Q2 2026

Unaudited Financial Report

BEYOND TECHNOLOGY • BEYOND NORMAL

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EXECUTIVE SUMMARY

Profitability

$9.2m adjusted EBITDA YTD Q2 2026

$20.5m adjusted EBITDA LTM Q2 2026

Cash

Cash / Cash equivalents of $16m as of Q2 2026

Net debt of $64.9m; Net Leverage of 3.32x

Operations

Successful field trials in KSA with AQUEOUS 15K Gas tight valves

Completed designs of 10-5/8” and 12 -1/4” mining bits

Gained completions drill bits market share in Middle East

Proactively completed bond amendment with noteholder support, aligning covenant levels with the contracted recovery in second-half 2026 activity

Letter from CEO

Derek Nixon
Chief Executive Officer

I am pleased to provide this CEO Statement following the second quarter of 2026. While market conditions remained challenging during the first half of the year, I remain proud of the dedication demonstrated by our approximately 1,100 employees around the world. Our teams have continued to execute with discipline, support our customers, and operate safely despite an uncertain macroeconomic and geopolitical environment. During the first six months of 2026, we delivered revenue of $67.7 million and generated Adjusted EBITDA of approximately $9.2 million. Importantly, revenue stabilized on a sequential basis, increasing from $33.6 million in the first quarter to $34.2 million in the second quarter, and the momentum in our contracted order book gives us confidence in a materially stronger second half.

Based on the open order book of $62 million, we currently forecast full-year 2026 Adjusted EBITDA of approximately $26 million.
Substantially all of the work required to support second-half deliveries is already under contract, which provides a high degree of visibility into the remainder of the year. The expected improvement is driven by the ramp-up of the Kuwait Oil Company contract, continued strength across our Middle East operations, which together with Saudi Arabia represented more than 40% of second-quarter revenue, and the full-period benefit of cost actions taken during the summer.
Delivery of this forecast would also support meaningful deleveraging from the 3.32x net leverage reported at June 30, 2026.

Cost discipline remained a central focus during the period. Selling, general and administrative expenses ran above our internal plan during the first half of the year relative to activity levels, and we responded decisively: in June and July we implemented a series of cost reductions designed to bring our overhead structure in line with current revenue.

These actions, together with broader operational efficiency and supply chain initiatives across our manufacturing footprint, are expected to deliver meaningful benefit in the second half of 2026 and to lower our structural cost base entering 2027.

The second quarter continued to reinforce our confidence in the long-term positioning of the business. Activity levels across several of our key international markets remained constructive, particularly in the Middle East, where customer engagement, drilling activity, and bidding opportunities continue to support our commercial outlook. Our relationships with national oil companies and leading oilfield service providers remain exceptionally strong, and during the quarter we continued to advance strategic opportunities in Saudi Arabia, Kuwait, and the UAE. The Kuwait Oil Company contract award represents an important milestone and further validates the strength of our technology and customer relationships.

At the same time, geopolitical uncertainty across the Middle East continued to create operational complexity and supply chain challenges. Despite these conditions, our teams responded with professionalism and agility to maintain continuity of operations and support our customers. Our manufacturing, supply chain, operations, and customer service teams worked collaboratively to manage logistics challenges, execute customer deliveries, and support business growth opportunities.

As we move through the remainder of 2026, our priorities remain unchanged: protecting our people, serving our customers with excellence, maintaining financial discipline, delivering the contracted work that underpins our full-year outlook, and positioning the business for sustainable long-term growth.

Finally, I want to reaffirm that safety remains our highest priority. Our commitment to maintaining a safe workplace and protecting our employees continues to be at the center of everything we do.

VAREL ENERGY SOLUTIONS

CFO FINANCIAL STATEMENT

Operating Performance:

The consolidated income statement is shown on page 3 to these financial statements. Revenue was $34.2m and $50.9m for the three months ended June 30, 2026 and June 30, 2025, respectively.

Adjusted EBITDA was $4.1m and $6.2m for the quarters ended June 30, 2026 and 2025, respectively. A reconciliation between net profit per these financial statements and Adjusted EBITDA is set out below.

	Three Months Ended		Six Months Ended		LTM Ended
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026
Net profit (loss)	$ (5,667)	$ (2,757)	$ (10,062)	$ (4,591)	$ (31,171)
Provision (benefit) for income taxes	781	880	1,374	1,847	3,621
Interest expense	3,165	3,921	6,634	7,225	13,386
Depreciation and amortization	2,337	3,139	4,713	6,300	10,545
Transaction cost (debt)	-	231	-	1,064	3
Inventory impairment	-	-	-	-	11,150
Other non-cash items	2,740	(489)	4,587	2,740	9,253
EBITDA	3,357	4,925	7,246	14,585	16,787
Adjustments for the effects of:					
Restructuring & Severance	109	181	416	683	1,360
Other	597	1,044	1,515	1,865	2,356
Adjusted EBITDA	$ 4,063	$ 6,150	$ 9,177	$ 17,133	$ 20,503

Cashflow and Debt:

The consolidated statement of cash flows is shown on page 5 of the financial statements. An analysis of the net debt for the quarter ending June 30, 2026, is set out below, with leverage at 3.32x.

