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PRESS RELEASE**FOR IMMEDIATE RELEASE**

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VELAN INC. REPORTS ITS FIRST QUARTER 2018/19 FINANCIAL RESULTS**MONTREAL, QUEBEC**

Velan Inc. (TSX: VLN) (the “Company”), a world-leading manufacturer of industrial valves, announced today its financial results for its first quarter ended May 31, 2018.

Highlights

- Sales of US\$77.9 million for the quarter
- Net loss¹ of US\$3.7 million for the quarter
- Net new orders (“Bookings”) of US\$86.2 million for the quarter
- Order backlog of US\$459.9 million at the end of the quarter, of which US\$164.8 million is scheduled for delivery beyond the next 12 months
- Net cash² of US\$47.9 million at the end of the quarter

	Three-month periods ended	
	May 31, 2018	May 31, 2017
<i>(millions of U.S. dollars, excluding per share amounts)</i>		
Sales	\$77.9	\$71.1
Gross Profit	17.7	13.5
Gross profit %	22.7%	19.0%
EBITDA ²	(1.5)	(2.5)
EBITDA ² per share – basic and diluted	(0.07)	(0.12)
Net earnings (loss) ¹	(3.7)	(4.3)
Net earnings (loss) ¹ per share – basic and diluted	(0.17)	(0.20)

First Quarter Fiscal 2019 (unless otherwise noted, all amounts are in U.S. dollars and all comparisons are to the first quarter of fiscal 2018):

- Sales amounted to \$77.9 million, an increase of \$6.8 million or 9.6% from the prior year. Sales were positively impacted by an increase in shipments in the Company’s North American, French and Italian operations. Despite the higher sales volume for the quarter, delays in shipments of certain large project orders caused by various customer-related, supply chain and internal operational issues continued to be an issue. Fierce competition continues to have a negative impact in most of the Company’s markets which increased the importance for the Company to target discrete market segments where its engineering know-how and agile design capabilities can be a leverage for future growth.



- Bookings amounted to \$86.2 million, an increase of \$14.0 million or 19.5% compared to last year. This increase is due primarily to higher orders booked by the Company's North American and Italian subsidiaries, particularly in the oil and gas sector. The Company also noted an increase in non-project valve orders in the current quarter.
- The Company ended the period with a backlog of \$459.9 million, a decrease of \$4.6 million or 1.0% since the beginning of the current fiscal year. Despite a positive book-to-bill ratio of 1.11 in the quarter, the decrease in backlog is primarily attributable to the weakening of the euro spot rate against the U.S. dollar over the course of the current quarter.
- Gross profit percentage increased by 370 basis points from 19.0% to 22.7%. The increase in the gross profit percentage is mainly attributable to the higher sales volume as well as a product mix with a higher proportion of higher margin product sales, such as spare parts and cost items. However, the continued pressure on pricing continues to cause an erosion of the Company's margins, particularly in its North American operations.
- Administration costs amounted to \$22.3 million, an increase of \$3.2 million or 16.8% compared to last year. The increase is primarily attributable to the planned investment in sales force, engineering and information technology expenses as well as increased costs for freight to customers.
- EBITDA¹ amounted to a negative balance of \$1.5 million or \$0.07 per share compared to a negative balance of \$2.5 million or \$0.12 per share last year. The \$1.0 million improvement in EBITDA¹ is primarily attributable to a higher sales volume and a higher gross profit percentage.
- Net loss¹ amounted to \$3.7 million or \$0.17 per share compared to \$4.3 million or \$0.20 per share last year. Despite a higher sales volume and improved margins, continued weakness in the Company's North American operations dragged down its overall results, highlighting the need to accelerate its global cost reduction and transformation initiatives.
- The Company ended the quarter with net cash¹ of \$47.9 million, a decrease of \$13.1 million or 21.5% since the beginning of the current fiscal year. This decrease is primarily attributable to negative non-cash working capital movements of \$6.2 million, dividend payments to shareholders and non-controlling interests of \$2.5 million, and additions of property, plant and equipment of \$2.0 million. Net cash¹ was also negatively impacted by the weakening of the euro spot rate against the U.S. dollar over the course of the current quarter.
- Foreign currency impacts:
 - Based on average exchange rates, the Euro strengthened 12.2% against the U.S. dollar when compared to the same period last year. This strengthening resulted in the Company's net profits and bookings from its European subsidiaries being reported as higher U.S. dollar amounts in the current quarter.
 - Based on average exchange rates, the Canadian dollar strengthened 4.9% against the U.S. dollar when compared to the same period last year. This strengthening resulted in the Company's Canadian dollar expenses being reported as higher U.S. dollar amounts in the current quarter.
 - The net impact of the above currency swings was not significant on the Company's net loss².

"While we had a slight improvement in quarterly sales and margin over last year, as well as a positive book-to-bill ratio, we fully acknowledge the need to transform our business model and return to bottom line profitability, which is an ongoing process," said John Ball, CFO of Velan Inc. "We are also placing renewed emphasis on treasury and working capital conservation as we manage through this challenging period."

Yves Leduc, President and CEO of Velan Inc., said, "We believe our strategic direction is right and have been laying the foundation for the future in the midst of a shifting business environment. We are reducing complexity where it hinders our ability to drive improvements, as we sharpen our focus on products and markets with greater margins. As I stated in May, we are working to make important changes to improve our operating results."

Dividend

The Board declared an eligible quarterly dividend of CDN\$0.03 per share, payable on September 28, 2018, to all shareholders of record as at September 14, 2018.



Conference call

Financial analysts, shareholders, and other interested individuals are invited to attend the first quarter conference call to be held on Thursday, July 12, 2018, at 4:30 p.m. (EDT). The toll free call-in number is 1-800-672-0241, access code 21892120. A recording of this conference call will be available for seven days at 1-416-626-4100 or 1-800-558-5253, access code 21892120.

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\$338 million in its last reported fiscal year. The Company employs over 1,800 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 measures

In this press release, the Company presented measures of performance and financial condition that are not defined under International Financial Reporting Standards ("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. In addition, they provide readers of the Company's consolidated financial statements with enhanced understanding of its results and financial condition, and increase transparency and clarity into the operating results of its core business.

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. Refer to the "Reconciliations of Non-IFRS Measures" section in the Company's Management Discussion and Analysis included in its Interim Report for the quarter ended May 31, 2018 for a detailed calculation of this measure.

The term "net cash" is defined as cash and cash equivalents plus short-term investments less bank indebtedness, short-term bank loans, and current portion of long-term bank borrowings. Refer to the "Reconciliations of Non-IFRS Measures" section in the Company's Management Discussion and Analysis included in its Interim Report for the quarter ended May 31, 2018 for a detailed calculation of this measure.

¹ Net earnings or loss refers to net income or loss attributable to Subordinate and Multiple Voting Shares.

² Non-IFRS measures – see explanation above.