposals of $2.0m.
ii. On 19 April 2021, the lease and the sub-lease on a leased property in the UK were surrendered. A final payment of $1.3m was made to settle the lease (note 5).

Loan facility fees are capitalised and are included in prepayments. During the period ended 30 June 2021, $0.2m loan facility fees were amortised.

13. Changes in Net Cash (Debt) continued

	At 1 January 2020 $m	Cash flow $m	Non-cash movement on lease liabilities[iii] $m	Exchange and other movements $m	At 30 June 2020 $m
Cash and cash equivalents	128.6	(74.4)	–	(4.0)	50.2
Bank overdrafts	(1.6)	0.2	–	–	(1.4)
Cash and cash equivalents – per condensed consolidated statement of cash flows	127.0	(74.2)	–	(4.0)	48.8
Total lease liabilities	(45.2)	6.0	(1.5)	1.3	(39.4)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(49.1)	6.0	(1.5)	1.3	(43.3)
Total net cash (debt)	77.9	(68.2)	(1.5)	(2.7)	5.5
Analysed between:					
Total cash and bank	127.0	(74.2)	–	(4.0)	48.8
Total lease liabilities	(45.2)	6.0	(1.5)	1.3	(39.4)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Total net cash (debt)	77.9	(68.2)	(1.5)	(2.7)	5.5

iii. Non-cash movements on lease liabilities comprise new leases of $1.4m, interest expense of $1.0m and new leases from the acquisition of Enpro of $0.3m, offset by lease modifications of $1.0m and other adjustments of $0.2m.

Loan facility fees are capitalised and are included in prepayments. During the period ended 30 June 2020, $0.2m of loan facility fees were amortised.

	At 1 January 2020 $m	Cash flow $m	Non-cash movement on lease liabilities[iv] $m	Exchange and other movements $m	At 31 December 2020 $m
Cash and cash equivalents	128.6	(29.2)	–	3.5	102.9
Bank overdrafts	(1.6)	0.4	–	–	(1.2)
Cash and cash equivalents – per condensed consolidated statement of cash flows	127.0	(28.8)	–	3.5	101.7
Total lease liabilities	(45.2)	10.4	(4.7)	(0.8)	(40.3)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(49.1)	10.4	(4.7)	(0.8)	(44.2)
Total net cash (debt)	77.9	(18.4)	(4.7)	2.7	57.5
Analysed between:					
Total cash and bank	127.0	(28.8)	–	3.5	101.7
Total lease liabilities	(45.2)	10.4	(4.7)	(0.8)	(40.3)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Total net cash (debt)	77.9	(18.4)	(4.7)	2.7	57.5

iv. Non-cash movements on lease liabilities comprise new leases of $1.9m, interest expense of $1.9m, new leases from the acquisition of Enpro of $0.3m and lease modifications of $0.6m.

Loan facility fees are capitalised and are included in prepayments. During the year ended 31 December 2020, $0.5m of loan facility fees were amortised.

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14. Financial Risk Management

The Group's activities expose it to a variety of financial risks, namely market risk (including currency risk, fair value interest rate risk and cash flow interest risk), credit risk and liquidity risk. The Group's risk management strategy seeks to mitigate potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge certain risk exposures. The condensed set of consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's 2020 Annual Report and Accounts.

(a) Liquidity Risk

(i) Bank Facilities

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

The Group has a $160m Revolving Credit Facility ("RCF") that is due to mature in December 2022, with provisions to extend for a further one year to December 2023 based on mutual agreement between all parties. Security is granted over certain properties, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security is discussed in notes 8, 11 and 12. At 30 June 2021, the Group had generated a cumulative negative EBITDA in the preceding 12 months for covenant testing purposes. Therefore, despite having total cash and bank balances of $105.7m, and consequently no loans outstanding under the RCF, the calculation of the financial charge cover covenant would technically result in a failure. However, the Group has obtained a waiver from its lender banks related to this requirement meaning that no technical covenant infringement has occurred for the 12 month measurement period to 30 June 2021. This does, however, mean that the RCF facility of $160.0m cannot be accessed until the Group's financial position improves with respect to this covenant or unless the agreement with the banks is amended. In our Going Concern assessment in note 1, the Directors consider the likelihood that the Group will require external funding in the next 12 months is remote.

