

Hunting PLC  
2022 Half Year Report



# Hunting PLC

## 2022 Half Year Report

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

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

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

### Contents

|  |    |
|--|----|
| Half Year Management Report                              | 01 |
| Statement of Directors’ Responsibilities                 | 08 |
| Independent Review Report to Hunting PLC                 | 09 |
| Condensed Consolidated Income Statement                  | 10 |
| Condensed Consolidated Statement of Comprehensive Income | 11 |
| Condensed Consolidated Balance Sheet                     | 12 |
| Condensed Consolidated Statement of Changes in Equity    | 13 |
| Condensed Consolidated Statement of Cash Flows           | 15 |
| Notes  | 16 |
| Non-GAAP Measures  | 35 |

# Half Year Management Report

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

### Group Review

#### Introduction

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

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

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

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

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

### Strategic Initiatives

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

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

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

#### Contract awarded by CNOOC for Premium Connections and OCTG

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

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

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

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

#### Commenced Construction of a Premium Connection Threading Facility in India

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

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

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

#### Further commercialisation of New Perforating and Completion Products within Hunting Titan

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

#### \$150m Asset Based Lending Facility

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

#### Consolidation of Singapore Facilities

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

### Trading Outlook

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

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

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

# Half Year Management Report

continued

## Operational Footprint

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

## Dividend

The Board is declaring an interim dividend of 4.5 cents per share (H1 2021 – 4.0 cents) amounting to an estimated cash distribution of \$7.2m (H1 2021 – \$6.4m). The dividend will be paid in Sterling on 28 October 2022 and the Sterling value of the dividend payable per share will be fixed and announced approximately two weeks prior to the payment date, based on the average spot exchange rate over the three business days preceding the announcement date. The dividend will be paid to those shareholders on the register at the close of business on 7 October 2022, with an ex-dividend date of 6 October 2022.

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

## Market Overview and Market Outlook

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

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

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

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

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

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

## Performance Summary

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

## Results from Operations

### Summary Group Results from Operations

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

\* Results are presented on a statutory basis as reported under UK adopted International Financial Reporting Standards. Adjusted results reflect adjusting items determined by management which are described in NGM A.

## Basis of Preparation

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

However, the Board continues to monitor the Group's progress using adjusted profitability measures, and reviews and approves the adjusting items proposed by management, as the Group believes these adjusted measures aid the comparison of the Group's operating performance from one period to the next.

The Group's adjusted trading results have been highlighted in the management narrative below, with reconciliations between the statutory and adjusted results detailed in NGM B. The definition and calculation of a range of other NGMs including EBITDA, total cash and bank, working capital and free cash flow can be found on pages 35 to 39.

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

## Revenue

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

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

## Profit Measures

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

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

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

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

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

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

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

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

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

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

## Adjusting Items

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

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

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

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

## Non-GAAP Measures

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

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

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

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

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

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

# Half Year Management Report

continued

## Group Funding and Position at the Half Year

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

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

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

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

Proceeds from the disposal of assets and businesses totalled \$7.5m (H1 2021 – \$4.4m; H2 2021 – \$31.5m) and includes a net \$5.0m received following the sale of a property in Casper, Wyoming and a net receipt of \$2.4m to exit the leased property at Benoi Road in Singapore. H1 2021 proceeds comprised \$2.2m received for a held-for-sale property and \$2.2m for the disposal of PPE, including \$1.8m received on the disposal of Canadian assets. In H2 2021, proceeds comprised \$31.5m for the disposal of the UK OCTG business to Marubeni-Itochu as part of the European OCTG restructuring.

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

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

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

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

In H1 2022, Hunting invested \$1.9m in the joint venture with Jindal SAW in India to support the development of the new threading facility. In H1 2021, the Group provided \$2.5m in convertible financing to Well Data Labs and in H2 2021 invested \$5.1m in Cumberland Additive Holdings Inc, representing a 27% equity share. Also in H2 2021, the Group acquired the 40% non-controlling interest in HES UK, which was purchased from Marubeni-Itochu for \$3.8m.

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

In H1 2022, the Company purchased 1.0m Ordinary shares (H1 2021 – 1.7m Ordinary shares; H2 2021 – 1.0m Ordinary shares) as treasury shares for a total consideration of \$4.2m (H1 2021 – \$5.2m; H2 2021 – \$2.7m) through Hunting's Employee Share Trust. These shares will be used to satisfy future awards under the Group's share award programme. The purchase of treasury shares is offset by proceeds on disposal of \$0.2m (H1 2021 – \$0.2m; H2 2021 – \$0.1m).

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

## Balance Sheet

### Summary Group Balance Sheet

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

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

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

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

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

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

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

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

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

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

## Segmental Review of Operations

### Hunting Titan

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

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

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

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

## Segmental Review

### Segmental Results from Operations\*

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

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

# Half Year Management Report

continued

## Hunting Titan continued

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

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

## North America

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

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

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

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

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

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

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

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

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

The Hunting Trenchless business continued to report good performance, as 5G networking and broadband infrastructure investment in the US continued to grow, and with infrastructure drilling backlogs across the industry at an all-time high the outlook for this business remains positive.

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

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

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

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

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

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

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

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

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

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



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

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

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

### Asia Pacific

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

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

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

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

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

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

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

### Board Changes

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

On 3 March 2022, the Board proposed the appointment of Paula Harris as an independent, non-executive Director of the Company. The appointment was submitted to shareholders for approval at the 2022 AGM and, following receipt of the required votes in favour, Ms Harris joined the Board as a Director on 20 April 2022. Ms Harris has been appointed to all of the Committees of the Board.

### Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2021 Annual Report and Accounts on pages 82 to 85, which includes the requirement for all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk.

There are a number of principal risks that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Some of the risks that Hunting is exposed to, which could have a material adverse impact on the Group, arise from the specific activities undertaken by the Group, whereas other risks are common to many international manufacturing companies. The principal risks are: competition; US shale drilling; climate change; commodity prices; geopolitics; health, safety and environmental laws; loss of key executives; and product quality. Details of those principal risks facing the Group are on pages 86 to 90 of the Group's 2021 Annual Report and Accounts.

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

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

### Forward-looking Statements

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

**Jay Glick**  
Chairman

**Jim Johnson**  
Chief Executive

25 August 2022

# Statement of Directors' Responsibilities

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on these condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2021 Annual Report and Accounts.

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

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

On behalf of the Board

**Bruce Ferguson**  
*Finance Director*

25 August 2022

# Independent Review Report to Hunting PLC

## Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022, which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and related notes 1 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting" and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

## Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

## Directors' Responsibilities

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Review of the Financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## Use of our Report

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

## Deloitte LLP

*Statutory Auditor*

London, United Kingdom

25 August 2022

# Condensed Consolidated Income Statement

|   | Notes | Unaudited<br>Six months<br>ended<br>30 June<br>2022<br>\$m | Unaudited<br>Six months<br>ended<br>30 June<br>2021<br>\$m | Audited<br>Year ended<br>31 December<br>2021<br>\$m |
|---|-------|--|--|---|
| <b>Revenue</b>                          |       | <b>336.1</b>   | 244.4  | 521.6   |
| Cost of sales                           | 2,3   | <b>(260.3)</b>   | (200.4)  | (456.7)   |
| <b>Gross profit</b>                     |       | <b>75.8</b>  | 44.0   | 64.9  |
| Selling and distribution costs          |       | <b>(22.0)</b>  | (18.1)   | (38.1)  |
| Administrative expenses <sup>i</sup>    |       | <b>(53.9)</b>  | (48.0)   | (96.0)  |
| Net operating income and other expenses | 4     | <b>1.8</b>   | (4.4)  | (10.5)  |
| <b>Profit (loss) from operations</b>    |       | <b>1.7</b>   | (26.5)   | (79.7)  |
| Finance income                          |       | <b>1.3</b>   | 1.6  | 1.5   |
| Finance expense                         |       | <b>(2.2)</b>   | (2.6)  | (3.5)   |
| Share of associates' losses             |       | <b>(1.3)</b>   | (1.1)  | (3.8)   |
| <b>Loss before tax from operations</b>  |       | <b>(0.5)</b>   | (28.6)   | (85.5)  |
| Taxation                                | 5     | <b>(3.2)</b>   | (3.1)  | (4.2)   |
| <b>Loss for the period</b>              |       | <b>(3.7)</b>   | (31.7)   | (89.7)  |
| <b>Loss attributable to:</b>            |       |  |  |   |
| Owners of the parent                    |       | <b>(3.9)</b>   | (30.5)   | (85.8)  |
| Non-controlling interests               |       | <b>0.2</b>   | (1.2)  | (3.9)   |
|   |       | <b>(3.7)</b>   | (31.7)   | (89.7)  |
| <b>Loss per share</b>                   |       | <b>Cents</b>   | Cents  | Cents   |
| Basic                                   | 6     | <b>(2.4)</b>   | (18.9)   | (53.2)  |
| Diluted                                 | 6     | <b>(2.4)</b>   | (18.9)   | (53.2)  |

i. Included in administrative expenses is the net impairment loss on trade and other receivables recognised in the period of \$0.2m (30 June 2021 – \$0.2m; 31 December 2021 – \$1.6m).

The notes on pages 16 to 34 are an integral part of these condensed set of consolidated financial statements.

# Condensed Consolidated Statement of Comprehensive Income

|  | Unaudited<br>Six months<br>ended<br>30 June<br>2022<br>\$m | Unaudited<br>Six months<br>ended<br>30 June<br>2021<br>\$m | Audited<br>Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|---|
| <b>Comprehensive income</b>  |  |  |   |
| Loss for the period  | (3.7)  | (31.7)   | (89.7)  |
| <b>Components of other comprehensive (expense) income after tax</b>  |  |  |   |
| <i>Items that may be reclassified subsequently to profit or loss</i> |  |  |   |
| Exchange adjustments   | (8.4)  | 1.9  | 0.5   |
| Fair value gains and losses  |  |  |   |
| – gains originating on cash flow hedges arising during the period    | 0.2  | –  | –   |
|  | (8.2)  | 1.9  | 0.5   |
| <i>Items that will not be reclassified to profit or loss</i>         |  |  |   |
| Remeasurement of defined benefit pension schemes                     | 0.1  | (0.1)  | (0.2)   |
| Other comprehensive (expense) income after tax                       | (8.1)  | 1.8  | 0.3   |
| <b>Total comprehensive expense for the period</b>                    | <b>(11.8)</b>  | <b>(29.9)</b>  | <b>(89.4)</b>                                       |
| <b>Total comprehensive expense attributable to:</b>                  |  |  |   |
| Owners of the parent   | (11.6)   | (28.9)   | (85.8)  |
| Non-controlling interest   | (0.2)  | (1.0)  | (3.6)   |
|  | <b>(11.8)</b>  | <b>(29.9)</b>  | <b>(89.4)</b>                                       |

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

# Condensed Consolidated Balance Sheet

|  | Notes | Unaudited<br>As at<br>30 June<br>2022<br>\$m | Restated <sup>i</sup><br>Unaudited<br>As at<br>30 June<br>2021<br>\$m | Audited<br>As at<br>31 December<br>2021<br>\$m |
|--|-------|--|---|--|
| <b>ASSETS</b>                                      |       |  |   |  |
| <b>Non-current assets</b>                          |       |  |   |  |
| Property, plant and equipment                      | 7     | 260.5  | 295.0   | 274.4  |
| Right-of-use assets                                | 7     | 20.1   | 26.5  | 24.7   |
| Goodwill   | 7     | 162.6  | 164.4   | 164.1  |
| Other intangible assets                            | 7     | 34.0   | 38.4  | 36.2   |
| Investments in associates and joint ventures       |       | 20.0   | 17.0  | 19.4   |
| Investments  |       | 4.6  | 4.4   | 4.6  |
| Trade and other receivables                        | 10    | 3.5  | 2.3   | 2.0  |
| Deferred tax assets                                |       | 8.6  | 12.0  | 10.3   |
|  |       | <b>513.9</b>                                 | <b>560.0</b>  | <b>535.7</b>                                   |
| <b>Current assets</b>                              |       |  |   |  |
| Inventories  | 9     | 220.2  | 267.3   | 204.4  |
| Trade and other receivables                        | 10    | 187.4  | 135.6   | 155.4  |
| Cash and cash equivalents                          |       | 87.1   | 99.5  | 108.4  |
| Investments  |       | –  | 6.9   | 6.8  |
| Current tax assets                                 |       | 0.8  | 1.1   | 0.9  |
|  |       | <b>495.5</b>                                 | <b>510.4</b>  | <b>475.9</b>                                   |
| <b>LIABILITIES</b>                                 |       |  |   |  |
| <b>Current liabilities</b>                         |       |  |   |  |
| Trade and other payables                           |       | 107.7  | 69.0  | 83.0   |
| Lease liabilities                                  |       | 8.1  | 8.3   | 8.9  |
| Borrowings   |       | 1.5  | 0.7   | 1.0  |
| Provisions   |       | 2.1  | 3.1   | 3.1  |
| Current tax liabilities                            |       | 2.0  | 3.2   | 3.0  |
|  |       | <b>121.4</b>                                 | <b>84.3</b>   | <b>99.0</b>                                    |
| <b>Net current assets</b>                          |       | <b>374.1</b>                                 | <b>426.1</b>  | <b>376.9</b>                                   |
| <b>Non-current liabilities</b>                     |       |  |   |  |
| Trade and other payables                           |       | 2.9  | 2.7   | 2.7  |
| Lease liabilities                                  |       | 16.7   | 25.9  | 22.9   |
| Borrowings   |       | 3.9  | 3.9   | 3.9  |
| Provisions   |       | 4.7  | 5.8   | 5.0  |
| Deferred tax liabilities                           |       | 6.6  | 7.8   | 6.8  |
|  |       | <b>34.8</b>                                  | <b>46.1</b>   | <b>41.3</b>                                    |
| <b>Net assets</b>                                  |       | <b>853.2</b>                                 | <b>940.0</b>  | <b>871.3</b>                                   |
| <b>Equity attributable to owners of the parent</b> |       |  |   |  |
| Share capital                                      |       | 66.5   | 66.5  | 66.5   |
| Share premium                                      |       | 153.0  | 153.0   | 153.0  |
| Other components of equity                         |       | 19.4   | 42.7  | 38.0   |
| Retained earnings                                  |       | 613.1  | 666.6   | 612.4  |
|  |       | <b>852.0</b>                                 | <b>928.8</b>  | <b>869.9</b>                                   |
| <b>Non-controlling interests</b>                   |       | <b>1.2</b>                                   | <b>11.2</b>   | <b>1.4</b>                                     |
| <b>Total equity</b>                                |       | <b>853.2</b>                                 | <b>940.0</b>  | <b>871.3</b>                                   |

i. The 30 June 2021 condensed consolidated balance sheet was restated to present the Fixed Term Funds of \$16.1m as cash and cash equivalents rather than as current investments (see note 1).

