Ashtead Technology Holdings plc // Annual Report & Accounts 2022

WELCOME

Ashtead Technology is a **leading** international subsea equipment rental and solutions provider **to the global offshore energy sector.**

38
Years of operation

260
Employees

10
Regional hubs

19,000+
Rental assets

Through our three service lines – survey & robotics, mechanical solutions and asset integrity – we provide specialist equipment, advanced technologies and services to support our customers' offshore energy projects.

01 // **Survey and robotics**
Specialists in technologically advanced equipment solutions from leading manufacturers worldwide

02 // **Mechanical solutions**
Delivering industry-leading mechanical solutions for offshore energy construction, inspection, maintenance, repair (IMR) and decommissioning projects

03 // **Asset integrity**
Technology solutions to optimise the performance, safety and reliability of offshore infrastructure

Read more about our three service lines on **page 2**

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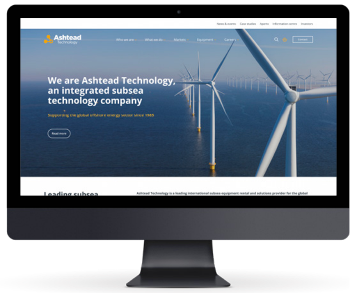


Visit us online

For the latest news and information on our Group and its activities check out our corporate website to stay up-to-date.

www.ashtead-technology.com

AT A GLANCE

We are an offshore energy technology company

Through our three service lines we support the installation, IMR (inspection, maintenance & repair), and decommissioning of offshore energy infrastructure.

What we do

Survey & robotics
Serving the offshore renewables and oil and gas sectors, we provide an extensive array of survey and robotics equipment.

- Geophysical
- Inspection
- Hydrographic
- Positioning
- Remote visual inspection
- ROV sensors
- Metocean
- Environmental

Mechanical solutions
Providing a wide range of in-house designed and third-party mechanical equipment solutions.

- Design, engineering & fabrication
- Subsea cutting
- Recovery
- Subsea dredging
- Coating removal and cleaning
- ROV tooling
- Intervention skids
- Pumps, reels and ancillary deck equipment

Asset integrity
Offering custom engineered packages tailored to address operational requirements in challenging offshore environments.

- Environmental monitoring
- Offshore construction & life of asset monitoring
- Offshore wind foundation inspection
- Inspection ROV services
- Mooring inspection & analysis
- 3D imaging & metrology
- Riser cleaning & inspection
- Remote operations

Where we operate

Ashtead Technology employs more than 260 people and services its customers from ten facilities strategically located in key energy hubs in the UK, USA, Canada, UAE and Singapore.

Financial highlights

Revenue

£73.1m

2022	£73.1m
2021	£55.8m
2020	£42.4m
2019	£47.8m

Adjusted EBITDA*

£28.6m

2022	£28.6m
2021	£22.4m
2020	£17.0m
2019	£21.9m

Revenue from renewables

£22.6m

2022	£22.6m
2021	£18.5m
2020	£12.1m
2019	£8.5m

Operating profit

£18.1m

2022	£18.1m
2021	£7.6m
2020	£3.1m
2019	£8.8m

* Non-GAAP metric (see definitions on page 88).

Our values

At the heart of everything we do, our values define who we are and what we stand for.

We are nimble, innovative, and responsive in our decision-making, in our planning and in our service delivery.

We are enterprising, commercially focused and strive to respond quickly and meaningfully to our customers' project requirements.

By working together as one team across our disciplines and geographies, we share and use our combined knowledge, expertise, and ingenuity to provide the optimum solutions for our customers.

We seek to develop mutually beneficial, long-term relationships with all our stakeholders, founded on trust and respect.

We have a determined focus on delivery and exceeding our customers' expectations.

We never compromise on safety, integrity and quality and strive for continuous improvement to build a sustainable and profitable business for the long-term.

Our core markets

Ashtead Technology operates in challenging environments around the world supporting the oil and gas and offshore renewables markets.

With our passion for solving problems, combined with our market-leading technology portfolio, we deliver innovation, operational excellence and specialist engineering services to support our customers' offshore energy requirements.

Ashtead Technology has supported the international oil and gas industry for decades as the go-to partner for underwater technology rentals.

With experience across the complete lifecycle of offshore infrastructure, Ashtead Technology understands the increasingly challenging environments of offshore oil and gas, and the need to ensure safe, sustainable and profitable operations particularly during later field life.

Market revenue 69%

£50.5m

(2021: £37.3m)

Our specialist expertise and understanding of the unique demands of the marine environment enable us to offer integrated solutions to the offshore renewable energy industry.

Ashtead Technology supports offshore renewables projects from pre-survey support and seabed mapping through to offshore installation, operations & maintenance and decommissioning work scopes.

Market revenue 31%

£22.6m

(2021: £18.5m)

INVESTMENT CASE

A **strong** platform for future **growth**

We provide an unrivalled offering to our customers and are committed to delivering sustainable and profitable growth.

Progressive and pioneering
At the forefront of what we do through continuous innovation & new product development

Experience & reputation
Trusted partner with an established track record spanning 38 years and commitment to service excellence

Assets & capability
Largest and most advanced equipment rental fleet in the industry with over 19,000 assets

International scale
Supporting customers in over 80 countries with hubs in the Americas, Europe, Middle East and Asia Pacific

Resilient growth markets
Capitalising on high growth in our core offshore energy markets

Increasing propensity to rent
Increased propensity to rent by customers due to low capital outlay and access to the most advanced technologies

Value enhancing M&A
Established track record of value creation through M&A

Robust financial performance
Strong balance sheet and organic growth prospects

OUR STRATEGY

Delivering for today, **investing** for tomorrow

A market leader with a clear and focused growth strategy.

Supporting the energy transition

- Continue to capitalise on the increase in expenditure in global offshore wind
- Use our knowledge, skills and expertise to maximise the efficiency of existing production and extend field life
- Grow market share in the growing oil & gas decommissioning market
- Pursue new growth opportunities in areas such as offshore carbon capture and storage

Grow and strengthen our position as a leading independent subsea equipment rental business

- Continued operational excellence, ensuring the reliability and availability of equipment through employee training and development, digitisation of internal processes and by focusing on the delivery of integrated solutions and service agility
- Leverage our significant domain expertise and knowledge to serve customers better and increase market share

Leverage our global footprint and broaden our range of complementary equipment and services

- Strengthen our presence and capability in existing markets through the further internationalisation of our products & services
- Extend the range of products and services we provide through:
  - » Innovative delivery models and packages such as using remote access technology for asset integrity operations
  - » Using our in-house engineering capability to solve our customers' operational challenges
  - » Continue investment to broaden our equipment rental fleet and service offering, particularly in data management, analysis and reporting capabilities and by offering integrated services

Augment organic growth through a clear and focused merger and acquisition strategy

- Acquire adjacent businesses that expand our offering and/or our geographical footprint to strengthen our value proposition
- Consolidate a highly fragmented market in order to strengthen geographic reach, product range and service capability

CHAIRMAN'S STATEMENT

Delivering beyond expectations

In our first full year as a publicly listed company, I am pleased to report that Ashtead Technology has delivered a strong performance. We have consistently outperformed against the forecasts we set at IPO with revenue growth in both the offshore wind and oil and gas markets, new talent added to the business, a broadened shareholder base, and demonstrable progress towards our sustainability goals.

We were also delighted to complete two acquisitions, WeSubsea and Hiretech, during H2.

Delivering beyond expectations

When we detailed our investment case prior to our 2021 IPO, we set out four key growth drivers for the business; 1) growth from the significant increase in expenditure in offshore renewables 2) revenues underpinned by strong demand from oil and gas 3) increased customer propensity to rent and 4) value enhancing M&A. Throughout 2022, the business has delivered across all four growth drivers, delivering a 31% increase in revenues to £73.1m (2021: £55.8m), a 47% increase in Adjusted EBITA to £20.1m (2021: £13.7m) and statutory profit before tax of £16.6m versus £3.6m in 2021, an increase of 363%.

With the Board's support, management's focus remains on long-term value creation through continued organic growth and a focus on M&A. In this regard, we were delighted that the business successfully completed its first two acquisitions since the IPO, both of which have now been fully integrated into the Group. With net debt at £28.7m (2021: £22.7m), leverage at 31 December 2022 was 1.0x. We also recently secured an increase to our banking facility which provides further capacity for future investment.

Governance

The Board remains committed to strong corporate governance and, in particular, making sure we monitor and challenge our strategy, performance, risk and approach to managing our people. More information about our governance arrangements can be found in the Corporate Governance statement on page 29.

I also chair the Nominations Committee which met for the first time during the year. I am pleased to confirm that the Board has integrated itself into the business well and, through our Board review, I am confident that we currently provide a sufficient mix of governance, strategy, financial and industry knowledge, as well as independence.

Sustainability

The Board understands the growing interest in environmental, social and governance ("ESG") matters for all our stakeholders and as a business we recognise the importance of our role in helping deliver a lower carbon future given our offering sits firmly at the heart of the energy transition.

