



**Resilience against
market volatility**

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

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

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

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

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Half Year Management Report

Hunting PLC, the international energy services group, announces its results for the six months ended 30 June 2020.

Group Review

Introduction

The global events reported widely throughout the first half of 2020 in respect of the coronavirus pandemic ("COVID-19") and the consequent decline in the global WTI oil price due to the collapse in daily oil demand have had a material impact on the Group's businesses since March 2020. Despite these extremely volatile trading conditions, Hunting has generated positive EBITDA in the period, albeit largely in Q1, and retains a strong cash and bank position at 30 June 2020.

The Group has implemented swift cost reduction measures, which have recalibrated each business unit to the medium-term trading outlook. While this has been painful, particularly as we have lost some of our workforce, our core operating capability and expertise remains intact as the market aligns itself with the lower average oil price environment and general economic climate.

Further, while trading has been volatile in the year-to-date, and in particular since March 2020, at the time of publication of these results, management have noted areas of stability within a number of businesses as the WTI oil price reached c.\$40 per barrel.

The Board believes that the Group's businesses have demonstrated resilience, including the ability to quickly right-size each business unit to the medium-term market outlook, as well as implement stringent cash and working capital controls. This operational flexibility demonstrates the strength of Hunting's business model and strategy and supports the Group's longer-term viability.

COVID-19

The health and safety of our employees is a key priority for the Group, with a range of measures introduced in the early part of the year to protect our staff as COVID-19 spread throughout each operating region.

As an essential industry, oil and gas companies have been allowed to remain open. Social distancing measures were put in place and utilisation levels reduced throughout each facility, with increased spacing between workstations and staggered shifts and breaks to protect the Group's employees. Protective equipment has been issued to relevant staff and enhanced cleaning processes have been introduced to mitigate the risk of infection. There have been bans on non-essential travel by staff and on visitors to the Group's facilities. Working-from-home measures have been adopted for personnel who are able to work remotely.

Across the US, the majority of facilities have remained operational throughout the whole of H1 2020, with restrictions based on Health and Safety best practice being implemented. In Canada, Europe and the Middle East, similar measures have been in place in accordance with government guidance. In Asia Pacific, the Group's China facility was shut for five days in January/February 2020 and in Singapore and Indonesia Hunting's facilities were subject to reduced utilisation levels, where maximum employee attendance was c.25%. During Q2 2020, the Group's Singapore, Indonesia and China facilities returned to utilisation levels of between 50% and 70%. In June 2020, the Group's US facilities also eased a number of operating restrictions to facilitate more normal shift patterns.

In the period, the Group has received \$1.8m from government furlough and workforce assistance programmes, as economies were shut down and support initiatives introduced.

Market Overview

As expected, the global energy market started the year showing modest levels of activity, although with a slowing US onshore market. However, with the acceleration of the spread of COVID-19 and the response by global governments to shut down economies and limit travel, daily oil demand declined by an estimated one-third during early Q2 2020, a market movement never seen before in industry history. This event had an almost immediate impact on the Group's US onshore focused businesses, starting at the end of Q1 2020, but extending throughout the Group's other businesses in Q2 2020. US onshore rig counts have reduced by 68% during H1 2020, while the monthly international rig count has reduced by 28%, leading to the overall year-on-year decline in the Group's results. Declines seen during the reporting period are reflected in key industry performance indicators.

	At 1 January 2020	At 30 June 2020	Average for the period
WTI Oil Price – \$ per barrel	61.06	39.27	36.82
Henry Hub Natural Gas Price – \$ per mmBtu	2.19	1.75	1.81
US onshore rig count	782	254	571
US offshore rig count	23	11	18
International rig count	1,078	781	954

Source: Bloomberg/Spears & Associates/Baker Hughes

As the mid-point to the year was reached, the WTI oil price stabilised at c.\$40 per barrel, as economies were slowly re-opened and restrictions were lifted by local governments.

Performance Summary

Based on these trading conditions, the Group delivered reasonable results in Q1 2020, with revenue and EBITDA in line with management's budget expectations, prior to the decline in trading during Q2. For the six-month period to 30 June 2020, the Group has reported revenue of \$377.7m (H1 2019 – \$508.9m; H2 2019 – \$451.1m), underlying EBITDA of \$28.4m (H1 2019 – \$77.4m; H2 2019 – \$62.3m) and an underlying profit from operations of \$5.7m (H1 2019 – \$55.6m; H2 2019 – \$38.7m). The reported loss from operations for the period was \$183.6m (H1 2019 – \$41.1m profit; H2 2019 – \$5.7m profit). Management are of the view that these are satisfactory results, given the unprecedented market conditions prevailing since mid-March.

Despite the year-on-year decline in profits, the Group has focused on retaining a strong balance sheet and is pleased to report that total cash and bank was \$48.8m at 30 June 2020 (31 December 2019 – \$127.0m), with net assets of \$996.9m (31 December 2019 – \$1,223.8m), following the charges for exceptional items and impairments noted below.

The Board is declaring a second interim dividend of 2.0 cents per share (H1 2019 – 5.0 cents), which will absorb \$3.3m of cash (H1 2019 – \$8.3m), to be paid on 23 October 2020. A 3.0 cents per share interim dividend was paid to shareholders on 15 May 2020, which replaced the 2019 Final Dividend.

Management Responses to the Current Trading Environment

Given the slowing US onshore market towards the end of 2019, management had put in place a number of cost-saving measures in January 2020 to address these deteriorating onshore market conditions. However, in response to the oil price shock in March 2020, and the overall trading environment for H1 2020, these measures were significantly extended across the Group's global operations and continued throughout the balance of the period. Annualised cost savings resulting in the year-to-date from the initiatives noted below total c.\$62.3m.

Half Year Management Report continued

Facilities

Hunting commenced the winding down and closure of two manufacturing facilities in the first half of 2020, including the Hunting Titan facility at Oklahoma City, which is being moth-balled, and also the OCTG threading facility at Ramsey Road, which is being closed, in Houston, Texas. All production at these facilities is being relocated to other facilities within the Group. At the period-end, the Group retained 35 manufacturing facilities (31 December 2019 – 36) with a total operating square footage of 2.9 million sq ft compared to 3.0 million sq ft at 31 December 2019.

Four distribution centres in North America have been closed during H1 2020, including Lloydminster in Canada and Broussard, Hobbs and Woodward in the US. At the period-end, the Group retained 15 distribution centres (31 December 2019 – 19).

On 10 August 2020, the Group announced the closure of its Canadian manufacturing facility in Calgary, Alberta, given the medium-term market outlook across the region. A sales function will be retained in Calgary, however, all current and future orders will be completed by the Group's Hunting Titan and US operating segments. Further, the Group is also planning to amalgamate its manufacturing facilities in Singapore in the next few weeks as part of further consolidation and cost-saving measures planned.

Employees

Throughout H1 2020, reductions in the workforce have been implemented to reflect the current and medium-term trading outlook for each business unit. In total, 635 employees have been released with the majority of the reductions occurring within the Hunting Titan, US Manufacturing, Advanced Manufacturing, Drilling Tools and Specialty units. Offsetting this, 11 employees joined following the acquisition of Enpro, giving a closing headcount for the period of 2,332 (31 December 2019 – 2,956).

Balance Sheet and Capital Management

The Group entered the current global crisis with a strong balance sheet and healthy cash and bank position. As noted above, this position remains, giving the Group continued flexibility to execute selected strategic initiatives to develop and grow the Company in the longer term. As at 30 June 2020, the Group's \$160m revolving credit facility remained undrawn, with Hunting remaining compliant with all terms and conditions of the covenants attached to the facility agreement. Accordingly, the Board is confident that the Group remains well positioned to capitalise on future opportunities.

Strategic Initiatives

New products

Hunting has continued to launch new products in H1 2020, which includes strategic investments in new product groups.

- Hunting Titan commissioned its detonation cord manufacturing line in July 2020, which complements other perforating products within the Group's portfolio. The manufacturing line, located at the Group's Milford facility, has capacity to produce 3 million feet of detonation cord annually, which will be used in Hunting's integrated perforating systems, as well as being sold as a stand-alone product for the wider market. The business also launched a new generation ControlFire® firing switch during Q2 2020, which introduces additional safety and reliability to the operator. In addition, Hunting Titan has commenced the manufacture of pre-loaded perforating guns for customers. The business has also introduced new size variants of the H-1, H-2 and E-SUB perforating systems.

- Within the US operating segment, the Group's Subsea business has launched a new high pressure hydraulic coupling and the Drilling Tools business has launched an updated range of mud motors with lower operating costs, achieved through a system re-design.
- The Europe, Middle East and Africa ("EMEA") operating segment has continued to trial an organic oil recovery well treatment technology, which improves production of end-of-life wells. During the first half of 2020, a number of laboratory tests were completed on behalf of customers, with positive well treatment results being observed. Wider field trials are planned in H2 2020, as lockdown measures are lifted.

Acquisition

On 21 February 2020, the Group announced the acquisition of Enpro Subsea Limited ("Enpro") for a cash consideration of \$32.8m, net of cash acquired, with up to a further \$3.0m consideration payable contingent on performance in 2020. Enpro's product offering focuses on delivering production enhancing technologies and includes Flow Access Modules, Flow Intervention Services and Decommissioning. These products offer low-cost, flexible field development solutions to clients, including production and intervention modules to enhance recovery from oil and gas wells. The business complements Hunting's existing subsea businesses, which manufacture hydraulic valves and couplings as well as stress joints and production risers, the latter technology being acquired as part of the asset acquisition of RTI Energy Systems ("RTI") in August 2019. The Group's subsea group reported revenue of \$33.8m for the six months ended 30 June 2020, \$14.9m ahead of H1 2019, with the acquisitions contributing \$10.5m of the growth.

Non-oil and gas products

The Group has continued to develop its revenue streams in non-oil and gas markets, in particular within its Advanced Manufacturing group, where sales of aviation products have increased within the Hunting Dearborn unit and medical device sales have increased at the Hunting Electronics unit. Other operating segments have now been tasked with developing strategic initiatives to increase non-oil and gas sales.

Board Changes

As detailed in the Company's 2020 Notice of Annual General Meeting ("AGM"), Peter Rose retired as a Director of the Company on 15 April 2020, with Bruce Ferguson elected as a Director by shareholders at the AGM on the same date. Mr Ferguson has been appointed Hunting's Finance Director.

Outlook

Hunting has responded well to the challenging market conditions seen in H1 2020 and, not only reports a positive underlying EBITDA, but has continued to trade at or near to break-even at the EBITDA level since March 2020. Further, with a strong balance sheet and cash position, along with an undrawn borrowing facility, the Group will be able to respond rapidly to any improvements in activity and any market opportunities, as and when they arise going forward. Our ability to quickly resize the Group clearly demonstrates our flexibility and resilience against market volatility and the dividend declared today reflects the Board's and management's confidence in our chosen markets and business lines.

Further, the strategic actions completed, which includes our offshore-focused acquisitions completed in the last year comprising Enpro Subsea and RTI Energy Systems, have assisted in rebalancing our product offering to areas of the market that are less sensitive to movements in commodity prices. In the period, RTI has won a number of major offshore orders, while Enpro has made good order book progress, and our existing subsea business reports good period-on-period organic sales growth.

Hunting's performance for Q1 2020 was in line with management's expectations. The impact of COVID-19 and the actions of the OPEC+ group in late Q1 2020 led to the material decline in the global oil price, which has devastated the industry, firstly within the US onshore market, but followed by the weakening of US offshore and international markets. The asset impairments reported, while significant, reflect similar adjustments reported elsewhere in the energy industry. We continue to manage those business inputs that are in our control, which include tight controls over our cost-base, cash flows and inventories, all of which continue to move in the right direction.

The outlook for the remainder of the year remains uncertain, as COVID-19 prevention measures continue to change daily. However, enquiry levels have improved with the increasing average oil price and areas of the US onshore market indicate that the mid-point of the year could have been the bottom of the cycle, with cautious steps being taken by our clients to incrementally restart operations. Management anticipates an improving Q4 2020, subject to the impact of the pandemic remaining materially unchanged from the current position.

