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The Company designs, manufactures and markets on a worldwide basis a broad range of industrial valves for use in critical applications. Velan provides solutions to many industrial sectors including power generation, nuclear, oil and gas, chemicals, LNG and cryogenics, pulp and paper, geothermal processes, shipbuilding, defense, and carbon-neutral technologies. The Company is a world leader in steel industrial valves operating 11 manufacturing plants worldwide with 1,273 employees. The Company's head office is located in Montreal, Canada.

The Company's business strategy is to design, manufacture, and market new and innovative valves with emphasis on quality, safety, ease of operation, and long service life. The Company's strategic goals include, but are not limited to, customer-driven operational excellence and margin improvements, accelerated growth through increased focus on key target markets where the Company has distinct competitive advantages and continuously improving and modernizing its systems and processes.

Cover page: Workers at Velan Inc.'s Granby location standing next to a massive 78-inch Torqseal® Triple Offset Valve - the largest valve ever built by Velan - used in a nuclear power plant in the United States.

Photo on the right: R-Series 20 inch class 2500.







2 ball valves 24" 1500 RTJ metal seated with gas overoil with body/closures in LF2 materials partially clad in the seat pocket areas.



FISCAL 2026 HIGHLIGHTS

Velan delivered sound financial results in fiscal 2026, despite a volatile environment marked by trade and geopolitical tensions.

Annual sales improved to \$296.4 million, supported by the global reach of our sales network, manufacturing operations and brand equity, while gross profit margin held steady at 27.4%.

The Company closed the year with a strong cash position of \$53.4 million and \$18.2 million in long-term debt.

OPERATING RESULTS FROM CONTINUING OPERATIONS

- Sales of \$296.4 million
- Gross profit of \$81.1 million, or 27.4% of sales
- Adjusted EBITDA⁽¹⁾ of \$20.7 million

BACKLOG⁽¹⁾ AND BOOKINGS⁽¹⁾ FROM CONTINUING OPERATIONS

- Order backlog of \$283.3 million
- Bookings of \$295.0 million

STRONG FINANCIAL POSITION

- Cash and cash equivalents of \$53.4 million
- Long-term debt, including current portion of only \$18.2 million
- Total available liquidity of \$102.6 million

⁽¹⁾ Non-IFRS measures – see reconciliations in the Non-IFRS and supplementary financial measures section of the MD&A.



One of four Ball valve 11" API10K metal seated HUB end, with Body/closure in F65 materials and helical actuator for FPSO installation.

5-YEAR FINANCIAL HIGHLIGHTS

Unless otherwise noted, all amounts are in U.S. dollars.

For the years ended	Feb. 2026	Feb. 2025	Feb. 2024	Feb. 2023	Feb. 2022
(In thousands, except per share data)	\$	\$	\$	\$	\$
OPERATING DATA FROM CONTINUING OPERATIONS					
Sales	296,405	295,196	258,652	279,618	308,766
Gross profit	81,092	84,917	54,630	76,329	82,062
Net income (loss) ⁽¹⁾	15,310	(67,246)	(31,969)	(67,749)	(44,971)
Per share – basic and diluted	0.71	(3.12)	(1.48)	(3.14)	(2.08)
Adjusted EBITDA ⁽²⁾	20,674	27,470	2,126	1,532	5,910
Adjusted net income ⁽²⁾	890	6,600	(15,653)	(13,440)	(12,368)
Per share – basic and diluted	0.04	0.31	(0.73)	(0.62)	(0.57)
CONSOLIDATED OPERATING DATA					
Net income (loss) from discontinued operations	58,599	(8,254)	12,232	12,296	23,830
Per share – basic and diluted	2.71	(0.38)	0.57	0.57	1.10
Net income (loss)	73,919	(75,500)	(19,737)	(55,453)	(21,141)
Per share – basic and diluted	3.42	(3.50)	(0.91)	(2.57)	(0.98)
BALANCE SHEET DATA					
Cash and cash equivalents	53,354	34,872	36,445	50,513	54,015
Total assets	346,607	501,966	479,393	477,857	508,428
Long-term debt, including current portion	18,225	16,203	28,777	29,896	31,038
CASH FLOW DATA FROM CONTINUING OPERATIONS					
Cash provided by operating activities excluding Asbestos settlement	(16,583)	26,525	12,461	4,361	8,523
SHAREHOLDER DATA AND DIVIDEND					
Cash dividends per share (in CA\$)					
Multiple and subordinate voting shares	0.53	0.03	0.03	0.03	—
Outstanding shares at reporting date					
Multiple voting shares	15,566,567	15,566,567	15,566,567	15,566,567	15,566,567
Subordinate voting shares	6,019,068	6,019,068	6,019,068	6,019,068	6,019,068
BACKLOG⁽²⁾ AND BOOKINGS⁽²⁾ FROM CONTINUING OPERATIONS					
Backlog at period end	283,290	274,877	283,647	255,040	272,918
Bookings	295,039	292,505	288,681	267,620	295,934

⁽¹⁾ Net income or loss refer to net income or loss attributable to subordinate and multiple voting shares.