We have made good progress on our sustainability programme throughout 2022 as highlighted in pages 12 to 15. Given the strengthening of the markets in which we operate, there has been a significant focus on the social element of ESG, with a number of initiatives put in place to support both the recruitment and retention of personnel.

I would like to personally thank everyone within Ashtead Technology who has helped make 2022 such a successful year. In my visits to the business I have been very impressed by the commitment, knowledge, and ambition for the business that was demonstrated by everyone I met and which bodes well for the future.

Dividends

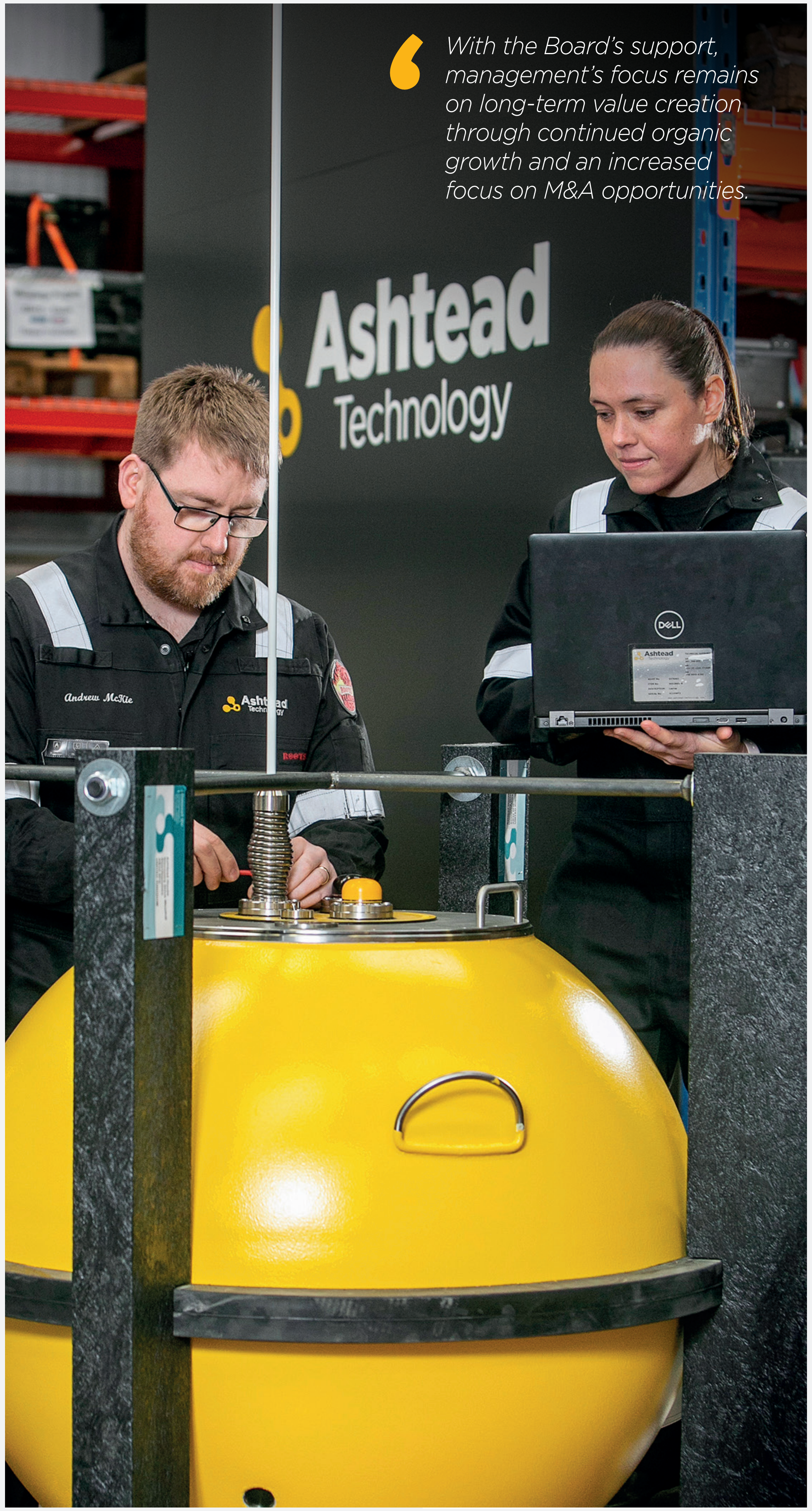
While the Board sees an opportunity to reinvest profits to finance the continued development and expansion of the business through both organic and M&A growth opportunities, it also recognises the importance of dividends both to the Company's shareholders, and in maintaining capital discipline. In this regard, we are delighted to recommend a full and final dividend of 1 pence per share for the year ended 31 December 2022. As noted previously, the Directors will seek to grow the dividend progressively.

Looking forward

The Group has a proven track record of delivering on both organic growth and earnings enhancing M&A. While the events of the last few years have increased fears of recession and cost inflation, Ashtead Technology has successfully mitigated these risks to date through increased pricing and has successfully increased utilisation of its equipment rental fleet through 2022. With a healthy cash position, recently increased debt capacity and a highly experienced management team, I have every faith in our ability to continue to monitor and mitigate risk whilst implementing our growth strategy. The Board is confident that the strategic investments made during the year will contribute to further progress in 2023 and beyond.

Bill Shannon
Chair
2 May 2023

With the Board's support, management's focus remains on long-term value creation through continued organic growth and an increased focus on M&A opportunities.



CHIEF EXECUTIVE OFFICER'S STATEMENT

Building on our strong foundations

I am delighted with the performance of our business in 2022.

We made great progress on our strategic goals and continued to build our strength and depth of expertise with a focus on long-term growth.

Read more about our approach to sustainability on **page 12**

Read more about our market review on **page 10**

During 2022 we increased our revenues from offshore renewables projects, supporting subsea activities in the quest for energy affordability and security, supported the increased propensity to rent by our customer base, and completed two strategic acquisitions.

In addition to delivering a strong financial performance with revenue growth across all our geographic regions, we invested further in our team, expanded our expertise and continued to invest in our fleet with £13.1m capex on new equipment, positioning us well for long-term growth.

Delivering growth

We ended an excellent year with 31% growth in revenues, 47% growth in Adjusted EBITA and ROIC of 21%. Increased activity offshore and the emergence of the energy trilemma, a three-way push-pull of energy security, affordability and sustainability, resulted in increased demand for our services across all the markets and geographies in which we operate. Our statutory profit before tax of £16.6m was 363% ahead of prior year (2021: £3.6m).

Responding to the market opportunity and in line with our strategy, we continued to invest in our high-quality equipment rental fleet, increasing the number of items from 17,000 to over 19,000 through both organic investment (£13.1m rental equipment capex) and through the acquisitions of WeSubsea and Hiretech during H2.

WeSubsea, completed in September 2022, added a fleet of high-performance, in-house designed, dredge systems and strong technical know-how that strongly complements, and will provide further pull through for, our wider product and service offerings.

Hiretech, completed in December 2022, was previously a key supplier to Ashtead Technology and a business we had been tracking as an acquisition opportunity for a number of years. Through its multi-purpose fleet of marine and subsea equipment rental assets and skilled personnel, the acquisition provided strong synergies through vertical integration of the supply chain, and meaningfully expanded our business by adding complementary capabilities to strengthen our mechanical solutions capability and deliver an enhanced offering to our customers.

Both the acquired businesses have been active in offshore renewables and now, as part of Ashtead Technology, will be further internationalised increasing their exposure to wider market opportunities both in offshore renewables and in their traditional offshore oil and gas market.

Sustainability

We maintained our QHSE track record with no lost time incidents throughout 2022. We also continued to make good progress on our sustainability journey by increasing our revenues from renewables by 22% and securing our ISO 14001 certification.

From a social perspective, a tightening of the labour market, coupled with increased mobility opportunities following COVID, has increased focus on staff retention and recruitment. Being a responsible employer and supporting the local communities in which we operate is central to how we do business.

On governance, the new Board formed at the time of the IPO has effectively established itself, further strengthening the governance environment and processes and procedures under which we operate the business. We recognise there is always more that can be done as we continue to make progress on our sustainability goals, and our enhanced governance structure has further embedded this into our day-to-day operations.

Market

World events in 2022 resulted in the emergence of the energy trilemma. The heightened focus on energy security and affordability resulted in increased spending in oil and gas production which, when coupled with the continued focus on renewable energy sources, has created a tightness in the market that has allowed the supply chain to increase both utilisation and pricing.

While the expansion of offshore wind as a means of energy production, and the decommissioning of existing oil and gas infrastructure are both critical to a successful energy transition, the importance of oil and gas as part of this journey is now much better understood. Oil and gas will for some time, remain an important constituent in meeting energy demand, and will play an important role in the energy transition, not least by continuing its transition to cleaner energy production.