The Group's undrawn borrowing facilities were as follows:

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Secured committed facilities – RCF	**160.0**	160.0	160.0
Secured uncommitted facilities	**4.2**	3.9	4.2
	164.2	163.9	164.2

(ii) Management of Cash

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and that adequate liquidity levels are maintained. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable it to monitor the Group's requirements. A central cash forecast, produced weekly, is maintained by the Group's treasury function, which monitors the availability of liquidity to meet long- and short-term business requirements and also any unexpected variances. The treasury function also ensures that the Group has a pool of cash available to protect the Group in a downturn, given the cyclical nature of the oil and gas sector.

The treasury function seeks to centralise surplus cash balances to ensure that funds are managed in the best interests of the Group. Short-term cash balances, together with undrawn facilities, enable the treasury function to manage its day-to-day liquidity risk. Any short-term surplus is invested in accordance with treasury policy.

Short-term deposits and investments in money market funds are held for the purpose of meeting short-term cash commitments, minimising counterparty concentration risk and improving cash investment returns. Short-term deposits of surplus cash are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

During the six months to 30 June 2021, the treasury function has invested surplus cash in deposits with a notice period of 95 days and Fixed Term Funds ("FTFs"), in line with its cash management and investment policies. The use of these deposits and funds enables the treasury function to diversify its counterparty concentration risk by depositing funds with various financial institutions and improve the yields on a portion of its surplus cash. At the period end, the Group held $16.1m (30 June 2020 – $nil; 31 December 2020 – $nil) in FTFs and held $6.9m (30 June 2020 – $nil; 31 December 2020 – $nil) in deposits with a maturity greater than 90 days, which have been classified as current investments on the balance sheet (note 10). The fair value gains recognised on the FTFs and the interest earned on the deposits during the period are immaterial and have been included in finance income.

14. Financial Risk Management continued

(b) Credit Risk

The Group's credit risk continues to arise from its cash at bank and in hand, money market funds, short-term deposits, investments, derivative financial instruments, the loan note, accrued revenue, outstanding receivables and contract assets.

(i) Financial Assets

At 30 June 2021, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue $m	**1 – 30 days $m**	**31 – 60 days $m**	**61 – 90 days $m**	**91 – 120 days $m**	**More than 120 days $m**	**Total gross financial assets at 30 June 2021 $m**
Trade receivables – contracts with customers	**52.4**	**20.4**	**13.0**	**4.8**	**6.4**	**11.0**	**108.0**
Trade receivables – rental receivables	**0.3**	**0.3**	**–**	**0.3**	**0.1**	**0.4**	**1.4**
Trade receivables – other	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Total trade receivables	**52.9**	**20.7**	**13.0**	**5.1**	**6.5**	**11.4**	**109.6**
Contract assets	**11.9**	**–**	**–**	**–**	**–**	**–**	**11.9**
Accrued revenue – contracts with customers	**3.6**	**–**	**–**	**–**	**–**	**–**	**3.6**
Other receivables	**2.2**	**0.1**	**–**	**–**	**–**	**–**	**2.3**
	70.6	**20.8**	**13.0**	**5.1**	**6.5**	**11.4**	**127.4**

Since the year end 31 December 2020, the ageing of receivables has remained static, with trade receivables not overdue at 30 June 2021 comprising 48% of gross trade receivables (48% – 31 December 2020).

At 30 June 2020, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue $m	1 – 30 days $m	31 – 60 days $m	61 – 90 days $m	91 – 120 days $m	More than 120 days $m	Total gross financial assets at 30 June 2020 $m
Trade receivables – contracts with customers	54.0	23.2	15.8	11.5	19.4	8.3	132.2
Trade receivables – rental receivables	3.3	1.4	1.3	1.0	0.1	1.0	8.1
Trade receivables – other	0.2	–	–	–	–	–	0.2
Total trade receivables	57.5	24.6	17.1	12.5	19.5	9.3	140.5
Contract assets	9.4	–	–	–	–	–	9.4
Accrued revenue – contracts with customers	7.9	–	–	–	–	–	7.9
Accrued revenue – rental receivables	0.2	–	–	–	–	–	0.2
Loan note	0.9	–	–	–	–	–	0.9
Other receivables	2.0	0.1	–	–	–	0.3	2.4
	77.9	24.7	17.1	12.5	19.5	9.6	161.3