Results from Operations

Summary Group Results from Operations

	H1 2020 \$m	H2 2019 \$m	H1 2019 \$m
Revenue	377.7	451.1	508.9
Underlying* EBITDA (NGM A)	28.4	62.3	77.4
Depreciation and non-acquisition amortisation	(22.7)	(23.6)	(21.8)
Underlying* profit from operations	5.7	38.7	55.6
Amortisation of acquired intangible assets and exceptional items (note 4)	(189.3)	(33.0)	(14.5)
Reported* (loss) profit from operations	(183.6)	5.7	41.1
Underlying* Diluted EPS (note 6)	1.0c	20.3c	23.6c
Reported* Diluted EPS (note 6)	(125.7)c	6.2c	17.3c
Underlying* Basic EPS (note 6)	1.0c	20.4c	24.6c
Reported* Basic EPS (note 6)	(125.7)c	6.0c	18.0c

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

Basis of Preparation

EBITDA, Working Capital and Free Cash Flow are non-GAAP measures ("NGMs"). The definition and calculation of these measures can be found on pages 32 and 33 of this report. For further information on the non-GAAP measures used by the Group, please refer to the 2019 Annual Report and Accounts.

Revenue

Revenue from operations, for the six months ended 30 June 2020, reduced by 26% to \$377.7m compared to H1 2019 and by 16% compared to H2 2019. While the impact of the reduction in oil price had an immediate impact on the Group's onshore businesses at the end of Q1, as the general economic outlook deteriorated in Q2 coupled with reductions in global drilling expenditures being announced, most businesses across the Group subsequently reported declining sales across all products lines, the exception being within the Group's subsea group that benefited from a full contribution from RTI, which was acquired in H2 2019 and also Enpro, which was acquired in February 2020.

Inter-segment revenue reduced to \$26.8m in H1 2020 compared to \$39.9m in H1 2019 and \$43.8m in H2 2019, reflecting the further slowing of the global manufacture of conventional perforating guns and other product lines and as existing inventories were worked off.

Profit Measures

Underlying gross profit decreased by 43%, compared to H1 2019, to \$82.6m in the period (H1 2019 – \$145.6m; H2 2019 – \$120.8m), with underlying gross margin reducing to 22% (H1 2019 – 29%; H2 2019 – 27%).

Following the impairment to the carrying values of inventory totalling \$33.3m (H1 2019 – \$nil; H2 2019 – \$nil); the impairment of property, plant and equipment ("PPE") of \$14.4m (H1 2019 – \$nil; H2 2019 – \$19.0m) and restructuring costs of \$1.8m (H1 2019 – \$nil; H2 2019 – \$nil) being charged to cost of sales as exceptional items, reported gross profit was \$33.1m compared to \$145.6m in H1 2019 and \$101.8m in H2 2019. Reported gross margin was therefore 9% (H1 2019 – 29%; H2 2019 – 23%).

Underlying EBITDA was \$28.4m, against \$77.4m in H1 2019 and \$62.3m in H2 2019, with EBITDA margin declining to 8% (H1 2019 – 15%; H2 2019 – 14%) for the reasons noted above.

Underlying profit from operations was \$5.7m (H1 2019 – \$55.6m; H2 2019 – \$38.7m). The charges for amortisation, impairment and exceptional items, as noted above and below, totalled \$189.3m (H1 2019 – \$14.5m; H2 2019 – \$33.0m), leading to a reported loss from operations of \$183.6m (H1 2019 – \$41.1m profit; H2 2019 – \$5.7m profit).

Net finance expense was \$1.8m (H1 2019 – \$1.0m; H2 2019 – \$0.2m). Underlying profit before tax from operations was \$3.9m (H1 2019 – \$54.6m; H2 2019 – \$38.5m). The reported loss before tax from operations was \$185.4m (H1 2019 – \$40.1m profit; H2 2019 – \$5.5m profit).

Amortisation and Exceptional Items

The charge before tax for amortisation of acquired intangible assets in the period was \$12.3m (H1 2019 – \$14.5m; H2 2019 – \$14.0m).

Given the decline in market conditions seen in H1 2020, the Group has completed a review of the carrying values of current and non-current assets. This has led to the following impairment charges being recorded in the period, as exceptional items.

	H1 2020 Impairment charges \$m
Inventory ¹	33.3
Property, plant and equipment ^{1/2}	19.3
Goodwill ²	79.8
Other intangible assets ²	39.2
Right-of-use assets ²	2.1
Receivables ²	1.2
Total	174.9

Notes:

1. Charged to cost of sales.
2. Charged to operating expenses.

Other exceptional items recognised in the period comprise restructuring costs of \$3.4m, acquisition costs of \$1.2m; and a credit for the reversal of the contingent consideration recognised on the acquisition of Enpro of \$2.5m. The total charge in H1 2020 for amortisation and exceptional items was therefore \$189.3m. An impairment charge to PPE of \$19.0m was recognised in H2 2019. There were no exceptional items in H1 2019.

Half Year Management Report continued

Taxation

The underlying tax charge on operations was \$2.6m (H1 2019 – \$13.3m; H2 2019 – \$3.7m) and reflects an effective tax rate of 67% (H1 2019 – 24%; H2 2019 – 10%) (NGM B). A tax charge of \$19.9m has been included in the condensed consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items (H1 2019 – \$3.6m credit; H2 2019 – \$9.2m credit). This charge mainly reflects the \$22.9m reversal of net deferred tax assets no longer recognised for the US businesses as realisation of the tax benefit is not probable within an appropriate time frame. The reported tax charge on operations was, therefore, \$22.5m (H1 2019 – \$9.7m charge; H2 2019 – \$5.5m credit).

Dividend

The Board is declaring a second interim dividend of 2.0 cents per share (H1 2019 – 5.0 cents) amounting to an estimated cash distribution of \$3.3m (H1 2019 – \$8.3m). The dividend will be paid in Sterling on 23 October 2020 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 2 October 2020, with an ex-dividend date of 1 October 2020. In the period, the Board replaced the 2019 Final Dividend with an interim dividend of 3.0 cents per share. This was paid to shareholders on 15 May 2020, absorbing \$4.9m.

Group Funding and Position as at the Half Year

Cash Flow

Summary Group Cash Flow

	H1 2020 \$m	H2 2019 \$m	H1 2019 \$m
Underlying EBITDA (NGM A)	28.4	62.3	77.4
Add: share-based payments	4.9	2.5	6.6
	33.3	64.8	84.0
Working capital movements	(31.0)	28.9	(21.3)
Net tax paid	(6.0)	(4.1)	(3.6)
Proceeds from business and asset disposals	2.2	4.2	4.7
Gains on business and asset disposals	(1.0)	(3.6)	(2.2)
Lease payments	(6.0)	(4.4)	(6.2)
Restructuring costs	(2.4)	–	–
Other	(0.3)	(0.8)	(1.6)
Free cash flow (NGM F)	(11.2)	85.0	53.8
Capital investment	(10.5)	(15.7)	(20.3)
Intangible assets investments	(1.5)	(8.0)	(2.2)
Acquisition of businesses	(34.0)	(12.5)	–
Dividends paid to equity shareholders and NCI	(5.8)	(8.3)	(8.3)
Net purchase of treasury shares	(5.9)	(0.5)	(4.2)
Share buyback	(5.3)	–	–
Share capital issued	–	–	0.6
Net cash flow	(74.2)	40.0	19.4
Foreign exchange	(4.0)	2.6	(0.2)
Movement in total cash and bank (note 16)	(78.2)	42.6	19.2

Hunting reports an underlying EBITDA of \$28.4m (H1 2019 – \$77.4m; H2 2019 – \$62.3m). When adjusted for non-cash share-based payment charges, cash inflows were \$33.3m (H1 2019 – \$84.0m; H2 2019 – \$64.8m).

There was an outflow of working capital in the period of \$31.0m, \$9.7m more than in the first half of 2019. The outflow in the period was mainly driven by a reduction in payables of \$49.3m, with purchases in Q2 being scaled back significantly. Inventory increased from December 2019 by \$11.8m, with a number of businesses committed to orders. This mainly occurred in Q1, with a modest decline in Q2 before impairment. Efforts are underway to reduce the inventory balance to generate cash. Receivable balances have decreased with the slow-down in trading, however receivable days have increased to 92 days (NGM D) in the period when compared to the year-end position of 79 days.

Net tax paid in the period was \$6.0m, compared to net outflows of \$3.6m in H1 2019 and \$4.1m in H2 2019.

Proceeds from the disposal of assets and businesses totalled \$2.2m (H1 2019 – \$4.7m; H2 2019 – \$4.2m). H1 2019 included the disposal of the Middle East Thru Tubing business, which totalled \$2.4m, and H2 2019 included the sale of the Clear-Run intangible technology for \$2.3m.

Further, in the period, \$6.0m (H1 2019 – \$6.2m; H2 2019 – \$4.4m) was paid in relation to the Group's lease arrangements.

Restructuring costs paid totalled \$2.4m in the period, reflecting the facility closures noted above and reductions in headcount.

As a result of the above, free cash flow recorded a net outflow of \$11.2m. In H1 2019, the Group recorded a free cash inflow of \$53.8m and \$85.0m in H2 2019.

Capital investment totalled \$10.5m in H1 2020 (H1 2019 – \$20.3m; H2 2019 – \$15.7m), which included investment in Hunting Titan's new detonation cord manufacturing facility at Milford, Texas, and investments in PPE in the US and Middle East. In line with the cost-saving measures implemented in March 2020, all non-essential capital investments have been deferred, leading to the period-on-period decline reported.

Intangible asset investment was \$1.5m (H1 2019 – \$2.2m; H2 2019 – \$8.0m) as research and development costs of new products and technology were capitalised. During 2019, intangible asset spend largely related to technology and software development.

On 21 February 2020, the Group purchased Enpro Subsea Limited for a cash consideration of \$32.8m, excluding cash acquired of \$5.5m. Acquisition costs paid in the period were \$1.2m.

An interim dividend was paid to equity shareholders on 15 May 2020, which absorbed \$4.9m (H1 2019 – \$8.3m final; H2 2019 – \$8.3m interim). This replaced the 2019 Final Dividend, which was announced as part of the Group's 2019 Full Year Results. A dividend of \$0.9m was also paid to non-controlling interests in the period.

In Q1 2020, the Company purchased 3.5 million Ordinary shares, for a total consideration of \$11.3m (H1 2019 – \$4.2m; H2 2019 – \$0.5m), with 2 million Ordinary shares purchased for \$5.3m through its corporate broker as part of the share buyback programme. These Ordinary shares were subsequently cancelled, thus reducing the Company's issued share capital. The balance of 1.5 million Ordinary shares were purchased as Treasury shares for \$6.0m through Hunting's Employee Share Trust. These shares will be used to satisfy future awards under the Group's share award programme.

Overall, in the period, the Group recorded a net cash outflow of \$74.2m (H1 2019 – \$19.4m inflow; H2 2019 – \$40.0m inflow). As a consequence of the above cash flows and \$4.0m foreign exchange movements, total cash and bank (note 16) was \$48.8m at 30 June 2020 (31 December 2019 – \$127.0m).

Balance Sheet

Summary Group Balance Sheet

	As at 30 June 2020 \$m	As at 31 December 2019 \$m
Property, plant and equipment	331.0	354.7
Right-of-use assets	30.5	36.7
Goodwill	162.8	230.2
Other intangible assets	44.2	78.5
Working capital (NGM C)	429.7	433.3
Taxation (current and deferred)	(0.2)	19.8
Provisions	(8.9)	(8.4)
Other net assets	2.3	1.1
Capital employed	991.4	1,145.9
Total cash and bank	48.8	127.0
Lease liabilities	(39.4)	(45.2)
Other	(3.9)	(3.9)
Net cash (note 16)	5.5	77.9
Net assets	996.9	1,223.8

Property, plant and equipment was \$331.0m at 30 June 2020. Additions of \$16.5m, which included assets purchased as part of the Enpro acquisition of \$5.8m, were offset by depreciation of \$16.5m, the impairment charge of \$19.3m and other items of \$4.4m, giving the closing balance noted. The majority of the impairment occurred in our UK well intervention and US Drilling Tools businesses.

Right-of-use assets totalled \$30.5m at 30 June 2020 compared to \$36.7m at 31 December 2019. The movement during the period includes additions of \$1.5m, as new lease arrangements were entered into, and additions of \$0.3m as part of the Enpro acquisition, offset by depreciation of \$3.8m, impairment of \$2.1m, modifications of \$1.1m and foreign exchange movements of \$1.0m, leading to an overall net decline of \$6.2m being recorded. The impairment and modification both largely relate to the proposed closure of the Group's Canada manufacturing facility.