Years of underinvestment has resulted in a requirement for significant expenditure to maintain production from existing fields, as well as the renewed need for investment in new oil and gas developments and associated infrastructure.

Ashtead Technology remains committed to supporting the energy transition, targeting 50% of our revenues from the offshore renewables market in the medium-term.

The requirement for energy production from offshore sources has never been greater and the fungibility of Ashtead Technology's equipment and solutions across both the offshore wind and oil and gas markets makes for a compelling and robust proposition, enabling the Group to capture growth opportunities across both adjacent markets.

Our people

Employee headcount increased from 204 to 260 during the year as we continued to scale the business for further growth, and included a number of additions to the senior leadership team – all part of our commitment to bolster our technical capability across our service offering, further strengthen our market leading position internationally, and deliver for our customers.

As part of our programme of wider employee engagement including leadership visits, regular town hall meetings, monthly newsletters, our company magazine, and weekly technology awareness sessions, we also introduced the Ashtead Technology Star Awards recognition programme, where our employees can nominate colleagues who have gone above and beyond in demonstrating our company values of agility, collaboration, and excellence.

Building on the strong foundations established in recent years, I would like to thank the whole team at Ashtead Technology for their ongoing contribution as we seek to continue that positive momentum in 2023.

Use of alternative performance measures and non-financial KPIs

Throughout the strategic report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures including Adjusted EBITDA, Adjusted EBITA, Adjusted Profit After Tax and Adjusted EPS are not defined under IFRS, so they are considered alternative performance measures ("APMs"). Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying financial performance and position of the Group. We have explained the purpose of each of these measures throughout the strategic report and included definitions on page 88.

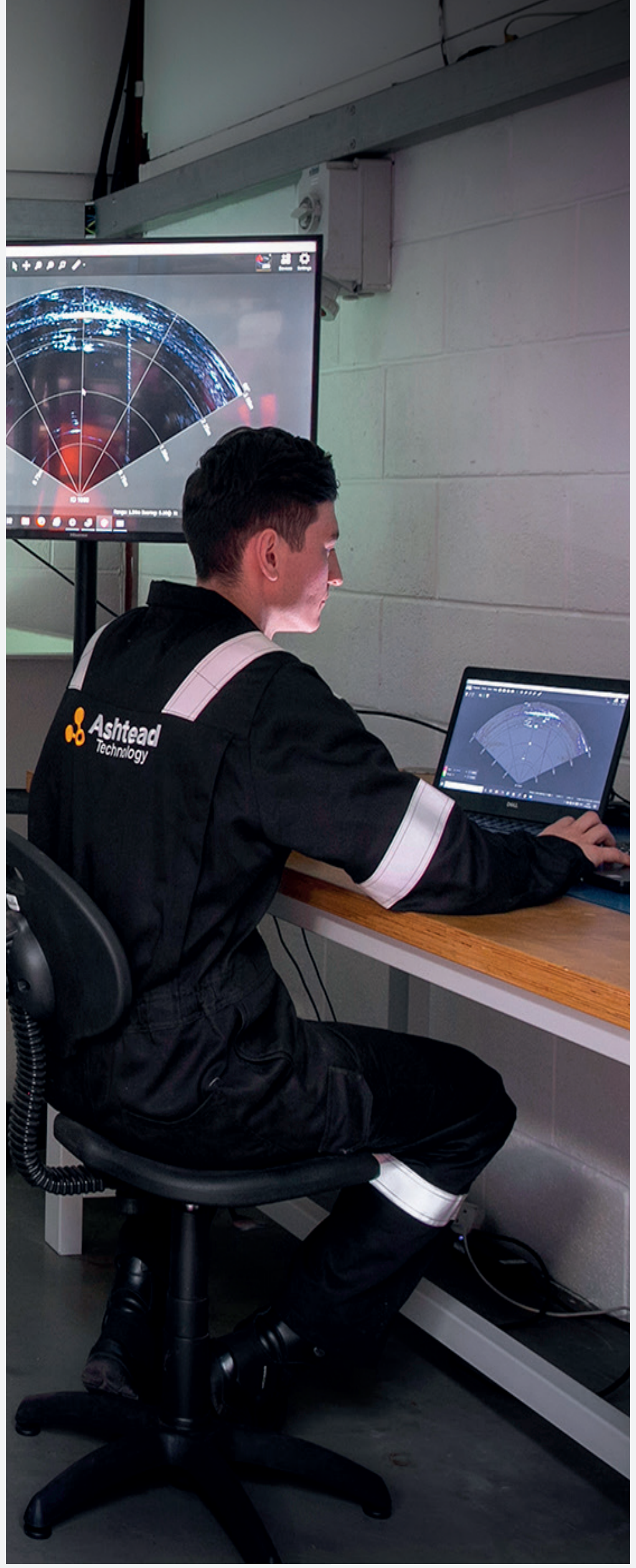
These APM's should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position of cash flows reported in accordance with IFRS. APM's are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APM's may not be comparable with similarly titled measures and disclosures by other companies.

Current trading and outlook

The outlook for all our geographic regions is positive, with all markets remaining strong and customer backlogs at record levels. Q1 2023 has continued to deliver strong results with customer demand remaining high across both offshore wind and oil and gas end markets in what traditionally would be our weakest quarter due to seasonality. Activity levels experienced were higher than the same period in the prior year, with utilisation rates and pricing continuing to track upwards. Inflationary pressures continue to be mitigated by increased pricing and we remain confident of making further progress in 2023 as we continue to focus on delivering our strategic growth plan. Given the performance to date, the Board expects the outturn for the full year to be materially ahead of its previous expectations.

Allan Pirie
Chief Executive Officer
2 May 2023

In addition to delivering a strong financial performance, we invested further in our team, expanded our expertise and invested heavily in our fleet.



MARKET REVIEW

Energy trilemma creates tightness in market

Overview

Throughout 2022 there was a heightened focus on energy security and affordability which, coupled with the need to develop lower-carbon energy solutions for the longer-term, created an energy trilemma of energy security, affordability and sustainability that has resulted in a buoyant market in both renewables and oil and gas.

High activity levels have resulted in increases in utilisation and day rates across the offshore energy industry, and with high oil prices through the year, cash generation amongst the operators has reached a record high of $1.4tn[1].

As Western Governments seek to remove Russian oil and gas as a key energy source, shortages in energy supply have highlighted the importance of both traditional and new sources of energy in meeting global demand, and there is a greater understanding that under almost all energy transition scenarios there is a need for lower-carbon oil and gas alongside the move towards renewables. With this backdrop, offshore energy producers are looking to utilise their significant cash resources to embark on an investment programme, both within new energy segments such as offshore wind and through traditional oil and gas projects.

It is therefore no surprise that offshore contractors are reporting strong backlogs (up 66% since 2020[2]) with those focused solely on offshore wind reporting a 174% increase and those serving both markets reporting a 52% increase (albeit from a much higher base). These backlogs indicate ongoing confidence in the market, and most importantly, demand for Ashtead Technology's equipment and service, over the coming years.

Given the fungibility of our equipment and solutions across the offshore wind and oil and gas markets, Ashtead Technology is in a prime position to benefit from the energy transition and an increase in investment across both sectors. Rystad Energy forecasts show a 13% CAGR from 2022 to 2025 with Ashtead Technology's addressable market increasing to $2.2bn by 2025.

Offshore wind

The expansion of offshore wind as a means of energy production is critical both in ensuring medium to long-term energy supply and in hitting low-carbon targets.

Annual offshore wind spend is expected to increase by 26% CAGR between 2022 and 2025, with the number of operational windfarms set to increase by around 150% in the same period. Through to 2030, growth in spending is forecast at 19% CAGR with the number of operational windfarms increasing by 302%.

Europe remains the most mature offshore wind region in the world and will continue to dominate in the next decade with a 56% expenditure share of the global wind market by 2030 and expenditure growth estimated at 17% CAGR from 2022 to 2030. Asian countries are picking up pace, with Vietnam, South Korea, and Japan as core markets with a 19% CAGR[3] in the same period. The US market will see significant growth (25% CAGR) due to aggressive government targets. A material increase in spending is also expected in South America and Australia from what is currently a low base.

Ashtead Technology's presence in Europe, Asia and the US positions us well to capture continued growth from these markets and our stated target of 50% of total revenue from offshore renewables in the medium term remains unchanged. Rystad estimate the growth of Ashtead Technology's addressable market for offshore wind at 26% CAGR from 2022 to 2025.

1 All market data from Rystad Energy March 2023.

2 Rystad Energy review of backlogs reported by Prysmian Group, Deme Offshore, TechnipFMC, Fugro, Subsea7, Boskalis and Saipem.

