Varel Oil and Gas, Inc.

Half-yearly Report
June 30, 2026

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Varel Oil and Gas, Inc.
Consolidated Statements of Financial Position
As of June 30, 2026 and December 31, 2025

Varel Oil and Gas Inc. — Consolidated Statements of Financial Position
(in thousands of U.S. dollars)

	Notes	June 30, 2026	December 31, 2025
Assets			
Noncurrent assets			
Property, plant and equipment, net	(7)	$ 19,982	$ 22,078
Right-of-use assets, net		3,242	4,218
Goodwill		10,284	10,666
Intangibles, net		11,554	12,518
Investments in affiliates		3,220	3,391
Deferred tax asset		2,542	2,837
Other assets		—	1,236
Restricted Cash		7,553	—
Total non-current assets		**$ 58,377**	**$ 56,944**
Current assets			
Cash and cash equivalents		$ 16,021	$ 23,058
Trade receivables, net		27,029	34,846
Income tax receivables		193	198
Inventories, net		51,029	44,279
Prepaids and other current assets		14,137	13,839
Total current assets		**108,409**	**116,220**
Total assets		**$ 166,786**	**$ 173,164**
Equity			
Share premium		$ 463,873	$ 463,873
Accumulated deficit		(446,260)	(436,861)
Accumulated other comprehensive income		9,190	8,852
Equity attributable to owners of Varel		**26,803**	**35,864**
Non-controlling interests		-4,574	-4,381
Total shareholders' equity		**22,229**	**31,483**
Liabilities			
Noncurrent liabilities			
Borrowings	(5)	69,889	69,738
Borrowings, related party		540	540
Lease liabilities		4,558	5,262
Deferred tax liabilities		1,322	1,362
Other liabilities		2,808	5,766
Total non-current liabilities		**79,117**	**82,668**
Current liabilities			
Trade payables		20,741	15,999
Income tax payable		3,171	6,316
Accrued liabilities		2,131	1,724
Other current liabilities		6,757	7,590
Current portion of borrowings	(5)	31,103	25,683
Current portion of lease liabilities		1,537	1,701
Total current liabilities		65,440	59,013
Total liabilities		144,557	141,681
Total shareholders' equity and liabilities		**$ 166,786**	**$ 173,164**

The accompanying notes are an integral part of these consolidated financial statements.

Varel Oil and Gas, Inc.
Consolidated Statements of Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2026 and 2025

Varel Oil and Gas Inc. — Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of U.S. dollars)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2026	2025	2026	2025
Continuing Operations					
Revenue	(6)	34,169	50,935	67,744	99,756
Cost of revenue		(21,362)	(34,455)	(42,678)	(66,129)
Gross profit		12,807	16,480	25,066	33,627
Selling, general and administrative expenses		(14,294)	(14,999)	(26,657)	(30,324)
Loss on debt extinguishment		—	-	—	—
Other income (loss), net		(234)	563	(463)	1,178
Operating profit (loss)		(1,721)	2,044	(2,054)	4,481
Finance costs, net	(5)	(3,165)	(3,921)	(6,634)	(7,225)
Profit (loss) before income tax		(4,886)	(1,877)	(8,688)	(2,744)
Income tax expense		(781)	(880)	(1,374)	(1,847)
Net income (loss)		**(5,667)**	**(2,757)**	**(10,062)**	**(4,591)**
Net income (loss) attributable to:					
Varel		(5,676)	(2,778)	(10,014)	(4,735)
Non-controlling interests		9	21	(48)	144
		(5,667)	(2,757)	(10,062)	(4,591)
Other comprehensive income (loss)					
Foreign currency translation differences		169	(43)	338	906
Total comprehensive income (loss)		(5,498)	(2,800)	(9,724)	(3,685)
Total comprehensive income (loss) attributable to:					
Varel		(5,507)	(2,821)	(9,676)	(3,829)
Non-controlling interests		9	21	(48)	144
		(5,498)	(2,800)	(9,724)	(3,685)

The accompanying notes are an integral part of these consolidated financial statements.

Varel Oil and Gas, Inc.
Consolidated Statements of Changes in Equity
Six Months Ended June 30, 2026 and 2025

Varel Oil and Gas Inc. — Consolidated Statement of Changes in Equity
(in thousands of U.S. dollars)

	Shares Outstanding Amount (par value $0.01)	Share Premium	Accumulated Deficit	Accumulated Other Comprehensive Income	Equity Attributable to Owner of Varel	Noncontrolling Interests	Total Equity
Balance at December 31, 2025	1,000	463,873	(436,861)	8,852	35,864	(4,381)	31,483
Loss for the period	-	-	(10,014)	-	(10,014)	(48)	(10,062)
Other comprehensive income	-	-	-	338	338	-	338
Other	-	-	615	-	615	(145)	470
Balance at June 30, 2026	1,000	463,873	(446,260)	9,190	26,803	(4,574)	22,229

(in thousands of U.S. dollars)

