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PRESS RELEASE

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FOR IMMEDIATE RELEASE

May 18, 2022

VELAN INC. REPORTS STRONG FOURTH QUARTER AND FISCAL YEAR 2021/22 FINANCIAL RESULTS AND REINSTATES DIVIDEND

MONTREAL, QUEBEC

Velan Inc. (TSX: VLN) (the "Company"), a world-leading manufacturer of industrial valves, announced today its financial results for its fiscal year and fourth quarter ended February 28, 2022.

Highlights:

- Sales for the quarter amounted to $124.8 million, an increase of 39.3 million or 46.0% compared to last year.
- Gross profit for the quarter of $47.7 million, an increase of $24.7 million or 106.8% from the previous year. The gross profit percentage for the quarter increased by 1,120 basis points from 27.0% to 38.2%. The gross profit increase is first and foremost driven by the significantly increased sales volume.
- The Company declared an eligible quarterly dividend of CA$0.03 per share based on its strong cash position at the end of the quarter.
- EBITDA[2] of $16.6 million for the quarter, an increase of $14.9 million or 906.8%. The improved results were achieved despite receiving $2.3 million less Canada Emergency Wage Subsidies («CEWS»).
- Net loss[1] of $25.6 million for the quarter compared to a net income[1] of $0.3 million last year. Adjusted net income[2] of $7.0 million before a $32.6 million non-cash tax adjustment to derecognize a portion of the Company's deferred tax asset.
- Net new orders ("bookings")[2] of $77.1 million for the quarter, a decrease of $3.8 million or 4.7% compared to the previous fiscal quarter.
- Order backlog[2] of $501.2 million at the end of the fiscal year, of which 64.2% of orders are deliverable within the next 12 months. Prior year order backlog totaled $562.5 million and included 60.2% of orders deliverable in the next 12 months.
- During the fiscal year, the Company used its net cash to reduce its debt load, consisting of bank indebtedness and long-term debt, by more than half from $69.8 million to $31.6 million. The Company's net cash amounted to $53.5 million at the end of the quarter, a decrease of $9.5 million or 15.1% compared to the previous fiscal year.

Bruno Carbonaro, CEO and President of Velan Inc., said, "The results Velan achieved this year are strong. We are entering a new phase in the company's evolution. Our sales levels returned this year to our 2016 performance levels, which spurred a significant improvement in our gross profit of 32.8% and our EBITDA, which more than doubled to $39.6 million. Our backlog reduced but remains healthy at $501.2 million. The company also reduced its debt load by more than half. All these items illustrate that Velan has emerged stronger from the pandemic. We managed short term setbacks while consolidating our strengths, corrected structural issues and built a strong leadership team, which is prepared to take the next step. Finally, I would like to announce that Rishi Sharma will start as CFO of Velan on May 23, 2022 and take the opportunity to thank Benoit Alain, our soon to be former CFO, who has executed the transition perfectly."

Financial Highlights

	Three-month periods ended		Fiscal years ended	
(thousands of U.S. dollars, excluding per share amounts)	**February 28, 2022**	**February 28, 2021**	**February 28, 2022**	**February 28, 2021**
Sales	$124,849	$85,510	$411,242	$302,063
Gross profit	47,723	23,072	134,969	80,539
Gross profit %	38.2%	27.0%	32.8%	26.7%
Net income (loss)[1]	(25,590)	338	(21,141)	2,867
Net income (loss)[1] per share – basic and diluted	(1.19)	0.02	(0.98)	0.13
Adjusted net income[1]	7,013	338	11,462	2,867
Adjusted net income[1] per share – basic and diluted	0.32	0.02	0.53	0.13
EBITDA[2]	16,592	1,648	39,599	15,573
EBITDA[2] per share – basic and diluted	0.77	0.08	1.83	0.72

Fourth Quarter Fiscal 2022 (unless otherwise noted, all amounts are in U.S. dollars and all comparisons are to the fourth quarter of fiscal 2021):