Leverage Ratio Table

(in thousands of dollars)	June 30, 2026
Nordic Bonds	$ (72,000)
Loan-Revolver	(2,858)
Right of Use Liabilities	(6,095)
Cash	16,021
Net Debt as of June 30, 2026	$ (64,932)
Adjusted EBITDA TTM Q2 2026	$ 19,559 *
Leverage	3.32x

* one-off non-recurring items restricted to 10% for debt leverage

FINANCIAL STATEMENTS

Consolidated Unaudited Profit and Loss

(in thousands of dollars)	Three Months Ended June 30 2026	Three Months Ended June 30 2025	Percent Change	Six Months Ended June 30 2026	Six Months Ended June 30 2025	Percent Change	LTM
Revenue	$ 34,169	$ 50,935	-33%	$ 67,744	$ 99,756	-32%	$ 151,528
Cost of revenue	(19,537)	(31,982)	-39%	(39,045)	(60,786)	-36%	(90,463)
Gross profit	14,632	18,953	-23%	28,699	38,970	-26%	61,065
Selling, general and administrative expenses	(13,781)	(14,102)	-2%	(25,576)	(28,303)	-10%	(51,976)
Operating profit	851	4,851	-82%	3,123	10,667	-71%	9,089
Other income	(234)	563	-142%	(463)	1,178	-139%	(1,555)
Add: Add-backs	3,446	736	368%	6,518	5,288	23%	12,969
Adjusted EBITDA	4,063	6,150	-34%	9,177	17,133	-46%	20,503
Less: Add-backs	(3,446)	(736)	368%	(6,518)	(5,288)	23%	(12,969)
Inventory Impairment					-		(11,150)
Transaction cost (debt)	-	(231)	-100%	-	(1,064)	-100%	(3)
Depreciation	(2,337)	(3,139)	-26%	(4,713)	(6,300)	-25%	(10,545)
Finance costs	(3,165)	(3,921)	-19%	(6,634)	(7,225)	-8%	(13,386)
Income tax expense	(781)	(880)	-11%	(1,374)	(1,847)	-26%	(3,621)
Net profit (loss)	(5,667)	(2,757)	106%	$ (10,062)	$ (4,591)	119%	$ (31,171)

FINANCIAL STATEMENTS

Consolidated Unaudited Balance Sheets

(in thousands of dollars)	Jun. 30, 2026	Dec. 31, 2025
Assets		
Current assets		
Cash and cash equivalents	$ 16,021	$ 23,058
Trade receivables, net	27,029	34,846
Inventories, net	51,029	44,279
Income tax receivable	193	198
Other current assets	14,137	13,839
Total current assets	108,409	116,220
Noncurrent assets		
Property, Plant and Equipment, net	19,982	22,078
Right-of-use assets, net	3,242	4,218
Intangibles, net	11,554	12,518
Goodwill	10,284	10,666
Investments in affiliates	3,220	3,391
Deferred tax receivable	2,542	2,837
Other assets	-	1,236
Restricted cash	7,553	-
Total noncurrent assets	58,377	56,944
Total assets	$ 166,786	$ 173,164

	Jun. 30, 2026	Dec. 31, 2025
Liabilities		
Current liabilities		
Trade payables	$ 20,741	$ 15,999
Income tax payable	3,171	6,316
Accrued liabilities	2,131	1,724
Provisions	-	-
Other current liabilities	6,757	7,590
Current portion of borrowings	31,103	25,683
Current portion of lease liabilities	1,537	1,701
Total current liabilities	65,440	59,013
Noncurrent liabilities		
Borrowings	70,429	70,278
Lease liabilities	4,558	5,262
Deferred tax liabilities	1,322	1,362
Other liabilities	2,808	5,766
Total noncurrent liabilities	79,117	82,668
Total liabilities	144,557	141,681
Equity		
Total equity	22,229	31,483
Total shareholders' equity and liabilities	$ 166,786	$ 173,164

FINANCIAL STATEMENTS

Consolidated Unaudited Cash Flow

Cash used in operating activities of $7.8 million for the six months ended June 30, 2026 was primarily driven by the $7.6 million cash collateralized in support of bank guarantees, $4.8 million of interest payments, $2.2 million of income tax payments, and increased inventory to support faster lead-times. These uses of cash were partially offset by strong collections, favorable trade payable movements, and reductions in other operating assets.

Cash used in investing activities of $1.5 million for the six months ended June 30, 2026 was related to capital expenditures. During the six months ended June 30, 2025, cash used in investing activities was primarily related to the acquisition of Ace Well Technology.

Financing activities provided $2.3 million of cash during the six months ended June 30, 2026, compared to cash used of $1.5 million during the six months ended June 30, 2025. The increase was primarily driven by the $6.5 million shareholder-supported borrowing, partially offset by repayments of long-term borrowings, lease liability payments, debt issuance costs, and the acquisition of the remaining non-controlling interest.

Condensed Consolidated Statements of Cash Flow (Unaudited)

	Six Months Ended June 30	
(in thousands of dollars)	**2026**	**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	-	(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	(1,343)	(116)
Payments of lease liabilities	(871)	(1,116)
Deferred financing costs	(1,040)	(302)
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
Cash and cash equivalents, end of period	**$16,021**	**$14,675**

FURTHER INFORMATION

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VAREL ENERGY SOLUTIONS

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