# Condensed Consolidated Statement of Changes in Equity

|   | Unaudited<br>Six months ended 30 June 2022 |                      |                                      |                          |               |                                  |                     |
|---|--|----------------------|--------------------------------------|--------------------------|---------------|----------------------------------|---------------------|
|   | Share capital<br>\$m                       | Share premium<br>\$m | Other components<br>of equity<br>\$m | Retained earnings<br>\$m | Total<br>\$m  | Non-controlling interests<br>\$m | Total equity<br>\$m |
| <b>At 1 January 2022</b>                        | <b>66.5</b>                                | <b>153.0</b>         | <b>38.0</b>                          | <b>612.4</b>             | <b>869.9</b>  | <b>1.4</b>                       | <b>871.3</b>        |
| (Loss) profit for the period                    | -  | -                    | -                                    | (3.9)                    | (3.9)         | 0.2                              | (3.7)               |
| Other comprehensive (expense) income            | -  | -                    | (7.8)                                | 0.1                      | (7.7)         | (0.4)                            | (8.1)               |
| <b>Total comprehensive expense</b>              | <b>-</b>                                   | <b>-</b>             | <b>(7.8)</b>                         | <b>(3.8)</b>             | <b>(11.6)</b> | <b>(0.2)</b>                     | <b>(11.8)</b>       |
| Dividends to Hunting PLC shareholders (note 15) | -  | -                    | -                                    | (6.4)                    | (6.4)         | -                                | (6.4)               |
| Treasury shares                                 | -  | -                    | -                                    | -                        | -             | -                                | -                   |
| - purchase of treasury shares                   | -  | -                    | -                                    | (4.2)                    | (4.2)         | -                                | (4.2)               |
| - disposal of treasury shares                   | -  | -                    | -                                    | 0.2                      | 0.2           | -                                | 0.2                 |
| Share options and awards                        | -  | -                    | -                                    | -                        | -             | -                                | -                   |
| - value of employee services                    | -  | -                    | 4.4                                  | -                        | 4.4           | -                                | 4.4                 |
| - discharge                                     | -  | -                    | (8.8)                                | 8.5                      | (0.3)         | -                                | (0.3)               |
| Transfer between reserves <sup>i</sup>          | -  | -                    | (6.4)                                | 6.4                      | -             | -                                | -                   |
| <b>At 30 June 2022</b>                          | <b>66.5</b>                                | <b>153.0</b>         | <b>19.4</b>                          | <b>613.1</b>             | <b>852.0</b>  | <b>1.2</b>                       | <b>853.2</b>        |

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<br>Six months ended 30 June 2021 |                      |                                      |                          |               |                                  |                     |
|---|--|----------------------|--------------------------------------|--------------------------|---------------|----------------------------------|---------------------|
|   | Share capital<br>\$m                       | Share premium<br>\$m | Other components<br>of equity<br>\$m | Retained earnings<br>\$m | Total<br>\$m  | Non-controlling interests<br>\$m | Total equity<br>\$m |
| <b>At 1 January 2021</b>                        | <b>66.5</b>                                | <b>153.0</b>         | <b>52.3</b>                          | <b>692.6</b>             | <b>964.4</b>  | <b>12.2</b>                      | <b>976.6</b>        |
| 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                 |
| <b>Total comprehensive expense</b>              | <b>-</b>                                   | <b>-</b>             | <b>1.7</b>                           | <b>(30.6)</b>            | <b>(28.9)</b> | <b>(1.0)</b>                     | <b>(29.9)</b>       |
| Dividends to Hunting PLC shareholders (note 15) | -  | -                    | -                                    | (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 <sup>ii</sup>         | -  | -                    | (6.4)                                | 6.4                      | -             | -                                | -                   |
| <b>At 30 June 2021</b>                          | <b>66.5</b>                                | <b>153.0</b>         | <b>42.7</b>                          | <b>666.6</b>             | <b>928.8</b>  | <b>11.2</b>                      | <b>940.0</b>        |

ii. \$6.4m 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<br>Year ended 31 December 2021 |                      |                                      |                          |              |                                     |                        |
|---|--|----------------------|--------------------------------------|--------------------------|--------------|-------------------------------------|------------------------|
|   | Share capital<br>\$m                   | Share premium<br>\$m | Other components<br>of equity<br>\$m | Retained earnings<br>\$m | Total<br>\$m | Non-controlling<br>interests<br>\$m | Total<br>equity<br>\$m |
| <b>At 1 January 2021</b>                        | 66.5                                   | 153.0                | 52.3                                 | 692.6                    | 964.4        | 12.2                                | 976.6                  |
| Loss for the period                             | –                                      | –                    | –                                    | (85.8)                   | (85.8)       | (3.9)                               | (89.7)                 |
| Other comprehensive (expense) income            | –                                      | –                    | 0.2                                  | (0.2)                    | –            | 0.3                                 | 0.3                    |
| <b>Total comprehensive expense</b>              | –                                      | –                    | 0.2                                  | (86.0)                   | (85.8)       | (3.6)                               | (89.4)                 |
| Dividends to Hunting PLC shareholders (note 15) | –                                      | –                    | –                                    | (12.8)                   | (12.8)       | –                                   | (12.8)                 |
| Treasury shares                                 |  |                      |                                      |                          |              |                                     |                        |
| – purchase of treasury shares                   | –                                      | –                    | –                                    | (8.1)                    | (8.1)        | –                                   | (8.1)                  |
| – disposal of treasury shares                   | –                                      | –                    | –                                    | 0.3                      | 0.3          | –                                   | 0.3                    |
| Share options and awards                        |  |                      |                                      |                          |              |                                     |                        |
| – value of employee services                    | –                                      | –                    | 8.7                                  | –                        | 8.7          | –                                   | 8.7                    |
| – discharge                                     | –                                      | –                    | (10.4)                               | 10.2                     | (0.2)        | –                                   | (0.2)                  |
| Acquisition of non-controlling interest         | –                                      | –                    | –                                    | 3.4                      | 3.4          | (7.2)                               | (3.8)                  |
| Transfer between reserves <sup>iii</sup>        | –                                      | –                    | (12.8)                               | 12.8                     | –            | –                                   | –                      |
| <b>At 31 December 2021</b>                      | 66.5                                   | 153.0                | 38.0                                 | 612.4                    | 869.9        | 1.4                                 | 871.3                  |

iii. \$12.8m 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<br>Six months<br>ended<br>30 June<br>2022<br>\$m | Restated <sup>i</sup><br>Unaudited<br>Six months<br>ended<br>30 June<br>2021<br>\$m | Audited<br>Year ended<br>31 December<br>2021<br>\$m |
|---|-------|--|---|---|
| <b>Operating activities</b>   |       |  |   |   |
| Profit (loss) from operations   |       | 1.7  | (26.5)  | (79.7)  |
| Adjusting items (NGM A)   |       | –  | 3.5   | 44.6  |
| Depreciation and non-adjusting amortisation (NGM C)                     |       | 18.9   | 19.4  | 38.2  |
| EBITDA (NGM C)  |       | 20.6   | (3.6)   | 3.1   |
| Share-based payment expense   |       | 4.6  | 5.1   | 9.2   |
| (Increase) decrease in inventories                                      |       | (17.6)   | 22.1  | 26.6  |
| (Increase) decrease in receivables                                      |       | (31.9)   | 0.9   | (19.0)  |
| Increase (decrease) in payables   |       | 27.4   | 1.0   | 15.2  |
| Decrease in provisions  |       | (2.0)  | –   | (1.7)   |
| Net taxation (paid) received  |       | (2.3)  | 1.1   | 0.6   |
| Net loss (gain) on disposal of property, plant and equipment            |       | 1.0  | (0.3)   | (0.2)   |
| Net gain on curtailment of leases                                       |       | (3.2)  | –   | –   |
| Proceeds from disposal of property, plant and equipment held for rental |       | 0.2  | –   | –   |
| Purchase of property, plant and equipment held for rental               |       | (0.4)  | (0.3)   | (0.9)   |
| Fair value gain on held-for-sale asset                                  |       | –  | (0.4)   | (0.4)   |
| Settlement of warranty claim related to a corporate transaction         |       | –  | –   | (1.7)   |
| Restructuring costs   |       | –  | (1.2)   | (2.0)   |
| Other non-cash flow items   |       | 0.4  | (0.9)   | (0.2)   |
| <b>Net cash (outflow) inflow from operating activities</b>              |       | <b>(3.2)</b>   | 23.5  | 28.6  |
| <b>Investing activities</b>   |       |  |   |   |
| Interest received   |       | 0.4  | 1.2   | 0.6   |
| Net movement on loans to and from associates                            |       | –  | (0.3)   | –   |
| Proceeds from disposal of property, plant and equipment                 |       | 5.0  | 2.2   | 2.2   |
| Proceeds from disposal of held-for-sale assets                          |       | –  | 2.2   | 2.2   |
| Proceeds from disposal of business                                      |       | –  | –   | 31.5  |
| Decrease (increase) in current investments                              |       | 6.5  | (6.9)   | (6.9)   |
| Investments in associates and joint ventures                            |       | (1.9)  | –   | (5.1)   |
| Convertible financing – Well Data Labs                                  |       | –  | (2.5)   | (2.5)   |
| Purchase of property, plant and equipment                               |       | (7.0)  | (3.3)   | (5.7)   |
| Purchase of intangible assets   |       | (1.5)  | (1.1)   | (2.7)   |
| <b>Net cash inflow (outflow) from investing activities</b>              |       | <b>1.5</b>   | (8.5)   | 13.6  |
| <b>Financing activities</b>   |       |  |   |   |
| Interest and bank fees paid   |       | (3.6)  | (0.5)   | (1.0)   |
| Payment of lease liabilities  |       | (4.5)  | (6.2)   | (10.6)  |
| Net proceeds on termination of lease liabilities                        |       | 2.3  | –   | –   |
| Purchase of non-controlling interest                                    |       | –  | –   | (3.8)   |
| Dividends paid to Hunting PLC shareholders                              | 15    | (6.4)  | (6.4)   | (12.8)  |
| Purchase of treasury shares   |       | (4.2)  | (5.2)   | (7.9)   |
| Proceeds on disposal of treasury shares                                 |       | 0.2  | 0.2   | 0.3   |
| <b>Net cash outflow from financing activities</b>                       |       | <b>(16.2)</b>  | (18.1)  | (35.8)  |
| <b>Net cash (outflow) inflow in cash and cash equivalents</b>           |       | <b>(17.9)</b>  | (3.1)   | 6.4   |
| Cash and cash equivalents at the beginning of the period                |       | 107.4  | 101.7   | 101.7   |
| Effect of foreign exchange rates  |       | (3.9)  | 0.2   | (0.7)   |
| <b>Cash and cash equivalents at the end of the period</b>               |       | <b>85.6</b>  | 98.8  | 107.4   |
| <b>Cash and cash equivalents at the end of the period comprise:</b>     |       |  |   |   |
| Cash at bank and in hand  |       | 54.7   | 83.4  | 96.8  |
| Money market funds  |       | 11.1   | –   | –   |
| Fixed Term Funds  |       | 10.0   | 16.1  | 6.8   |
| Short-term deposits with less than 3 months to maturity                 |       | 11.3   | –   | 4.8   |
| Cash and cash equivalents included in current assets                    |       | 87.1   | 99.5  | 108.4   |
| Bank overdrafts included in borrowings                                  |       | (1.5)  | (0.7)   | (1.0)   |
|   |       | <b>85.6</b>  | 98.8  | 107.4   |

i. The 30 June 2021 condensed consolidated balance sheet was restated to present the Fixed Term Funds of \$16.1m as cash and cash equivalents rather than as current investments. This resulted in cash outflows from current investments decreasing by \$16.1m to \$6.9m and net cash outflows for the period to 30 June 2021 decreasing by \$16.1m to \$3.1m (see note 1).