3 Excludes China.

Oil and gas

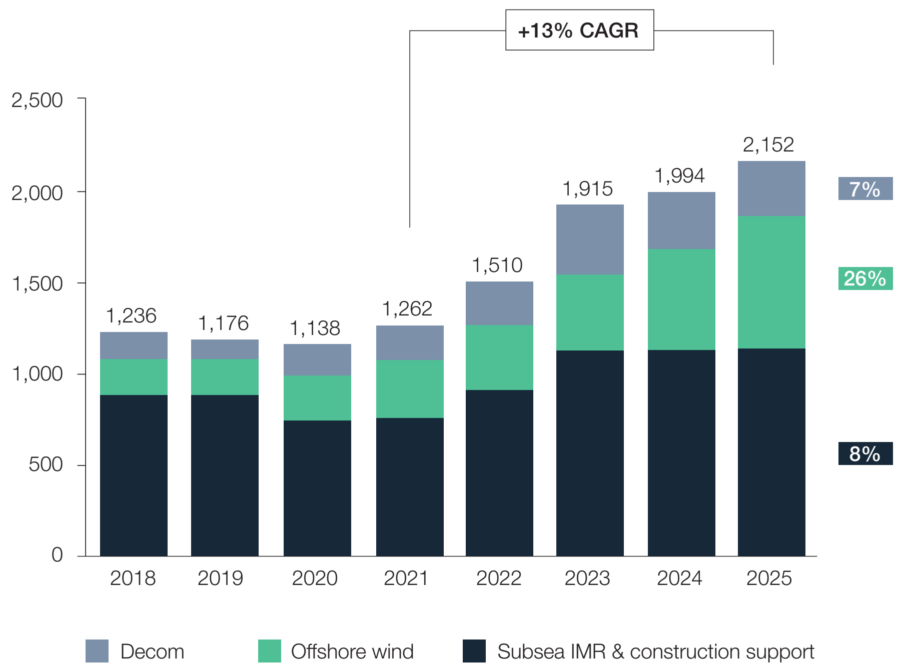
With the events of 2022 highlighting the urgent need for energy security and affordability, the continued importance of oil and gas in delivering energy to the global market in the short to medium term is much better understood.

The removal of cheap Russian oil and gas sources into many economies has put significant strain on energy supply with higher oil prices increasing the need to retain oil and gas assets for longer and delay decommissioning. The need for affordable energy has highlighted a decade of underinvestment in offshore oil and gas infrastructure with significant expenditure required to maintain and extend production from existing fields. In addition, there is an increased focus on new oil and gas developments with most investments now having a break-even point well below $40/bbl.

Ashtead Technology's oil and gas focus is predominantly on late life inspection, repair and maintenance, and decommissioning, with the latter providing a hedge in the event of lower oil prices.

Rystad Energy forecasts estimate Ashtead Technology's addressable market within subsea IMR and construction support will grow at 8% CAGR from 2022 to 2025, with 7% CAGR in decommissioning spend over the same period.

Addressable market[1] by cost group
MUSD



1 Rystad Energy research and analysis.

CORPORATE SUSTAINABILITY

Delivering offshore energy technology solutions in a sustainable and responsible way

As our business continues to grow we are committed to the highest standards of corporate governance, keeping safety as our top priority and protecting the environment and our local communities.

Our sustainability approach

We recognise that to be truly sustainable, we must consider the impact our business is having on society and the planet, and we must also recognise and act on the risks and opportunities impacting us and our long-term resilience.

Society has continued its desire to change the energy balance and together we need to ensure we are moving towards a lower-carbon future whilst ensuring we safeguard and respect the current needs for affordable energy.

Delivering our contribution

Ashtead Technology's approach to sustainability is outlined in our sustainability policy which is focused on priorities that are aligned with the ten principles of the UN Global Compact.

In 2022, we increased our priorities from five to six, based on their relevance and importance to our business as outlined below in our materiality matrix. These have been mapped against the UN's 17 Sustainable Development Goals (SDGs) which are designed to help organisations shape priorities and aspirations for sustainable development efforts around a common framework.

Energy transition

A sustainable energy future

Whilst there has been an increase in activity from traditional energy sources as a result of the heightened need for energy security and affordability, the future of energy lies in renewables and there is both a need and a desire to ensure long-term supply from green energy sources. With this, offshore renewable energy is an increasingly important part of our business now, but more importantly, in the future, and we continue to support our customers to meet the growing demand for cleaner, safer and more efficient energy production using our wealth of knowledge, skills and expertise.

2022 achievements:

- 22% increase in revenue from offshore renewable projects
- Increase in new engineering solutions designed to support windfarm installation and operations
- Bolstered our renewable energy team
- Continued to expand our renewables customer base and securing our first project directly with an offshore energy operator
- Increased our participation at relevant energy transition forums, events and conferences in line with our growth commitments

SDG 7

Ecological impact

Protecting our planet

Lowering the carbon impact from our operations is critical to limiting climate change and its impacts. Furthermore, we play a key role in assisting our customers to inspect, maintain, repair and remove subsea infrastructure in order to reduce and proactively avoid pollution.

2022 achievements:

- Increased the number of remote operations projects delivered globally
- Developed a robust system for evaluating scope 1 & 2 greenhouse gas emissions and monitored progress against reduction targets
- Implemented environmental awareness training and roll-out of ISO 14001 certification to more sites
- Phasing out of single use plastic throughout our operations
- Working with clients and our supply chain to identify carbon reduction solutions

SDG 12 14

Business ethics

Our ethical conduct

We are committed to complying with applicable laws and applying the highest ethical standards in everything we do, treating our customers, people, partners and suppliers fairly and with respect. We have a zero tolerance approach to bribery and corruption, and we want to play our part in combatting it.

2022 achievements:

- Ongoing compliance with QCA code
- Evolution of policies and procedures and continued best practice
- Ongoing review and evaluation of business risk
- Continued 100% compliance with annual anti-bribery and corruption e-learning training and third-party diligence

SDG 16

Employee health, safety and well being

Our people

Safety is our top priority and we are committed to creating, maintaining and promoting a safe, secure and healthy work environment for those that work for and with us. We strive to be a responsible employer and have various initiatives and programmes in place to support the personal development and wellbeing of our people.

2022 achievements:

- No lost time incidents
- Appointment of a new Group QHSE Director to drive forward our strategy
- All employees globally undertook key safety e-training
- Committed to mental health first-aid training programme
- Increased focus on the Company safety observation card system, providing key risk insight and enabling prompt action to be taken
- Regular programme of facility HSE inspections carried out across our international operations

SDG 3

CORPORATE SUSTAINABILITY *CONT.*

Labour practices and human rights

Respecting human rights
Treating our people and those that work with us fairly and with respect is fundamental to the way that we work at Ashtead Technology. We are also committed to working with suppliers and partners whose human rights standards are consistent with our own.

2022 achievements:

- Launched the Ashtead Technology Star Awards, our official employee recognition and reward programme
- Quarterly townhalls, internal webinars and regular internal communications flow to engage with our employees
- Ongoing customer and supplier engagement and monitoring to ensure best practice
- 15 different nationalities across our business from 260 employees
- Continued growth and expansion of business offering employees opportunities for development

SDG 5 8

Sustainable cities and communities

Local community partnerships
Based on high stakeholder interest, we accelerated our community support programme in 2022 to help build strong and lasting relationships with our local communities in order to protect our shared environment and improve the lives of others.

2022 achievements:

- Launched our science, technology, engineering and maths (STEM) community support programme
- STEM Ambassadors recruited to support engagement with local schools and colleges
- Carried out an employee engagement survey as part of our commitment to improve community involvement and engagement
- Supported various volunteering and fundraising initiatives with local charities

SDG 11

MATERIALITY ASSESSMENT

Our sustainability commitments are guided by a materiality assessment to ensure we prioritise the risks and opportunities that are of greatest importance to our stakeholders, as well as those that have a material impact on our business.

We undertook a review of Company, sector and societal factors to determine which of these should take priority for us and from this created a list of priorities that apply to a wide range of stakeholders and have the greatest impact on our future. This is something we will continue to progress and review in 2023 to ensure relevance with industry advancements and changes in stakeholder interest.

SUSTAINABILITY GOALS FOR 2023

- To attract the best and most diverse talent to lead our growth journey
- Continue to grow our activity in the offshore renewable energy sector
- Maintain our focus on safety and health of our employees and other stakeholders
- Heightened focus on quality assurance and best-in-class delivery of equipment and services
- Minimise our scope 1 and 2 GHG emissions and continue to engage with suppliers to support this
- Calculate our scope 1 and 2 GHG emissions from appropriate non-UK operations where data is available
- Expand our risk management processes to include climate-change risk
- Continue to foster a work environment that encourages incident reporting and whistle-blowing
- Ongoing and robust annual anti-bribery and corruption e-learning training for all employees

Task force on climate-related financial disclosures

Ashtead Technology recognises climate change as one of the biggest environmental threats the world faces. As a key supplier to the energy transition, we are committed to supporting global efforts to move to cleaner, green energy solutions.

We are committed to providing transparency to our stakeholders regarding climate-related risk and opportunities that may impact the business and how we manage those risks and opportunities.