- Sales for the quarter amounted to $124.8 million, an increase of $39.3 million or 46.0%. Sales for the quarter were positively impacted by increased shipments by the Company's North American, French and Italian operations of large orders recorded in the previous fiscal year, primarily destined for the petrochemical, nuclear and oil and gas markets respectively. The Company's sales were also positively impacted by a revaluation of its provision for performance guarantees of $8.8 million. Additionally, the positive trend in terms of quarterly MRO sales continued this quarter due to the higher bookings[1] of such orders in the first half of the current fiscal year. This positive trend has allowed the Company's quarterly sales to build momentum as the year progressed.
- Bookings[2] for the quarter amounted to $77.1 million, a decrease of $3.8 million or 4.7%. This decrease for the quarter is primarily attributable to lower bookings[2] in the Company's European subsidiaries, primarily in the nuclear market, partially offset by a strong booking performance in the Company's North American operations, notably in terms of MRO orders.
- Gross profit for the quarter amounted to $47.7 million, an increase of $24.7 million or 106.8%. The gross profit percentage for the quarter of 38.2% was an increase of 1,120 basis points compared to last year's final quarter. The improvement in gross profit for the quarter is primarily attributable to the higher sales volume, which helped to cover the Company's fixed production overhead costs more efficiently. The Company's improved margins are also stemming from the delivery of a product mix with a greater proportion of higher margin product sales as well as margin improvement activities implemented over the course of the past fiscal years within the scope of the V20 restructuring and transformation plan. The gross profit also benefited from a positive revaluation of the Company's provision for performance guarantees of $8.8 million for the quarter. Finally, the increase in gross profit percentage was such that it could more than offset the impact of a lower amount of CEWS of $1.3 million for the quarter compared to last year. The subsidies are allocated between cost of sales and administration costs.

- Administration costs for the quarter amounted to $38.8 million, an increase of $14.7 million or 60.7%. The increase in administration costs for the quarter is primarily attributable to a non-recurring $13.1 million increase in the costs related to the Company's ongoing asbestos litigation in order to revise, based on new estimates, the assessment of the provision that would account for all outstanding litigations rather than only settled amounts. The increase is also attributable to a general increase in administration expenses, such as travel expenses, marketing and office maintenance costs that significantly decreased when the global pandemic broke out in 2020 and an increase in sales commissions for the quarter due to the higher sales volume. Finally, the increase in administration costs is also attributable to a decrease of $1.0 million for the quarter of CEWS compared to last year. The subsidies are allocated between cost of sales and administration costs.
- Net loss[1] for the quarter amounted to $25.6 million or $1.19 per share compared to a net income of $0.3 million or $0.02 per share last year. The net loss[1] for the quarter was significantly impacted by a $32.6 million non-cash tax adjustment to derecognize a portion of the Company's deferred tax asset. Excluding this non-cash tax adjustment, the Company's adjusted net income[2] for the quarter amounted to $7.0 million or $0.32 per share. EBITDA[2] for the quarter amounted to $16.6 million or $0.77 per share compared to $1.6 million or $0.08 per share last year. The increase in EBITDA[2] for the quarter is primarily due to an increase in gross profit, for the reasons mentioned previously, and a $4.6 million non-recurring net gain, after minority interests, on the disposal of the Company's investment in Juwon Special Steel Co. Ltd. in the fourth quarter of the current fiscal year. The improvement was also due to the absence of restructuring and transformation costs which totaled $1.3 million in the final quarter of the previous year. This improvement in EBITDA[2] was partially offset by an increase in administration costs as explained previously. The movement in the Company's adjusted net income[2] for the quarter was primarily attributable to the same factors as explained above, coupled with an unfavorable movement in income taxes.