# 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 30 Panton Street, London, SW1Y 4AJ, United Kingdom.

The condensed consolidated interim financial report to 30 June 2022 is presented in US dollars and has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

In the prior year, the condensed consolidated income statement included presentation of alternative performance measures, previously referred to as underlying results, in addition to IFRS measures. Hunting has revised the format of the condensed consolidated income statement in the current year to present a single column only with IFRS measures in line with current practice and guidance. The format of the relevant income statement notes has also been updated. Adjusted profitability measures used by management have been presented in the Non-GAAP Measures section, which includes further information on the definitions, purpose, and reconciliation to IFRS measures. The prior year numbers have not been restated as this is a presentational change only.

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 2021 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 228 to 231 contained in the 2021 Annual Report and Accounts.

The information for the year ended 31 December 2021 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 was 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 2021 Annual Report and Accounts except for the following:

- 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.

### New and Amended Standards Adopted by the Group

A number of amended standards became effective for the financial year beginning on 1 January 2022; however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

### Prior Period Restatement

The 30 June 2021 condensed consolidated financial statements were restated to present the Fixed Term Funds ("FTFs") of \$16.1m as cash and cash equivalents rather than as current investments. The reclassification of these financial instruments ensures that the treatment is consistent with the 31 December 2021 consolidated financial statements. The FTFs were classified as cash and cash equivalents at 31 December 2021, as more information on the nature of these financial instruments was available. Cash and cash equivalents at 30 June 2021 increased by \$16.1m to \$99.5m and current investments decreased by \$16.1m to \$6.9m in the condensed consolidated balance sheet. Cash outflows from current investments decreased by \$16.1m to \$8.5m, thereby decreasing cash outflows from investing activities, and net cash outflows for the period to 30 June 2021 decreased by \$16.1m to \$3.1m in the condensed consolidated statement of cash flows.

### 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 impairment of non-current assets remains an area of estimation uncertainty, although no impairment has been recognised in the period. For further details see note 8. Judgements were made regarding the carrying values of inventory (see notes 8 and 9).

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. 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 2022 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 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.

## 1. Basis of Accounting continued

### Critical Judgements and Key Estimates continued

The Directors have considered the potential impact that climate change could have on the financial statements of the Group and recognise that climate change is a principal risk that the Group will monitor and will react appropriately to. In the judgement of the Directors, the external long-term forecasts used by the Group incorporate climate change developments, and support the view that there will be robust demand for the Group's oil and gas based products for a significant time span. Estimates made using these forecasts 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 consolidated financial statements.

### Going Concern and Liquidity

#### Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on the overall market conditions, the variety of its products and its ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 30 June 2022, covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer-term funding needs.

The Group has access to significant financial resources, including a \$150m secured committed Asset Based Lending ("ABL") facility which commenced on 7 February 2022. In July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL borrowing base was completed; consequently the full facility quantum of \$150m became available for utilisation by the Group as the total value of the secured assets now exceeds the current facility limit of \$150m. The facility includes a financial covenant that is activated when more than 87.5% of the facility is drawn. Throughout the first half of 2022 and as at 30 June 2022, this facility was entirely undrawn. At 30 June 2022, the Group had total cash and bank funds of \$85.6m and management's internal financial projections indicate that the Group will continue to have surplus funds over the next twelve months.

#### Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance in light of the Group's strong total cash and bank position at 30 June 2022. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare this condensed set of financial statements. Management also sensitised these forecasts to reflect reasonably plausible downside scenarios and these demonstrated that the Group is able to maintain sufficient cash resources to meet its liabilities as they fall due over the next twelve months.

Management reviewed the Group's exposure to uncertainties at this time and noted the potential impact of Russia's continuing invasion of Ukraine, rising global inflation and China's zero-COVID strategy. Regional lockdowns in China have impacted the Group's Asia Pacific operating segment but principally only on a short-term timing basis, and global inflation is pushing up certain costs, which potentially deflate but are unlikely to negate margins. The Group is not directly impacted by the war in Ukraine; however, consequent wider supply chain issues have slowed access to resources but only to a limited extent in as far as it affects the Group's activities. The Board is, therefore, satisfied that no material uncertainties have been identified.

#### Conclusion

The Board is satisfied that it has conducted a robust review of the Group's going concern and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due. Consequently, the Board considered it appropriate to adopt the going concern basis of accounting in preparing the half year financial report.

# Notes

continued

## 2. Segmental Reporting

For the six months ended 30 June 2022, 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").

The Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and which undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and adjusted operating results. Adjusted operating result is a profit-based measure and excludes the effects of adjusting items (see NGM A). The Directors believe that using the adjusted operating result provides a more consistent and comparable measure of the operating segment's financial performance from one period to the next. This adjusted measure is used by management for planning and reporting purposes. Adjusted operating result is reconciled to the unadjusted IFRS result in NGM B. It is important to note that the adjusted results are quite frequently higher than the IFRS results as they often exclude significant costs and should not be regarded as a complete picture of the operating segment's financial performance. The operating segment's unadjusted operating result is also presented alongside the adjusted result.

Finance income and finance expense 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 with revenue information by product group, in order to help with an understanding of the drivers of Group performance trends.

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

### Hunting Titan

Hunting Titan manufactures and distributes a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1™, H-2™ and H-3™ 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 segment's 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, Canada 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. The Group's Canadian business now focuses on OCTG threading, which is subcontracted to facilities which 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.

### 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, legacy 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 multi-product line services and distribution in Norway. The European OCTG businesses are concentrating on accessory manufacturing and yard services. 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 manufacturing and sales hub for other products manufactured globally by the Group, including Well Testing, 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.

## 2. Segmental Reporting continued

### (a) Segment Revenue and Profit

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

| Six months ended 30 June 2022                   |                              |                              |                               |                        |                        |                        |
|---|------------------------------|------------------------------|-------------------------------|------------------------|------------------------|------------------------|
|   | Total segment revenue<br>\$m | Inter-segment revenue<br>\$m | Total external revenue<br>\$m | Adjusted result<br>\$m | Adjusting items<br>\$m | Reported result<br>\$m |
| Hunting Titan                                   | 127.2                        | (3.8)                        | 123.4                         | 4.3                    | –                      | 4.3                    |
| North America                                   | 158.7                        | (10.5)                       | 148.2                         | –                      | –                      | –                      |
| EMEA  | 37.1                         | (1.0)                        | 36.1                          | (2.2)                  | –                      | (2.2)                  |
| Asia Pacific                                    | 31.9                         | (3.5)                        | 28.4                          | (0.4)                  | –                      | (0.4)                  |
| <b>Total from operations</b>                    | <b>354.9</b>                 | <b>(18.8)</b>                | <b>336.1</b>                  | <b>1.7</b>             | <b>–</b>               | <b>1.7</b>             |
| Net finance expense                             |                              |                              |                               | (0.9)                  | –                      | (0.9)                  |
| Share of associates' and joint ventures' losses |                              |                              |                               | (1.3)                  | –                      | (1.3)                  |
| <b>Loss before tax from operations</b>          |                              |                              |                               | <b>(0.5)</b>           | <b>–</b>               | <b>(0.5)</b>           |

| Six months ended 30 June 2021                           |                              |                              |                               |                        |                        |                        |
|---|------------------------------|------------------------------|-------------------------------|------------------------|------------------------|------------------------|
|   | Total segment revenue<br>\$m | Inter-segment revenue<br>\$m | Total external revenue<br>\$m | Adjusted result<br>\$m | Adjusting items<br>\$m | Reported result<br>\$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)                  |
| Gain not apportioned to operating segments <sup>i</sup> | –                            | –                            | –                             | –                      | 1.0                    | 1.0                    |
| <b>Total from operations</b>                            | <b>257.6</b>                 | <b>(13.2)</b>                | <b>244.4</b>                  | <b>(23.0)</b>          | <b>(3.5)</b>           | <b>(26.5)</b>          |
| Net finance expense                                     |                              |                              |                               | (1.0)                  | –                      | (1.0)                  |
| Share of associates' losses                             |                              |                              |                               | (1.1)                  | –                      | (1.1)                  |
| <b>Loss before tax from operations</b>                  |                              |                              |                               | <b>(25.1)</b>          | <b>(3.5)</b>           | <b>(28.6)</b>          |

i. The \$1.0m gain recognised on the disposal of a lease and the corresponding right-of-use asset 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.

Adjusting items by operating segment:

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

# Notes

continued

## 2. Segmental Reporting continued

### (a) Segment Revenue and Profit continued

|  | Year ended 31 December 2021  |                              |                               |                        |                        |                        |
|--|------------------------------|------------------------------|-------------------------------|------------------------|------------------------|------------------------|
|  | Total segment revenue<br>\$m | Inter-segment revenue<br>\$m | Total external revenue<br>\$m | Adjusted result<br>\$m | Adjusting items<br>\$m | Reported result<br>\$m |
| Hunting Titan  | 189.3                        | (4.9)                        | 184.4                         | (0.9)                  | (8.1)                  | (9.0)                  |
| North America  | 254.6                        | (21.7)                       | 232.9                         | (16.1)                 | (22.6)                 | (38.7)                 |
| EMEA   | 58.1                         | (0.4)                        | 57.7                          | (11.2)                 | (15.0)                 | (26.2)                 |
| Asia Pacific   | 48.1                         | (1.5)                        | 46.6                          | (6.9)                  | 0.1                    | (6.8)                  |
| Gain not apportioned to operating segments <sup>ii</sup> | –                            | –                            | –                             | –                      | 1.0                    | 1.0                    |
| <b>Total from operations</b>                             | <b>550.1</b>                 | <b>(28.5)</b>                | <b>521.6</b>                  | <b>(35.1)</b>          | <b>(44.6)</b>          | <b>(79.7)</b>          |
| Net finance expense                                      |                              |                              |                               | (2.0)                  | –                      | (2.0)                  |
| Share of associates' losses                              |                              |                              |                               | (3.5)                  | (0.3)                  | (3.8)                  |
| <b>Loss before tax from operations</b>                   |                              |                              |                               | <b>(40.6)</b>          | <b>(44.9)</b>          | <b>(85.5)</b>          |

ii. The \$1.0m gain recognised on the disposal of a lease and the corresponding right-of-use asset 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.

Adjusting items by operating segment:

|   | Year ended 31 December 2021 |                      |             |                     |                    |              |
|---|-----------------------------|----------------------|-------------|---------------------|--------------------|--------------|
|   | Hunting Titan<br>\$m        | North America<br>\$m | EMEA<br>\$m | Asia Pacific<br>\$m | Unallocated<br>\$m | Total<br>\$m |
| Amortisation of acquired intangible assets                      | (4.9)                       | (1.8)                | –           | –                   | –                  | (6.7)        |
| Impairments of property, plant and equipment                    | –                           | –                    | (8.6)       | –                   | –                  | (8.6)        |
| Impairments of inventories                                      | (3.9)                       | (18.9)               | (5.2)       | –                   | –                  | (28.0)       |
| Reversal of impairments of inventories                          | 0.8                         | 0.8                  | –           | 0.5                 | –                  | 2.1          |
| Settlement of warranty claim related to a corporate transaction | –                           | (1.7)                | –           | –                   | –                  | (1.7)        |
| Restructuring costs   | (0.1)                       | (1.2)                | (0.3)       | (0.4)               | –                  | (2.0)        |
| Loss on disposal of business                                    | –                           | –                    | (0.9)       | –                   | –                  | (0.9)        |
| Gain on disposal of Canadian assets                             | –                           | 0.2                  | –           | –                   | –                  | 0.2          |
| Gain on surrender of lease                                      | –                           | –                    | –           | –                   | 1.0                | 1.0          |
|   | (8.1)                       | (22.6)               | (15.0)      | 0.1                 | 1.0                | (44.6)       |

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

|                        | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|------------------------|--|--|--|
| Perforating Systems    | 121.6                                      | 85.8                                       | 181.7                                    |
| OCTG                   | 109.6                                      | 76.8                                       | 172.5                                    |
| Advanced Manufacturing | 34.0                                       | 29.1                                       | 59.6                                     |
| Subsea                 | 35.3                                       | 29.6                                       | 58.8                                     |
| Intervention Tools     | 16.9                                       | 12.1                                       | 25.8                                     |
| Other                  | 18.7                                       | 11.0                                       | 23.2                                     |
| <b>Total</b>           | <b>336.1</b>                               | <b>244.4</b>                               | <b>521.6</b>                             |

Revenue from products is further analysed between:

|                 | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|-----------------|--|--|--|
| Oil and gas     | 312.0                                      | 226.9                                      | 484.0                                    |
| Non-oil and gas | 24.1                                       | 17.5                                       | 37.6                                     |
| <b>Total</b>    | <b>336.1</b>                               | <b>244.4</b>                               | <b>521.6</b>                             |

