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PRESS RELEASE
FOR IMMEDIATE RELEASE

VELAN INC. REPORTS SOLID PERFORMANCE IN THE THIRD QUARTER OF FISCAL 2026

MONTREAL, Quebec, January 14, 2026 – Velan Inc. (TSX: VLN) (“Velan” or the “Company”), a world-leading manufacturer of industrial valves, announced today financial results for its third quarter ended November 30, 2025. All amounts are expressed in U.S. dollars unless indicated otherwise.

THIRD-QUARTER HIGHLIGHTS FROM CONTINUING OPERATIONS

IFRS MEASURES

- Sales of \$71.7 million, versus \$73.4 million last year.
- Gross profit of \$27.2 million, or 37.9% of sales, compared to \$28.3 million, or 38.6% of sales, last year.
- Operating income of \$5.9 million, compared to an operating loss of \$62.4 million a year ago.
- Net income¹ of \$3.0 million, or \$0.14 per share, versus a net loss of \$47.8 million, or \$2.22 per share, last year.
- Solid financial position with access to total liquidity of approximately \$86 million and a net cash position of \$20.2 million as at November 30, 2025.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Backlog² of \$296.8 million, up 8.0% since the beginning of the fiscal year.
- Bookings² of \$77.9 million, versus \$59.1 million last year.
- Adjusted net income² of \$4.0 million, versus adjusted net income of \$8.5 million last year.
- Adjusted EBITDA² of \$9.5 million, compared to \$14.3 million last year.

NINE-MONTH HIGHLIGHTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS (see below)

- Sales of \$211.5 million, compared to \$212.0 million for the same period last year.
- Gross profit of \$63.5 million, or 30.0% of sales, versus \$65.1 million, or 30.7% of sales, last year.
- Operating income of \$2.4 million, compared to an operating loss of \$64.4 million a year ago.
- Net income of \$19.2 million, or \$0.89 per share, versus a net loss of \$51.2 million, or \$2.37 per share last year.
- Net income of \$77.8 million, including discontinued operations, compared to a net loss of \$63.1 million for the same period last year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Bookings of \$221.3 million, versus \$230.5 million last year.
- Adjusted net income of \$2.9 million, versus adjusted net income of \$11.5 million last year.
- Adjusted EBITDA of \$16.7 million, compared to \$23.9 million last year.

"Velan delivered solid performance in the third quarter of fiscal 2026, driven by the execution of high-margin projects and a tight management of operating expenses," said James A. Mannebach, Chairman of the Board and CEO of Velan. "Our backlog sustained its momentum, reaching \$296.8 million at the end of the quarter, driven by bookings rising nearly 32% year over year during the period. This improvement includes an important contract of more than \$20 million CAD from Ontario Power Generation for three reactors being refurbished at the Pickering Nuclear Generation Station, confirming our leadership position in the fast-growing nuclear sector."

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

² Non-IFRS and supplementary financial measures – more information at the end of this report.



"Looking ahead, the recently proposed sale of the Velan family's majority share ownership in the Company to Birch Hill Equity Partners Management Inc. should provide a dynamic, results-oriented environment conducive to leveraging our strengths. We are looking forward to accelerating the execution of our business strategy and achieving our growth objectives to maximize shareholder value," added Mr. Mannebach.

"Higher late-stage, work-in-process inventory raised our working capital requirements for a second consecutive quarter," said Rishi Sharma, Chief Financial and Administrative Officer of Velan. "Nevertheless, our balance sheet remains strong with a positive net cash position, \$86 million in liquidities available to invest in expansion opportunities, and expected cash inflows as working capital normalizes."

FINANCIAL RESULTS in '000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Nine-month periods ended	
	November 30, 2025	November 30, 2024	November 30, 2025	November 30, 2024
From continuing operations				
Sales	\$71,660	\$73,404	\$211,500	\$211,998
Gross profit	\$27,177	\$28,305	\$63,478	\$65,087
Gross margin	37.9%	38.6%	30.0%	30.7%
Administration costs	\$16,457	\$17,003	\$50,147	\$48,348
Restructuring expenses	\$1,305	\$74,468	\$7,369	\$81,301
Other expenses (income)	\$3,565	(\$782)	\$3,520	(\$192)
Operating income (loss)	\$5,850	(\$62,384)	\$2,442	(\$64,370)
Net income (loss)	\$2,996	(\$47,835)	\$19,162	(\$51,191)
Net income (loss) from discontinued operations	-	(\$14,262)	\$58,599	(\$11,890)
Net income (loss)	\$2,996	(\$62,097)	\$77,761	(\$63,081)
(in dollars per share – basic and diluted)				
Net income (loss) from continuing operations	\$0.14	(\$2.22)	\$0.89	(\$2.37)
Net income (loss) from discontinued operations	-	(\$0.66)	\$2.71	(\$0.55)
Net income (loss)	\$0.14	(\$2.88)	\$3.60	(\$2.92)