Year ended Fiscal 2022 (unless otherwise noted, all amounts are in U.S. dollars and all comparisons are to the prior fiscal year):

- Sales for the fiscal year amounted to $411.2 million, an increase of $109.2 million or 36.1%. Sales for the year were positively impacted by increased shipments by the Company's North American, French and Italian operations of large orders recorded in the previous fiscal year, primarily destined for the petrochemical, nuclear and oil and gas markets respectively. The Company's sales were also positively impacted by a revaluation of its provision for performance guarantees of $13.2 million for the fiscal year.
- Bookings[2] for the fiscal year amounted to $363.5 million, a decrease of $63.1 million or 14.8%. The decrease for the fiscal year is primarily attributable to lower bookings[2] in the Company's French and Italian operations, which both recorded significant nuclear and downstream oil and gas orders in the previous year. This decrease was partially offset by a significantly higher amount of MRO orders recorded by the Company's North American operations in the current fiscal year. The Company is encouraged by the recovery of its MRO order bookings[2], which were severely impacted by the global pandemic at the end of the prior fiscal year, and ultimately adversely affected the sales of the latter part of the previous fiscal year and the first half of the current fiscal year.
- As a result of sales outpacing bookings[2] in the fiscal year, the Company's book-to-bill ratio[2] was 0.88 for the year. Furthermore, the total backlog[2] decreased by $61.3 million or 10.9% since the beginning of the fiscal year, amounting to $501.2 million as at February 28, 2022. The reduction of the backlog[2] is primarily due to a book-to-bill ratio[2] below 1.00 combined with the weakening of the euro spot rate against the U.S. dollar since the beginning of the fiscal year. Alternatively, the Company's backlog[2] deliverable within a year is at a similar level than last year.
- Gross profit for the fiscal year amounted to $135.0 million, an increase of $54.4 million or 67.6%. The gross profit of 32.8% represented an increase of 610 basis points compared to last year. The improvement in gross profit for the year is primarily attributable to the higher sales volume, which helped to cover the Company's fixed production overhead costs more efficiently. The Company's improved margins are also stemming from the delivery of a product mix with a greater proportion of higher margin product sales as well as margin improvement activities implemented over the course of the past fiscal years within the scope of the V20 restructuring and

transformation plan. The gross profit also benefited from a positive revaluation of the Company's provision for performance guarantees of $13.2 million for the fiscal year. Additionally, the Company's gross profit for the fiscal year benefited from $6.1 million of favorable foreign exchange movements which were primarily made up of unrealized foreign exchange translations related to the fluctuation of the U.S. dollar against the euro and the Canadian dollar when compared to similar movements from the previous year. Finally, the increase in gross profit percentage was such that it could more than offset the impact of a lower amount of CEWS of $5.9 million for the fiscal year compared to last year. The subsidies are allocated between cost of sales and administration costs.

- Administration costs for the year amounted to $113.0 million, an increase of $32.9 million or 41.1%. The increase in administration costs for the year is primarily attributable to a non-recurring $13.1 million increase in the costs related to the Company's ongoing asbestos litigation in order to revise, based on new estimates, the assessment of the provision that would account for all outstanding litigations rather than only settled amounts. The increase is also attributable to a general increase in administration expenses, such as travel expenses, marketing and office maintenance costs that significantly decreased when the global pandemic broke out in 2020 and an increase in sales commissions for the year due to the higher sales volume. Finally, the increase in administration costs is also attributable to a decrease of $4.7 million for the year of CEWS compared to last year. The subsidies are allocated between cost of sales and administration costs.
- Net loss[1] for the year amounted to $21.1 million or $0.98 per share compared to a net income[1] of $2.9 million or $0.13 per share last year. The net loss[1] for the year was significantly impacted by a $32.6 million non-cash tax adjustment to derecognize a portion of the Company's deferred tax asset. Excluding this non-cash tax adjustment, the Company's adjusted net income[2] for the year amounted to $11.5 million or $0.53 per share. EBITDA[2] for the year amounted to $39.6 million or $1.83 per share compared to $15.6 million or $0.72 per share last year. The increase in EBITDA[2] for the year is primarily due to an increase in gross profit, for the reasons mentioned previously, and a $4.6 million non-recurring net gain, after minority interests, on the disposal of the Company's investment in Juwon Special Steel Co. Ltd. in the fourth quarter of the current fiscal year. The improvement was also due to a reduction in other expenses of $2.7 million for the fiscal year primarily due to land clean-up costs of a former factory incurred in the second quarter of the prior fiscal year. This increase in EBITDA[2] was partially offset by an increase in administration costs as explained previously as well as the absence of restructuring and transformation income which totaled $3.9 million in the previous year. The restructuring and transformation income in the prior fiscal year resulted primarily from a $9.6 million gain recognized on the disposal of one of the Company's Montreal plants, an integral part of the North American manufacturing footprint optimization plan which was planned in the scope of V20. The movement in the Company's adjusted net income[2] for the year was primarily attributable to the same factors as explained above, coupled with an unfavorable movement in income taxes.