### 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 2022                |                       |                      | Total external revenue<br>\$m |
|---------------|--|-----------------------|----------------------|-------------------------------|
|               | Revenue from contracts with customers<br>\$m | Rental revenue<br>\$m | Other revenue<br>\$m |                               |
| Hunting Titan | 122.9  | 0.5                   | –                    | 123.4                         |
| North America | 145.0  | 0.8                   | 2.4                  | 148.2                         |
| EMEA          | 33.6   | 2.5                   | –                    | 36.1                          |
| Asia Pacific  | 28.4   | –                     | –                    | 28.4                          |
| <b>Total</b>  | <b>329.9</b>                                 | <b>3.8</b>            | <b>2.4</b>           | <b>336.1</b>                  |

|               | Six months ended 30 June 2021                |                       |                      | Total external revenue<br>\$m |
|---------------|--|-----------------------|----------------------|-------------------------------|
|               | Revenue from contracts with customers<br>\$m | Rental revenue<br>\$m | Other revenue<br>\$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                          |
| <b>Total</b>  | <b>241.1</b>                                 | <b>2.5</b>            | <b>0.8</b>           | <b>244.4</b>                  |

|               | Year ended 31 December 2021                  |                       |                      | Total external revenue<br>\$m |
|---------------|--|-----------------------|----------------------|-------------------------------|
|               | Revenue from contracts with customers<br>\$m | Rental revenue<br>\$m | Other revenue<br>\$m |                               |
| Hunting Titan | 184.0  | 0.4                   | –                    | 184.4                         |
| North America | 228.8  | 2.3                   | 1.8                  | 232.9                         |
| EMEA          | 54.4   | 3.3                   | –                    | 57.7                          |
| Asia Pacific  | 46.5   | 0.1                   | –                    | 46.6                          |
| <b>Total</b>  | <b>513.7</b>                                 | <b>6.1</b>            | <b>1.8</b>           | <b>521.6</b>                  |

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. Net Operating Income and Other Expenses

|   | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021 <sup>1</sup><br>\$m | Year ended<br>31 December<br>2021 <sup>1</sup><br>\$m |
|---|--|---|---|
| Operating income from sub-leasing assets                        | 1.0  | 0.7   | 1.3   |
| Gain on disposal of property, plant and equipment               | 0.2  | 0.3   | 0.3   |
| Gain on curtailment of lease                                    | 3.2  | 1.0   | 1.0   |
| Fair value gain on disposal of held-for-sale asset              | –  | 0.4   | 0.4   |
| Government grants   | 0.2  | 0.4   | 0.8   |
| Foreign exchange gains  | 0.8  | 0.3   | 0.6   |
| Other income  | 0.9  | 0.5   | 0.9   |
| <b>Total operating income</b>                                   | <b>6.3</b>                                 | <b>3.6</b>  | <b>5.3</b>  |
| Loss on disposal of property, plant and equipment               | (1.2)                                      | –   | (0.1)   |
| Foreign exchange losses   | (1.2)                                      | (0.3)   | (0.6)   |
| Research and development costs expensed                         | (2.0)                                      | (2.3)   | (4.7)   |
| Amortisation of acquired intangible assets                      | –  | (4.3)   | (6.7)   |
| Loss on disposal of business                                    | –  | –   | (0.9)   |
| Settlement of warranty claim related to a corporate transaction | –  | –   | (1.7)   |
| Other operating expenses  | (0.1)                                      | (1.1)   | (1.1)   |
| <b>Total other operating expenses</b>                           | <b>(4.5)</b>                               | <b>(8.0)</b>  | <b>(15.8)</b>   |
| <b>Net operating income (expense)</b>                           | <b>1.8</b>                                 | <b>(4.4)</b>  | <b>(10.5)</b>   |

i. The amounts disclosed have been revised, following the change in presentation of the consolidated income statement, to include amounts that were previously disclosed separately as adjusting amounts.

During the six months to 30 June 2022, the Group's Asia Pacific operating segment completed the relocation of its facilities to a new, single site in the Tuas port region of Singapore. As a result of this relocation, the Group disposed of the relevant lease liabilities and derecognised the related right-of-use assets, recording a net gain of \$2.4m and a net receipt of \$2.4m to exit the lease at Benoi Road. The gain on Benoi Road together with other lease curtailments in the period resulted in a total gain of \$3.2m during the period.

## 5. Taxation

The taxation charge for the six months ended 30 June 2022 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 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 taxation charge for the six months ended 30 June 2022 is \$3.2m (six months ended 30 June 2021 – \$3.1m charge; year ended 31 December 2021 – \$4.2m charge). This reflects an effective tax rate of (640)% (six months ended 30 June 2021 – (11)%; year ended 31 December 2021 – (5)%). 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. As there is a small overall loss before tax for the period, the impact of differences in the make-up of losses and profits across the Group has greater impact on the overall group ETR. This is particularly notable in the US where deferred tax is not recognised on the federal tax losses generated in the first half of the year. The loss before tax generated in the US (and other jurisdictions where deferred tax has not been recognised), is then offset at a Group level by profitable jurisdictions, mainly the UK, Canada and Singapore, where tax is recognised on these profits as they arise.

The calculation of the adjusted tax charge and adjusted tax rate can be found in NGM D.

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in 2021. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind.



## 6. Loss per Share

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

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

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

|   | Six months ended<br>30 June 2022   |   |                            | Six months ended<br>30 June 2021   |   |                            | Year ended<br>31 December 2021   |   |                            |
|---|--|---|----------------------------|--|---|----------------------------|--|---|----------------------------|
|   | Reported<br>(loss)<br>earnings<br>attributable<br>to Ordinary<br>shareholders<br>\$m | Basic<br>weighted<br>average<br>number of<br>Ordinary<br>shares<br>millions | Loss<br>per share<br>cents | Reported<br>(loss)<br>earnings<br>attributable<br>to Ordinary<br>shareholders<br>\$m | Basic<br>weighted<br>average<br>number of<br>Ordinary<br>shares<br>millions | Loss<br>per share<br>cents | Reported<br>(loss)<br>earnings<br>attributable<br>to Ordinary<br>shareholders<br>\$m | Basic<br>weighted<br>average<br>number of<br>Ordinary<br>shares<br>millions | Loss<br>per share<br>cents |
| Basic LPS                                       | (3.9)  | 160.6   | (2.4)                      | (30.5)   | 161.3   | (18.9)                     | (85.8)   | 161.2   | (53.2)                     |
| Effect of dilutive long-term<br>incentive plans | -  | 7.9   | -                          | -  | 6.1   | -                          | -  | 5.9   | -                          |
| Diluted LPS <sup>i</sup>                        | (3.9)  | 168.5   | (2.4)                      | (30.5)   | 167.4   | (18.9)                     | (85.8)   | 167.1   | (53.2)                     |

i. For the six months ended 30 June 2022 and 30 June 2021 and the year ended 31 December 2021, 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 were not used to calculate diluted loss per share.

The calculation of adjusted earnings (loss) per share can be found in NGM B.

## 7. Non-current Assets – PPE, ROU Assets, Goodwill and OIA

|   | Property,<br>plant and<br>equipment<br>\$m | Right-of-use<br>assets<br>\$m | Goodwill<br>\$m | Other<br>intangible<br>assets<br>\$m |
|---|--|-------------------------------|-----------------|--------------------------------------|
| <b>Cost:</b>                                    |  |                               |                 |                                      |
| At 1 January 2022                               | 741.6                                      | 65.7                          | 532.0           | 393.2                                |
| Exchange adjustments                            | (8.5)                                      | (1.8)                         | (3.6)           | (2.9)                                |
| Additions                                       | 7.3  | 5.1                           | -               | 1.5                                  |
| Disposals                                       | (19.6)                                     | (8.8)                         | -               | (0.6)                                |
| Modifications                                   | -  | (5.5)                         | -               | -                                    |
| Reclassification (to) from inventories          | 0.7  | -                             | -               | -                                    |
| At 30 June 2022                                 | 721.5                                      | 54.7                          | 528.4           | 391.2                                |
| <b>Accumulated depreciation and impairment:</b> |  |                               |                 |                                      |
| At 1 January 2022                               | (467.2)                                    | (41.0)                        | (367.9)         | (357.0)                              |
| Exchange adjustments                            | 6.1  | 1.1                           | 2.1             | 1.3                                  |
| Charge for the period                           | (13.3)                                     | (3.5)                         | -               | (2.1)                                |
| Disposals                                       | 13.3                                       | 8.8                           | -               | 0.6                                  |
| Reclassification to (from) inventories          | 0.1  | -                             | -               | -                                    |
| At 30 June 2022                                 | (461.0)                                    | (34.6)                        | (365.8)         | (357.2)                              |
| <b>Net book amount at 30 June 2022</b>          | <b>260.5</b>                               | <b>20.1</b>                   | <b>162.6</b>    | <b>34.0</b>                          |

### (i) Property, Plant and Equipment

Additions to property plant and equipment include \$1.9m for land and buildings, \$5.0m for plant, machinery and motor vehicles and \$0.4m for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for at 30 June 2022 amounted to \$1.0m (30 June 2021 – \$0.7m; at 31 December 2021 – \$5.6m).

Security was previously granted over specific PPE with a carrying value of \$194.1m at 30 June 2021 and \$187.0m at 31 December 2021 as a requirement of the Group's committed revolving credit facility, which was terminated in February 2022. In early July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL Borrowing Base was completed. The relevant properties had a carrying value of \$143.1m at 30 June 2022.

### (ii) Right-of-use Assets

During the period, a number of existing leases were exited, leading to a curtailment of the existing leases and modifications of \$5.5m. The corresponding right-of-use assets were then derecognised. Additions to right-of-use assets of \$5.1m include \$4.6m for the Group's new UK headquarters. The new lease for the facility at Tuas, Singapore, together with the corresponding right-of-use asset were recognised in 2021 when the lease was signed.

# Notes

continued

## 7. Non-current Assets – PPE, ROU Assets, Goodwill and OIA Continued

### (iii) Goodwill

Hunting Titan represents 71% of the goodwill balance at 30 June 2022 (30 June 2021 – 70%; 31 December 2021 – 70%).

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

| CGU                       | Operating segment | At 30 June 2022 \$m | At 30 June 2021 \$m | At 31 December 2021 \$m |
|---------------------------|-------------------|---------------------|---------------------|-------------------------|
| Hunting Titan             | Titan             | 114.9               | 115.0               | 114.9                   |
| Hunting Stafford "Subsea" | North America     | 15.0                | 15.0                | 15.0                    |
| Enpro                     | North America     | 12.6                | 14.3                | 14.1                    |
| Dearborn                  | North America     | 7.6                 | 7.6                 | 7.6                     |
| US Manufacturing          | North America     | 12.5                | 12.5                | 12.5                    |
| <b>Total</b>              |                   | <b>162.6</b>        | <b>164.4</b>        | <b>164.1</b>            |

The movement of \$1.5m in the goodwill balance since the year-end is attributable to foreign exchange movements.

### (iv) Other Intangible Assets

During the first six months of 2022, amortisation charges of \$2.1m were recognised. None of the amortisation charge was recognised as an adjusting item in the period (NGM A).

## 8. Impairment of Non-financial Assets

### a) Indicators of Impairment and Updated Impairment Tests

In the full year to 31 December 2021, the Group reflected an impairment of property plant and equipment of \$8.6m due to the restructuring of the European OCTG business, and a net inventory impairment charge of \$25.9m, which included \$5.2m related to the same restructuring exercise. In preparing the 30 June 2022 condensed consolidated financial statements, Hunting has considered whether any indicators of impairment exist, considering those CGUs that were considered sensitive in the 2021 Annual Report and Accounts (as disclosed in note 16 of those financial statements). In the first half of this year, conditions have generally continued to improve. WTI oil prices having started the year at \$75/bbl, averaged \$102/bbl over the period, and finished at \$106/bbl on 30 June 2022. The US onshore rig count has increased by 28% over the period. The Group has delivered a positive operating profit in H1 and the business is performing ahead of its budget expectations. Management has reviewed performance of the business units and considered the impact for those businesses whose performance is below the projections used to support the impairment calculations. Management concluded that no impairment is required and that there was no material change in the sensitivities disclosed in the 2021 Annual Report and Accounts.

### (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

The COVID-19 downturn severely impacted activity in both 2020 and 2021, reducing inventory turn rates that resulted in the net impairment charge of \$25.9m at 31 December 2021. Subsequent to the year-end, conditions have improved. The inventory provision has fallen from 23% of gross cost at 31 December 2021 to 19% at 30 June 2022. As noted in the 2021 Annual Report, the Group was carrying pressure control equipment inventory in North America that was particularly impacted by the capital constraints applied during the COVID-19 pandemic downturn. Provisions of \$11.3m were carried at 31 December 2021. At June 2022, the provision has seen negligible change and sensitivities remain unaltered.

## 9. Inventories

|                            | At 30 June 2022 \$m | At 30 June 2021 \$m | At 31 December 2021 \$m |
|----------------------------|---------------------|---------------------|-------------------------|
| Raw materials              | 96.1                | 93.9                | 87.7                    |
| Work in progress           | 61.9                | 44.1                | 51.4                    |
| Finished goods             | 114.5               | 161.6               | 124.8                   |
| Gross inventories          | 272.5               | 299.6               | 263.9                   |
| Less: provision for losses | (52.3)              | (32.3)              | (59.5)                  |
| <b>Net inventories</b>     | <b>220.2</b>        | <b>267.3</b>        | <b>204.4</b>            |

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. In 2021, the complexity of these judgements increased following a second year with historically low turn rates leading to increases in inventory age and higher provision levels.