Goodwill has reduced by \$67.4m to \$162.8m at the balance sheet date compared to the year-end position of \$230.2m. Additional goodwill of \$13.4m was recognised following the acquisition of Enpro. As part of the period-end asset impairment review, the carrying value of goodwill was written down by \$79.8m, comprising \$65.6m in respect of Hunting Titan and \$14.2m in respect of other business units. \$114.9m of goodwill in respect of Hunting Titan remains following the impairment exercise.

Other intangible assets ("OIA") have reduced by \$34.3m to \$44.2m at 30 June 2020. The amortisation charge for intangible assets totalled \$14.7m (H1 2019 – \$16.2m) and the impairment charge totalled \$39.2m (H1 2019 – \$nil). The impairment charge recorded in the period mainly comprises the write-off of customer relationships related to the Hunting Titan acquisition, following declines in revenue and profitability, and some smaller impairments for internally developed technology across the Group's perforating, OCTG and well intervention production lines. The total reduction to OIA was offset by additions of \$19.2m that were recognised following the acquisition of Enpro.

Working capital (NGM C) has reduced by \$3.6m, with the balance at 30 June 2020 being \$429.7m (2019 – \$433.3m). Reflecting the more challenging market conditions, trade and other receivables have declined by \$27.0m, reducing working capital, despite a worsening of receivable days from 79 at December 2019 to 92 at June 2020 (NGM D). Net inventory has also reduced by \$19.7m, improving working capital, but this was due to the net increase to provisions of \$33.6m, with gross inventories increasing due to orders committed prior to the downturn.

We expect inventory to decline significantly in H2, given the scaling back of purchases and production. This scaling back has led to a reduction in trade and other payables, with the balance falling by \$43.1m, thereby increasing working capital.

Current and deferred taxation recorded a net liability of \$0.2m compared to 2019, which recorded a \$19.8m net asset. The reduction was mainly due to the de-recognition of US deferred tax assets of \$22.9m.

Provisions increased to \$8.9m (2019 – \$8.4m) in the period, with other net assets increasing to \$2.3m (2019 – \$1.1m), with the inclusion of held-for-sale assets of \$1.3m.

Net cash (note 16) at 30 June 2020 was \$5.5m (2019 – \$77.9m). Total cash and bank balances have reduced by \$78.2m, as described above, to \$48.8m. Cash and bank balances have remained broadly at this level during Q2. Net cash includes \$39.4m of lease liabilities, which have decreased since the year-end, mainly due to the lease payments made of \$6.0m.

The overall decrease in net assets of \$226.9m is driven by the reported loss in the period of \$207.9m; dividends paid of \$5.8m, of which \$4.9m was paid to equity shareholders of Hunting PLC; the share buyback of \$5.3m; the purchase of treasury shares of \$6.0m; and foreign exchange and other items totalling \$1.9m.

Segmental Review

Hunting Titan

Hunting Titan's revenue in the period decreased by 50% to \$102.5m compared to H1 2019 and by 39% compared to H2 2019. The segment reported an underlying profit from operations of \$1.7m in H1 2020 compared to \$42.2m in H1 2019 and \$26.4m in H2 2019. Following the amortisation of previously acquired intangible assets and exceptional impairment charges recorded, which totalled \$116.1m, the reported loss from operations was \$114.4m (H1 2019 – \$29.3m profit; H2 2019 – \$12.8m profit).

At the start of 2020, Hunting Titan was anticipating a reduction in US onshore activity, given the lower year-on-year WTI oil price and general increase in competition in a number of product sub-groups. In January 2020, the business began a process of restructuring to align itself with this general market outlook. Following the oil price reduction in March 2020, these restructuring initiatives were extended significantly as US onshore drilling and completion activity halted with the falling oil price. Trading reached a low point in June 2020, followed by a modest improvement in July 2020.

As noted above, the segment has moth-balled its manufacturing facility at Oklahoma City and shut four distribution centres to reduce its cost base. Additionally, the business has reduced its headcount from 702 at the year-end to 434 at 30 June 2020.

Hunting Titan has retained market leadership within the US onshore completions sector in this time, given its broad range of products. In the period, it has continued to develop and launch new products for its customer base, which lowers operating costs as well as increases field safety.

A key initiative completed in July 2020 has been the launch of its detonation cord product lines, following commissioning of a manufacturing line at the Group's Milford facility. The total cost of this investment has been \$5.0m, with \$2.4m spent in H1 2020. The product will be integrated into Hunting's smart perforating systems, as well as being a stand-alone product for its wider customer base.

Half Year Management Report continued

In the period, new size variants of the H-1, H-2 and E-SUB perforating systems have been launched, to provide a broader range of completion products. The business has also seen modest customer interest in its factory loaded perforating system offering in the period, prior to the market downturn.

During H1 2020, Hunting Titan has seen a year-on-year increase in sales of its EQUAfrac® shaped charge product line. New sizes of the EQUAfrac® charge have also been introduced to clients in the period.

In June 2020, a new ControlFire® switch was launched, which has the ability of detecting the presence of the firing detonator in addition to enhanced downhole functionality. This feature provides additional safety for operators. Following the successful launch of the T-Set One™ setting tool, Hunting Titan is now preparing to launch this product as a rental tool to customers in the second half of the year.

Hunting Titan has also reported increased international interest in its product offering, with orders completed for clients in Australia, China, Indonesia, Thailand, Vietnam and the Middle East.

US

Revenue within the US segment in the period was \$167.0m compared to \$181.1m in H1 2019 and \$182.1m in H2 2019. The segment reported an underlying profit from operations of \$4.6m in H1 2020 compared to \$12.9m in H1 2019 and \$14.0m in H2 2019. Following the exceptional amortisation and other charges recorded, which totalled \$41.9m, the reported loss from operations was \$37.3m (H1 2019 – \$11.3m profit; H2 2019 – \$5.4m loss).

In response to the decline in the oil price and the overall trading outlook, the segment is closing its OCTG threading facility at Ramsey Road, Houston, Texas, and has reduced its total headcount from 1,310 at the year-end to 984 at the period-end. The net change includes 11 employees joining the Group following the acquisition of Enpro, offset by 337 employees being released as market conditions declined.

The Group's Premium Connections business has reported good demand for its WEDGE-LOCK™ products in H1 2020. The business has also seen continued market acceptance of the TEC-LOCK™ wedge semi-premium connection, with new capacity being commissioned for this connection family at the Group's Ameriport facility.

Within the Advanced Manufacturing group, the Hunting Electronics business has reported reasonable results in H1 2020, driven by ongoing demand for downhole measurement tools as well as increasing non-oil and gas sales.

The business has received additional certifications to manufacture medical devices, and has successfully grown revenue in this area throughout the period. Inter-segment sales to Hunting Titan have declined, with onshore activity levels.

The Hunting Dearborn business has reported lower results during H1 2020 compared to the prior period. While oil and gas sales declined throughout H1 2020, aviation and other non-oil and gas sales have increased.

Hunting Specialty has been impacted by the declining US onshore rig count, which has led to losses being recorded and restructuring in the period.

The Group's Subsea business offering has been broadened following the acquisition of RTI Energy Systems ("RTI") in August 2019 and Enpro Subsea Limited ("Enpro") in February 2020. Hunting now has a strong product portfolio comprising hydraulic couplings and valves, stress joints and risers and production flow access modules. The Group's Stafford business has reported a year-on-year increase in sales as offshore projects continue to be sanctioned. RTI has secured a number of major orders during the reporting period to supply stress joints and risers to projects in the Gulf of Mexico, while Enpro has increased its order book following a number of contract wins.

During H1 2020, the Group's US Manufacturing business reported lower year-on-year results, despite recording a good performance in the early part of the year. As the decline in industry investment accelerated, order deferment and cancellations increased, impacting the unit's premium threading, well intervention and completion accessories order flows.

The segment's Drilling Tools business has been impacted by the decline in US onshore activity and restructuring of this unit has occurred during Q2 2020. As noted above, the Drilling Tools business has introduced new mud motor designs in the period, which lower overall running and maintenance costs.

Canada

Revenue within the Canada segment in H1 2020 was \$12.8m (H1 2019 – \$19.5m; H2 2019 – \$16.2m). The segment reported an underlying loss from operations of \$1.0m in the period compared to a \$3.0m loss in H1 2019 and a \$1.3m loss in H2 2019. Following the exceptional impairment charges recorded, which totalled \$9.3m, the reported loss from operations was \$10.3m (H1 2019 – \$3.0m loss; H2 2019 – \$1.3m loss).

Following a review of the medium-term outlook for the business, the Board has decided to cease manufacturing operations in Canada and close its facility in Calgary, Alberta. Operations will be wound down during H2 2020. A sales function will remain in Calgary to support the Group's presence in Canada, however, all ongoing customer requirements will be completed and reported within the Group's Hunting Titan and US operating segments going forward.

Segmental Results from Operations

Business Unit	H1 2020			H2 2019			H1 2019		
	Revenue \$m	Underlying* result from operations \$m	Reported* result from operations \$m	Revenue \$m	Underlying* result from operations \$m	Reported* result from operations \$m	Revenue \$m	Underlying* result from operations \$m	Reported* result from operations \$m
Hunting Titan	102.5	1.7	(114.4)	169.4	26.4	12.8	206.1	42.2	29.3
US	167.0	4.6	(37.3)	182.1	14.0	(5.4)	181.1	12.9	11.3
Canada	12.8	(1.0)	(10.3)	16.2	(1.3)	(1.3)	19.5	(3.0)	(3.0)
EMEA	50.9	(3.1)	(23.0)	56.0	(1.5)	(1.5)	67.0	0.2	0.2
Asia Pacific	71.3	3.5	1.4	71.2	1.1	1.1	75.1	3.3	3.3
Inter-segment elimination	(26.8)	–	–	(43.8)	–	–	(39.9)	–	–
Group	377.7	5.7	(183.6)	451.1	38.7	5.7	508.9	55.6	41.1

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

EMEA

Revenue within the EMEA segment in the period was \$50.9m compared to \$67.0m in H1 2019 and \$56.0m in H2 2019. The segment reported an underlying loss from operations of \$3.1m in H1 2020 compared to a \$0.2m profit in H1 2019 and a \$1.5m loss in H2 2019. Following the exceptional charges recorded, which totalled \$19.9m, the reported loss from operations was \$23.0m (H1 2019 – \$0.2m profit; H2 2019 – \$1.5m loss).

The region's OCTG businesses in the UK and the Netherlands reported a modest performance in Q1 2020, as demand for chrome based OCTG remained stable despite the oil price collapse. However, in Q2 2020 both businesses reported a material decline in activity as clients deferred or cancelled orders. During Q2 2020, contract staff were released and shifts reduced to align with the lower trading environment.

The segment's well intervention business has reported a difficult H1 2020, as order flow and rental activity in the intervention sub-sector of the market declined. Hunting's Well Testing business has, however, reported reasonable results throughout the period. As noted above, the Group's TEK-HUB™ has successfully completed a number of laboratory trials for the licensed organic oil recovery product line. Field trials were planned in H1 2020, but were deferred to the second half of the year due to COVID-19 lockdown measures. Customer interest for this product now extends to Bahrain, Kazakhstan, Oman and the UK.

The Group's Norway business has also reported increasing results in H1 2020, with activity levels being consistent throughout the period.

In Saudi Arabia, activity levels have been supported by a stable rig count, however, pricing pressure remains within the business, due to the lower average oil price.

Asia Pacific

Revenue within the Asia Pacific segment was \$71.3m compared to \$75.1m in H1 2019 and \$71.2m in H2 2019. The segment reported an underlying profit from operations of \$3.5m in H1 2020 compared to \$3.3m in H1 2019 and \$1.1m in H2 2019. Following the impairment charges recorded, which totalled \$2.1m, the reported profit from operations was \$1.4m (H1 2019 – \$3.3m profit; H2 2019 – \$1.1m profit). As noted above, the segment was impacted by COVID-19 operating restrictions in H1 2020.

In the period, the segment has continued to complete orders for Asia Pacific and Middle East customers, including CNOOC in China, KOC in Kuwait and Oxy in Oman. While there were order cancellations in the period due to lockdown measures, an increase in activity in May/June 2020 in China has been reported. The segment continues to pursue opportunities within India, through its partner JindalSAW, with new order wins with ONGC being secured. Drilling activity in New Zealand has also increased as lockdown measures were lifted in May 2020. As noted above, non-oil and gas opportunities are being pursued, with progress on the development and testing of micro generation units continuing during H1 2020.