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES (From continuing operations, in '000s of U.S. dollars, excluding per share amounts)	Three-month periods ended		Nine-month periods ended	
	November 30, 2025	November 30, 2024	November 30, 2025	November 30, 2024
Adjusted EBITDA	\$9,542	\$14,260	\$16,680	\$23,852
Adjusted net income (loss)	\$3,955	\$8,502	\$2,892	\$11,499
per share - basic and diluted	\$0.18	\$0.39	\$0.13	\$0.53

BACKLOG AND BOOKINGS

BACKLOG (‘000s of U.S. dollars)	As at	
	November 30, 2025	February 28, 2025
Backlog	\$296,776	\$274,877
for delivery within the next 12 months	\$238,481	\$225,662

BOOKINGS (‘000s of U.S. dollars)	Three-month periods ended		Nine-month periods ended	
	November 30, 2025	November 30, 2024	November 30, 2025	November 30, 2024
Bookings	\$77,927	\$59,056	\$221,326	\$230,474

As at November 30, 2025, the backlog from continuing operations stood at \$296.8 million, up \$21.9 million, or 8.0%, from \$274.9 million at the beginning of the fiscal year. Currency movements had an \$8.9 million positive effect on the value of the backlog during the first nine months of fiscal 2026 mainly due to the strengthening of



the euro versus the U.S. dollar. Excluding currency movements, the increase reflects bookings exceeding shipments in the first nine months of fiscal 2026. As at November 30, 2025, 80.4% of the backlog, representing orders of \$238.5 million, is deliverable in the next 12 months, versus 83.4% of last year's backlog. This shift in the delivery schedule is driven by the securing of an increasing number of long-term larger contracts for the nuclear and defense sectors.

Bookings from continuing operations amounted to \$77.9 million in the third quarter of fiscal 2026, compared to \$59.1 million a year ago. The increase reflects higher bookings by North American operations from the nuclear and the oil & gas sectors, as well as higher bookings recorded by Italian and Chinese operations. These factors were partially offset by lower bookings recorded by German operations due to large orders received in last year's third quarter. Currency movements had a negligible effect on the value of bookings for the quarter.

In the first nine months of fiscal 2026, bookings from continuing operations totaled \$221.3 million, compared to \$230.5 million in the first nine months of fiscal 2025. The decrease is mainly attributable to lower bookings recorded in North America and Germany due to large orders received last year, partially offset by higher bookings recorded by Italian operations. Currency movements had a \$0.8 million positive effect on the value of bookings for the period.

THIRD QUARTER RESULTS

Sales from continuing operations totaled \$71.7 million, a decrease of \$1.7 million or 2.4% compared to \$73.4 million for the same period last year. The variation reflects lower shipments from Italian operations, following strong sales in last year's third quarter, partially offset by higher sales from Indian and German operations. Currency movements had a \$0.6 million positive effect on sales for the period.

Gross profit from continuing operations was \$27.2 million, versus \$28.3 million last year. As a percentage of sales, gross profit remained relatively steady, reaching 37.9% compared to 38.6% last year, driven by higher-margin projects, though partially offset by lower absorption due to reduced volume and tariff impacts. Currency movements had a \$0.2 million positive effect on gross profit for the period.

Administration costs from continuing operations amounted to \$16.5 million, or 23.0% of sales, compared to \$17.0 million, or 23.2% of sales, last year. The variation is mainly attributable to cost reduction initiatives.

The Company incurred restructuring expenses of \$1.3 million consisting of transaction-related costs. In last year's third quarter, the Company incurred restructuring expenses of \$74.5 million, including \$69.1 million in asbestos-related costs and \$5.4 million in transaction-related costs.

Adjusted EBITDA from continuing operations, excluding non-recurring elements, was \$9.5 million, versus \$14.3 million in the third quarter of fiscal 2025. The decrease is primarily attributable to lower gross profit and an increase in other expenses, mainly attributable to unfavourable currency movements. These factors were partially offset by the favourable reversal of a provision.

Net income from continuing operations was \$3.0 million, or \$0.14 per share, compared to a net loss of \$47.8 million, or a loss of \$2.22 per share, a year earlier. Net loss from discontinued operations for last year's third quarter was \$14.3 million, or a loss of \$0.66 per share. As a result, net income was \$3.0 million, \$0.14 per share, compared with a net loss of \$62.1 million, or a loss of \$2.88 per share, last year.