	Shares Outstanding Amount *(par value $0.01)*	Share Premium	Accumulated Deficit	Accumulated Other Comprehensive Income	Equity Attributable to Owner of Varel	Noncontrolling Interests	Total Equity
Balance at December 31, 2024	**1,000**	**463,873**	**(412,148)**	**8,009**	**59,734**	**(3,196)**	**56,538**
Profit for the period	-	-	(4,735)	-	(4,735)	144	(4,591)
Other comprehensive loss	-	-	-	906	906	-	906
Acquisition of noncontrolling interes	-	-	-	-	-	-	-
Other	-	86	(127)	551	510	-	510
Balance at June 30, 2025	**1,000**	**$ 463,959**	**$ (417,010)**	**$ 9,466**	**$ 56,415**	**$ (3,052)**	**$ 53,363**

The accompanying notes are an integral part of these consolidated financial statements.

Varel Oil and Gas, Inc.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2026 and 2025

Varel Oil and Gas Inc. — Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

	Notes	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities			
Net profit (loss)		$ (10,062)	(4,591)
Adjustments to net income:			
Depreciation and amortization		3,720	5,038
Depreciation of right-of-use assets		990	1,260
Amortization of deferred financing costs		550	535
Change in provision for credit losses			256
(Gain) loss on sale of equipment		42	(9)
(Gain) loss on foreign currency		843	705
Deferred taxes		313	50
Net finance costs		6,208	6,691
Other		3,819	985
Changes in operating assets and liabilities:			
Decrease in trade receivables		1,148	402
Decrease (increase) in inventories		(3,200)	6,637
Decrease (increase) in other assets		3,175	(1,714)
Increase (decrease) in trade payables		3,984	(4,549)
Increase (decrease) in other liabilities		(4,784)	(2,820)
Cash generated from operating activities		6,745	8,876
Interest paid		(4,783)	(5,215)
Income taxes paid		(2,227)	-
Cash collateralized for Bank Guarantee		(7,553)	
Net cash (used in) provided by operating activities		**(7,818)**	**3,661**
Cash flows from investing activities			
Acquisition of property and equipment		(1,508)	(2,508)
Acquisition of Ace	(4)	-	(9,815)
Net cash used in investing activities		**(1,508)**	**(12,323)**
Cash flows from financing activities			
Proceeds from long-term borrowings		6,500	-
Repayments of long-term borrowings	(5)	(1,343)	(116)
Payments of lease liabilities		(871)	(1,116)
Deferred financing costs		(1,040)	(302)
Bond premium			-
Acquisition of noncontrolling interest		(929)	-
Net cash provided by (used in) financing activities		**2,317**	**(1,534)**
Effect of exchange rate changes on cash		(28)	(86)
Net change in cash and cash equivalents		**(7,037)**	**(10,282)**
Cash and cash equivalents			
Beginning of year		23,058	24,957
End of period		16,021	14,675

The accompanying notes are an integral part of these consolidated financial statements.

(tables in thousands of U.S. dollars, except for share and per share amounts)

1. Nature of Operations

Varel Oil and Gas, Inc. ("Varel" or the "Company") was founded in 2019 as a Delaware corporation domiciled in the United States of America ("U.S."). The Company is a wholly owned subsidiary of Varel Oil and Gas Intermediate Holdings, Inc. ("Parent" or "VOGIH"), which is also incorporated and domiciled in the United States. The Parent is a wholly owned subsidiary of Varel Oil and Gas Holdings, Inc. ("Ultimate Parent"), which is also incorporated and domiciled in the United States

Varel primarily designs, manufactures, and supplies products and solutions to the drilling, well construction, cementing, completion, and downhole technology sectors within the energy industry. The Company provides both product sales and rental solutions and serves customers globally across key markets in North America, Latin America, Europe, Asia, and the Middle East.

2. Summary of Material Accounting Policies

Basis of Presentation

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB").

The interim report does not include all of the information and disclosures required for a complete set of annual consolidated financial statements and should be read in conjunction with the Company's Annual Report for the year ended December 31, 2025. The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2025.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The interim financial statements are unaudited.

The Annual Report for 2025 is available at www.varel.com

3. Judgments, Estimates and Assumptions

In applying the Company's accounting policies, management makes judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The preparation of condensed consolidated interim financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, expenses, and related disclosures. Actual results may differ from these estimates. Significant estimates and judgments are reviewed on an ongoing basis, and changes are recognized prospectively as appropriate.

(tables in thousands of U.S. dollars, except for share and per share amounts)

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the consolidated financial statements as of and for the year ended December 31, 2025. These estimates and judgments include, but are not limited to, impairment assessments of long-lived assets and goodwill, inventory valuation, income taxes, lease accounting, and the determination of useful lives for property, plant and equipment and intangible assets. For additional information, refer to the Company's Annual Report for the year ended December 31, 2025.

4. Acquisitions

The Company completed the acquisition of Ace Well Technology AS ("Ace Well") and its wholly owned subsidiary Ace Distribution and Services US Inc. (collectively, "Ace") on January 3, 2025. Ace develops, produces, and sells tools and solutions related to downhole technology for the oil and gas industry. The acquisition was accounted for as a business combination in accordance with IFRS 3, Business Combinations.