Principal Risks and Uncertainties Facing the Business

The Group has an established risk management reporting framework, as detailed in the Group's 2019 Annual Report and Accounts on pages 38 and 42, which includes the requirement for all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk.

There are a number of principal risks that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Some of the risks that Hunting is exposed to, which could have a material adverse impact on the Group, arise from the specific activities undertaken by the Group, whereas other risks are common to many international manufacturing companies. The principal risks are: competition; commodity prices; shale drilling; geopolitics; health, safety and environmental laws; loss of key executives; and product quality and reliability. Details of those principal risks facing the Group are on pages 44 to 47 of the Group's 2019 Annual Report and Accounts.

Two of the principal risks have increased since the publication of the 2019 Annual Report and Accounts as a direct result of the industry slowdown caused by the COVID-19 pandemic. These are the risk of reduced shale drilling activity and the risk of losing key executives. Shale drilling activity is an important market for the Group's principal segment, Hunting Titan. COVID-19 has slowed this market significantly and although an uptick in activity has been observed since the half-year end, returning to pre-pandemic levels is expected to be a gradual process, consequently raising the likelihood of this risk. In order to reduce costs during the pandemic, the Group has significantly scaled down its workforce, which in turn has increased the risk of losing key executives, either directly through future reduction-in-force programmes or indirectly possibly through management discontent with market conditions.

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

Forward-looking Statements

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

Jay Glick
Chairman

Jim Johnson
Chief Executive

27 August 2020

Statement of Directors' Responsibilities

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on these condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2019 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.

As detailed in the Company's 2020 Notice of Annual General Meeting ("AGM"), Peter Rose retired as a Director of the Company on 15 April 2020, with Bruce Ferguson elected as a Director by shareholders at the AGM on the same date. Mr Ferguson has been appointed Hunting's Finance Director. The Directors of the Company are listed on the Company's website: www.huntingplc.com.

On behalf of the Board

Bruce Ferguson

Finance Director

27 August 2020

Independent Review Report to Hunting PLC

We have been engaged by the Company to review the condensed set of financial statements in the Half Report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related notes 1 to 22. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP

Statutory Auditor
London, United Kingdom

27 August 2020

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2020			Unaudited Six months ended 30 June 2019		
		Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items (note 4) \$m	Total \$m	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items (note 4) \$m	Total \$m
Revenue	2,3	377.7	–	377.7	508.9	–	508.9
Cost of sales		(295.1)	(49.5)	(344.6)	(363.3)	–	(363.3)
Gross profit (loss)		82.6	(49.5)	33.1	145.6	–	145.6
Other operating income	21	5.6	–	5.6	6.4	–	6.4
Operating expenses ⁱⁱ		(82.5)	(139.8)	(222.3)	(96.4)	(14.5)	(110.9)
Profit (loss) from operations	2	5.7	(189.3)	(183.6)	55.6	(14.5)	41.1
Finance income		1.8	–	1.8	1.7	–	1.7
Finance expense		(3.6)	–	(3.6)	(2.7)	–	(2.7)
Profit (loss) before tax from operations		3.9	(189.3)	(185.4)	54.6	(14.5)	40.1
Taxation	5	(2.6)	(19.9)	(22.5)	(13.3)	3.6	(9.7)
Profit (loss) for the period		1.3	(209.2)	(207.9)	41.3	(10.9)	30.4
Profit (loss) attributable to:							
Owners of the parent		1.5	(208.0)	(206.5)	40.7	(10.9)	29.8
Non-controlling interests		(0.2)	(1.2)	(1.4)	0.6	–	0.6
		1.3	(209.2)	(207.9)	41.3	(10.9)	30.4

Earnings (loss) per share		cents	cents	cents	cents
Basic	6	1.0	(125.7)	24.6	18.0
Diluted	6	1.0	(125.7)	23.6	17.3

- i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in operating expenses is the net impairment loss on trade and other receivables recognised in the period of \$1.9m (30 June 2019 – \$0.4m).

	Notes	Audited Year ended 31 December 2019		
		Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items (note 4) \$m	Total \$m
Revenue	2,3	960.0	–	960.0
Cost of sales		(693.6)	(19.0)	(712.6)
Gross profit (loss)		266.4	(19.0)	247.4
Other operating income	21	10.8	–	10.8
Operating expenses ⁱⁱ		(182.9)	(28.5)	(211.4)
Profit (loss) from operations	2	94.3	(47.5)	46.8
Finance income		4.2	–	4.2
Finance expense		(5.4)	–	(5.4)
Profit (loss) before tax from operations		93.1	(47.5)	45.6
Taxation	5	(17.0)	12.8	(4.2)
Profit (loss) for the year		76.1	(34.7)	41.4
Profit (loss) attributable to:				
Owners of the parent		74.4	(34.7)	39.7
Non-controlling interests		1.7	–	1.7
		76.1	(34.7)	41.4
Earnings per share				
Basic	6	45.0		24.0
Diluted	6	43.9		23.5

- i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in operating expenses is the net impairment loss on trade and other receivables recognised in the year of \$1.1m.

The notes on pages 16 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2020 \$m	Unaudited Six months ended 30 June 2019 \$m	Audited Year ended 31 December 2019 \$m
Comprehensive income			
(Loss) profit for the period	(207.9)	30.4	41.4
Components of other comprehensive income (expense) after tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange adjustments	(7.7)	1.0	5.4
Fair value gains and losses:			
– gains (losses) originating on net investment hedges arising during the period	1.1	(0.4)	(0.7)
	(6.6)	0.6	4.7
<i>Items that have been reclassified to profit or loss:</i>			
Release of foreign exchange on liquidation of subsidiaries	–	–	(0.2)
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit pension schemes	0.2	(0.2)	(0.3)
Other comprehensive (expense) income after tax	(6.4)	0.4	4.2
Total comprehensive (expense) income for the period	(214.3)	30.8	45.6
Total comprehensive (expense) income attributable to:			
Owners of the parent	(212.7)	30.2	43.5
Non-controlling interests	(1.6)	0.6	2.1
	(214.3)	30.8	45.6

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

Condensed Consolidated Balance Sheet

	Notes	Unaudited At 30 June 2020 \$m	Unaudited At 30 June 2019 \$m	Audited At 31 December 2019 \$m
ASSETS				
Non-current assets				
Property, plant and equipment	7,11	331.0	362.0	354.7
Right-of-use assets	8,11	30.5	39.6	36.7
Goodwill	9,11	162.8	230.0	230.2
Other intangible assets	10,11	44.2	85.9	78.5
Investments		2.3	2.7	2.3
Trade and other receivables	12	3.3	3.3	2.7
Deferred tax assets		3.0	22.7	29.9
		577.1	746.2	735.0
Current assets				
Inventories	11,13	331.1	336.6	350.8
Trade and other receivables	12	173.6	263.4	202.0
Cash and cash equivalents	16	50.2	87.4	128.6
Current tax assets		2.7	0.1	0.2
Held-for-sale assets		1.3	–	–
Investments		–	–	0.5
		558.9	687.5	682.1
LIABILITIES				
Current liabilities				
Trade and other payables		76.7	139.2	121.2
Lease liabilities	16	9.5	10.0	9.8
Borrowings	16	1.4	3.0	1.6
Provisions		3.0	2.6	3.2
Current tax liabilities		0.9	12.1	9.5
		91.5	166.9	145.3
Net current assets		467.4	520.6	536.8
Non-current liabilities				
Trade and other payables		2.9	4.6	2.7
Lease liabilities	16	29.9	37.1	35.4
Borrowings	16	3.9	3.9	3.9
Provisions		5.9	5.6	5.2
Deferred tax liabilities		5.0	1.3	0.8
		47.6	52.5	48.0
Net assets		996.9	1,214.3	1,223.8
Equity attributable to owners of the parent				
Share capital	14	66.5	67.3	67.3
Share premium	14	153.0	153.0	153.0
Other components of equity		39.2	63.2	56.5
Retained earnings		724.6	916.4	931.1
		983.3	1,199.9	1,207.9
Non-controlling interests		13.6	14.4	15.9
Total equity		996.9	1,214.3	1,223.8

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2020						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 1 January 2020	67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8
Loss for the period	-	-	-	(206.5)	(206.5)	(1.4)	(207.9)
Other comprehensive (expense) income	-	-	(6.4)	0.2	(6.2)	(0.2)	(6.4)
Total comprehensive expense	-	-	(6.4)	(206.3)	(212.7)	(1.6)	(214.3)
Dividends to equity shareholders (note 15)	-	-	-	(4.9)	(4.9)	-	(4.9)
Dividends to non-controlling interest	-	-	-	-	-	(0.9)	(0.9)
Share buyback (note 14)	(0.8)	-	0.6	(5.1)	(5.3)	-	(5.3)
Treasury shares							
- purchase of treasury shares (note 14)	-	-	-	(6.0)	(6.0)	-	(6.0)
- disposal of treasury shares	-	-	-	0.1	0.1	-	0.1
Share options and awards							
- value of employee services	-	-	4.6	-	4.6	-	4.6
- discharge	-	-	(11.2)	11.0	(0.2)	-	(0.2)
Acquisition of non-controlling interest (note 20)	-	-	-	(0.2)	(0.2)	0.2	-
Transfer between reserves ⁱ	-	-	(4.9)	4.9	-	-	-
Total transactions with owners	(0.8)	-	(10.9)	(0.2)	(11.9)	(0.7)	(12.6)
At 30 June 2020	66.5	153.0	39.2	724.6	983.3	13.6	996.9

i. \$4.9m of the merger reserve is now considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 has now met the definition of qualifying consideration, and has been transferred to retained earnings.

	Unaudited Six months ended 30 June 2019						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2018 as previously reported	66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1
Adjustment on adoption of IFRS 16	-	-	-	(0.6)	(0.6)	(0.2)	(0.8)
At 1 January 2019 restated	66.7	153.0	75.8	881.0	1,176.5	13.8	1,190.3
Profit for the period	-	-	-	29.8	29.8	0.6	30.4
Other comprehensive income (expense)	-	-	0.6	(0.2)	0.4	-	0.4
Total comprehensive income (expense)	-	-	0.6	29.6	30.2	0.6	30.8
Dividends to equity shareholders (note 15)	-	-	-	(8.3)	(8.3)	-	(8.3)
Shares issued							
- share option schemes and awards (note 14)	0.6	-	-	-	0.6	-	0.6
Treasury shares							
- purchase of treasury shares	-	-	-	(4.9)	(4.9)	-	(4.9)
Share options and awards							
- value of employee services	-	-	6.6	-	6.6	-	6.6
- discharge	-	-	(11.5)	10.7	(0.8)	-	(0.8)
- taxation	-	-	-	-	-	-	-
Transfer between reserves ⁱⁱ	-	-	(8.3)	8.3	-	-	-
Total transactions with owners	0.6	-	(13.2)	5.8	(6.8)	-	(6.8)
At 30 June 2019	67.3	153.0	63.2	916.4	1,199.9	14.4	1,214.3

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

Condensed Consolidated Statement of Changes in Equity continued

	Audited						
	Year ended 31 December 2019						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2018 as previously reported	66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1
Adjustment on adoption of IFRS 16	–	–	–	(1.1)	(1.1)	(0.2)	(1.3)
At 1 January 2019 amended	66.7	153.0	75.8	880.5	1,176.0	13.8	1,189.8
Profit for the year	–	–	–	39.7	39.7	1.7	41.4
Other comprehensive income (expense)	–	–	4.1	(0.3)	3.8	0.4	4.2
Total comprehensive income	–	–	4.1	39.4	43.5	2.1	45.6
Dividends to equity shareholders (note 15)	–	–	–	(16.6)	(16.6)	–	(16.6)
Shares issued							
– share option schemes and awards (note 14)	0.6	–	–	–	0.6	–	0.6
Treasury shares							
– purchase of treasury shares	–	–	–	(5.0)	(5.0)	–	(5.0)
– disposal of treasury shares	–	–	–	0.3	0.3	–	0.3
Share options and awards							
– value of employee services	–	–	9.0	–	9.0	–	9.0
– discharge	–	–	(11.6)	10.8	(0.8)	–	(0.8)
– taxation	–	–	–	0.9	0.9	–	0.9
Transfer between reserves ⁱⁱⁱ	–	–	(20.8)	20.8	–	–	–
Total transactions with owners	0.6	–	(23.4)	11.2	(11.6)	–	(11.6)
At 31 December 2019	67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8

iii. \$20.8m 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.

Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended 30 June 2020 \$m	Unaudited Six months ended 30 June 2019 \$m	Audited Year ended 31 December 2019 \$m
Operating activities				
Reported (loss) profit from operations		(183.6)	41.1	46.8
Acquisition amortisation and exceptional items	4	189.3	14.5	47.5
Depreciation and non-acquisition amortisation		22.7	21.8	45.4
Underlying EBITDA (NGM A)		28.4	77.4	139.7
Share-based payment expense		4.9	6.6	9.1
(Increase) decrease in inventories		(11.8)	12.2	(0.2)
Decrease (increase) in receivables		30.1	(32.7)	29.0
(Decrease) in payables		(49.3)	(0.8)	(21.2)
Increase (decrease) in provisions		0.1	(1.6)	(2.4)
Net taxation paid		(6.0)	(3.6)	(7.7)
Net gain on disposal of property, plant and equipment		(1.0)	(0.6)	(1.5)
Proceeds from disposal of property, plant and equipment held for rental		0.5	1.7	2.7
Purchase of property, plant and equipment held for rental		(1.6)	(4.1)	(5.6)
Gain on disposal of intangible assets		–	–	(2.3)
Gain on disposal of business		–	(1.6)	(2.0)
Restructuring costs shown as exceptional item	4	(2.4)	–	–
Acquisition costs shown as exceptional item	4	(1.2)	–	–
Other non-cash flow items		(0.2)	–	(0.4)
Net cash (outflow) inflow from operating activities		(9.5)	52.9	137.2
Investing activities				
Interest received		0.5	0.6	1.3
Net movement on loans to and from associates		–	0.1	0.3
Proceeds from disposal of property, plant and equipment		1.1	0.5	0.9
Proceeds from disposal of intangible technology		–	–	2.3
Proceeds from disposal of business		0.6	2.5	3.0
Purchase of subsidiaries	19	(38.3)	–	(12.5)
Cash in subsidiaries purchased	19	5.5	–	–
Purchase of property, plant and equipment		(8.9)	(16.2)	(30.4)
Purchase of intangible assets		(1.5)	(2.2)	(10.2)
Net cash outflow from investing activities		(41.0)	(14.7)	(45.3)
Financing activities				
Interest and bank fees paid		(0.7)	(0.7)	(1.2)
Payment of lease liabilities		(6.0)	(6.2)	(10.6)
Repayment of borrowings		–	–	(0.9)
Proceeds from new borrowings		–	0.2	–
Dividends paid to equity shareholders	15	(4.9)	(8.3)	(16.6)
Dividends paid to non-controlling interest		(0.9)	–	–
Share buyback	14	(5.3)	–	–
Share capital issued	14	–	0.6	0.6
Purchase of treasury shares		(6.0)	(4.2)	(5.0)
Disposal of treasury shares		0.1	–	0.3
Net cash outflow from financing activities		(23.7)	(18.6)	(33.4)
Net cash (outflow) inflow in cash and cash equivalents		(74.2)	19.6	58.5
Cash and cash equivalents at the beginning of the period		127.0	66.1	66.1
Effect of foreign exchange rates		(4.0)	(0.2)	2.4
Cash and cash equivalents at the end of the period		48.8	85.5	127.0
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		49.7	42.3	66.6
Money market funds		0.5	45.1	26.2
Short-term deposits		–	–	35.8
Cash and cash equivalents per the balance sheet	16	50.2	87.4	128.6
Bank overdrafts included in borrowings	16	(1.4)	(1.9)	(1.6)
		48.8	85.5	127.0

Notes

1. Basis of Accounting

The financial information contained in this Half Year Report is presented in US dollars and complies with IAS 34 Interim Financial Reporting, as adopted by the European Union, and with the Disclosure and Transparency Rules of the Financial Conduct Authority. The condensed set of consolidated financial statements should be read in conjunction with the 2019 Annual Report and Accounts, which have been prepared in accordance with the Companies Act 2006, and those International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union. In preparing this condensed set of consolidated financial statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies were the same as those applied in the 2019 Annual Report and Accounts.

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

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2020, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

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

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 189 to 191 contained in the 2019 Annual Report and Accounts.

The information for the year ended 31 December 2019 contained in this Half Year Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

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 those assumptions concerning the future and other key sources of estimation uncertainty at 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. Judgements were made regarding the recognition of impairment of non-financial assets that impacted the carrying values of: goodwill; other intangible assets; property, plant and equipment; right-of-use assets and inventory (see note 11) and estimates were regarding future cash flows for the purposes of CGU impairment testing (see note 11). The Directors also applied their judgement in determining that there are no disclosable material uncertainties in relation to the Group's ability to continue as a going concern as described further below. The Directors believe that there are no other critical judgements or estimates applied in the preparation of the 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 2020, covered the majority of its trade receivables, subject to certain limits.

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

The Group has access to sufficient financial resources, including \$160m of secured committed facilities, which has been undrawn throughout 2020 to date. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next twelve months.

Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance in light of the Group's strong cash and bank position at 30 June 2020. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. Management sensitised these forecasts to reflect plausible downside scenarios as a result of the COVID-19 impact on global economies. 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, also prepared further forecasts to identify the conditions required to fully consume the Group's cash reserves and cause a breach of the banking covenants thus restricting access to the Group's undrawn RCF in the going concern assessment period, including a significant drop in revenue and EBITDA margins, an increase in inventory days, delays in crystallising trade receivables and faster settlement of trade payables. The Board assessed the severity of these forecasts and concluded that the likelihood of such a combined occurrence over the next twelve months is remote. 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 Report.

2. Segmental Reporting

For the six months ended 30 June 2020, the Group has been reporting on five operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM").

The Group's operating segments are strategic business units that offer different products and services primarily to international oil and gas companies and who undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and underlying operating results. Underlying operating result is a profit-based measure and excludes the effects of amortisation of acquired intangible assets and any exceptional items (see note 4). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

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

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

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

Hunting Titan: Hunting Titan manufactures and distributes a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1 gun systems, ControlFire® switches, EQUAfrac® shaped charges, the 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.

US: The US businesses supply premium connections, oil country tubular goods ("OCTG"), drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The segment also manufactures perforating system products for Hunting Titan. Enpro has been classified as part of this segment, as it falls under the management of the Subsea business in the US. The segment also includes the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico.

Canada: Hunting's Canadian business manufactures premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays, which require specialist tubing technologies. Canada also manufactures perforating guns for Hunting Titan. Following a review of the medium-term outlook for the business, the Board decided to cease manufacturing operations in Canada and close its facility in Calgary, Alberta. Operations will be wound down during H2 2020. A sales function will remain in Calgary to support the Group's presence in Canada, however, all ongoing customer requirements will be completed and reported within the Group's Hunting Titan US operating segments going forward.

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

Asia Pacific: Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and OCTG supply. Asia Pacific also manufactures perforating guns for sale to Hunting Titan and for sale in its domestic markets.

Due to its size and nature of operations, Hunting Titan's activities are reported separately. Although the Canada segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, this segment is separately reported as it is separately monitored by the Board.

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

Notes continued**2. Segmental Reporting** continued

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

(a) Segment Revenue and Profit

	Six months ended 30 June 2020					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Underlying result \$m	Amortisation ⁱ and exceptional items \$m	Reported result \$m
Hunting Titan	102.5	(2.5)	100.0	1.7	(116.1)	(114.4)
US	167.0	(18.4)	148.6	4.6	(41.9)	(37.3)
Canada	12.8	(4.1)	8.7	(1.0)	(9.3)	(10.3)
EMEA	50.9	(0.3)	50.6	(3.1)	(19.9)	(23.0)
Asia Pacific	71.3	(1.5)	69.8	3.5	(2.1)	1.4
Total from operations	404.5	(26.8)	377.7	5.7	(189.3)	(183.6)
Net finance expense				(1.8)	–	(1.8)
Profit (loss) before tax from operations				3.9	(189.3)	(185.4)

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

	Six months ended 30 June 2019					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Underlying result \$m	Amortisation ⁱ and exceptional items \$m	Reported result \$m
Hunting Titan	206.1	(2.1)	204.0	42.2	(12.9)	29.3
US	181.1	(20.3)	160.8	12.9	(1.6)	11.3
Canada	19.5	(4.4)	15.1	(3.0)	–	(3.0)
EMEA	67.0	(4.1)	62.9	0.2	–	0.2
Asia Pacific	75.1	(9.0)	66.1	3.3	–	3.3
Total from operations	548.8	(39.9)	508.9	55.6	(14.5)	41.1
Net finance expense				(1.0)	–	(1.0)
Profit (loss) before tax from operations				54.6	(14.5)	40.1

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

	Year ended 31 December 2019					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Underlying result \$m	Amortisation ⁱ and exceptional items \$m	Reported result \$m
Hunting Titan	375.5	(4.3)	371.2	68.6	(26.5)	42.1
US	363.2	(44.5)	318.7	26.9	(21.0)	5.9
Canada	35.7	(8.6)	27.1	(4.3)	–	(4.3)
EMEA	123.0	(7.2)	115.8	(1.3)	–	(1.3)
Asia Pacific	146.3	(19.1)	127.2	4.4	–	4.4
Total from operations	1,043.7	(83.7)	960.0	94.3	(47.5)	46.8
Net finance expense				(1.2)	–	(1.2)
Profit (loss) before tax from operations				93.1	(47.5)	45.6

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

2. Segmental Reporting continued

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

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Perforating Systems	97.2	199.4	363.0
OCTG	169.2	181.7	357.0
Advanced Manufacturing	40.9	59.4	104.5
Intervention Tools	17.0	24.9	44.3
Subsea	33.8	18.9	44.5
Drilling Tools	6.3	11.3	22.3
Other	13.3	13.3	24.4
Total	377.7	508.9	960.0

Revenue from products is further analysed between:

	2020 \$m	2019 \$m	2019 \$m
Oil and gas	357.6	486.9	918.7
Non-oil and gas	20.1	22.0	41.3
Total	377.7	508.9	960.0

3. Revenue

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

	Six months ended 30 June 2020			Total external revenue \$m
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	
Hunting Titan	100.0	–	–	100.0
US	140.3	7.2	1.1	148.6
Canada	8.7	–	–	8.7
EMEA	48.5	2.1	–	50.6
Asia Pacific	69.8	–	–	69.8
Total	367.3	9.3	1.1	377.7

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

	Year ended 31 December 2019			Total external revenue \$m
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	
Hunting Titan	371.2	–	–	371.2
US	292.0	24.6	2.1	318.7
Canada	27.0	0.1	–	27.1
EMEA	109.1	6.7	–	115.8
Asia Pacific	127.2	–	–	127.2
Total	926.5	31.4	2.1	960.0

There is no material difference in the timing of revenue recognition between contracts with customers at a point in time and contracts with customers over time, as the majority of Hunting's performance obligations are relatively short. Invoices for products are issued when the product is shipped or made available to customers for collection and invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.

Notes continued**4. Amortisation and exceptional items**

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Impairments of property, plant and equipment	14.4	–	19.0
Impairments of inventories	33.3	–	–
Restructuring costs	1.8	–	–
Charged to cost of sales	49.5	–	19.0
Amortisation of acquired intangible assets	12.3	14.5	28.5
Impairments of goodwill	79.8	–	–
Impairments of other intangible assets	39.2	–	–
Impairments of property, plant and equipment	4.9	–	–
Impairments of right-of-use assets	2.1	–	–
Impairments of receivables	1.2	–	–
Acquisition costs	1.2	–	–
Remeasurement of contingent consideration on Enpro acquisition	(2.5)	–	–
Restructuring costs	1.6	–	–
Charged to operating expenses	139.8	14.5	28.5
Total amortisation and exceptional items charged to profit from operations	189.3	14.5	47.5
Taxation on amortisation and exceptional items (note 5)	19.9	(3.6)	(12.8)
	209.2	10.9	34.7

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

Following a carrying value review given current trading conditions and future expectations, impairment of goodwill, property, plant and equipment, right-of-use assets, other intangible assets and inventories have been recognised in the six months to 30 June 2020. Further details are provided in note 11.

Acquisition-related costs of \$1.2m have been charged to operating expenses and paid in the six months ended 30 June 2020.