## 9. Inventories continued

Management considered the judgements and estimates made in each of the Group's businesses and, other than PCE equipment, has not identified any individual estimates, which in the event of a change, would lead to a material change in the next financial period. Because of such judgements, the net inventory balance comprises \$170.3m of inventory carried at cost (30 June 2021 – \$205.6m; 31 December 2021 – \$145.3m) and \$49.9m carried at net realisable value ("NRV"), which represents 23% of net inventories (30 June 2021 – \$61.7m at NRV representing 23% of net inventories; 31 December 2021 – \$59.1m at NRV representing 29% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

|  | At<br>30 June<br>2022<br>\$m | At<br>30 June<br>2021<br>\$m | At<br>31 December<br>2021<br>\$m |
|--|------------------------------|------------------------------|----------------------------------|
| <b>Gross inventories:</b>  |                              |                              |                                  |
| At 1 January   | 263.9                        | 325.6                        | 325.6                            |
| Exchange adjustments   | (2.6)                        | 0.6                          | 0.1                              |
| Inventory additions  | 262.6                        | 175.5                        | 369.8                            |
| Expensed to cost of sales in the consolidated income statement           | (248.1)                      | (198.9)                      | (396.2)                          |
| Provisions utilised against inventories written off                      | (2.5)                        | (3.1)                        | (3.4)                            |
| Reclassification to property, plant and equipment (note 7)               | (0.8)                        | (0.1)                        | (0.5)                            |
| Disposal of business   | –                            | –                            | (31.5)                           |
| Total  | 272.5                        | 299.6                        | 263.9                            |
| <b>Provisions for impairment:</b>  |                              |                              |                                  |
| At 1 January   | (59.5)                       | (37.2)                       | (37.2)                           |
| Exchange adjustments   | 0.7                          | (0.2)                        | 0.1                              |
| Charge to the consolidated income statement (cost of sales)              | (3.9)                        | (1.8)                        | (34.4)                           |
| Provisions utilised against inventories written off                      | 2.5                          | 3.1                          | 3.4                              |
| Provisions released to and utilised in the consolidated income statement | 7.9                          | 3.8                          | 8.6                              |
| Total  | (52.3)                       | (32.3)                       | (59.5)                           |
| <b>Net inventories</b>   | <b>220.2</b>                 | <b>267.3</b>                 | <b>204.4</b>                     |

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 decreased to 19% (31 December 2021 – 23%) of gross inventory balances at 30 June 2022, reflecting the continuing impact of the downturn on and slow recovery in the oil and gas sector.

In accordance with the requirements of the Group's committed ABL bank facility, security has been granted over inventories in certain US and Canadian subsidiaries, which had a carrying value of \$183.2m. Security was previously granted over inventories with a gross value of \$190.9m at 30 June 2021 and \$184.3m at 31 December 2021 as a requirement of the Group's committed revolving credit facility.

## 10. Trade and Other Receivables

|                                | At<br>30 June<br>2022<br>\$m | At<br>30 June<br>2021<br>\$m | At<br>31 December<br>2021<br>\$m |
|--------------------------------|------------------------------|------------------------------|----------------------------------|
| <b>Non-current:</b>            |                              |                              |                                  |
| Prepayments                    | 3.2                          | 1.6                          | 1.7                              |
| Other receivables              | 0.3                          | 0.7                          | 0.3                              |
|                                | 3.5                          | 2.3                          | 2.0                              |
| <b>Current:</b>                |                              |                              |                                  |
| Contract assets                | 10.4                         | 11.9                         | 9.9                              |
| Trade receivables              | 150.6                        | 109.6                        | 128.1                            |
| Accrued revenue                | 3.8                          | 3.6                          | 3.8                              |
| Gross receivables              | 164.8                        | 125.1                        | 141.8                            |
| Less: provision for impairment | (4.6)                        | (4.7)                        | (4.6)                            |
| Net receivables                | 160.2                        | 120.4                        | 137.2                            |
| Prepayments                    | 22.8                         | 12.3                         | 15.9                             |
| Other receivables              | 4.4                          | 2.9                          | 2.3                              |
|                                | 187.4                        | 135.6                        | 155.4                            |

In accordance with the requirements of the Group's committed ABL bank facility, security has been granted over certain US and Canadian trade and other receivables, which had a carrying value of \$115.6m. Security was previously granted over certain trade and other receivables with a carrying value of \$90.6m at 30 June 2021 and \$102.4m at 31 December 2021 as a requirement of the Group's committed revolving credit facility.

# Notes

continued

## 10. Trade and Other Receivables continued

At 30 June 2022, the ageing of the Group's gross financial assets, based on days overdue, is as follows:

|  | Not overdue<br>\$m | 1 – 30<br>days<br>\$m | 31 – 60<br>days<br>\$m | 61 – 90<br>days<br>\$m | 91 – 120<br>days<br>\$m | More than<br>120 days<br>\$m | Total gross<br>financial<br>assets<br>at 30 June<br>2022<br>\$m |
|--|--------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------------|---|
| Trade receivables – contracts with customers | 80.0               | 35.5                  | 13.2                   | 6.7                    | 7.7                     | 5.3                          | 148.4   |
| Trade receivables – rental receivables       | 0.3                | 0.2                   | 0.2                    | 0.1                    | 0.1                     | 0.2                          | 1.1   |
| Trade receivables – other                    | 1.1                | –                     | –                      | –                      | –                       | –                            | 1.1   |
| Total gross trade receivables                | 81.4               | 35.7                  | 13.4                   | 6.8                    | 7.8                     | 5.5                          | 150.6   |
| Contract assets                              | 10.4               | –                     | –                      | –                      | –                       | –                            | 10.4  |
| Accrued revenue – contracts with customers   | 3.6                | –                     | –                      | –                      | –                       | –                            | 3.6   |
| Accrued revenue – rental receivables         | 0.2                | –                     | –                      | –                      | –                       | –                            | 0.2   |
| Other receivables                            | 2.5                | 0.1                   | –                      | –                      | –                       | –                            | 2.6   |
|  | 98.1               | 35.8                  | 13.4                   | 6.8                    | 7.8                     | 5.5                          | 167.4   |

Since the year-end, there has been a modest decrease in the ageing of receivables, with trade receivables not overdue at 30 June 2022 of \$81.4m comprising 54% of total gross trade receivables compared to 53% at 31 December 2021. However, total gross trade receivables have increased by \$22.5m since 31 December 2021. Overdue debts arise due to a number of different factors, including the time taken in resolving any disputes, a culture of slow/late payment in some jurisdictions, and some debtors experiencing cash flow difficulties.

At 31 December 2021, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

|  | Not overdue<br>\$m | 1 – 30<br>days<br>\$m | 31 – 60<br>days<br>\$m | 61 – 90<br>days<br>\$m | 91 – 120<br>days<br>\$m | More than<br>120 days<br>\$m | Total gross<br>financial<br>assets<br>at 31<br>December<br>2021<br>\$m |
|--|--------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------------|--|
| Trade receivables – contracts with customers | 66.7               | 21.6                  | 15.7                   | 6.7                    | 7.8                     | 8.0                          | 126.5  |
| Trade receivables – rental receivables       | 0.5                | 0.4                   | 0.3                    | 0.1                    | –                       | –                            | 1.3  |
| Trade receivables – other                    | 0.3                | –                     | –                      | –                      | –                       | –                            | 0.3  |
| Total gross trade receivables                | 67.5               | 22.0                  | 16.0                   | 6.8                    | 7.8                     | 8.0                          | 128.1  |
| Contract assets                              | 9.9                | –                     | –                      | –                      | –                       | –                            | 9.9  |
| Accrued revenue – contracts with customers   | 3.7                | –                     | –                      | –                      | –                       | –                            | 3.7  |
| Accrued revenue – rental receivables         | 0.1                | –                     | –                      | –                      | –                       | –                            | 0.1  |
| Other receivables                            | 1.3                | 0.1                   | –                      | –                      | –                       | 0.1                          | 1.5  |
|  | 82.5               | 22.1                  | 16.0                   | 6.8                    | 7.8                     | 8.1                          | 143.3  |

### 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:

|   | Six months<br>ended<br>30 June<br>2022<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|---|--|
| At 1 January  | (4.6)   | (4.5)                                    |
| Charge to the consolidated income statement – lifetime expected credit losses | (0.2)   | (1.9)                                    |
| Unused provisions released to the consolidated income statement               | –   | 0.3                                      |
| Utilised against receivables written off                                      | 0.2   | 1.5                                      |
|   | (4.6)   | (4.6)                                    |

The provision for the impairment of trade and other receivables of \$4.6m at 30 June 2022 is unchanged from the 31 December 2021 provision. Debtors continue to face cash flow difficulties and the risk of bad debts in the coming months remains high.

## 11. Leases

The Group leases various offices, warehouses, equipment and vehicles. During the six months to 30 June 2022, the Group's Asia Pacific operating segment completed the relocation of its facilities to a new, single site in the Tuas port region of Singapore. As a result of this relocation, the Group exited a number of leases, with the lease for Tuas signed in October 2021 for an initial term of three years. During the period, the Group's UK headquarters moved to different premises, with the lease at Hanover Square reassigned and a new ten-year lease for the Panton Street premises signed. The impact of the various lease changes on the Group's contractual cash flows has been significant and the updated future cash flows are presented in the table below:

|                   | On demand or<br>within one year<br>\$m | Between one and<br>five years<br>\$m | After five years<br>\$m | Total<br>\$m | Carrying value<br>\$m |
|-------------------|--|--------------------------------------|-------------------------|--------------|-----------------------|
| Lease liabilities | 7.9                                    | 14.6                                 | 4.6                     | 27.1         | 24.8                  |

The position at 31 December 2021 was as follows:

|                   | On demand or<br>within one year<br>\$m | Between one and<br>five years<br>\$m | After five years<br>\$m | Total<br>\$m | Carrying value<br>\$m |
|-------------------|--|--------------------------------------|-------------------------|--------------|-----------------------|
| Lease liabilities | 9.1                                    | 21.8                                 | 4.9                     | 35.8         | 31.8                  |

## 12. 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. Net cash (debt) (NGM I) is a non-GAAP measure; however, management and the Group treasury function monitor total cash and bank (NGM H) to ensure there is sufficient liquidity to meet business requirements. 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. 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<br>1 January<br>2022<br>\$m | Cash flow<br>\$m | Non-cash<br>movement<br>on lease<br>liabilities <sup>1</sup><br>\$m | Exchange<br>movements<br>\$m | At<br>30 June<br>2022<br>\$m |
|--|--------------------------------|------------------|---|------------------------------|------------------------------|
| Cash and cash equivalents  | 108.4                          | (17.4)           | –   | (3.9)                        | 87.1                         |
| Bank overdrafts  | (1.0)                          | (0.5)            | –   | –                            | (1.5)                        |
| Cash and cash equivalents – per condensed consolidated statement of cash flows | 107.4                          | (17.9)           | –   | (3.9)                        | 85.6                         |
| Current investments – investment of surplus cash                               | 6.8                            | (6.5)            | –   | (0.3)                        | –                            |
| Total lease liabilities  | (31.8)                         | 4.5              | 1.5   | 1.0                          | (24.8)                       |
| Shareholder loan from non-controlling interest                                 | (3.9)                          | –                | –   | –                            | (3.9)                        |
| Liabilities arising from financing activities                                  | (35.7)                         | 4.5              | 1.5   | 1.0                          | (28.7)                       |
| <b>Total net cash (debt)</b>   | <b>78.5</b>                    | <b>(19.9)</b>    | <b>1.5</b>  | <b>(3.2)</b>                 | <b>56.9</b>                  |

i. Non-cash movements on lease liabilities comprise new leases of \$4.5m and interest expense of \$0.7m offset by lease modifications of \$6.7m.

During the period ended 30 June 2022, \$3.0m loan facility fees were paid in relation to the new ABL facility. These fees were capitalised, included in prepayments and will be amortised over the expected life of the facility. During the period to 30 June 2022, \$0.4m fees were amortised.

# Notes

continued

## 12. Changes in Net Cash (Debt) continued

|  | At<br>1 January<br>2021<br>\$m | Restated <sup>iv</sup><br>Cash flow<br>\$m | Non-cash<br>movement<br>on lease<br>liabilities <sup>ii</sup><br>\$m | Exchange<br>movements<br>\$m | Restated <sup>v</sup><br>At<br>30 June<br>2021<br>\$m |
|--|--------------------------------|--|--|------------------------------|---|
| Cash and cash equivalents  | 102.9                          | (3.6)                                      | –  | 0.2                          | 99.5  |
| Bank overdrafts  | (1.2)                          | 0.5  | –  | –                            | (0.7)   |
| Cash and cash equivalents – per condensed consolidated statement of cash flows | 101.7                          | (3.1)                                      | –  | 0.2                          | 98.8  |
| Current investments – investment of surplus cash                               | –                              | 6.9  | –  | –                            | 6.9   |
| Total lease liabilities <sup>iii</sup>   | (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)  |
| <b>Total net cash (debt)</b>   | <b>57.5</b>                    | <b>10.0</b>                                | <b>0.1</b>   | <b>–</b>                     | <b>67.6</b>   |

ii. 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.

iii. 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 (NGM A).

iv. The 30 June 2021 condensed consolidated balance sheet was restated to present the Fixed Term Funds of \$16.1m as cash and cash equivalents rather than as current investments (see note 1).