Notes
continued

14. Financial Risk Management continued

(b) Credit Risk continued
At 31 December 2020, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue $m	1 – 30 days $m	31 – 60 days $m	61 – 90 days $m	91 – 120 days $m	More than 120 days $m	Total gross financial assets at 31 December 2020 $m
Trade receivables – contracts with customers	52.3	18.0	18.1	4.1	9.4	7.2	109.1
Trade receivables – rental receivables	1.0	0.1	0.2	0.2	0.1	0.4	2.0
Trade receivables – other	0.3	–	–	–	–	–	0.3
Total trade receivables	53.6	18.1	18.3	4.3	9.5	7.6	111.4
Contract assets	9.8	–	–	–	–	–	9.8
Accrued revenue – contracts with customers	3.0	–	–	–	–	–	3.0
Accrued revenue – rental receivables	0.2	–	–	–	–	–	0.2
Loan note	0.6	–	–	–	–	–	0.6
Other receivables	1.3	0.1	–	–	–	–	1.4
	68.5	18.2	18.3	4.3	9.5	7.6	126.4

(ii) Provision for Impairment – Trade and Other Receivables
During the period, the following gains and losses were recognised in profit or loss in relation to impaired financial assets:

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**(4.5)**	(3.9)	(3.9)
Charge to the consolidated income statement – lifetime expected credit losses	**(0.6)**	(2.2)	(2.5)
Unused provisions released to the consolidated income statement	**0.4**	0.3	0.7
Utilised against receivables written off	**–**	–	1.2
	(4.7)	(5.8)	(4.5)

Following the global economic downturn in 2020, the provision for the impairment of trade and other receivables has increased in 2021 by $0.2m to $4.7m at 30 June 2021. Debtors will continue to face cash flow difficulties in the coming months; however trading conditions are beginning to stabilise with some signs of improvement in the oil and gas sector.

During 2020, $1.2m of the above net impairment losses charged to the condensed consolidated income statement were shown as an exceptional item. As any unused provision is released to the condensed consolidated income statement, the release will be shown in exceptional items if the original charge was taken to exceptional items. During 2021, $nil has been shown in exceptional items (note 5).

15. Financial Instruments: Fair Values

(a) Fair Value Hierarchy
The Group's net financial assets and liabilities that are measured and recognised at fair value at the period end are $27.6m (30 June 2020 – $2.3m; 31 December 2020 – $1.2m), with $24.8m categorised in Level 1 of the fair value hierarchy, $0.2m in Level 2 and $2.6m in Level 3. There were no transfers between levels of the fair value hierarchy used in the measurement of the fair values of the financial instruments.

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

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

The fair value of Fixed Term Funds ("FTFs"), deposits greater than 90 days 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 value of FTFs, deposits greater than 90 days and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurements are categorised in Level 1 of the fair value hierarchy. Fair value gains on the listed investments and mutual funds of $0.1m have been recognised in finance income in the period and are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

The fair value of funding swaps is determined by calculating the present value of the estimated future cash flows in each currency for both legs of the swap based on observable yield curves. One leg's present value is converted into the other currency using the current spot exchange rate. 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 at the balance sheet date.

15. Financial Instruments: Fair Values continued

(b) Valuation Techniques used to Determine Fair Values

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. Net fair value gains of $0.9m have been recognised in the condensed consolidated income statement in the period for derivatives not designated in a hedge, with $0.1m fair value losses in operating expense and $1.0m fair value gains in net finance expense. For derivatives designated in a cash flow hedge, immaterial fair value losses have been recognised in equity.

The fair value of the convertible financing provided to Well Data Labs in February 2021 has been determined by considering the probability weighted average of the different scenarios' discounted cash flows. The fair value at 30 June 2021 is $2.6m, comprising the fair value at the date of acquisition of $2.5m and the fair value gains recognised in finance income during the period of $0.1m. Due to unobservable inputs used in the valuation, the fair value calculated is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13. The fair value gains of $0.1m are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

During 2020, the contingent consideration recognised on the acquisition of Enpro of $2.5m was estimated by calculating the present value of the future expected cash flows using the income approach and appropriate discount rates. The expected cash flows were based on probabilities of achieving a required threshold for an adjusted EBITDA measure (as defined in the purchase and sale agreement) in the 2020 financial year. The fair value calculated was a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. The contingent consideration had a fair value of $nil at 30 June 2020 and so the amount of $2.5m recognised at the date of the acquisition was reversed. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised at acquisition of $2.5m was released. The remeasurement was recognised in the consolidated income statement as an exceptional credit to operating expenses (see note 5).