The contingent consideration recognised on the acquisition of Enpro has a fair value of \$nil at 30 June 2020 and so the amount recognised at the date of the acquisition (see note 19) has been reversed.

Management continues to implement cost-base reduction measures at all levels across the Group, resulting in restructuring costs of \$3.4m being incurred, with \$2.4m being paid during the period. Restructuring costs also include a \$0.5m write-down to the carrying value of a property classified as held-for-sale at the beginning of the year, to reflect its recoverable amount.

During 2019, impairment of our drilling tools motor fleet and associated parts of \$19.0m was recognised, with the majority of assets expected to be scrapped.

5. Taxation

The taxation charge for the six months ended 30 June 2020 is calculated by applying the estimated annual Group effective rate of tax to the profit or loss for the period. The underlying estimated weighted average tax rate for the year ending 31 December 2020 is 67% (NGM B) and has been used for the six months ended 30 June 2020 (six months ended 30 June 2019 – 24%).

The underlying tax charge for the six months ended 30 June 2020 is \$2.6m (six months ended 30 June 2019 – \$13.3m; year ended 31 December 2019 – \$17.0m). A tax charge of \$19.9m has been included in the condensed consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items (six months ended 30 June 2019 – \$3.6m credit; year ended 31 December 2019 – \$12.8m credit). This charge largely reflects the reversal of net deferred tax assets of \$22.9m no longer recognised for the US businesses as realisation of the tax benefit is not probable within a reasonable time frame. The reported tax charge for the six months ended 30 June 2020 is \$22.5m (six months ended 30 June 2019 – \$9.7m charge; year ended 31 December 2019 – \$4.2m charge), and the reported estimated weighted average tax rate for the year ending 31 December 2020 is 12%.

The reduction to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020 in the Finance Bill 2016 was revoked in the Budget on 11 March 2020. A resolution under the Provisional Collection of Taxes Act 1968 was temporarily enacted on 17 March 2020 and the rate of corporation tax rate is to remain at 19%. This change did not have a material impact on the Group's tax balances.

6. (Loss) earnings per share

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

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

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

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Reported (loss) earnings attributable to Ordinary shareholders	(206.5)	29.8	39.7
Add amortisation ⁱ and exceptional items after taxation	208.0	10.9	34.7
Underlying earnings attributable to Ordinary shareholders	1.5	40.7	74.4
	millions	millions	millions
Basic weighted average number of Ordinary shares	164.2	165.1	165.2
Long-term incentive plans	3.9	7.0	3.9
Adjusted weighted average number of Ordinary shares	168.1	172.1	169.1
	cents	cents	cents
Reported (loss) earnings per share			
Basic EPS	(125.7)	18.0	24.0
Diluted EPS	(125.7)	17.3	23.5
Underlying earnings per share			
Basic EPS	1.0	24.6	45.0
Diluted EPS ⁱⁱ	1.0	23.6	43.9

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

ii. For the six months ended 30 June 2020, the effect of dilutive share options and long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

7. Property, Plant and Equipment

During the first six months of 2020, the net book value of property, plant and equipment decreased from \$354.7m to \$331.0m. Additions of \$10.7m and additions from acquisitions of \$5.8m (note 19) were offset by disposals of \$0.5m, depreciation of \$16.5m, impairment of \$19.3m, reclassifications of \$1.5m and foreign exchange movements of \$2.4m. Details of the impairment review carried out can be found in note 11.

Additions include \$3.4m for land and buildings, \$5.7m for plant, machinery and motor vehicles and \$1.6m for rental tools.

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for at 30 June 2020 amounted to \$1.9m (30 June 2019 – \$13.4m; at 31 December 2019 – \$2.2m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade properties, plant and equipment in the UK and US, which have a carrying value of \$205.2m (six months ended 30 June 2019 – \$232.3m; year ended 31 December 2019 – \$217.2m).

8. Right-of-use Assets

The net book value of right-of-use assets has decreased from \$36.7m at 31 December 2019 to \$30.5m as at 30 June 2020. Additions in the year of \$1.5m and additions from acquisitions of \$0.3m (note 19) were offset by depreciation of \$3.8m, impairment of \$2.1m, modifications of \$1.1m and foreign exchange adjustments of \$1.0m. Details of the impairment review carried out can be found in note 11.

9. Goodwill

The net book value has decreased by \$67.4m to \$162.8m as at 30 June 2020. The addition in the year of \$13.4m from the acquisition of Enpro (note 19) was offset by impairment of \$79.8m and foreign exchange adjustments of \$1.0m. Details of the impairment review carried out can be found in note 11. Goodwill at the end of the period is \$527.7m (six months ended 30 June 2019 – \$516.2m; year ended 31 December 2019 – \$516.9m) and accumulated impairment is \$364.9m at the period end (six months ended 30 June 2019 – \$286.2m; year ended 31 December 2019 – \$286.7m).

Notes continued**10. Other Intangible Assets**

During the first six months of 2020, the net book value of other intangible assets decreased by \$34.3m from \$78.5m to \$44.2m due to impairment charges of \$39.2m (see note 11), amortisation charges of \$12.3m on intangible assets arising on business acquisitions (note 4) and \$2.4m on purchased intangible assets, and \$1.1m foreign exchange adjustments, which are offset by \$1.5m of additions and \$19.2m other intangible assets recognised on the acquisition of Enpro (note 19).

11. Impairment of Non-financial Assets*(a) Impairment Testing Process**(i) Cash-generating Units ("CGUs")*

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organisation (the "WHO"). Following the subsequent spread of the virus, on 11 March 2020, the WHO declared the coronavirus ("COVID-19") outbreak to be a pandemic. As a result of COVID-19, we have seen macroeconomic uncertainty with regards to prices and demand for oil and gas, with the largest one-day fall in the oil price since 1991 being recorded in March 2020. The effect on the Group of the downturn in the global economy due to COVID-19 and the impact that this has had on the oil and gas sector began in late Q1 2020.

In preparing the 2019 year-end Group financial statements, a goodwill impairment review was conducted but did not result in any impairment. However, for our European Well Intervention CGU a downside sensitivity was disclosed. During 2020, current market conditions are significantly worse, business activity levels have declined very quickly and more severely than was expected at this time due to the global impact of COVID-19. The scale and duration of the adverse impact remains uncertain, and furthermore, the recovery is expected to be a gradual process. Therefore, management has tested goodwill for impairment across all CGUs in preparing the interim financial statements. Management has reacted to the downturn, implementing restructuring actions, and revised projections, including projected cost savings, which have been used in the calculation of recoverable amounts.

The recoverable amount for each CGU has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the CGU in a sales transaction on an arm's-length basis. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future cash flows that are expected to be generated by the CGU and discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The FVLCD is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied.

For 2020, cash flows are based on the latest detailed forecast, using actual results to May 2020. For 2021 to 2025, management has made revenue projections using Spears & Associates "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic markets and drivers (rig count, footage drilled or E&P spend) for each CGU. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management has then modelled the expected impact on margins and cash flow from the resulting revenue projections. This process can give a diverse range of outcomes depending on market or business specific conditions. Compound annual growth rates ("CAGR") for revenue for the CGUs from 2020 to 2025 vary between 1% and 29% (31 December 2019 – CAGR from 2019 to 2024 between 3% and 12%). After 2025, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation (31 December 2019 – 25 basis points), giving nominal growth rates between 1% and 3% (31 December 2019 – between 1% and 2%).

Cash flows have been discounted using nominal pre-tax rates between 11% and 18% (31 December 2019 – 9% and 10%). The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. As a result of the significant reduction in the Company's share price, the "small-cap premium" applied in determining discount rates has increased markedly and is the main contributor to the higher rates applied in 2020. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

(ii) 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 or its value in use. If the cash flows of an asset cannot be assessed individually, then the asset or a group of assets are aggregated into a CGU and tested as described above.

11. Impairment of Non-financial Assets continued

(b) Impairment Tests for Goodwill

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

CGU	Operating segment	At 30 June 2020 \$m	At 30 June 2019 \$m	At 31 December 2019 \$m
Hunting Titan	Titan	114.9	180.5	180.5
Hunting Stafford "Subsea" (formally National Coupling Company)	US	15.0	15.0	15.0
Enpro	US	12.8	–	–
Dearborn	US	7.6	12.5	12.5
US Manufacturing	US	12.5	12.5	12.5
Hunting Specialty	US	–	5.0	5.0
European Well Intervention (Welltonic acquisition)	EMEA	–	4.5	4.7
Total		162.8	230.0	230.2

Goodwill is tested at least annually for impairment. Impairment charges of \$79.8m (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil) have been recorded as a result of the goodwill impairment review carried out in the period. In all CGUs, the impairment arose as a result of reduced mid-term economic expectations following the current downturn and increased discount rates as discussed above.

(i) Hunting Titan

The Hunting Titan CGU has been considerably impacted by the significant and rapid decline in US onshore activity levels. An impairment of \$65.6m (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil) has been charged. The Titan CGU represents 71% (at 30 June 2019 and 31 December 2019 – 78%) of the goodwill balance. The CGU has a total carrying value, including amounts recognised on consolidation such as goodwill, of \$348.6m (30 June 2019 – \$427.5m; 31 December 2019 – \$444.1m). Cash flows have been discounted using a nominal pre-tax rate of 11%.

An increase in discount rates of 1% would add a further \$15.7m of impairment. A decrease in the expected CAGR between 2020 and 2025 of 1% would add a further \$7.8m of impairment.

(ii) Hunting Stafford "Subsea"

Hunting Stafford "Subsea" cash flows have been discounted using a nominal pre-tax rate of 14%. No impairment has been recognised following the impairment review.

An increase in discount rates of 1% would create an impairment of \$3.6m. A decrease in the expected CAGR between 2020 and 2025 of 1% would create an impairment of \$1.3m.

(iii) Enpro

Goodwill of \$13.4m was recognised on the acquisition of Enpro (see note 19). After foreign exchange movements of \$0.6m, Enpro's goodwill balance at the period-end is \$12.8m. Cash flows have been discounted using a nominal pre-tax rate of 12%, with no impairment being recognised following the impairment review.

An increase in discount rates of 1% would create an impairment of \$1.7m. A decrease in the expected CAGR between 2020 and 2025 of 1% would create an impairment of \$0.7m.

(iv) Dearborn

An impairment charge of \$4.9m has been incurred in respect of the Dearborn CGU (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil). Cash flows have been discounted using a nominal pre-tax rate of 13%.

An increase in discount rates of 1% would add a further \$4.6m of impairment. A decrease in the expected CAGR between 2020 and 2025 of 1% would add a further \$2.8m of impairment.

(v) US Manufacturing

No impairment charge has been required for this CGU (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil). Cash flows have been discounted using a nominal pre-tax rate of 14%.

Management does not believe there is a reasonably foreseeable change in discount rates, or decrease in the expected CAGR between 2020 and 2025, that would give rise to an impairment charge for this CGU.

(vi) Other CGUs

Goodwill in Specialty and European Well Intervention has been fully impaired, giving rise to a charge of \$5.0m in Specialty and, after foreign exchange movements of \$0.4m, a charge of \$4.3m was reflected in European Well Intervention.

Notes continued**11. Impairment of Non-financial Assets** continued**(c) Impairment of Property, Plant and Equipment**

A total impairment of \$19.3m was recorded against property, plant and equipment in the period (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$19.0m). In the US operating segment, \$10.1m of impairment was charged relating to rental tools and property. In the EMEA operating segment, \$9.0m was charged, with \$0.8m related to equipment that is not expected to be utilised in the Netherlands following the fall in demand, and \$8.2m was charged to property in the European Well intervention, as a result of the CGU test referred to above. In Canada, \$0.1m was charged as a result of the closure of operations and \$0.1m in Hunting Titan in relation to the closure of a distribution centre.

(d) Impairment of Right-of-use Assets

Following the closure of leased properties, impairment charges of \$1.9m in Canada and \$0.2m in Titan, totalling \$2.1m were recognised in the six months to 30 June 2020 (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil).

(e) Impairment of Other Intangible Assets

Impairments of other intangible assets in the six months to 30 June 2020 have given rise to a charge of \$39.2m (six months ended 30 June 2019 – \$nil; year ended 31 December 2019 – \$nil). As a result of the reduced revenue and profitability in Titan, the remaining balance for customer relationships recognised on the acquisition in 2011 has been written off, generating a charge of \$24.6m. The fall in expected future demand has led to a \$14.4m impairment of self-developed technologies, with \$5.1m related to perforating products in Titan, \$5.2m for OCTG in the US, \$2.5m for well intervention products in EMEA and \$1.6m for OCTG arising on the closure of Canada. The Canadian closure also resulted in a \$0.2m write-off related to IT systems.