The Group is not within the scope of TCFD reporting requirements and while it is not within the scope of SECR reporting requirements it makes the below voluntary disclosures (see table) that would fall within the scope of SECR reporting.

As of 2023 our risk committee will expand the discussion to include climate related risks and opportunities and we will include in our 2023 annual report our governance, strategy and risk management around climate related risks and opportunities. As part of this review, targets will be set focused on managing climate-change risk, reducing carbon in our operations and taking advantage of the opportunities this presents us.

Environment and climate change

Ashtead Technology is supporting the energy transition through the equipment and services it provides to its customer base. In addition, the subsea decommissioning work it undertakes supports the removal of obsolete subsea infrastructure from the seabed for disposal in a safe and efficient manner at the end of its useful life. In terms of our own operations and services, these have a relatively low environmental impact but we are actively looking at ways to minimise our environmental impact and to embed this into every aspect of the company and its operations.

Our sustainability strategy has been in place since 2021 and has and will continue to evolve as we grow and as regulation and legislative requirements change.

Greenhouse gas emissions and energy use

Whilst our business does not as yet require to do so under the regulations, through 2022 we have measured our scope 1 and 2 UK energy consumption and associated GHG emissions in preparation for future requirements to comply with the Streamlined Energy and Carbon Reporting (SECR) legislation.

Our forecasts suggest that we will be required to report this from 2023 and our 2022 calculations will allow us to report on our comparative figures, to see the direction our business is moving, and thereafter to set appropriate targets to minimise environmental impact.

Scope
For FY2022, the scope includes scope 1 and 2 emissions from our UK operations which represents 59% of our global business. This will be expanded in 2023 to include non-UK operations where data is readily available. Reported energy consumption and associated carbon emissions include gas, electricity and heating oil consumption. Transport includes fleet fuel consumption.

Period
The reported figures cover the period from 1 January 2022 to 31 December 2022. We have not included prior year data as we are currently out of scope under SECR and TCFR but intend to include comparative figures in our 2023 annual report.

Calculation methodology
The reporting methodology utilised is the GHG Protocol Corporate Accounting and Reporting Standard, using the Operational Control approach. Energy consumption data comes from invoices and where required, estimates. Transport data comes from fleet owned vehicles mileage records. Emission factors used to calculate UK GHG emissions come from UK Department of Business Energy and Industrial Strategy (BEIS 2022).

Scope 1 includes direct emissions owned or controlled by Ashtead Technology and includes gas and fuel oil consumption as well as fleet owned vehicles for the UK. Scope 2 includes emissions associated with electricity consumption and is calculated on a location-based approach. The intensity ratio chosen is calculated based on total tonnes of CO_2e emissions in the reporting period divided by the number of employees in the reporting period.

Global greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022

UK Sites: Westhill/Thainstone/Sandy/Fintray/Kemnay

Scope 1 emissions in metric tonnes CO_2e	2022
Gas consumption	26.36
Refrigerants	–
Fuel Oil (Kerosene) consumption	0.07
Company owned vehicles	21.12
Total Scope 1	**47.55**

Scope 2 emissions in metric tonnes CO_2e	
Purchased electricity	53.41
Total Scope 2	**53.41**

Total tonnes CO_2e	
Total gross emissions in metric tonnes CO_2e	100.96

Underlying Energy Consumption (kWh)	
Gas	144,402
Kerosene	2,867
Electricity	279,336
Total energy consumption	**426,605**

Underlying Energy Consumption (kWh)	
Company owned vehicles	51,989
Total	**51,989**

Intensity Ratio	
Tonnes CO_2e per FTE	0.57

STAKEHOLDER ENGAGEMENT

Creating value for all stakeholders

The Board considers engaging with our diverse stakeholder base as key to successfully managing Ashtead Technology and understands its duties under section 172 of the Companies Act 2006.

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests – below are the six key factors:

- the likely consequences of any decision in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group

Proactive engagement remains a central focus for the Board, which ensures the Directors have regard to the matters set out in s172(1) (a) to (f) of the Companies Act. They receive regular stakeholder insights and feedback, which enables them to place stakeholder considerations centrally to the Board's decisions, as follows:

Employees

Why we engage

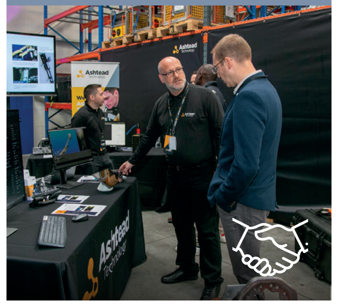
Employees are the Group's key resource and the Board is committed to ensuring their long-term training and development, health and wellbeing. The Group uses employee feedback to help develop a workplace where everyone is motivated, supported and able to deliver for our customers and other stakeholders.

How we engage

The Group operates an open-door policy and, due to the flat organisational structure, employees are encouraged at all levels to directly feedback to management. There is an open dialogue at all levels across the business. The Group operates a safety observation and opportunity for improvement programme, which actively encourages employees to report any observations, whether negative or positive. Regular business and operational update meetings, and employee engagement townhall meetings provide a route for direct feedback to management. Ongoing training is provided both through on-the-job learning and internal/external courses which ensure employees are continuously developed and competent to undertake the tasks performed in a safe and healthy manner. The Board engages with employees throughout the year, mainly informally during site visits.

The Group has achieved what it set out to do in regards to the initiatives for increasing employee engagement through 2022.

Customers



Why we engage

Listening to customers helps us satisfy their changing needs and supports them in fulfilling their obligations to their own customers and overcoming technical project challenges.

The Group seeks feedback on a range of issues such as customer service, technical issues and commercial terms. This ongoing feedback allows the business to monitor its reputation for high standards of business.

How we engage

The Group tracks feedback from customers on a regular basis and communicates this to senior management. This is done through various methods such as customer meetings, direct reporting and surveys, as well as on the ground feedback received through regular discussions between customers and employees. The executive management team keeps the Board informed on pricing, quoting levels, asset performance and win rates as well as information on market drivers and key contract wins and losses. The Board uses this insight to make decisions that serve customers for the long-term, including prioritising investment in people and equipment to support the customers' strategies and foster stronger relationships.

The Group has always aimed to have regular communication with its customers and this has been maintained through 2022.

Suppliers

Why we engage

The quality of our equipment rental fleet and the reliability of the service we deliver to our customers is heavily influenced by the proactive engagement with critical suppliers.

The Board values the role suppliers play in delivering and supporting the delivery of the Group's operations.

How we engage

All new suppliers are screened through a vendor approval process and vendors are continuously monitored for performance across the Group. The Group collaborates and continually works with its suppliers, sharing best practice, seeking out operational synergies and technological advancements to improve performance.

Engagement with suppliers is carried out by members of the senior management team, with regular feedback provided to the Board.

The Group has increased engagement with certain suppliers through 2022 given industry-wide supply chain challenges.

Shareholders

Why we engage

We communicate with our shareholders through our results roadshow, trading updates, Investor Relations website and Annual General Meeting. Where requests to meet with investors are received we will make every effort to accommodate this.

How we engage

We undertook two investor roadshows during 2022 following our full-year and half-year results. In addition to one-to-one meetings with major investors, we offer group meetings where relevant. Our in-person AGM was held in June and provided an opportunity for all shareholders to meet with the Board. We have engaged with a number of research analysts during the year and have increased our coverage from one analyst to six, providing our investors with a wider range of views on our business. We seek to take on board broker, investor and analyst feedback and participate, where appropriate, in formal broker-hosted events.

2022 was the first full year as a listed company and therefore shareholder engagement cannot be compared to prior year.

Government bodies

Why we engage

The Group engages with government bodies where there is a requirement to obtain licences to operate, for example, for owning certain equipment and importing/exporting that equipment to/from certain countries. It is critical for the operation of the Group that licences are maintained allowing our business to operate and to facilitate the movement of the rental equipment fleet around the globe to satisfy customer project demand.

How we engage

Management engages with government bodies responsible for issuing licences in an open and honest manner. Interactions are wide ranging and include telephone calls, written correspondence and face-to-face meetings. Management keep the Board appraised of the status of licences and members of the Board are available to participate in meetings with government bodies as appropriate.

Engagement with government bodies has been maintained in line with 2021 and has been undertaken on an as required basis.

Community and the environment

Why we engage

The Group is an international business with operations supported from ten service centres located in key offshore energy hubs. Being a good neighbour and making a positive contribution to the communities in which it works is critical in the Group's ongoing success. The Group focuses on the communities geographically closest to its various locations to reinforce supportive local services. Given the range of services the Group provides it is ideally positioned to support its customers' projects accelerating the energy transition and the Group is committed to playing its part in this transition.

How we engage

The Group invests in its local facilities, offering long-term, sustainable employment to people in its communities and actively engages with businesses and organisations in the vicinity of each location to discuss opportunities to collaborate. The Group has the skilled personnel and equipment to deliver solutions to support the construction, installation, maintenance and decommissioning of offshore windfarms. The Board supports the Group through the allocation of resources for this key growth market and in supporting the development of innovative remote solutions that can reduce the Group's carbon footprint.