Dividend

The Board declared an eligible quarterly dividend of CA$0.03 per share, payable on June 30, 2022, to all shareholders of record as at June 17, 2022.

Conference call

Financial analysts, shareholders, and other interested individuals are invited to attend the fourth quarter conference call to be held on Thursday, May 19, 2022, at 11:00 a.m. (EDT). The toll free call-in number is 1-877-337-6181, access code 22018746. Live content to support the discussion will be presented to participants at the following link for the duration of the call: https://cc.callinfo.com/r/1r2125b9wxrer&eom. A recording of this conference call will be available for seven days at 1-416-626-4100 or 1-800-558-5253, access code 22018746.

About Velan

Founded in Montreal in 1950, Velan Inc. (www.velan.com) is one of the world's leading manufacturers of industrial valves, with sales of US$411.2 million in its last reported fiscal year. The Company employs approximately 1,650 people and has manufacturing plants in 9 countries. Velan Inc. is a public company with its shares listed on the Toronto Stock Exchange under the symbol VLN.

Safe harbour statement

This news release may include forward-looking statements, which generally contain words like “should”, “believe”, “anticipate”, “plan”, “may”, “will”, “expect”, “intend”, “continue” or “estimate” or the negatives of these terms or variations of them or similar expressions, all of which are subject to risks and uncertainties, which are disclosed in the Company’s filings with the appropriate securities commissions. While these statements are based on management’s assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that it believes are reasonable and appropriate in the circumstances, no forward-looking statement can be guaranteed and actual future results may differ materially from those expressed herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise, except as required by the applicable securities laws. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Non-IFRS and supplementary financial measures

In this press release, the Company has presented measures of performance or financial condition which are not defined under IFRS (“non-IFRS measures”) and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are used by management in assessing the operating results and financial condition of the Company and are reconciled with the performance measures defined under IFRS. Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below and on the next page.

Adjusted net income and Earnings before interest, taxes, depreciation and amortization ("EBITDA")

	Three-month periods ended		Fiscal year ended	
(thousands, except amount per shares)	**February 28, 2022 $**	**February 28, 2021 $**	**February 28, 2022 $**	**February 28, 2021 $**
Net income (loss)[1]	(25,590)	338	(21,141)	2,867
Adjustment for:				
Derecognition of deferred tax assets	32,603	-	32,603	-
Adjusted net income	**7,013**	**338**	**11,462**	**2,867**
Adjusted net income per share				
- Basic and diluted	0.32	0.02	0.53	0.13
Adjustments for:				
Depreciation of property, plant and equipment	2,401	2,632	9,591	10,148
Amortization of intangible assets	753	646	2,318	2,514
Finance costs – net	725	343	2,400	866
Income taxes (excluding Derecognition of deferred tax asset)	5,700	(2,311)	13,828	(822)
EBITDA	**16,592**	**1,648**	**39,599**	**15,573**
EBITDA per share				
- Basic and diluted	0.77	0.08	1.83	0.72

The term “Adjusted net income” is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus de-recognition of deferred tax assets. The terms “Adjusted net income per share” is obtained by dividing Adjusted net income by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

The term “EBITDA” is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus depreciation of property, plant & equipment, plus amortization of intangible assets, plus net finance costs plus income tax provision. The terms “EBITDA per share” is obtained by dividing EBITDA by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Definitions of supplementary financial measures

The term “Net new orders” or “bookings” is defined as firm orders, net of cancellations, recorded by the Company during a period. Bookings are impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the Company’s sales operation performance for a given period as well as well as an expectation of future sales and cash flows to be achieved on these orders.