(f) Impairment of Inventory

Certain inventory has been written down to its net realisable value due to the reduced movement in inventories, lower oil and gas prices reducing demand and inventory selling prices being lowered. A net impairment charge of \$33.6m has been recognised in the six months to 30 June 2020 (six months ended 30 June 2019 – \$2.1m; year ended 31 December 2019 – \$5.9m). \$33.3m of the impairment charge has been recognised as an exceptional item (note 4), with \$7.0m relating to Hunting Titan, \$15.2m in the US, \$5.0m in Canada, \$4.0m in EMEA and \$2.1m in Asia Pacific.

12. Trade and Other Receivables

	At 30 June 2020 \$m	At 30 June 2019 \$m	At 31 December 2019 \$m
Non-current:			
Prepayments	2.7	1.7	2.0
Loan note	–	0.6	–
Other receivables	0.6	1.0	0.7
	3.3	3.3	2.7
	At 30 June 2020 \$m	At 30 June 2019 \$m	At 31 December 2019 \$m
Current:			
Contract assets	9.4	14.7	8.3
Trade receivables	140.5	209.0	159.4
Accrued revenue	8.1	8.4	12.3
Gross receivables	158.0	232.1	180.0
Less: provision for impairment	(5.8)	(3.4)	(3.9)
Net receivables	152.2	228.7	176.1
Prepayments	14.1	27.5	21.9
Loan note	0.9	0.6	0.7
Other receivables	6.4	6.6	3.3
	173.6	263.4	202.0

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of \$106.8m (six months ended 30 June 2019 – \$162.8m; year ended 31 December 2019 – \$127.3m).

13. Inventories

	At 30 June 2020 \$m	At 30 June 2019 \$m	At 31 December 2019 \$m
Raw materials	123.7	106.1	105.4
Work in progress	59.1	62.0	65.4
Finished goods	202.3	193.9	206.5
Gross inventories	385.1	362.0	377.3
Less: provision for losses	(54.0)	(25.4)	(26.5)
Net inventories	331.1	336.6	350.8

Gross inventories have increased by \$7.8m from \$377.3m at 31 December 2019 to \$385.1m at 30 June 2020. Additions to inventories of \$260.5m, additions from acquisitions of \$0.7m and foreign exchange movements of \$0.8m were offset by inventories expensed to cost of sales of \$248.5m, the utilisation of inventory provisions of \$5.5m and balance sheet reclassifications of \$0.2m.

The inventory provision has increased by \$27.5m from \$26.5m at 31 December 2019 to \$54.0m at 30 June 2020. A net charge of \$33.6m has been recognised in cost of sales in the period. This has been offset by the utilisation of the provision in the period of \$5.5m and foreign exchange movements of \$0.6m. Overall, Hunting's provision for inventory losses of 14% of gross inventory balances at 30 June 2020 has increased from 7% at 31 December 2019. Details of the impairment review can be found in note 11.

In accordance with the amendments to the Group's core committed bank facility in July 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of \$246.3m (six months ended 30 June 2019 – \$231.3m; year ended 31 December 2019 – \$229.9m).

14. Share Capital and Share Premium

	Six months ended 30 June 2020		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each \$m	Share premium \$m
At 1 January	166,940,082	67.3	153.0
Share buyback	(2,000,000)	(0.8)	–
	164,940,082	66.5	153.0

Hunting PLC commenced an on-market share buyback programme on 27 February 2020 to purchase up to 2 million Ordinary shares of 25p each in the Company. Between 27 February and 19 March 2020, the Company purchased 2 million Ordinary shares of 25p each at an average price of 228.43p, for a total of \$5.2m and incurred costs of \$0.1m. Shares purchased under the programme were cancelled and, as a result, have reduced the Company's issued share capital. A capital redemption reserve of \$0.6m has been created following the cancellation of the share capital.

At 30 June 2020, 1,421,405 Ordinary shares were held by the Employee Benefit Trust (30 June 2019 – 1,618,600; 31 December 2019 – 1,609,150). The Company purchased 1.5 million additional Treasury shares in March 2020 for \$6.0m.

	Six months ended 30 June 2019		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each \$m	Share premium \$m
At 1 January	165,073,603	66.7	153.0
Shares issued – share option schemes and awards	1,866,479	0.6	–
	166,940,082	67.3	153.0

	Year ended 31 December 2019		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each \$m	Share premium \$m
At 1 January	165,073,603	66.7	153.0
Shares issued – share option schemes and awards	1,866,479	0.6	–
	166,940,082	67.3	153.0

Notes continued**15. Dividends Paid to Equity Shareholders**

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Ordinary dividends:			
2020 interim paid – 3.0c (paid in place of the proposed 2019 final dividend of 6.0c)	4.9	–	–
2019 interim paid – 5.0c	–	–	8.3
2018 final paid – 5.0c	–	8.3	8.3
	4.9	8.3	16.6

The Board declared and paid an interim dividend of 3.0 cents on 15 May 2020 in lieu of paying the 2019 final dividend. The Board is declaring a second interim dividend of 2.0 cents (2019 – 5.0 cents) per share, which will absorb an estimated \$3.3m, and be paid on 23 October 2020 to shareholders on the register at the close of business on 2 October 2020. The ex-dividend date is 1 October 2020.

16. Changes in Net Cash (Debt)

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

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

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

During the period ended 30 June 2020, \$0.2m loan facility fees were amortised.

16. Changes in Net Cash (Debt) continued

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	Restated at 1 January 2019 \$m	Cash flow \$m	Non-cash movement of lease liabilities ⁱⁱ \$m	Exchange movements \$m	At 30 June 2019 \$m
Cash and cash equivalents	67.9	–	67.9	19.7	–	(0.2)	87.4
Bank overdrafts	(1.8)	–	(1.8)	(0.1)	–	–	(1.9)
Cash and cash equivalents – per cash flow statement	66.1	–	66.1	19.6	–	(0.2)	85.5
Total lease liabilities	–	(49.0)	(49.0)	6.2	(3.8)	(0.5)	(47.1)
Unsecured bank loans	(0.9)	–	(0.9)	(0.2)	–	–	(1.1)
Non-current borrowings	(3.9)	–	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(4.8)	(49.0)	(53.8)	6.0	(3.8)	(0.5)	(52.1)
Total net cash (debt)	61.3	(49.0)	12.3	25.6	(3.8)	(0.7)	33.4
Analysed between:							
Total cash and bank	65.2	–	65.2	19.4	–	(0.2)	84.4
Total lease liabilities	–	(49.0)	(49.0)	6.2	(3.8)	(0.5)	(47.1)
Shareholder loans from non-controlling interests	(3.9)	–	(3.9)	–	–	–	(3.9)
Total net cash (debt)	61.3	(49.0)	12.3	25.6	(3.8)	(0.7)	33.4

ii. Non-cash movements on lease liabilities comprise new leases of \$2.4m, interest expense of \$1.1m and lease modifications of \$0.3m.

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

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	Restated at 1 January 2019 \$m	Cash flow \$m	Non-cash movement of lease liabilities ⁱⁱⁱ \$m	Exchange movements \$m	At 31 December 2019 \$m
Cash and cash equivalents	67.9	–	67.9	58.3	–	2.4	128.6
Bank overdrafts	(1.8)	–	(1.8)	0.2	–	–	(1.6)
Cash and cash equivalents – per cash flow statement	66.1	–	66.1	58.5	–	2.4	127.0
Total lease liabilities	–	(49.0)	(49.0)	10.6	(5.9)	(0.9)	(45.2)
Unsecured bank loans	(0.9)	–	(0.9)	0.9	–	–	–
Non-current borrowings	(3.9)	–	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(4.8)	(49.0)	(53.8)	11.5	(5.9)	(0.9)	(49.1)
Total net cash (debt)	61.3	(49.0)	12.3	70.0	(5.9)	1.5	77.9
Analysed between:							
Total cash and bank	65.2	–	65.2	59.4	–	2.4	127.0
Total lease liabilities	–	(49.0)	(49.0)	10.6	(5.9)	(0.9)	(45.2)
Shareholder loans from non-controlling interests	(3.9)	–	(3.9)	–	–	–	(3.9)
Total net cash (debt)	61.3	(49.0)	12.3	70.0	(5.9)	1.5	77.9

iii. Non-cash movements on lease liabilities comprise new leases of \$3.4m, interest expense of \$2.2m and lease modifications of \$0.3m.

During the year ended 31 December 2019, \$0.4m loan facility fees were paid, \$nil fees were accrued and \$0.4m were amortised.

Notes continued**17. Financial Risk Management**

The Group's activities expose it to a variety of financial risks, namely market risk (including currency risk, fair value interest rate risk and cash flow interest risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's 2019 Annual Report and Accounts.

(a) Liquidity Risk**(i) Bank Revolving Credit Facility**

The Group has a \$160m Revolving Credit Facility ("RCF") that is due to mature in December 2022, with an option to extend for a further one year to December 2023. Security is granted over certain properties, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security is discussed in notes 7, 12 and 13. Throughout 2020 and at 30 June 2020, both of the covenants attached to the RCF were met. The RCF remains undrawn as at 30 June 2020. Management has also prepared further forecasts to identify the conditions required to fully consume the Group's cash reserves and cause a breach of the banking covenants thus restricting access to the Group's undrawn RCF. Management have detailed their wider considerations regarding going concern and future covenant compliance in note 1.

The Group's undrawn borrowing facilities were as follows:

	At 30 June 2020 \$m	At 30 June 2019 \$m	At 31 December 2019 \$m
Secured committed facilities – RCF	160.0	159.3	160.0
Secured uncommitted facilities	3.9	4.1	4.2
	163.9	163.4	164.2

(ii) Government Funding

Hunting PLC has benefited from a number of government schemes to support companies as a result of the COVID-19 pandemic. These schemes include the COVID-19 Job Support Scheme and property tax rebate in Singapore, the Coronavirus Job Retention Scheme ("CJRS") in the UK, and the Canada Emergency Wage Subsidy in Canada. The Group has received \$1.8m during the six months ended 30 June 2020, which has been recognised within other operating income (note 21). There are no conditions attached to any government grants or assistance.

(b) Credit Risk

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

(i) Financial Assets

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

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

Since the year-end 31 December 2019, there has been an increase in the ageing of receivables, with trade receivables not overdue at 30 June 2020 comprising 41% of gross trade receivables compared to 52% at 31 December 2019. However, total gross trade receivables have decreased by \$18.9m since the year-end. This increase in ageing is due to a number of different factors, including the increase in time taken in resolving any disputes, delays in payments being made due to social distancing requirements and having to work remotely, government moratoriums on payments being made and some debtors experiencing cash flow difficulties.

17. Financial Risk Management continued

(b) Credit Risk continued

(i) Financial Assets continued

At 30 June 2019, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue \$m	1–30 days \$m	31–60 days \$m	61–90 days \$m	91–120 days \$m	More than 120 days \$m	Total gross financial assets at 30 June 2019 \$m
Contract assets	14.7	–	–	–	–	–	14.7
Trade receivables – contracts with customers	109.4	51.7	9.5	11.9	6.4	6.4	195.3
Trade receivables – rental receivables	6.2	1.7	2.0	2.8	0.2	0.5	13.4
Trade receivables – other	0.3	–	–	–	–	–	0.3
Accrued revenue – contracts with customers	5.0	–	–	–	–	–	5.0
Accrued revenue – rental receivables	3.4	–	–	–	–	–	3.4
Loan note	1.2	–	–	–	–	–	1.2
Other receivables	2.0	–	–	–	–	–	2.0
	142.2	53.4	11.5	14.7	6.6	6.9	235.3

At 31 December 2019, the ageing of the Group's gross financial assets, based on days overdue, was as follows:

	Not overdue \$m	1–30 days \$m	31–60 days \$m	61–90 days \$m	91–120 days \$m	More than 120 days \$m	Total gross financial assets at 31 December 2019 \$m
Contract assets	8.3	–	–	–	–	–	8.3
Trade receivables – contracts with customers	79.4	28.5	16.3	8.6	8.2	8.0	149.0
Trade receivables – rental receivables	2.7	4.5	1.2	0.9	0.4	0.7	10.4
Accrued revenue – contracts with customers	12.0	–	–	–	–	–	12.0
Accrued revenue – rental receivables	0.3	–	–	–	–	–	0.3
Loan note	0.7	–	–	–	–	–	0.7
Other receivables	1.2	–	–	0.1	–	–	1.3
	104.6	33.0	17.5	9.6	8.6	8.7	182.0

(ii) Provision for Impairment – Trade and Other Receivables

During the year, the following gains and losses were recognised in profit or loss in relation to impaired financial assets:

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
At 1 January	3.9	3.1	3.1
Charge to the condensed consolidated income statement – lifetime expected credit losses	2.2	0.8	1.6
Unused provisions released to the condensed consolidated income statement	(0.3)	(0.4)	(0.5)
Utilised against receivables written off	–	(0.1)	(0.3)
	5.8	3.4	3.9

Of the above net impairment losses charged to the condensed consolidated income statement of \$1.9m, \$1.6m (six months ended 30 June 2019 – \$0.5m; year ended 31 December 2019 – \$1.2m) relates to receivables arising from contracts with customers, with \$1.2m shown as an exceptional item (see note 4). Following the global economic downturn, the provision for the impairment of trade and other receivables has increased by \$1.9m to \$5.8m at 30 June 2020, as debtors face cash flow difficulties and the risk of bad debts in the coming months increases.