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

|  | At<br>1 January<br>2021<br>\$m | Cash flow<br>\$m | Non-cash<br>movement<br>on lease<br>liabilities <sup>v</sup><br>\$m | Exchange<br>movements<br>\$m | At<br>31 December<br>2021<br>\$m |
|--|--------------------------------|------------------|---|------------------------------|----------------------------------|
| Cash and cash equivalents  | 102.9                          | 6.2              | –   | (0.7)                        | 108.4                            |
| Bank overdrafts  | (1.2)                          | 0.2              | –   | –                            | (1.0)                            |
| Cash and cash equivalents – per condensed consolidated statement of cash flows | 101.7                          | 6.4              | –   | (0.7)                        | 107.4                            |
| Current investments – investment of surplus cash                               | –                              | 6.9              | –   | (0.1)                        | 6.8                              |
| Total lease liabilities  | (40.3)                         | 10.6             | (2.3)   | 0.2                          | (31.8)                           |
| Shareholder loan from non-controlling interest                                 | (3.9)                          | –                | –   | –                            | (3.9)                            |
| Liabilities arising from financing activities                                  | (44.2)                         | 10.6             | (2.3)   | 0.2                          | (35.7)                           |
| <b>Total net cash (debt)</b>   | <b>57.5</b>                    | <b>23.9</b>      | <b>(2.3)</b>  | <b>(0.6)</b>                 | <b>78.5</b>                      |

v. Non-cash movements on lease liabilities comprise new leases of \$1.8m, interest expense of \$1.5m and lease modifications of \$1.0m offset by disposal of \$2.0m.

Loan facility fees are capitalised and are included in prepayments. During the year ended 31 December 2021, \$0.3m of loan facility fees were amortised and \$0.3m were paid in respect of the new ABL facility.

### 13. Financial Instruments: Fair Values

This note provides information about the Group's financial instruments measured at fair value, including information about determining the fair value of the instruments, and any judgements and estimation uncertainty involved.

The Group's exposure to various risks associated with financial instruments is discussed in note 14. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets. Contract assets are not financial assets; however, they are explicitly included in the scope of IFRS 7 for the purpose of the credit risk disclosures in note 14.

#### (a) Valuation Techniques used to Determine Fair Values

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

Fixed Term Funds ("FTFs") and money market funds ("MMFs") are debt instruments measured at fair value through profit or loss, with the fair value 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 gains on these instruments were immaterial in the period and were recognised in finance income.

The listed equity investments and mutual funds are equity instruments measured at fair value through profit or loss, with the fair value 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 loss of \$0.1m (30 June 2021 – \$0.1m gain; 31 December 2021 – \$0.2m gain) on these instruments was recognised in finance expense during the period.

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 using a discount rate of 8%. The fair value at 30 June 2022 is \$2.8m (31 December 2021 – \$2.7m), with fair value gains of \$0.1m (30 June 2021 – \$0.1m gain; 31 December 2021 – \$0.2m gain) recognised in finance income during the period.

The fair value gains and losses on the listed investments and mutual funds and the Well Data Labs convertible financing are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

The following instruments do not qualify for measurement at either amortised cost or at fair value through other comprehensive income ("FVTOCI"). Therefore they are financial instruments that have mandatorily been measured at fair value through profit or loss ("FVTPL"):

- The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date.
- The fair value of 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.

Net fair value gains on derivative financial instruments in the period recognised in net operating income and other expense were immaterial (30 June 2021 – \$0.1m loss; 31 December 2021 – \$0.2m loss). Net fair value gains on derivative financial instruments in the period recognised in net finance expense were immaterial (30 June 2021 – \$1.0m gain; 31 December 2021 – \$0.6m gain).

A fair value gain on the disposal of a held-for-sale asset of \$0.4m was recognised in net operating income and other expenses in the six months ended 30 June 2021 and the year ended 31 December 2021.

# Notes

continued

## 13. Financial Instruments: Fair Values continued

### (b) Fair Value Hierarchy

The following tables present the Group's net financial assets and liabilities that are measured and recognised at fair value at the period-end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

|  | Carrying<br>value at<br>30 June<br>2022<br>\$m | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m |
|--|--|----------------|----------------|----------------|
| <b>Equity instruments at fair value through profit or loss</b> |  |                |                |                |
| Listed equity investments and mutual funds                     | 1.8  | 1.8            | –              | –              |
| <b>Debt instruments at fair value through profit or loss</b>   |  |                |                |                |
| Well Data Labs convertible financing                           | 2.8  | –              | –              | 2.8            |
| Fixed Term Funds   | 10.0   | 10.0           | –              | –              |
| Money Market Funds   | 11.1   | 11.1           | –              | –              |
| <b>Current derivatives held for trading</b>                    |  |                |                |                |
| Derivative financial assets                                    | 0.3  | –              | 0.3            | –              |
| Derivative financial liabilities                               | (0.1)  | –              | (0.1)          | –              |
|  | <b>25.9</b>                                    | <b>22.9</b>    | <b>0.2</b>     | <b>2.8</b>     |

|  | Carrying<br>value at<br>31 December<br>2021<br>\$m | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m |
|--|--|----------------|----------------|----------------|
| <b>Equity instruments at fair value through profit or loss</b> |  |                |                |                |
| Listed equity investments and mutual funds                     | 1.9  | 1.9            | –              | –              |
| <b>Debt instruments at fair value through profit or loss</b>   |  |                |                |                |
| Well Data Labs convertible financing                           | 2.7  | –              | –              | 2.7            |
| Fixed Term Funds   | 6.8  | 6.8            | –              | –              |
| <b>Current derivatives held for trading</b>                    |  |                |                |                |
| Derivative financial assets                                    | 0.1  | –              | 0.1            | –              |
| Derivative financial liabilities                               | (0.2)  | –              | (0.2)          | –              |
|  | <b>11.3</b>  | <b>8.7</b>     | <b>(0.1)</b>   | <b>2.7</b>     |

The fair value hierarchy has the following levels:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 – unobservable inputs used in the valuation.

- The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year-end exchange rate.
- The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy.
- The fair value of FTFs, MMFs and listed equities and mutual funds are based on quoted market prices, and therefore the fair value measurements are categorised in Level 1 of the fair value hierarchy.
- Due to unobservable inputs used in the valuation, the fair value of the Well Data Labs financial asset is a Level 3 measurement of the fair value hierarchy.

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

Due to their short-term nature, the carrying value of cash deposits with more than 3 months to maturity, contract assets, trade receivables, accrued revenue, other receivables considered to be financial assets, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and the shareholder loan from a non-controlling interest, approximates their fair value.

The Group also has lease liabilities of \$24.8m (31 December 2021 – \$31.8m), 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.

The US deferred compensation plan obligation is measured at fair value through profit or loss and has a carrying value of \$1.8m at 30 June 2022. However, this liability is not a financial liability and falls under IAS 19 as it is considered to be an unfunded DB scheme. The fair value loss recognised in operating expenses during the period was \$nil (30 June 2021 – \$nil; 31 December 2021 – \$nil).



## 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 2021 Annual Report and Accounts.

### (a) Liquidity Risk

#### (i) Bank Facilities

The Group's treasury function ensures 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's Revolving Credit Facility ("RCF") was cancelled on 7 February 2022, and replaced with a new \$150m Asset Based Lending ("ABL") facility. The ABL facility has a four-year term, maturing on 7 February 2026. An accordion feature of up to \$50m was also agreed. This feature allows the Group to increase the total facility quantum to \$200m, subject to the approval of its bank lending group.

The Group's borrowing capacity is linked to secured asset values. The three main asset classes that form the "Borrowing Base" against which bank capital is advanced are North American based trade receivables, inventories and freehold property. The Group is required to submit various reports to the facility agent each month so that any fluctuation in the carrying values of these assets are communicated to the lenders, and so that the borrowing base may be recalibrated based on the most recent asset values. Accordingly, availability under the ABL facility will fluctuate to the extent that the underlying asset values change over time, either up or down. The carrying amounts of the assets pledged as security is discussed in notes 7, 9 and 10.

The ABL financial covenants are only measured under certain conditions, principally once utilisation of the facility goes through a predefined threshold i.e. 87.5% of the "Line Cap" ("Line Cap" is defined as the lesser of the total facility amount and the Borrowing Base), at which point the Fixed Charge Cover Ratio ("FCCR") is measured and must be complied with. The FCCR is a financial covenant that looks back over the trailing 12-month period to assess whether EBITDA (as defined by the ABL facility agreement) covers the Group's Fixed Charges (as defined by the facility agreement) at a ratio of at least 1:1.

Management has detailed the wider considerations regarding going concern and future covenant compliance in the Going Concern Statement in note 1.

At inception of the ABL (and to be repeated annually thereafter) a field examination and asset appraisal process was conducted by specialist, bank appointed, third-party valuation firms in order to assess the nature and commercial viability of the secured ABL assets so that appropriate discounts, or "advance rates", could be determined. The initial asset appraisals were completed in H2 2021 and consequently the advance rates to be applied in each category for the first 12 months of the ABL's tenor were imputed. Applying these advance rates to the December 2021 carrying values of the in-scope asset classes, Hunting's opening availability under the ABL was in excess of \$100m. The opening availability at 7 February 2022 was based on in-scope trade receivables and inventories balances only. Availability under the ABL at 30 June 2022 was \$120.1m based on the reported May 2022 secured asset values. However, in early July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL Borrowing Base was completed. Consequently, the full facility quantum of \$150m is now available for utilisation by the Company, as the total value of the secured assets now exceeds the current facility limit of \$150m. The Group did not make any drawdowns on the ABL during the six months to 30 June 2022 and it remains undrawn at the period end.

The Group's undrawn borrowing facilities were as follows:

|   | Six months ended<br>30 June<br>2022<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|--|--|
| Secured committed facilities – ABL (2021 – RCF) | 150.0                                      | 160.0                                    |
| Unsecured committed facilities                  | 5.0  | –  |
| Secured uncommitted facilities                  | –  | 4.2                                      |
|   | <b>155.0</b>                               | 164.2                                    |

Following the cancellation of the RCF in February 2022, a \$15m money market facility and a \$2m overdraft facility were withdrawn by banks within the RCF lending group.

# Notes

continued

## 14. Financial Risk Management continued

### (a) Liquidity Risk continued

#### (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 consolidated twelve-week forecast, produced weekly, is maintained by the Group's treasury function, which monitors long- and short-term liquidity requirements of the Group and also identifies any unexpected variances week-on-week.

The treasury function seeks to centralise the Group's surplus cash balances to ensure that funds are managed in the best interests of the Group, as detailed further below. Cash balances, together with undrawn facilities, enable the treasury function to manage the day-to-day liquidity requirements of the Group. Any short-term surplus is invested in accordance with Board-approved treasury policy.

Short-term deposits, Fixed Term Funds ("FTFs") and investments in money market funds ("MMFs") 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. The Group has invested surplus cash with MMFs as they are considered to be highly liquid since cash can be redeemed from each fund on a same-day basis. The yield on the funds is calculated on the daily performance of the various instruments within a particular fund.

During the six months to 30 June 2022, the treasury function has invested surplus cash in deposits, MMFs and FTFs, in line with its cash management and investment policies. The use of these cash instruments 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 \$10.0m (31 December 2021 – \$6.8m) in FTFs, classified as cash and cash equivalents (note 12), held \$11.1m in MMFs (31 December 2021 – \$nil) and \$nil (31 December 2021 – \$6.8m) in deposits with a maturity greater than 3 months, which were classified as current investments on the balance sheet (note 12). The Group includes deposits with a maturity greater than 3 months in its calculation of total cash and bank (see NGM H). The fair value gains recognised on the MMFs and the FTFs are immaterial in the period and interest earned on the deposits during the period of \$0.1m was included in finance income.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### (b) Credit Risk

The Group's credit risk continues to arise from its cash at bank and in hand, MMFs, FTFs, short-term deposits, investments, derivative financial instruments, accrued revenue, outstanding trade receivables, other receivables, contract assets and the Well Data Labs convertible financing.

At the period-end, the Group had credit risk exposure to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities whether through exposure to individual customers, specific industry sectors and/or regions.

#### (i) Credit Risk: Financial Assets

The Group makes sales to a large number of different customers; however a significant proportion of sales are made to service companies in the oil and gas sector. The majority of the Group's customers are based in North America. On a quarterly basis, the Group's entities submit information to the head office on individual receivables balances greater than \$0.2m, individual receivable balances greater than \$32,500 and 90 days overdue, and quarterly average receivables balances. At 30 June 2022, trade receivables of \$122.6m (31 December 2021 – \$99.7m) comprised individual balances greater than \$0.2m, with no individual customer balance representing more than 5% (31 December 2021 – 8%) of the period-end receivables balance of \$150.6m (31 December 2021 – \$128.1m).