The term “backlog” is defined as the buildup of all outstanding bookings to be delivered by the Company. The Company’s backlog is impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the future operational challenges of the Company as well as an expectation of future sales and cash flows to be achieved on these orders.

The term “book-to-bill ratio” is obtained by dividing bookings by sales. The measure provides an indication of the Company’s performance and outlook for a given period.

The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

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[1] *Net earnings or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares*
[2] *Non-IFRS and supplementary financial measures – see explanation above*

Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	As at February 28, 2022 $	As at February 28, 2021 $
Assets		
Current assets		
Cash and cash equivalents	54,015	74,688
Short-term investments	8,726	285
Accounts receivable	115,834	135,373
Income taxes recoverable	2,955	3,798
Inventories	223,198	204,161
Deposits and prepaid expenses	6,877	8,670
Derivative assets	553	196
	412,158	427,171
Non-current assets		
Property, plant and equipment	73,906	96,327
Intangible assets and goodwill	16,693	17,319
Deferred income taxes	4,774	39,067
Other assets	897	949
	96,270	153,662
Total assets	508,428	580,833
Liabilities		
Current liabilities		
Bank indebtedness	550	11,735
Accounts payable and accrued liabilities	80,503	88,130
Income taxes payable	3,806	1,609
Customer deposits	41,344	32,003
Provisions	18,444	32,225
Derivative liabilities	560	303
Current portion of long-term lease liabilities	1,360	1,578
Current portion of long-term debt	8,111	9,902
	154,678	177,485
Non-current liabilities		
Long-term lease liabilities	11,073	12,649
Long-term debt	22,927	48,189
Income taxes payable	1,244	1,410
Deferred income taxes	4,025	2,545
Customer deposits	30,139	30,080
Provisions	13,101	-
Other liabilities	5,731	8,254
	88,240	103,127
Total liabilities	242,918	280,612
Total equity	265,510	300,221
Total liabilities and equity	508,428	580,833

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Consolidated Statements of Income (loss)

(in thousands of U.S. dollars, excluding number of shares and per share amounts)

	Three-month periods ended		Fiscal years ended	
	February 28, 2022 $	**February 28, 2021 $**	**February 28, 2022 $**	**February 28, 2021 $**
Sales	124,849	85,510	411,242	302,063
Cost of sales	77,126	62,438	276,273	221,524
Gross profit	47,723	23,072	134,969	80,539
Administration costs	38,848	24,180	113,039	80,091
Gain on disposal of Juwon Special Steel Co. Ltd.	(16,108)	-	(16,108)	-
Restructuring and transformation	-	1,290	-	(3,930)
Other expense (income)	(2)	(398)	(538)	2,137
Operating profit	24,985	(2,000)	38,576	2,241
Finance income	25	462	392	1,037
Finance costs	(750)	(805)	(2,792)	(1,903)
Finance costs – net	(725)	(343)	(2,400)	(866)
Income (loss) before income taxes	24,260	(2,343)	36,176	1,375
Income tax expense (recovery)	38,303	(2,311)	46,431	(822)
Net income (loss) for the period	(14,043)	(32)	(10,255)	2,197
Net income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	**(25,590)**	**338**	**(21,141)**	**2,867**
Non-controlling interest	11,547	(370)	10,886	(670)
Net income (loss) for the period	(14,043)	(32)	(10,255)	2,197
Net income (loss) per Subordinate and Multiple Voting Share				
Basic and diluted	(1.19)	0.02	(0.98)	0.13

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Consolidated Statements of Comprehensive Income (Loss)

(in thousands of U.S. dollars)

	Three-month periods ended		Fiscal years ended	
	February 28, 2022 $	**February 28, 2021 $**	**February 28, 2022 $**	**February 28, 2021 $**
Comprehensive income (loss)				
Net income (loss) for the period	(14,043)	(32)	(10,255)	2,197
Other comprehensive income (loss)				
Foreign currency translation	(1,657)	1,864	(11,159)	13,163
Comprehensive income (loss)	(15,700)	1,832	(21,414)	15,360
Comprehensive income (loss) attributable to:				
Subordinate Voting Shares and Multiple Voting Shares	(27,253)	2,244	(32,260)	15,907
Non-controlling interest	11,553	(412)	10,846	(547)
Comprehensive income (loss)	(15,700)	1,832	(21,414)	15,360