Adjusted net income from continuing operations, excluding non-recurring elements, was \$4.0 million, or \$0.18 per share, versus adjusted net income of \$8.5 million, or \$0.39 per share, a year ago.

NINE-MONTH RESULTS

Sales from continuing operations amounted to \$211.5 million, a decrease of \$0.5 million, or 0.2%, compared to \$212.0 million for the nine-month period ended November 30, 2025. The variation reflects changes in customers'



delivery schedules, disruptive effects related to the ongoing evolution of global tariff schemes, and non-recurring revenue of \$5.2 million in last year's nine-month period. These factors were mostly offset by higher sales in Korea and India. Currency movements had a \$2.1 million positive effect on sales for the period.

Gross profit from continuing operations was \$63.5 million, compared to \$65.1 million last year. As a percentage of sales, gross profit was 30.0%, compared to 30.7% last year. The variation reflects the factors mentioned above. Currency movements had a \$0.5 million positive effect on gross profit for the period.

Administration costs from continuing operations were \$50.1 million, or 23.7% of sales, compared to \$48.3 million, or 22.8% of sales, in the nine-month period ended November 30, 2024. The variation reflects higher professional fees and higher sales commissions, partially offset by cost reduction initiatives and lower freight costs.

The Company incurred restructuring expenses of \$7.4 million, including \$8.1 million in transaction-related costs, partially offset by a \$0.8 million reversal of asbestos-related costs. Last year, restructuring expenses of \$81.3 million included asbestos-related costs of \$73.7 million transaction-related costs of \$7.6 million.

Adjusted EBITDA from continuing operations, excluding non-recurring elements, was \$16.7 million, versus \$23.9 million in the first nine months of fiscal 2025. The decrease is primarily attributable to lower gross profit, higher administration costs, and an increase in other expenses. These factors were partially offset by the provision reversal mentioned above.

Net income from continuing operations was \$19.2 million, or \$0.89 per share, compared to a net loss of \$51.2 million, or a loss of \$2.37 per share, in the prior year. Net income from discontinued operations was \$58.6 million, or \$2.71 per share, versus a net loss from discontinued operations of \$11.9 million, or \$0.55 per share, last year. As a result, net income was \$77.8 million, or \$3.60 per share, compared with a net loss of \$63.1 million, or a net loss of \$2.92 per share, a year ago.

Adjusted net loss from continuing operations, excluding non-recurring elements and the tax effects of the transactions, was \$2.9 million, or \$0.13 per share, versus adjusted net income of \$11.5 million, or \$0.53 per share, a year ago.

FINANCIAL POSITION

As at November 30, 2025, the Company held cash and cash equivalents of \$36.3 million and short-term investments of \$0.4 million. Bank indebtedness stood at \$16.1 million, while long-term debt, including the current portion, amounted to \$17.7 million. In total, the Company has \$86.0 million in cash and available credit to fund its growth and investment objectives.

OUTLOOK

As at November 30, 2025, orders amounting to \$238.5 million, representing 80.4% of a total backlog of \$296.8 million, are expected to be delivered in the next 12 months. Given these orders, and despite the current uncertainty related to tariffs, the Company expects to conclude fiscal 2026 with another solid performance.

SUBSEQUENT EVENT

On January 14, 2026, the Company announced that its controlling shareholder, Velan Holding Co. Ltd. ("Velan Holding"), the sole holder of the Company's multiple voting shares, has agreed to sell its 15,566,567 multiple voting shares and one subordinate voting share (representing approximately 72.1% of the Company's outstanding shares and 92.8% of its aggregate voting rights) to funds managed by Birch Hill Equity Partners Management Inc. ("Birch Hill"), at a price of C\$13.10 per share, for aggregate gross proceeds of C\$203,922,040.80 to Velan Holding and two other entities associated with shareholders of Velan Holding (the "VH Transaction"). Pursuant to a pre-closing reorganization, Velan Holding will, among other things, convert 2,290,075 multiple voting shares into the same number of subordinate voting shares. Therefore, giving effect to such pre-closing reorganization, 13,276,492



multiple voting shares and 2,290,076 subordinate voting shares will be sold to Birch Hill on closing of the VH Transaction (representing approximately 72.1% of the Company's outstanding shares and 91.9% of its aggregate voting rights) (collectively the "VH Transaction Shares").

The VH Transaction is expected to close in the first half of 2026, subject to the receipt of the required regulatory approvals and other customary closing conditions. The completion of the VH Transaction is not subject to any financing condition or approval by the Company's shareholders.