18. Financial Instruments: Fair Values

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

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The 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. Fair value gains of \$1.1m have been recognised in net finance expense in the condensed consolidated income statement in the period for derivatives not designated in a hedge. For derivatives designated in a cash flow hedge, an immaterial fair value loss has been recognised in equity.

Notes continued**18. Financial Instruments: Fair Values** continued

The fair value of Money Market Funds and listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair value of Money Market Funds and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy. Fair value gains of \$0.1m have been recognised in finance income in the period.

The fair value of the contingent consideration payable was determined by discounting future expected cash flows. The inputs used to determine the fair value is not based on observable data and therefore the fair value measurement can be categorised in Level 3 of the fair value hierarchy. The fair value of the contingent consideration was calculated to be \$nil as at 30 June 2020, with the movement in the fair value of \$2.5m taken to operating expenses as an exceptional item (see note 4) in the condensed consolidated income statement.

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

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

The Group also has lease liabilities of \$39.4m, which are not measured at fair value, in the balance sheet. The fair value of these financial liabilities has not been disclosed as their fair value cannot be measured reliably as there is no active market for these financial instruments. There is no expectation that the lease liabilities will be disposed of in the future.

19. Acquisitions

The Group acquired 100% of the share capital of Enpro Subsea Limited ("Enpro") for a consideration of \$38.3m, excluding costs, with an additional maximum earn-out of \$3.0m agreed, subject to key financial milestones being met, on 21 February 2020. The total consideration of \$40.8m comprised \$38.0m cash paid in February 2020 (which included an estimate of \$5.0m for cash in the business and therefore was \$33.0m on a cash free/debt free basis), a further payment of \$0.3m in April 2020 for adjustments specified in the agreement and \$2.5m for contingent consideration. An earn-out in the agreement entitles the former owners of Enpro to additional consideration of up to \$3.0m if EBITDA targets are achieved in 2020. If the EBITDA is below a set value, as set out in the agreement, then no further payment is to be made. If EBITDA is between the lower and upper limits, as set out in the agreement, then a payment between \$2.4m and \$3.0m will be made. If EBITDA is above the upper limit, then the maximum payment to be made is \$3.0m. Therefore, the potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between \$nil and \$3.0m. The fair value of the contingent consideration arrangement of \$2.5m was estimated by calculating the present value of the future expected cash flows using the income approach and appropriate discount rates.

Enpro was founded in 2011 and, since this time, has developed leading subsea production technology that has been adopted by offshore operators within the global oil and gas industry. Enpro's products focus on delivering production-enhancing technologies and include Flow Access Modules, Flow Intervention Services and Decommissioning. These products offer low-cost, flexible, field development solutions to clients including production and intervention modules to enhance recovery from oil and gas wells. The business has been classified as part of the US segment.

Details of the acquired net assets, goodwill and consideration are set out below:

	Provisional fair values \$m
Property, plant and equipment	5.8
Right-of-use assets	0.3
Other intangible assets	19.2
Cash and cash equivalents	5.5
Inventories	0.7
Trade and other receivables	5.2
Trade and other payables	(5.4)
Lease liability	(0.3)
Deferred tax liabilities	(4.0)
Current tax assets	0.4
Net assets acquired	27.4
Goodwill	13.4
Consideration	40.8

Goodwill on the acquisition of Enpro represents the value of the assembled workforce at the time of acquisition, specific knowledge and technical skills that will enhance Hunting's products and services and the prospective future economic benefits expected to accrue from the portfolio of products and services to the Group's customers and increased exposure to offshore operators. There is an opportunity to bring Enpro's manufacturing in-house and utilise Hunting's existing global manufacturing platform to commercialise further the technology across all of the Group's key regional operating hubs. In addition, Hunting's broad customer base offers significant opportunities to extend Enpro's current market reach. The provisional amount of goodwill that is expected to be deductible for tax purposes is \$nil.

19. Acquisitions continued

Other intangible assets recognised on acquisition include the following:

	\$m
Customer relationships	7.6
Patented technology	10.5
Other	1.1
Consideration	19.2

The fair value of trade and other receivables is \$5.2m and includes trade receivables with a fair value of \$4.8m. The gross contractual amount for trade receivables due is \$4.8m, all of which is expected to be collectable.

The pre-acquisition carrying value of inventories and the fair value at acquisition was \$0.7m.

The fair values of the net assets acquired are provisional as work is continuing in respect of the fair value exercise.

Acquisition related costs of \$1.2m have been included in operating expenses as an exceptional item (note 4) in the condensed consolidated income statement for the six months ended 30 June 2020.

Enpro has contributed the following to the Group's performance from 14 February 2020 to 30 June 2020:

	Before amortisation and exceptional items \$m	Amortisation and exceptional items \$m	Total \$m
Revenue	6.2	–	6.2
Profit (loss) from operations	0.4	(1.0)	(0.6)
Profit (loss) before tax	0.6	(1.0)	(0.4)
Profit (loss) for the period	0.6	(0.8)	(0.2)

If Enpro had been acquired on 1 January 2020, the Group's performance during 2020 to 30 June 2020 would have been as follows:

	Before amortisation and exceptional items \$m	Amortisation and exceptional items \$m	Total \$m
Revenue	7.0	–	7.0
Profit (loss) from operations	0.4	(1.0)	(0.6)
Profit (loss) before tax	0.5	(1.0)	(0.5)
Profit (loss) for the period	0.5	(0.8)	(0.3)

20. Related Party Transactions

On 8 March 2020, the Group acquired 5% of the share capital of Hunting Energy Saudi Arabia LLC from the non-controlling interest, thereby increasing its shareholding to 65%, for \$nil consideration.

21. Other Operating Income

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Operating lease rental income	1.0	1.0	1.4
Gain on disposal of property, plant and equipment	0.7	1.4	2.0
Gain on disposal of intangible technology	–	–	2.3
Gain on disposal of business	–	1.6	2.0
Government grants related to COVID-19 (see note 17(a)(iii))	1.8	–	–
Foreign exchange gains	1.5	0.7	0.5
Other income	0.6	1.7	2.6
	5.6	6.4	10.8

22. Events After the Balance Sheet Date

Following review of its operational footprint, coupled with an assessment of the future expectations of profitability, the Board announced on 10 August 2020 its decision to close its Hunting Energy Services Canada manufacturing business in Calgary, Alberta, which forms the Canada operating segment. The facility will cease operations by the end of 2020, with current and future customer requirements to be met by the Group's Hunting Titan and US operations.

Hunting will retain a sales presence in Calgary, given its range of premium and semi-premium connections used by customers, and will continue to sell onshore completion products, predominantly manufactured by Hunting Titan, through its network of three distribution centres in Alberta, the results of which will continue to be reported within the Hunting Titan operating segment.

Non-GAAP Measures

The Directors believe it is appropriate to include in the Half Year Report a number of non-GAAP measures (“NGMs”) that are commonly used within the business. These measures supplement the information provided in the IFRS “reported” financial statements and accompanying notes, providing additional insight to the users of the Half Year Report. The condensed interim financial statements do not include all non-GAAP measures of the Group; this section should be read in conjunction with the Group’s 2019 Annual Report and Accounts.

A. EBITDA

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

Calculation Definition: Underlying results before share of associates’ post-tax results, interest, tax, depreciation, impairment and amortisation.

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Reported (loss) profit from operations (condensed consolidated income statement)	(183.6)	41.1	46.8
Add:			
Depreciation charge for property, plant and equipment	16.5	16.1	33.7
Depreciation charge for right-of-use assets	3.8	4.0	7.9
Amortisation of other intangible assets	14.7	16.2	32.3
Impairment of goodwill	79.8	–	–
Impairment of property, plant and equipment	19.3	–	19.0
Impairment of right-of-use assets	2.1	–	–
Impairment of other intangible assets	39.2	–	–
Impairment of inventories included in exceptional items	33.3	–	–
Impairment of receivables included in exceptional items	1.2	–	–
Fair value adjustment to held-for-sale property (included in restructuring costs)	0.5	–	–
Add exceptional items impacting EBITDA:			
Restructuring costs	2.9	–	–
Acquisition costs	1.2	–	–
Reversal of contingent consideration recognised on acquisition of Enpro	(2.5)	–	–
Underlying EBITDA	28.4	77.4	139.7

B. Underlying Tax Rate

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

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

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Underlying taxation charge (condensed consolidated income statement)	2.6	13.3	17.0
Underlying profit before tax for the year (condensed consolidated income statement)	3.9	54.6	93.1
Underlying tax rate	67%	24%	18%

C. Working Capital

Purpose: Working Capital is a measure of the Group’s liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation Definition: Trade and other receivables excluding receivables from associates, derivative financial assets and the loan note, plus inventories less trade and other payables, excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Trade and other receivables – non-current	3.3	3.3	2.7
Trade and other receivables – current	173.6	263.4	202.0
Inventories	331.1	336.6	350.8
Trade and other payables – current	(76.7)	(139.2)	(121.2)
Trade and other payables – non-current	(2.9)	(4.6)	(2.7)
Less: non-working capital loan note	–	(1.2)	(0.7)
Add: non-working capital US deferred compensation plan obligation	1.6	2.0	2.1
Less: non-working capital current other receivables and other payables	(0.3)	(1.0)	0.3
	429.7	459.3	433.3

D. Trade Receivables Days

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

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

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Net trade receivables	134.7	205.6	155.5
Contract assets	9.4	14.7	8.3
Accrued revenue	8.1	8.4	12.3
Net receivables (note 12)	152.2	228.7	176.1
Revenue for the last three months of the period	150.2	268.0	205.7
Trade receivables days	92 days	78 days	79 days

E. Inventory Days

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

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

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 \$m	Year ended 31 December 2019 \$m
Net inventories (note 13)	331.1	336.6	350.8
Underlying cost of sales for the last three months of the period	121.5	191.5	150.6
Inventory days	248 days	160 days	214 days

F. Free Cash Flow

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

Calculation definition: All cash flows before transactions with shareholders, investment in non-current assets and lease financing costs.

	Six months ended 30 June 2020 \$m	Six months ended 30 June 2019 ⁱ \$m	Year ended 31 December 2019 ⁱ \$m
Underlying EBITDA (NGM A)	28.4	77.4	139.7
Add: share-based payment charge	4.9	6.6	9.1
	33.3	84.0	148.8
Working capital movements	(31.0)	(21.3)	7.6
Net tax paid (condensed consolidated statement of cash flows)	(6.0)	(3.6)	(7.7)
Proceeds from business and asset disposals (condensed consolidated statement of cash flows)	2.2	4.7	8.9
Gains on business and asset disposals	(1.0)	(2.2)	(5.8)
Lease payments	(6.0)	(6.2)	(10.6)
Restructuring costs	(2.4)	-	-
Other operating cash and non-cash movements	(0.3)	(1.6)	(2.4)
	(11.2)	53.8	138.8

i. Free cash flow for 2019 has been revised to include lease payments of \$6.2m in the six months ended 30 June and \$10.6m in the year ended 31 December.

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