The Group has increased its community involvement through 2022 and has further increased its focus on environment through its ISO 14001 accreditation and increased exposure to renewables.

PRINCIPAL DECISIONS MADE IN THE YEAR

- Acquisition of WeSubsea and Hiretech
- Investment in QHSE function
- Investment in senior leadership of service lines to further strengthen the technical depth, encourage the regions to work together and prioritise investment opportunities
- Invested in additional facilities in Aberdeenshire, UK
- Extension and increase of debt facility
- Increased investment in rental fleet to support customers' energy transition and growth plans

The Group considered the effect of the above decisions on all the stakeholders of the business. The Board agreed that all the decisions positively affected all the stakeholders by increasing the value and opportunities of the Group.

CHIEF FINANCIAL OFFICER'S REPORT

Significant growth and strong returns

The Group delivered a strong trading performance in 2022, whilst continuing to focus on our strategic goals and long-term growth.

We have made progress against all of our financial KPIs and were delighted to add the WeSubsea and Hiretech acquisitions as we continue to build on the strong foundations of our business.

Revenue

The Group delivered revenue of £73.1m in the year, an increase of 31% from £55.8m in 2021, driven by an increase in revenue across both the offshore renewables (22%) and offshore oil and gas markets (35%). Offshore renewables revenue accounted for 31% of total revenue in 2022 (2021: 33%).

Our 31% revenue growth was derived from organic growth (23.7%), M&A (1.7%), and favourable FX rates (5.5%) with growth coming from all our geographical segments.

On a proforma basis, taking into account the full year impact of WeSubsea and Hiretech, our revenues were £80.9m.

Gross profit

Gross profit increased to £54.3m from £40.5m in 2021. The increase in the gross margin to 74% (2021: 73%) was the result of a higher proportion of revenues from equipment rental. In our rental business, we saw cost utilisation increase from 43% in 2021 to 44% in 2022.

Administration costs

Administration expenses of £37.0m compares to £33.9m in 2021 with the increase (£3.1m) coming from personnel costs (up £4.8m) offset by lower professional fees (down £2.2m) predominantly related to IPO costs in 2021. In addition to pay increases and an increase in number of employees, personnel costs were impacted by the reintroduction of an annual bonus scheme (£2.2m) and the introduction of an LTIP (£0.8m).

Profitability

Adjusted EBITA of £20.1m compares to £13.7m in 2021 and represents a margin of 28% (2021: 25%), resulting in ROIC increasing to 21% (2021: 17%), significantly ahead of cost of capital.

Our EBITA growth of 47% can be split as 36% from organic growth, 5% from M&A, and 6% from FX.

On a proforma basis, taking into account the full year impact of WeSubsea and Hiretech, our Adjusted EBITA increased to £25.1m.

Where we have provided adjusted figures, they are after the add-back of adjusting items which, with regard to 2022, predominantly related to professional and other fees arising from our two acquisitions. Our 2021 adjustments were mostly in relation to costs associated with the IPO.

Statutory profit before tax of £16.6m in 2022 compares to a statutory profit before tax of £3.6m in 2021.

Net finance expense

Net finance costs were £1.4m in 2022 compared to £4.0m in 2021, with the decrease reflecting our lower post IPO debt structure.

Taxation

The total tax charge was £4.0m (2021: £1.1m). This equates to an effective tax rate of 23.8% compared to 29.5% in 2021, which was high due to non-deductible expenses associated with the IPO. The 2022 tax charge includes the recognition of a non-cash deferred tax liability of £0.9m, excluding this our effective tax rate would have been 18.4%. Our expectation is that the Group's effective tax rate will be close to the UK corporation tax rate, although this will be impacted by the amount of profit the Group earns in its overseas jurisdictions where, in some cases, corporation tax rates are higher or lower than those in the UK.

EPS and dividend

Adjusted EPS was 19.6 pence (2021: 13.2 pence) with statutory EPS at 15.9 pence (2021: 3.6 pence). The adjusted figures exclude the impact of adjusting items as set out in note 28 of the accounts, foreign exchange profit/loss and amortisation and reverses the impact of the US deferred tax liability recognition.

The Board sees an opportunity to reinvest profits to expand the business both organically and through M&A growth. At the same time, the Board recognises the importance of dividends both to the Company's shareholders and in maintaining capital discipline. In this regard, the Board has recommended a full and final dividend of 1 pence per share for the year ended 31 December 2022, payable on 23 June 2023 to shareholders with a record date of 26 May 2023. Going forward the Directors will seek to pay a progressive annual final dividend.

Cash flow and balance sheet

Cash inflow from operations was £36.0m (2021: £11.7m). The Group increased its investment in capital expenditure in the year to £14.5m (2021: £7.9m), investing predominantly in rental equipment to capitalise on the continued improvement in market conditions. The net book value of our rental fleet increased by £10.4m in the period.

Cash spent on acquisitions of £24.0m was funded in part by debt (net draw of £9.3m on RCF during the year). Acquisitions completed in the year resulted in an increase in both intangible assets (£4.7m of additions) and goodwill (£16.9m of additions).

Net working capital reduced significantly in the year due to improvement in debtor days (£0.8m), bonus accrual (£2.5m), accrued completion accounts and other payments relating to acquisitions (£1.6m) and timing of capex payables (£2.4m) resulting in a lower than normal 3% of working capital to revenues ratio.

Overall movement in cash was a positive inflow of £3.9m for the year (2021: £6.3m) with cash balance of £9.0m at year end (2021: £4.9m).

Net debt increased from £22.7m to £28.7m representing leverage of 1.0x at year end (2021: 1.0x). On a proforma basis, taking into account the full year impact of the acquisitions, leverage was 0.8x.

Going concern

The consolidated financial statements of the Group are prepared on a going concern basis. The Directors of the Group assert that the preparation of the consolidated financial statements on a going concern basis is appropriate based upon a review of the future forecast performance of the Group.

During 2022 the Group continued to generate positive cash flow from operating activities with a cash and cash equivalents balance of £9.0m (2021: £4.9m) at year end.

In December 2022, the Company utilised its accordion facility provided by Clydesdale Bank and HSBC, increasing its RCF capacity to £60m in order to support the Hiretech acquisition. With a continued focus on M&A, in April 2023 the Company extended its RCF facility further to £100m (plus an accordion of £50m), expanding its banking syndicate to include ABN and Citibank. This new RCF facility expires in April 2027.

Under the new RCF facility, the Company is subject to a leverage covenant of 3.0x and an interest cover covenant of 4:1, which are both to be tested on a quarterly basis.

The increase in leverage covenant is designed purely to give more flexibility to funding of potential acquisitions with a focus on maintaining a 1-2x leverage over the short- to medium-term. The Group has complied with all covenants through 2022 and to the date of this report.

The Group monitors its funding and liquidity position throughout the year to ensure it has sufficient funds to meet its ongoing cash requirements. Each geographic region prepares its own forecasts based on a number of inputs such as estimated revenues, margins and overheads which is challenged by the Executive Directors and rolled into a Group cash flow forecast based on assumed collection and payment terms, capex requirements and the payment of interest and capital on existing debt facilities. Consideration is also given to the availability of bank facilities. In preparing these forecasts, both management and the Directors have considered the principal risks and uncertainties to which the business is exposed.

Taking account of reasonable changes in trading performance and bank facilities available, the cash forecast prepared by management and reviewed by the Directors indicates that the Group is cash generative, has adequate financial resources to continue to trade for the foreseeable future, and to meet its obligations as they fall due.

Reconciliation of adjusted and reported IFRS results

The Group uses certain measures that it believes assist a reader of the Report and Accounts in understanding the business. The measures are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies.The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance.

In establishing Adjusted EBITDA, Adjusted EBITA and Adjusted Profit After Tax (used for Adjusted EPS calculation), the Group has added back various costs, deemed to be one-off in nature, which in 2022 predominantly relate to acquisitions completed during the period. The definitions can be found on page 88 and reconciliation to GAAP metrics included in Note 28 to the accounts.

Ingrid Stewart
Chief Financial Officer
2 May 2023

Table A – Results reconciliation/Adjusted figures

Results reconciliation £000	Adjusted	M&A costs	Restructuring costs	Other	Reported
Revenue	73,120	–	–	–	73,120
Gross profit	54,291	–	–	–	54,291
Administrative expenses*	(36,176)	787	28	36	(37,027)
Other operating income	804	–	–	–	804
Operating profit	18,919	787	28	36	18,068
Finance cost (net)	(1,437)	–	–	–	(1,437)
Profit before tax	17,482	787	28	36	16,630
Profit after tax	13,517	787	28	36	12,665
Foreign exchange	3				
Amortisation	1,202				
Tax impact of adjustments	(12)				
Remove US deferred tax recognition	910				
Adjusted profit after tax for EPS calculation	15,619				

EBITDA/EBITA/Adjusted Profit Before Tax	Adjusted	M&A costs	Restructuring costs	Other	Reported
Operating profit	18,919	787	28	36	18,068
Foreign exchange	3	–	–	–	3
Depreciation	8,431	–	–	–	8,431
Amortisation	1,202	–	–	–	1,202
EBITDA	28,555	787	28	36	27,704
Depreciation	(8,431)	–	–	–	(8,431)
EBITA	20,124	787	28	36	19,273
Finance cost (net)	(1,437)				
Adjusted profit before tax	18,686				

* Includes impairment loss on trade receivables.