The Company estimates that transaction related fees will be approximately \$12 million, as well as additional change of control triggered costs of approximately \$5 million relating mostly to the vesting and accelerated vesting of various incentive plans already in place at the time of the transaction. Of this total amount, \$4 million has already been paid or accrued.

DIVIDEND

While Velan is not a party to the VH Transaction, the Company has entered into a cooperation agreement with Birch Hill (the "Cooperation Agreement") to facilitate the consummation of the VH Transaction, notably as regards the obtaining of the applicable regulatory approvals.

Under the terms of the Cooperation Agreement, the Company has agreed to suspend the declaration of dividend payments until closing, with ordinary course dividends currently planned to resume thereafter, as, if and when declared by the Board.

SIGNIFICANT TRANSACTIONS

On March 31, 2025, the Company announced the closing sale of its French subsidiaries Velan S.A.S. and Segault S.A.S. for a total consideration of \$208.2 million (€192.5 million) and net consideration of \$183.1 million. Based on the net book value at the closing of the transaction and related costs, a gain of \$95.8 million was recorded in the first quarter of fiscal 2026. The sale also triggered the recognition of a cumulative translation adjustment of \$12.5 million. These amounts were recorded as part of results from discontinued operations.

Concurrently with the sale of its French subsidiaries, the Company entered into an agreement to sell its current and future exposure to asbestos-related litigation in the United States. Part of the proceeds received from the sale of the French assets was used on April 3, 2025, to pay an amount of \$143.0 million for this settlement.

CONFERENCE CALL NOTICE

Financial analysts, shareholders, and other interested individuals are invited to attend the third quarter conference call to be held on Thursday, January 15, 2026, at 8:00 a.m. (EST). The toll-free call-in number is 1-800-990-4777 or by RapidConnect URL: <https://emportal.ink/4awUyQ3>. The material that will be referenced during the conference call will be made available shortly before the event on the company's website under the *Investor Relations* section (<https://velan.com/investor-relations>). A recording of this conference call will be available for seven days at 1-289-819-1450 or 1-888-660-6345 and entering the replay code 05881.

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 from continuing operations of US\$295.2 million in its last reported fiscal year. The Company employs 1,283 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. The Company has also presented supplementary financial measures which are defined at the end of this report. Reconciliation and definition can be found below.

Adjusted net income (loss), Adjusted net income (loss) per share, Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA

	Three-month periods ended		Nine-month periods ended	
<i>(in thousands, except per share amounts; certain totals may not add up due to rounding)</i>	November 30, 2025 \$	November 30, 2024 \$	November 30, 2025 \$	November 30, 2024 \$
<i>Reconciliation of net income (loss) from continuing operations to adjusted net income (loss) from continuing operations and adjusted net income (loss) from continuing operations per share</i>				
Net income (loss) from continuing operations	2,996	(47,835)	19,162	(51,190)
<i>Adjustments for:</i>				
Asbestos-related costs	-	69,064	(754)	73,745
Transaction-related costs	959	3,972	7,594	5,554
Other restructuring expenses	-	-	-	89
Deferred tax assets related to the transactions	-	(16,699)	-	(16,699)
Non-recurring tax recovery on France transaction	-	-	(23,110)	-
Adjusted net income (loss) from continuing operations	3,955	8,502	2,892	11,499
per share – basic and diluted	0.18	0.39	0.13	0.53
<i>Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations</i>				
Net income (loss) from continuing operations	2,996	(47,835)	19,162	(51,190)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,732	1,545	5,084	5,090
Amortization of intangible assets and financing costs	595	570	1,655	1,557
Finance costs – net	259	442	893	966
Income tax expense (recovery)	2,655	(14,930)	(17,483)	(13,993)
EBITDA	8,237	(60,208)	9,311	(57,570)
<i>Adjustments for:</i>				
Asbestos-related costs	-	69,064	(754)	73,745
Transaction-related costs	1,305	5,404	8,123	7,556
Other restructuring expenses	-	-	-	121
Adjusted EBITDA	9,542	14,260	16,680	23,852



The term “Adjusted net income (loss)” is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus adjustment, net of income taxes, for costs related to restructuring and to the proposed transaction. The terms “Adjusted net income (loss) per share” is obtained by dividing Adjusted net income (loss) 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 adjusted net income plus depreciation of property, plant & equipment, plus amortization of intangible assets, plus net finance costs, plus income tax provision. The term “Adjusted EBITDA” is defined as EBITDA plus adjustment for costs related to restructuring and to the proposed transaction. 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 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” 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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