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Consolidated Statements of Changes in Equity

(in thousands of U.S. dollars, excluding number of shares)

	Equity attributable to the Subordinate and Multiple Voting shareholders						
	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total	Non-controlling interest	**Total equity**
Balance - February 29, 2020	72,695	6,260	(34,047)	236,269	281,177	3,684	284,861
Net income (loss) for the period				2,867	2,867	(670)	2,197
Other comprehensive income	-	-	13,040	-	13,040	123	13,163
Comprehensive income (loss)	-	-	13,040	2,867	15,907	(547)	15,360
Balance - Ferbuary 28, 2021	72,695	6,260	(21,007)	239,136	297,084	3,137	300,221
Net income (loss) for the period				(21,141)	(21,141)	10,886	(10,255)
Other comprehensive loss	-	-	(11,119)	-	(11,119)	(40)	(11,159)
Comprehensive loss	-	-	(11,119)	(21,141)	(32,260)	10,846	(21,414)
Disposal of non-controlling interests	-	-	-	-	-	(12,454)	(12,454)
Dividends							
Non-controlling interest	-	-	-	-	-	(843)	(843)
Balance - February 28, 2022	72,695	6,260	(32,126)	217,995	264,824	686	265,510

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Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

	Three-month periods ended		Fiscal years ended	
	February 28, 2022 $	February 28, 2021 $	February 28, 2022 $	February 28, 2021 $
Cash flows from				
Operating activities				
Net income (loss) for the period	(14,043)	(32)	(10,255)	2,197
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities	34,177	(3,243)	45,152	(4,080)
Changes in non-cash working capital items	(12,258)	(13,570)	(17,029)	(7,212)
Cash provided (used) by operating activities	7,876	(16,845)	17,868	(9,095)
Investing activities				
Short-term investments	(7,022)	542	(8,708)	342
Additions to property, plant and equipment	(1,196)	(2,299)	(6,144)	(9,810)
Additions to intangible assets	(1,147)	(102)	(2,477)	(1,095)
Proceeds on disposal of property, plant and equipment	16,454	26	30,183	13,738
Proceeds on disposal of Juwon Steel Co. Ltd. net of cash disposal	(12,684)	-	(12,684)	-
Net change in other assets	(171)	152	(196)	(274)
Cash provided (used) by investing activities	(5,766)	(1,681)	(26)	2,901
Financing activities				
Dividends paid to Subordinate and Multiple Voting shareholders	-	-	-	(482)
Dividends paid to non-controlling interest	(843)	-	(843)	-
Short-term bank loans	(35)	(5,915)	-	(1,379)
Net change in revolving credit facility	(16,508)	11,334	(22,132)	22,132
Increase in long-term debt	1,985	3,890	7,874	18,195
Repayment of long-term debt	(654)	(712)	(6,722)	(3,643)
Repayment of long-term lease liabilities	(412)	(440)	(1,696)	(1,724)
Cash provided (used) by financing activities	(16,467)	8,157	(23,519)	33,099
Effect of exchange rate differences on cash	(159)	302	(3,811)	5,038
Net change in cash during the period	(14,516)	(10,067)	(9,488)	31,943
Net cash – Beginning of the period	67,981	73,020	62,953	31,010
Net cash – End of the period	53,465	62,953	53,465	62,953
Net cash is composed of:				
Cash and cash equivalents	54,015	74,688	54,015	74,688
Bank indebtedness	(550)	(11,735)	(550)	(11,735)
Net cash – End of the period	53,465	62,953	53,465	62,953
Supplementary information				
Interest paid	(149)	(22)	(1,509)	(967)
Income taxes paid	(927)	(1,209)	(4,293)	(6,757)