The risk of customer default for outstanding trade receivables, accrued revenue and contract assets is continuously monitored. Credit account limits are set locally by management and are primarily based on the credit quality of the customer taking into account past experience through trading relationships and the customer's financial position. As expected, the probability that a customer would default has declined in 2022 as trading continues to improve following the global economic downturn. The Group uses Credit Benchmark software to monitor the creditworthiness and changing credit profiles of its customers.

## 14. Financial Risk Management continued

### (b) Credit Risk continued

#### (i) Credit Risk: Financial Assets continued

During H1 2022, 31% of sales, which is more than \$104m of the Group's revenue (year ending 31 December 2021 – 36%/\$185m), were made to customers with a Credit Benchmark investment-grade rating of bbb or higher, as shown in the table below. This includes customers with a single-source rating, whereby the rating is based on only a single source rather than a consensus rating based on a number of contributing views.

| Credit Benchmark – Credit Consensus Ratings: | % of Revenue                      |                                 |
|--|-----------------------------------|---------------------------------|
|  | Six months ended 30 June 2022 \$m | Year ended 31 December 2021 \$m |
| aa   | 1                                 | 2                               |
| a  | 12                                | 9                               |
| bbb  | 18                                | 25                              |
| bb   | 6                                 | 9                               |
| b  | 3                                 | 3                               |
| c  | –                                 | 1                               |
| No rating                                    | 60                                | 51                              |

To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions.

#### (ii) Credit Risk: Total Cash and Bank

Approved institutions that the Group's treasury function can invest surplus cash with must all have a minimum A2, P2 or F2 short-term rating from Standard & Poor's, Moody's or Fitch rating agencies respectively and AAAm S&P rating for money market funds.

At 30 June 2022, cash at bank and in hand totalled \$54.7m (31 December 2021 – \$96.8m), with \$35.8m (31 December 2021 – \$80.8m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining \$18.9m (31 December 2021 – \$16.0m), \$14.6m (31 December 2021 – \$14.9m) was held with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit. There are no formal restrictions on this cash as such; however, prior approval would be required from various state authorities in China before any cash could be paid offshore.

During the year, the treasury function has invested surplus cash in line with its cash management and investment policies in short-term deposits, deposits with a notice period of 95 days and Fixed Term Funds ("FTFs"), with all FTFs offering exposure to financial institutions with investment-grade credit ratings. 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.

The credit ratings of the financial institutions where the Group's total cash and bank balances have been invested are listed below:

|   | Credit rating |           | Six months ended 30 June 2022 \$m | Year ended 31 December 2021 \$m |
|---|---------------|-----------|-----------------------------------|---------------------------------|
| Cash at bank and in hand                                | Fitch         | F1 to F1+ | 35.8                              | 80.8                            |
| Cash at bank and in hand                                | Other         | n/a       | 18.9                              | 16.0                            |
| Short-term deposits with less than 3 months to maturity | Fitch         | F2        | 5.2                               | 4.8                             |
| Short-term deposits with less than 3 months to maturity | Fitch         | F1        | 6.1                               | –                               |
| Cash deposits with more than 3 months to maturity       | Fitch         | F1        | –                                 | 6.8                             |
| Money market funds                                      | Fitch         | AAA-mf    | 11.1                              | –                               |
| Fixed Term Funds  | Fitch         | F1        | 10.0                              | 6.8                             |
| Derivative financial assets                             | Fitch         | A+ (dcr)  | 0.2                               | 0.1                             |
| Derivative financial assets                             | Fitch         | AA- (dcr) | 0.1                               | –                               |

#### (iii) Credit Risk: Other Financial Assets

The Group has provided Well Data Labs with \$2.8m (31 December 2021 – \$2.7m) in convertible financing. The investment is considered to have a low credit risk and is expected to be fully recovered. The debt instrument is considered to be low credit risk as there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group operates a defined benefit pension scheme in the US, which is unfunded. Contributions are paid into a separate investment vehicle and invested in a wide portfolio of US mutual funds. Investments at 30 June 2022 amounted to \$1.8m (31 December 2021 – \$1.9m) and are expected to be fully recovered.

# Notes

continued

## 15. Dividends Paid to Hunting PLC Shareholders

|                                   | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|-----------------------------------|--|--|--|
| Ordinary dividends:               |  |  |  |
| 2021 final dividend paid – 4.0c   | 6.4  | –  | –  |
| 2020 final dividend paid – 4.0c   | –  | 6.4  | 6.4                                      |
| 2021 interim dividend paid – 4.0c | –  | –  | 6.4                                      |
|                                   | <b>6.4</b>                                 | 6.4  | 12.8                                     |

The Board paid the final dividend for 2021 of 4.0 cents on 13 May 2022. The Board is declaring an interim dividend of 4.5 cents per share, which will absorb an estimated \$7.2m, and be paid on 28 October 2022 to shareholders on the register at the close of business on 7 October 2022. The ex-dividend date is 6 October 2022.

## 16. 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. In the 2021 Annual Report and Accounts, a claim against the Group from a competitor relating to a patent infringement was disclosed. The Group continues to deny any such infringement and will defend this claim robustly. Based on the legal process conducted to date, and an update from the legal advisors, the Group does not believe an outflow is probable; however, a stay on the case was lifted in H2 2021, a discovery phase has been completed and the matter is scheduled for trial in H2 2022. Although management believes it is unlikely the case will be lost, the maximum potential exposure, based on legal advice, is estimated at \$3m.

## 17. Events After the Balance Sheet Date

### ABL Facility Security

In early July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL Borrowing Base was completed. The relevant properties had a carrying value of \$143.1m at 30 June 2022.

### CNOOC Contract

In August 2022, the Group's Asia Pacific operating segment won a contract with CNOOC in China that management estimates to be worth up to \$86m, for Hunting's Premium Connections and OCTG, for delivery in 2022 to 2023. This contract requires local financing arrangements to be put in place on mainland China. These arrangements are currently being negotiated by Hunting's central treasury function and local management.

# Non-GAAP Measures

The performance of the Group is assessed by the Directors using a number of measures, which are not defined under IFRS, and are therefore considered to be non-GAAP measures ("NGMs"). However, the measures used by the Group may not be comparable with similarly described measures presented by other businesses.

The Group presents adjusted profitability measures below, which exclude adjusting items (see NGM A). The adjusted results, when considered together with results reported under IFRS, provide investors, analysts and other stakeholders with helpful complementary information and they aid a more effective comparison of the Group's financial performance from one period to the next. These adjusted measures are used by management for planning and reporting purposes. The adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement, with details of the adjusting items provided in NGM A. It is important to note that the adjusted results are quite frequently higher than the IFRS results as they often exclude significant costs and should not be regarded as a complete picture of the Group's financial performance, which is presented by the IFRS results in the income statement.

In addition, the Group's results and financial position are analysed 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 on-going business performance.

This section provides a definition of each NGM presented in this report, the purpose for which the measure is used, and a reconciliation of the NGM to the reported IFRS numbers. This condensed set of consolidated financial statements does not include all NGMs of the Group; this section should be read in conjunction with the Group's 2021 Annual Report and Accounts.

## A. Adjusting Items

Due to their size and nature, the following items are considered to be adjusting items and have been presented separately.

|   | Six months ended<br>30 June 2022 |            | Restated<br>Six months ended<br>30 June 2021 |            | Restated<br>Year ended<br>31 December 2021 |            |
|---|----------------------------------|------------|--|------------|--|------------|
|   | Gross<br>\$m                     | Tax<br>\$m | Gross<br>\$m                                 | Tax<br>\$m | Gross<br>\$m                               | Tax<br>\$m |
| Impairments of property, plant and equipment                    | -                                | -          | -  | -          | (8.6)                                      | 0.8        |
| Impairments of inventories                                      | -                                | -          | -  | -          | (28.0)                                     | 0.8        |
| Reversal of impairments of inventories                          | -                                | -          | 0.8  | (0.2)      | 2.1  | (0.3)      |
| Restructuring costs   | -                                | -          | (0.9)  | -          | (1.2)                                      | -          |
| Charged to cost of sales  | -                                | -          | (0.1)  | (0.2)      | (35.7)                                     | 1.3        |
| Gain on disposal of Canadian assets                             | -                                | -          | 0.2  | -          | 0.2  | -          |
| Gain on surrender of lease                                      | -                                | -          | 1.0  | (0.2)      | 1.0  | (0.4)      |
| Credited to operating income                                    | -                                | -          | 1.2  | (0.2)      | 1.2  | (0.4)      |
| Amortisation of acquired intangible assets                      | -                                | -          | (4.3)  | (0.6)      | (6.7)                                      | (0.4)      |
| Settlement of warranty claim related to a corporate transaction | -                                | -          | -  | -          | (1.7)                                      | -          |
| Restructuring costs   | -                                | -          | (0.3)  | -          | (0.8)                                      | -          |
| Loss on disposal of business                                    | -                                | -          | -  | -          | (0.9)                                      | 0.2        |
| Charged to other operating expenses                             | -                                | -          | (4.6)  | (0.6)      | (10.1)                                     | (0.2)      |
| Total impacting loss from operations                            | -                                | -          | (3.5)  | (1.0)      | (44.6)                                     | 0.7        |
| Amortisation of acquired intangible assets – associates         | -                                | -          | -  | -          | (0.3)                                      | -          |
| <b>Total</b>  | -                                | -          | (3.5)  | (1.0)      | (44.9)                                     | 0.7        |

|   | Six months<br>ended<br>30 June<br>2022<br>\$m | Six months<br>ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|---|---|--|
| Gross adjusting items   | -   | (3.5)   | (44.9)                                   |
| Tax attributable to adjusting items                                 | -   | (1.0)   | 0.7                                      |
| Adjusting items after tax   | -   | (4.5)   | (44.2)                                   |
| Adjusting items after tax attributable to Ordinary shareholders     | -   | (4.5)   | (42.1)                                   |
| Adjusting items after tax attributable to non-controlling interests | -   | -   | (2.1)                                    |
|   | -   | (4.5)   | (44.2)                                   |

The following items were recognised as adjusting items during 2021:

Amortisation of acquired intangible assets relates to amortisation of intangible assets arising on the acquisition of businesses.

A number of associated charges were recognised due to the restructuring of the European OCTG business, and the changes in future activity resulting from the transactions with Marubeni-Itochu including: an impairment of the Fordoun property by \$8.6m as the use of the property and expected cash flows for the property had changed; impairment of pipe inventory of \$5.2m to match the net realisable value determined through the due diligence work; and a provision of \$0.9m for the cost of repairs to a quantity of pipe.

During 2021, certain inventory was written down to its net realisable value due to reduced turn rates, increased ageing of inventories and inventory selling prices being lowered. An impairment charge of \$28.0m, including the \$5.2m charge recognised on the Marubeni-Itochu transaction discussed above, was recognised.

In October 2021, the Group paid \$1.7m in settlement of a warranty claim in relation to the transfer of assets, and their condition, as part of a corporate transaction.

# Non-GAAP Measures

continued

## A. Adjusting Items *continued*

Restructuring costs of \$2.0m were incurred and paid during 2021. These relate to the implementation of cost-base reduction measures, which began in 2020, with further headcount reductions being made in 2021 as a result of the continued negative impact of COVID-19 on activity levels. Cumulatively by the end of 2021, \$12.3m of expense and \$12.7m of cash cost was incurred on the restructuring programme begun in 2020.

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 was not allocated to an operating segment as the original property provisions were not allocated to an operating segment at the time they were recognised.

A further gain of \$0.2m (2020 – \$0.8m) on the disposal of Canadian assets was recognised, following the gain of \$0.8m recognised in 2020, in relation to the closure of the Canadian operations. The Group received disposal proceeds of \$1.8m for these assets during 2021.

## B. Adjusted Profitability Measures

Certain reported profit and loss measures are adjusted for the items described in NGM A. This is the basis used by the Directors in assessing performance.