The preliminary purchase price allocation, goodwill recognized, identifiable intangible assets acquired, and related disclosures associated with the Ace acquisition are disclosed in the Company's consolidated financial statements for the year ended December 31, 2025. Accordingly, no acquisition-related amounts have been recognized in these condensed consolidated interim financial statements for the six months ended June 30, 2026.

5. Borrowings

Nordic Bonds

On April 8, 2024, the Company entered into an agreement to issue a series of bonds ("Nordic Bonds") of up to $90.0 million. The initial issuance consisted of $60.0 million of senior secured bonds bearing interest at 12.25% per annum and maturing on April 7, 2028. Interest is payable semi-annually in April and October. The Nordic Bonds are guaranteed by the Parent and certain subsidiaries in accordance with the Nordic Bond Terms. On December 11, 2024, the Company completed a $12.0 million tap issue under the Nordic Bond Terms. The proceeds of the tap issue were used to fund the acquisition of Ace Well Technology AS and Ace Distribution and Services US Inc.

As of June 30, 2026 and December 31, 2025, $72.0 million of Nordic Bonds were outstanding with the remaining $18.0 million available for future issuances.

In connection with the Nordic Bonds issuance, the Company recognized $4.0 million in deferred financing costs to be amortized over the life of the Nordic Bonds. As of June 30, 2026 and December 31, 2025, approximately $2.9 million and $2.5 million of unamortized deferred financing costs were included as a reduction to Borrowings on the Consolidated Statements of Financial Position. For the three and six months ended June 30, 2026, $0.3 million and $0.6 million of amortized debt issuance costs related to the Nordic Bonds was included in interest expense. For the three and six months ended June 30, 2025, $0.3 million and $0.5 million of amortized debt issuance costs related to the Nordic Bonds was included in interest expense.

(tables in thousands of U.S. dollars, except for share and per share amounts)

Nordic Bond Covenants

Under the terms of the Nordic Bonds Agreement, the Company has certain financial covenant requirements, including maintaining a certain leverage ratio. On June 26, 2026, the covenant requirements were amended, adjusting the required leverage ratios as follows:

Period Ending	Maximum Leverage Ratio
June 30, 2026	3.50:1.00
September 30, 2026	3.25:1.00
December 31, 2026	3.00:1.00
March 31, 2027 and thereafter	2.50:1.00

Other covenant requirements include restriction on issuance of dividends or distributions by the Company and limitations on other indebtedness. The Company may not acquire or dispose of any entity that would have material adverse effect on the Company. The Company must also maintain a minimum balance of $5 million of cash and cash equivalents. The Company was in compliance with the covenant requirements as of June 30, 2026.

Other Facilities

On July 25, 2022, Sledgehammer Oil Tools Private Ltd. ("SOTPL") entered into a working capital facility permitting borrowings of up to INR 500 million (approximately $6 million). Depending on the purpose of the borrowing, interest is based on either SOFR plus an applicable margin or the marginal cost of funds-based lending rate ("MCLR") plus an applicable margin. As of June 30, 2026, the outstanding balance under the facility was approximately $2.9 million, compared with approximately $4.3 million at December 31, 2025, reflecting repayments made during the first half of 2026.

6. Revenue

We disaggregate our revenue from customers by product type and geographic region as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Revenue by product type was as follows:

Dollars in thousands

Revenue by Product Type

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Completion	5,497	7,321	10,489	13,120
Primary Cementing Equipment	15,204	19,746	31,827	39,367
Polycrystalline Diamond Compact	6,619	9,864	12,400	19,190
Roller Cones	6,849	14,004	13,028	28,079
Total revenue	**34,169**	**50,935**	**67,744**	**99,756**

(tables in thousands of U.S. dollars, except for share and per share amounts)

Revenue by geographic region was as follows:

Dollars in thousands

Revenue by Geographic Location

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
United States (US)	12,188	21,091	22,387	40,477
Middle East and North Africa (MENA)	10,138	11,110	20,870	21,776
Kingdom of Saudi Arabia (KSA)	6,698	11,825	14,109	25,297
Europe	2,865	4,254	6,414	6,279
Asia	1,217	939	1,851	2,793
Commonwealth of Independent States (CIS)	140	592	281	1,116
Latin America (LATAM)	737	712	1,445	1,244
Canada	186	412	387	774
Total revenue	**34,169**	**50,935**	**67,744**	**99,756**

7. Segment Information

Reportable segment assets are based on the physical location of the asset. Noncurrent assets by geographic location were as follows:

Dollars in thousands	June 30, 2026	December 31, 2025
United States (US)	18,076	13,618
Kingdom of Saudi Arabia (KSA)	737	826
Asia	20,029	21,750
Europe	9,413	9,033
Latin America (LATAM)	8,900	8,979
Other	1,222	2,738
Total noncurrent assets	**58,377**	**56,944**

8. Subsequent Events

No events have occurred after the reporting date, that are of significant impact to the Company's financial position or results of operations.