KEY PERFORMANCE INDICATORS

Measuring our success

The Group uses a range of financial and non-financial KPIs to measure strategic performance. The business has made significant progress in 2022.

Operational highlights:

- Zero lost time incidents, keeping our employees safe
- Completion of WeSubsea and Hiretech acquisitions, further increasing the breadth and depth of our offering to our customers
- Delivering significant integrated projects, demonstrating our One Ashtead Technology approach across our three service lines
- Continued investment in the senior leadership team with the appointment of a new Commercial Director, Survey & Robotics Director, and QHSE Director, and several senior promotions
- Increased global headcount from 204 to 260
- £14.5m capital expenditure
- Added ISO 14001 and ISO 45001 accreditations to our existing ISO 9001 certification
- Continued support to the energy transition with 22% growth in revenues from the renewables market
- Broadening shareholder register

Alternative Profit Measures are used for KPI calculations.

See **page 19** for calculation of Adjusted EBITDA, Adjusted EBITA and Adjusted Profit After Tax

Definitions can be found on **page 88**

Revenue (£m)

£73.1m

2022	£73.1m
2021	£55.8m

Description
Growth of 31%, split 2% from M&A and 6% from favourable FX with the remainder from increased activity across both oil and gas and renewables markets.

Adjusted EBITA* (£m)

£20.1m

2022	£20.1m
2021	£13.7m

Description
Adjusted EBITA excludes exceptional costs and FX profits/losses. This is a key metric used by analysts and investors in measuring our performance. 47% growth in Adjusted EBITA driven by top line revenue growth.

Adjusted EBITA margin* (£m)

27.5%

2022	27.5%
2021	24.6%

Description
27.5% adjusted EBITA margin ahead of expectations due to higher than forecast activity. By using Adjusted EBITA we can measure this on a consistent basis year-on-year.

Revenue by market (%)

Oil and gas
69%
(2021: 67%)

Renewables
31%
(2021: 33%)

Description
This is measured as an indicator of progress in increasing support to the renewables sector in line with our strategy of supporting the energy transition. 2022 saw 22% growth in renewables revenue and 35% growth in oil and gas.

Adjusted profit before tax* (£m)

£18.7m

2022	£18.7m
2021	£10.8m

Description
Profit before tax is seen as a key financial metric to determine financial success. The Group uses Adjusted profit before tax so as to normalise for any adjusting items which may make comparison with previous years challenging. Significant increase in adjusted profit before tax.

Adjusted earnings per share* (p)

19.6p

2022	19.6p
2021	13.2p

Description
Adjusted EPS is used as a measure of Group performance prior to any adjusting costs. This is also the measure used to determine LTIP vesting. 48% increase in adjusted EPS in year.

Leverage (x)

1.0x

2022	1.0x
2021	1.0x

Description
Leverage is a key metric to determine capital discipline. Leverage was maintained at 1.0x despite significant organic and M&A investment in year. 0.8x on a proforma basis.

Return on invested capital (ROIC) (%)

21%

2022	21%
2021	17%

Description
ROIC is a useful indicator to ensure capital (being debt and equity) is invested appropriately. 2022 ROIC at 21% is significantly ahead of cost of capital.

Cost utilisation** (£m)

44%

2022	44%
2021	43%

Description
Utilisation improvements reflect continued increase in market activity. Cost utilisation is a useful indicator of performance of the equipment fleet and is calculated as the cost of rental equipment on hire divided by the total cost of the rental equipment owned.

Total recordable incident rate (TRIR)**

0.48

2022	0.48
2021	0

Description
TRIR is an industry-recognised metric. The Group had one recordable incident in the year resulting in a TRIR of 0.48.

* Non-GAAP metric (see definitions on page 88).

** Non-financial KPI.

RISK MANAGEMENT AND BOARD APPROVAL FOR THE STRATEGIC REPORT

Effective risk management to **support growth**

The Board has collective responsibility for determining the Group's risk management framework. This framework, the Group's risk culture, its compliance focus and internal controls, supported by the Audit Committee, give the Board assurance that risks are being appropriately identified and managed in line with its risk appetite.

Risk is defined as anything which is a threat to Ashtead Technology, our operations and our workforce, or would prevent the business from achieving its objectives. These include commercial, personnel, asset & systems, financial & credit, sustainability and legal & compliance risks.

Key

- Increased
- Decreased
- No change

The risk management framework plays a crucial role in ensuring our financial stability and focus on Group performance. Continual identification and monitoring of risk is performed to accomplish the following broad objectives:

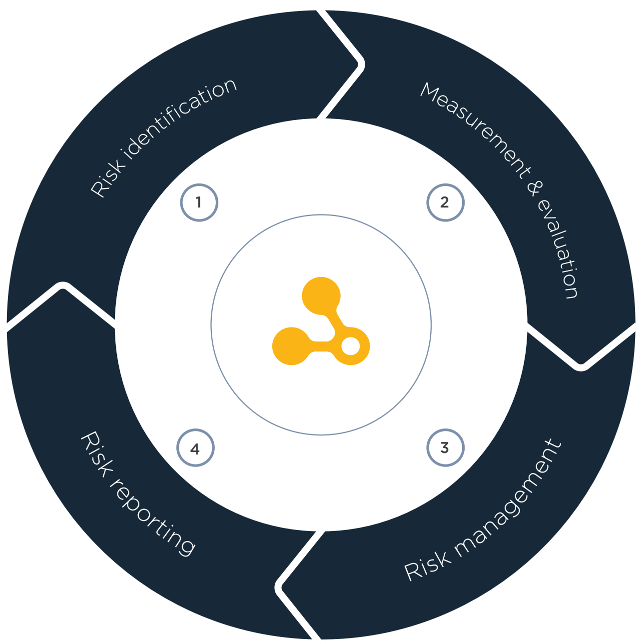
- **Accountability** – a proactive approach to risk mitigation through clearly defined roles and responsibilities.
- **Transparency** – clear and understandable standards around the acceptance of risk in the business.
- **Protection/Security** – protection of personnel and the environment, and security of our finances and facilities.
- **Compliance** – compliance with applicable laws, regulations, industry standards, customer requirements and organisational policies.

Given the relatively common market dynamics across our international business, risk is assessed at Group level with any specific mitigation elements effected at either Group or regional level as appropriate.

[1] Risk trend is based on the risk position currently compared to the prior year reporting date as assessed by the internal risk management committee.

OUR RISK OPERATING MODEL

Our risk operating model focuses on four key components which allows us to effectively identify, measure, manage and report the external and internal risks in our business.



1. Risk identification

The internal risk management committee meets quarterly to identify the principal and emerging risks facing the Group. The internal risk management committee consists of the CEO, CFO, CTO, Operations Director, Commercial Director, Regional General Managers, Service Line Directors and QHSE Director, representing a wide spectrum of the business.

2. Measurement & evaluation

All identified risks are measured and evaluated through a risk register in order to determine potential severity and probability. Each risk is weighted according to its probability, financial impact and reputational impact.

3. Risk management

The internal risk management committee identifies mitigating actions for each risk, based on an assessment of the effectiveness of the existing control environment. Where appropriate, changes to the control environment are identified and implemented.

4. Risk reporting

The Corporate Risk Register is shared and discussed with the Audit Committee. The Audit Committee's purpose is to seek assurance and provide advice to the Board on the adequacy and effective operation of the Group's systems of control and risk management across the business. The Audit Committee is chaired by an independent non-executive director with extensive knowledge and experience in this matter.

The CFO is responsible for ensuring any actions raised by the internal Risk Management Committee are followed up in a timely manner.

Outside of the defined reporting schedule, any changes to risk which have an expected >10% impact on forecast EBITDA for the year is immediately reported to the Board of Directors.

Principal risks and uncertainties

Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, reputation, or prevent the Group from delivering its strategic objectives.

The principal risks and uncertainties identified are detailed in this section with details of developments through the year and risk trend in comparison to the prior period. Additional risks and uncertainties that the Group is unaware of, or currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations, financial performance or position.