The carrying value of a US property classified as held-for-sale in 2020 was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. At 30 June 2020, a $0.5m write-down to the property was recognised as an exceptional item in restructuring costs (see note 5) to reflect its expected recoverable amount given the market conditions prevailing at the time. The impairment was reversed in the second half of the year following receipt of new information about its market value. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The resulting fair value estimate for the held-for-sale property was included in Level 3 of the fair value hierarchy.

(c) Fair Values of Other Financial Instruments (unrecognised)

Due to their short-term nature, the carrying value of contract assets, trade receivables, accrued revenue, other receivables, 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.

The Group also has lease liabilities of $34.2m (30 June 2020 – $39.4m; 31 December 2020 – $40.3m), which are not measured at fair value, in the condensed consolidated 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.

16. Dividends Paid to Hunting PLC Shareholders

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Ordinary dividends:			
2020 final dividend paid – 4.0c	**6.4**	–	–
2020 second interim dividend paid – 2.0c	**–**	–	3.3
2020 first interim dividend paid – 3.0c (paid in place of the proposed 2019 final dividend of 6.0c)	**–**	4.9	4.9
	6.4	4.9	8.2

The Board declared and paid a final dividend of 4.0 cents for 2020 on 14 May 2021. The Board is declaring an interim dividend of 4.0 cents per share, which will absorb an estimated $6.5m, and be paid on 29 October 2021 to shareholders on the register at the close of business on 8 October 2021. The ex-dividend date is 7 October 2021.

Notes

continued

17. Contingent Liabilities

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

The Group has recently been notified of a warranty claim as a result of a corporate transaction. The claim is in relation to the transfer of assets, and their condition, as part of the agreement. The Group believes that it has, in good faith, complied with the terms of the agreement. The Group is in the early stages of discussions with the claimant and legal counsel and, based on the current position, has not identified that a material outflow is probable. Although management believes the risk of a material outflow is very low, management does not have sufficient evidence to establish that the risk of a material settlement is remote or to make a reliable estimate of the potential financial impact that may arise.

18. Events After the Balance Sheet Date

(a) Investment in Cumberland Additive Holdings, LLC

The Group has acquired a 27% interest in the equity shares of Cumberland Additive Holdings, LLC ("CAH") in August 2021 for $5.0m cash. CAH offers engineering design services and production of parts via additive manufacturing in both metals and polymer materials using power bed fusion technology. CAH holds AS9100D and ITAR accreditations, which supports customers in the aerospace, defence, space, oil and gas and energy sectors that demand strongly quality-assured components, which operate in high performance operating environments.

(b) Waiver Letter

At 30 June 2021, the Group had generated a cumulative negative EBITDA in the preceding 12 months for bank covenant testing purposes. Therefore, despite having total cash and bank balances of $105.7m and not having made any drawdowns under the RCF, the calculation of the financial charge cover covenant would technically result in a failure. However, the Group has obtained a waiver letter from its lender banks in relation to this requirement, meaning that no covenant infringement has occurred for the 12 month measurement period to 30 June 2021, see note 14(a)(i).

Non-GAAP Measures

The performance of the Group is assessed by the Directors using a number of non-GAAP measures ("NGMs").

The Group's results are presented both before and after amortisation of acquired intangible assets and exceptional items. Underlying profitability measures are presented excluding amortisation of acquired intangible assets and exceptional items as this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. Underlying profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of amortisation of acquired intangible assets and exceptional items provided in note 5.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be NGMs. These measures are used by management to monitor ongoing business performance.

This condensed set of consolidated financial statements do not include all NGMs of the Group; this section should be read in conjunction with the Group's 2020 Annual Report and Accounts.

The definition of each NGM presented in this report is shown below.