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Six months ended<br>31 December<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|--|
| Reported profit (loss) from operations – condensed consolidated income statement                             | 1.7  | (26.5)                                     | (53.2)   | (79.7)                                   |
| Add back adjusting items (NGM A)   | –  | 3.5  | 41.1   | 44.6                                     |
| <b>Adjusted profit (loss) from operations</b>  | <b>1.7</b>                                 | <b>(23.0)</b>                              | <b>(12.1)</b>                                  | <b>(35.1)</b>                            |
| Reported loss before tax from operations – condensed consolidated income statement                           | (0.5)                                      | (28.6)                                     | (56.9)   | (85.5)                                   |
| Add back adjusting items (NGM A)   | –  | 3.5  | 41.4   | 44.9                                     |
| <b>Adjusted profit (loss) before tax from operations</b>   | <b>(0.5)</b>                               | <b>(25.1)</b>                              | <b>(15.5)</b>                                  | <b>(40.6)</b>                            |
| Reported loss for the period attributable to Ordinary shareholders – condensed consolidated income statement | (3.9)                                      | (30.5)                                     | (55.3)   | (85.8)                                   |
| Add back adjusting items after tax attributable to Ordinary shareholders (NGM A)                             | –  | 4.5  | 37.6   | 42.1                                     |
| <b>Adjusted loss from operations attributable to Ordinary shareholders</b>                                   | <b>(3.9)</b>                               | <b>(26.0)</b>                              | <b>(17.7)</b>                                  | <b>(43.7)</b>                            |
|  | millions                                   | millions                                   | millions                                       | millions                                 |
| Basic weighted average number of Ordinary shares (note 6)  | 160.6                                      | 161.3                                      | 161.0  | 161.2                                    |
| Long-term incentive plans (note 6)   | 7.9  | 6.1  | 5.8  | 5.9                                      |
| <b>Adjusted weighted average number of Ordinary shares (note 6)</b>  | <b>168.5</b>                               | <b>167.4</b>                               | <b>166.8</b>                                   | <b>167.1</b>                             |
|  | cents                                      | cents                                      | cents  | cents                                    |
| <b>Adjusted loss per share:</b>  |  |  |  |  |
| Adjusted basic LPS   | (2.4)                                      | (16.1)                                     | (11.0)   | (27.1)                                   |
| Adjusted diluted LPS <sup>i</sup>  | (2.4)                                      | (16.1)                                     | (11.0)   | (27.1)                                   |

i. For the six months ended 30 June 2022 and 30 June 2021 and the year ended 31 December 2021, 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 per share.

## C. EBITDA

*Purpose:* This profit measure is used as a simple proxy for pre-tax cash flows from operating activities. EBITDA is frequently used by analysts, investors and other interested parties.

*Calculation definition:* Adjusted results before share of associates' results, interest, tax, depreciation, impairment and amortisation.

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Six months ended<br>31 December<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|--|
| Reported profit (loss) from operations – condensed consolidated income statement | 1.7  | (26.5)                                     | (53.2)   | (79.7)                                   |
| Add back adjusting items (NGM A)   | –  | 3.5  | 41.1   | 44.6                                     |
| Adjusted profit (loss) from operations (NGM B)                                   | 1.7  | (23.0)                                     | (12.1)   | (35.1)                                   |
| Add back:  |  |  |  |  |
| Depreciation of property, plant and equipment (note 7)                           | 13.3                                       | 14.5                                       | 14.4   | 28.9                                     |
| Depreciation of right-of-use assets (note 7)                                     | 3.5  | 3.4  | 3.3  | 6.7                                      |
| Non-adjusting amortisation of other intangible assets (note 7)                   | 2.1  | 1.5  | 1.1  | 2.6                                      |
|  | 18.9                                       | 19.4                                       | 18.8   | 38.2                                     |
| <b>EBITDA</b>  | <b>20.6</b>                                | <b>(3.6)</b>                               | <b>6.7</b>                                     | <b>3.1</b>                               |

#### D. Adjusted Tax Charge and Tax Rate

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

*Calculation definition:* The adjusted taxation charge (credit) divided by adjusted (loss) profit before tax, expressed as a percentage.

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Six months ended<br>31 December<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|--|
| Reported taxation charge – condensed consolidated income statement | 3.2  | 3.1  | 1.1  | 4.2                                      |
| Add back tax (charge) credit on adjusting items (NGM A)            | –  | (1.0)                                      | 1.7  | 0.7                                      |
| Adjusted taxation charge   | 3.2  | 2.1  | 2.8  | 4.9                                      |
| Adjusted loss before tax for the year (NGM B)                      | (0.5)                                      | (25.1)                                     | (15.5)   | (40.6)                                   |
| <b>Adjusted tax rate</b>   | <b>(640)%</b>                              | <b>(8)%</b>                                | <b>(18)%</b>                                   | <b>(12)%</b>                             |

Adjusting items are taxed on an item-by-item basis as shown in NGM A.

#### E. 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.

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|
| Trade and other receivables – non-current (note 10)                    | 3.5  | 2.3  | 2.0                                      |
| Trade and other receivables – current (note 10)                        | 187.4                                      | 135.6                                      | 155.4                                    |
| Inventories (note 9)   | 220.2                                      | 267.3                                      | 204.4                                    |
| Trade and other payables – non-current                                 | (2.9)                                      | (2.7)                                      | (83.0)                                   |
| Trade and other payables – current                                     | (107.7)                                    | (69.0)                                     | (2.7)                                    |
| Add: non-working capital US deferred compensation plan obligation      | 1.8  | 1.8  | 1.9                                      |
| Less: non-working capital current other receivables and other payables | (2.6)                                      | (0.6)                                      | –  |
|  | 299.7                                      | 334.7                                      | 278.0                                    |

#### F. 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 adjusted cost of sales for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|
| Inventories (note 9)   | 220.2                                      | 267.3                                      | 204.4                                    |
| Adjusted cost of sales for the last three months of the period | 139.9                                      | 97.4                                       | 115.2                                    |
| <b>Inventory days</b>  | <b>143 days</b>                            | 250 days                                   | 163 days                                 |

#### G. Trade Receivables Days

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

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

|   | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|--|--|--|
| Trade receivables                               | 150.6                                      | 109.6                                      | 128.1                                    |
| Contract assets                                 | 10.4                                       | 11.9                                       | 9.9                                      |
| Accrued revenue                                 | 3.8  | 3.6  | 3.8                                      |
| Less: provisions for receivables                | (4.6)                                      | (4.7)                                      | (4.6)                                    |
| Net receivables (note 10)                       | 160.2                                      | 120.4                                      | 137.2                                    |
| Revenue for the last three months of the period | 182.2                                      | 123.1                                      | 145.2                                    |
| <b>Trade receivables days</b>                   | <b>80 days</b>                             | 89 days                                    | 87 days                                  |

# Non-GAAP Measures

continued

## H. Total Cash and Bank

*Purpose:* Total cash and bank 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 there is sufficient liquidity to meet business requirements. 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 Strategic Report.

*Calculation definition:* Cash and cash equivalents, comprising cash at bank and in hand, plus Fixed Term Funds, money market funds and short-term deposits of less than 3 months to maturity from the date of deposit, less bank borrowings.

The Group's total cash and bank comprised:

|   | Six months ended<br>30 June<br>2022<br>\$m | Restated <sup>1</sup><br>Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|--|---|--|
| Cash and cash equivalents   | 87.1                                       | 99.5  | 108.4                                    |
| Bank overdrafts secured – current borrowings  | (1.5)                                      | (0.7)   | (1.0)                                    |
| Cash and cash equivalents – per condensed consolidated statement of cash flows          | 85.6                                       | 98.8  | 107.4                                    |
| Current investments – investment of surplus cash – condensed consolidated balance sheet | –  | 6.9   | 6.8                                      |
| <b>Total cash and bank</b>  | <b>85.6</b>                                | <b>105.7</b>  | <b>114.2</b>                             |

i. The 30 June 2021 condensed consolidated balance sheet was restated to present the Fixed Term Funds of \$16.1m as cash and cash equivalents rather than as current investments (see note 1).

## I. Net Cash (Debt)

*Purpose:* Net cash (debt) is a measure of the Group's liquidity and reflects the Group's cash and liquid assets that would remain if all of its debt were to be immediately paid off.

*Calculation definition:* Net cash (debt) comprises total cash and bank (NGM H) less total lease liabilities and the shareholder loan from a non-controlling interest.

The Group's net cash (debt) comprised:

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|
| Total cash and bank (NGM H)                    | 85.6                                       | 105.7                                      | 114.2                                    |
| Total lease liabilities                        | (24.8)                                     | (34.2)                                     | (31.8)                                   |
| Shareholder loan from non-controlling interest | (3.9)                                      | (3.9)                                      | (3.9)                                    |
| <b>Total</b>                                   | <b>56.9</b>                                | <b>67.6</b>                                | <b>78.5</b>                              |

## J. Cash Flow Working Capital Movements

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

|  | Six months ended<br>30 June<br>2022<br>\$m | Six months ended<br>30 June<br>2021<br>\$m | Six months ended<br>31 December<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|--|--|--|--|--|
| Working capital – opening balance                  | 278.0                                      | 358.3                                      | 334.7  | 358.3                                    |
| Foreign exchange                                   | 0.6  | 0.1  | 1.0  | 1.1                                      |
| Adjusting items impacting working capital:         |  |  |  |  |
| Impairments of inventories                         | –  | –  | (28.0)   | (28.0)                                   |
| Reversal of impairments of inventories             | –  | 0.8  | 1.3  | 2.1                                      |
| Disposal of business                               | –  | –  | (31.5)   | (31.5)                                   |
| Adjustments:                                       |  |  |  |  |
| Transfer to property, plant and equipment (note 7) | (0.8)                                      | (0.1)                                      | (0.4)  | (0.5)                                    |
| Capital investment debtors/creditors cash flows    | 0.1  | (0.1)                                      | 0.2  | 0.1                                      |
| Other non-cash flow movements                      | (0.1)                                      | (0.1)                                      | (0.3)  | (0.4)                                    |
| Other cash flow movements                          | (0.2)                                      | (0.2)                                      | (0.2)  | (0.4)                                    |
| Working capital – closing balance (NGM E)          | (299.7)                                    | (334.7)                                    | (278.0)  | (278.0)                                  |
| <b>Cash flow</b>                                   | <b>(22.1)</b>                              | <b>24.0</b>                                | <b>(1.2)</b>                                   | <b>22.8</b>                              |



## K. 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<br>30 June<br>2022<br>\$m | Restated <sup>i</sup><br>Six months ended<br>30 June<br>2021<br>\$m | Restated <sup>i</sup><br>Six months ended<br>31 December<br>2021<br>\$m | Year ended<br>31 December<br>2021<br>\$m |
|---|--|---|---|--|
| EBITDA (NGM C)  | 20.6                                       | (3.6)   | 6.7   | 3.1                                      |
| Add: share-based payment charge   | 4.6  | 5.1   | 4.1   | 9.2                                      |
|   | 25.2                                       | 1.5   | 10.8  | 12.3                                     |
| Working capital movements (NGM J)   | (22.1)                                     | 24.0  | (1.2)   | 22.8                                     |
| Net interest and bank fees (paid) received  | (3.2)                                      | 0.7   | (1.1)   | (0.4)                                    |
| Net tax (paid) received – condensed consolidated statement of cash flows                    | (2.3)                                      | 1.1   | (0.5)   | 0.6                                      |
| Proceeds from business and asset disposals – condensed consolidated statement of cash flows | 7.5  | 4.4   | 31.5  | 35.9                                     |
| Net (gains) losses on business and asset disposals  | (2.2)                                      | (0.7)   | 0.1   | (0.6)                                    |
| Lease payments  | (4.5)                                      | (6.2)   | (4.4)   | (10.6)                                   |
| Restructuring costs   | –  | (1.2)   | (0.8)   | (2.0)                                    |
| Settlement of warranty claim related to a corporate transaction                             | –  | –   | (1.7)   | (1.7)                                    |
| Other operating cash and non-cash movements   | (1.6)                                      | (1.2)   | (0.7)   | (1.9)                                    |
| <b>Free cash flow</b>   | <b>(3.2)</b>                               | 22.4  | 32.0  | 54.4                                     |
| <b>Reconciliation to the consolidated statement of cash flows:</b>                          |  |   |   |  |
| Net cash (outflow) inflow from cash and cash equivalents                                    | (17.9)                                     | (3.1)   | 9.5   | 6.4                                      |
| Current investments – investment of surplus cash  | (6.5)                                      | 6.9   | –   | 6.9                                      |
| Net cash (outflow) inflow from total cash and bank  | (24.4)                                     | 3.8   | 9.5   | 13.3                                     |
| Add investment in non-current assets:   |  |   |   |  |
| Purchase of property, plant and equipment   | 7.0  | 3.3   | 2.4   | 5.7                                      |
| Purchase of property, plant and equipment held for rental                                   | 0.4  | 0.3   | 0.6   | 0.9                                      |
| Purchase of intangible assets   | 1.5  | 1.1   | 1.6   | 2.7                                      |
| Investment in associates and joint ventures   | 1.9  | –   | 5.1   | 5.1                                      |
| Convertible financing – Well Data Labs  | –  | 2.5   | –   | 2.5                                      |
|   | 10.8                                       | 7.2   | 9.7   | 16.9                                     |
| Add (less) transactions with shareholders:  |  |   |   |  |
| Purchase of treasury shares   | 4.2  | 5.2   | 2.7   | 7.9                                      |
| Disposal of treasury shares   | (0.2)                                      | (0.2)   | (0.1)   | (0.3)                                    |
| Purchase of non-controlling interest  | –  | –   | 3.8   | 3.8                                      |
| Dividends paid to Hunting PLC shareholders  | 6.4  | 6.4   | 6.4   | 12.8                                     |
|   | 10.4                                       | 11.4  | 12.8  | 24.2                                     |
| <b>Free cash flow</b>   | <b>(3.2)</b>                               | 22.4  | 32.0  | 54.4                                     |

i. The 30 June 2021 condensed consolidated balance sheet was restated to present the Fixed Term Funds of \$16.1m as cash and cash equivalents rather than as current investments. This resulted in cash outflows from current investments decreasing by \$16.1m to \$6.9m and net cash outflows for the period to 30 June 2021 decreasing by \$16.1m to \$3.1m in the condensed consolidated statement of cash flows (see note 1).

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