Risk	Description	Mitigation	Developments in 2022
Economic Risk trend[1]	The Group's business depends on the level of activity in the offshore oil and gas and renewable energy industries. Activity can be impacted by such things as changes in energy transition, availability of alternative energy sources, regulatory regimes, changes to customer vessel schedules, oil and gas prices and weather.	Increased exposure to offshore renewables and oil and gas decommissioning activities creates a natural hedge against declining oil and gas activity. Increased geographical diversification can help offset regional seasonal variations.	Increased investment in the offshore renewables sector globally, particularly across Europe, Asia and US, is driving market expansion. Increased exposure to offshore renewables with 31% of revenues generated from offshore wind. Secured first project directly with offshore wind operator reflecting our growing credentials in this sector.
Supply chain Risk trend[1]	The Group must incur ongoing capital and operating expenditures on its equipment rental fleet to remain competitive and provide quality, reliable equipment. A significant period of interruption affecting elements of our supply chain arising from factors such as pandemics, financial uncertainty, civil unrest, war or other unforeseen external factors would have an impact on our ability to either service our customers or restrict our growth. In addition, general inflation and unexpected increases in supply chain pricing could result in lower profits and higher capex costs.	Maintain dialogue with key suppliers with ability to secure equipment if lead times extend beyond normal parameters. Capex orders placed early in cycle to ensure delivery in time for busy periods. Preferential supply agreements signed with various suppliers. Alternative suppliers sourced for key items. Increased stock holding of critical spares.	Supply issues further exacerbated during 2022 due to global shortages of critical parts. Inflationary cost increases covered through pricing increases. Supply chain issues increasing customers' propensity to rent rather than purchase capital equipment.
Personnel Risk trend[1]	The Group's operations require a workforce covering a range of managerial, engineering and trade specialists. The Group faces significant competition both from within the offshore energy industry and from other sectors for personnel with the skills it requires to sustain and grow its activities. If the Group is unable to attract and retain personnel with the requisite skills, the business, financial condition, results of operations and prospects of the Group may be adversely affected and opportunities for growth may be curtailed.	The Group utilises medium-term forecasts to assess resource requirements, allowing time to properly resource the organisation. Attrition by function and geography is monitored on an ongoing basis and any trends identified and followed up. The Group is constantly monitoring its remuneration packages to maintain competitiveness.	Pay increases implemented, addressing improvement in market conditions. Increased communication across the business through quarterly townhalls, internal webinars and regular internal communications. Implemented employee recognition programme. Increased recruitment referral fee for employees.
Information technology and operational systems, cyber risks and security Risk trend[1]	The Group uses technologies, systems, and networks to conduct the majority of its operations, to collect payments from customers and to pay vendors and employees, and the Group continuously seeks to upgrade and improve these IT systems. The risks associated with cyber incidents and attacks to the Group's Information Technology systems could include disruptions to the supply of products and services to its customers; temporary disruptions relating to the implementation of upgrades and improvements; other impairments of the Group's ability to conduct its operations; loss of intellectual property, proprietary information or customer data; disruption of the Group's customers' operations; and increased costs to prevent, respond to or mitigate cyber security events.	The Group recognises the increased frequency of cyber security threats and events and takes this risk seriously. It is continuously reviewing and enhancing its infrastructure as well as its IT suppliers and partners to ensure risk is minimised. The Group is progressing an upgrade of its IT infrastructure with a focus of moving all legacy systems to cloud based platforms. This has continued to progress through FY22. The Group has an IT disaster recovery plan in place which is regularly reviewed and tested.	The Group has continued to invest in its IT systems through 2022. The transition of all IT systems to a cloud based environment is well progressed with targeted move to a new ERP system in 2023. The Group upgraded its email filter software and cyber security training through 2022.

RISK MANAGEMENT AND BOARD APPROVAL FOR THE STRATEGIC REPORT *CONT.*

Risk	Description	Mitigation	Developments in 2022
Customer risk Risk trend[1]	A significant proportion of the Group's revenue in any year may be derived from a relatively small number of customers. If the Group is unable to maintain strong relationships with this core group of customers or fails to offer such customers a high level of service, including with respect to the quality of the products and services provided and their timely delivery, the business, financial condition, results of operations and prospects of the Group may be adversely affected. In addition, if any of its key customers suffer cash flow or credit issues, this could have a negative impact on Ashtead Technology's cash flow due to the inability of its customers to pay monies due to the Group. An increase in market activity is resulting in higher working capital requirements for customers resulting in some customers retaining cash and slowing debtor payments.	The Group maintains regular dialogue with its key customers. Customer relationships are considered critical to the Group's success and are managed across multiple touch points. The Group sets processes and procedures based on industry benchmarks in order to minimise risk of providing poor quality products and services. The Group works to mitigate customer payment issues through its contractual terms, continuously assessing the creditworthiness of its customer and supplier base, and monitoring of debtors and cash flow on a daily basis.	The Group has increased its debtor provision to reflect increased concern with certain customers. Where necessary the Group exercises a range of options to mitigate against credit risk including non-supply and debt collection measures.
Health, safety & environmental Risk trend[1]	The Group's projects predominantly take place offshore and in some cases can be complex, and performed in remote environments and varied sea conditions. Providing subsea equipment rental, services and solutions is an inherently dangerous activity and the Group's operations are subject to the hazards inherent in provision of such services and solutions. The continuous monitoring and management of health, safety, security, environmental and quality risk associated with working in these environments is critical. A failure to manage these risks could expose our own, our customers' and/or our suppliers' people and equipment to health, safety and environmental risk which could in turn result in significant commercial, legal and reputational damage.	The Group monitors QHSE statistics on an ongoing basis. There was one recordable incident in August 2022 resulting in a TRIR (Total Recordable Incident Rate) of 0.48 at end 2022. The Group has a competency programme in place to ensure that all of its personnel are properly trained for the tasks they undertake either within the Group's premises or customers' operational sites both onshore or offshore. The Group also maintains insurances including (i) marine insurance for physical damage to its equipment rental fleet, (ii) employers and general liability insurance and (iii) property insurance.	One recordable incident in the year and no lost time incidents. Investment in QHSE function with the appointment of a Group QHSE Director in October 2022. Consolidation of ISO 9001 and 45001 certification across the Group. Achievement of ISO 14001 certification.
Compliance and ethics Risk trend[1]	The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's internal compliance policies, or applicable laws, including but not limited to anti-bribery or anti-corruption. Certain equipment used by the Group is subject to export controls, often as a result of being manufactured in the United States or because of the dual use classification of equipment with the potential to have a military function. The Group uses and exports this equipment under licences prohibiting its export to or use in certain jurisdictions. Any failure to comply with such laws and regulations may result in reputational damage to the Group, administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations.	The Group has an internal control programme in place to manage sanctions and export control risk. All appropriate personnel receive annual training covering our export compliance and anti-bribery and corruption policies. Personnel responsible for processing transactions involving items covered by international trade sanctions and export-related laws and regulations are provided with specific training for the tasks performed. The Group maintains comprehensive logs and registers of such equipment's intended use and location, only transacts with reputable customers, and seeks to adhere to all applicable relevant licence terms.	Continued 100% compliance to anti-bribery and sanctions training. Expansion of the Commercial team through appointment of a Commercial Director, working closely with inhouse legal team to manage terms & conditions. Ongoing review and evaluation of business risk.
Geopolitical tensions Risk trend[1]	2022 saw Russia's invasion of Ukraine which resulted in an increased focus on energy sustainability and affordability and an increase in activity in oil and gas markets. If this continues, this may result in a continued pivot of Ashtead Technology's revenues towards oil and gas but does not change the strategy to expand its proportion of revenues from offshore renewables in the medium- to long-term.	The fungibility of Ashtead Technology's equipment and services positions it well to support both markets. Whilst the future remains in renewables, there is evidence that the strong bounce back in oil and gas will be maintained over the medium-term.	Continued to focus on long-term strategy, monitoring of market conditions and investing in both organic and inorganic opportunities to position the business to further support the energy transition.
Climate change Risk trend[1]	Transition risks arise as the world aims to adapt to the warming climate and reduce the emission of greenhouses gases. Ashtead Technology is very focused on the part it has to play in supporting the energy transition and the speed at which this transition occurs may impact on the proportion of revenues the business secures from each of its key markets. There could be a risk to Ashtead Technology's revenues if there is a significant development in onshore renewable sources. Extreme weather offshore caused by global warming could have an impact on offshore activity and therefore on Ashtead Technology's revenues.	Ashtead Technology is focused on supporting the energy transition and with the fungibility of its equipment sees an opportunity for the business irrespective of the speed of transition, as long as offshore remains a key energy source. Ashtead Technology aims to derive over 50% of its revenues from renewables within the medium-term.	Continued focus on supporting the energy transition and investment in areas critical to the renewables industry.

BOARD APPROVAL FOR THE STRATEGIC REPORT

The Strategic Report, which includes the Chairman's Statement, the Chief Executive Officer's Statement, the Investment Case, Our Strategy, Chief Financial Officer's Report, Key Performance Indicators and Risk Management (covering the principal risks and uncertainties of the Group) was approved by the Board and signed on its behalf by

Allan Pirie
Chief Executive Officer
2 May 2023