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 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Reported loss from operations (condensed consolidated income statement)	**(26.5)**	(183.6)	(36.4)	(220.0)
Add:				
Depreciation of property, plant and equipment (note 8)	**14.5**	16.5	15.6	32.1
Depreciation of right-of-use assets (note 8)	**3.4**	3.8	3.7	7.5
Reversal of impairment of right-of-use assets	**–**	–	(0.6)	(0.6)
Non-exceptional amortisation of other intangible assets (note 8(d))	**1.5**	2.4	1.1	3.5
Non-exceptional amortisation, depreciation and impairment	**19.4**	22.7	19.8	42.5
Amortisation of acquired intangible assets and exceptional items (note 5)	**3.5**	189.3	14.3	203.6
Underlying EBITDA	**(3.6)**	28.4	(2.3)	26.1

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 (loss) profit before tax divided by underlying (loss) profit before tax, expressed as a percentage.

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Underlying taxation charge (credit) – condensed consolidated income statement	**2.1**	2.6	(3.5)	(0.9)
Underlying (loss) profit before tax for the year – condensed consolidated income statement	**(25.1)**	3.9	(23.3)	(19.4)
Underlying tax rate	**(8)%**	67%	15%	5%

Non-GAAP Measures

continued

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 deferred bank fees, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Trade and other receivables – non-current (note 11)	**2.3**	3.3	2.0
Trade and other receivables – current (note 11)	**135.6**	173.6	136.3
Inventories (note 12)	**267.3**	331.1	288.4
Trade and other payables – non-current	**(2.7)**	(2.9)	(2.4)
Trade and other payables – current	**(69.0)**	(76.7)	(67.9)
Add: non-working capital US deferred compensation plan obligation	**1.8**	1.6	1.7
(Less) add: non-working capital current other receivables and other payables	**(0.6)**	(0.3)	0.2
	334.7	429.7	358.3

D. 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.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Inventories (note 12)	**267.3**	331.1	288.4
Underlying cost of sales for the last three months of the period	**97.4**	121.5	98.4
Inventory days	**250 days**	248 days	270 days

E. Receivables Days

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

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

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Net trade receivables	**104.9**	134.7	106.9
Contract assets	**11.9**	9.4	9.8
Accrued revenue	**3.6**	8.1	3.2
Net receivables (note 11)	**120.4**	152.2	119.9
Revenue for the last three months of the period	**123.1**	150.2	119.3
Trade receivables days	**89 days**	92 days	92 days

F. Cash Flow Working Capital Movements

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Working capital – opening balance	**358.3**	433.3	429.7	433.3
Foreign exchange	**0.1**	1.1	(1.1)	–
Exceptional items impacting working capital:				
Impairments of inventories	**–**	(33.3)	(0.9)	(34.2)
Reversal of impairments of inventories	**0.8**	–	–	–
Impairments of receivables	**–**	(1.2)	–	(1.2)
Profit on disposal of Canadian assets	**–**	–	0.6	0.6
Acquisition	**–**	0.5	–	0.5
Disposal of business	**–**	–	(2.7)	(2.7)
Adjustments:				
Transfer to property, plant and equipment (note 8)	**(0.1)**	(0.3)	(0.3)	(0.6)
Capital investment debtors/creditors cash flows	**(0.1)**	(0.3)	0.2	(0.1)
Asset disposals debtors/creditors cash flows	**-**	–	1.7	1.7
Other non-cash flow movements	**(0.1)**	0.1	(0.1)	–
Other cash flow movement	**(0.2)**	(1.4)	1.2	(0.2)
Working capital – closing balance (NGM C)	**(334.7)**	(429.7)	(358.3)	(358.3)
Cash flow	**24.0**	(31.2)	70.0	38.8

G. 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.

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Underlying EBITDA (NGM A)	**(3.6)**	28.4	(2.3)	26.1
Add: share-based payment charge	**5.1**	4.9	4.1	9.0
	1.5	33.3	1.8	35.1
Working capital movements (NGM F)	**24.0**	(31.2)	70.0	38.8
Net tax received (paid) – condensed consolidated statement of cash flows	**1.1**	(6.0)	1.0	(5.0)
Proceeds from business and asset disposals – condensed consolidated statement of cash flows	**4.4**	2.2	1.7	3.9
Net gains on business and asset disposals	**(0.7)**	(1.0)	(1.4)	(2.4)
Lease payments	**(6.2)**	(6.0)	(4.4)	(10.4)
Restructuring costs	**(1.2)**	(2.4)	(8.3)	(10.7)
Other operating cash and non-cash movements	**(0.5)**	(0.3)	(1.2)	(1.5)
	22.4	(11.4)	59.2	47.8

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