⁽²⁾ Non-IFRS measures – see reconciliations in the Non-IFRS and supplementary financial measures section of the MD&A.



MESSAGE

TO SHAREHOLDERS

Fiscal 2026 was a year of continued strategic momentum for Velan. Operationally, despite unprecedented challenges resulting from volatility in tariffs and more recently the conflict in the Middle East, we delivered healthy revenue and profitability, while completing the year with a robust financial position of more than \$53 million in cash and cash equivalents, and only \$18 million in long-term debt.

This financial strength stemmed from the net proceeds of strategic transactions concluded early in the year, namely the sale of our two French subsidiaries, Velan SAS and Segault SAS, and the permanent divestiture of our asbestos-related liabilities. In doing so, not only did Velan remove potential obstacles for pursuing strategic opportunities, but we also unlocked significant shareholder value. Accordingly, the Board of Directors declared a special dividend of CA\$0.30 per share.

CONTINUED FOCUS ON ENHANCING SHAREHOLDER VALUE

We announced Velan Holdings' intent to sell its controlling interest in the Company to a Canadian private equity firm, Birch Hill Equity Partners Management Inc. (Birch Hill), in January 2026. The sale subsequently closed in June 2026 after approval from regulatory authorities.

Birch Hill has a proven track record of partnering with Canadian industrial leaders and accelerating their journeys to new heights. With the support of Birch Hill's long-term investment plan, we are well positioned to accelerate the execution of our strategy, invest in the capabilities that will strengthen our competitiveness, and continue building a stronger business for our employees, customers, and shareholders.

Following the closing of the transaction, I have been appointed President and Chief Executive Officer of Velan after serving the past four years as Chief Financial Officer. Imran Gibbons, formerly Vice-President, Global Financial Planning and Analysis, has been named CFO.

Jim Mannebach, who assumed a leadership role during a transition period, has stepped down as Chairman of the Board and retired as Chief Executive Officer, but he will remain as a director of the Company. I would like to personally thank Jim and the Velan family for their counsel and support. I am also humbled and grateful to the Birch Hill team and Board of Directors for their trust in providing me with this exciting opportunity.

Velan has also made changes to the composition of its Board. Ivan Velan, Peter Velan, Rob Velan, and Tom Velan, each of whom was serving on the Board as a representative of the Company's previous controlling shareholder, have resigned from Velan's Board. The Company thanks each of them for their long-standing service and contributions.

Patrick Duncan, a partner at Birch Hill, has been appointed Chairman of the Board. Joshua Lindy, Shauna Gamble and Jim have been named to the Board as Birch Hill nominees, while Daniel Desjardins, Edward Kernaghan and Suzanne Blanchet will continue to serve as independent directors.

FINANCIAL OVERVIEW

Velan generated sales of \$296.4 million in fiscal 2026, marking an increase over the previous year, while our gross profit margin remained steady at 27.4%.

Our order backlog reached \$283.3 million at the end of fiscal 2026, up \$8.4 million, or 3.1%, from a year ago. Excluding positive currency movements, the backlog remained relatively stable, reflecting bookings that were broadly in line with shipments during the past year. As at February 28, 2026, 76.5% of our backlog, amounting to orders of \$216.7 million, was deliverable within the next 12 months, an evolution that reflects the securing of an increasing number of long-term contracts for the nuclear and defense sectors.

In summary, we are pleased with our overall performance in 2026, considering heightened geopolitical tensions worldwide and an uncertain macroeconomic environment triggered by trade disputes among countries.

MARKET-FOCUSED, PEOPLE-DRIVEN

Looking ahead, the Company has emerged with a clean slate, ready to build on a rich legacy of innovation and reliability instilled by the Velan family combined with the fresh perspective and financial resources of Birch Hill.

Accordingly, Velan will devote its full attention to what it does best: being market-focused and people-driven. This distinct market focus, in which our people work closely with customers to develop purpose-built solutions that solve complex flow control issues, has produced countless innovations and unmatched brand loyalty over the years. It represents our competitive advantage, one that allows us to offer a strong product portfolio in a cost-efficient manner.

Turning to our main markets, nuclear power remains a key growth driver for Velan due to mounting pressure on electrical grids and soaring demand for clean energy sources. Behind 55 years of experience in the nuclear industry, Velan is the leading valve supplier for all reactor technologies. We boast a substantial installed footprint worldwide and unmatched technical expertise in the nuclear domain.

Early in the fiscal year, we signed a Preferred Vendor Agreement with AtkinsRealis, steward of CANDU® nuclear technology. Through this agreement, Velan will help accelerate refurbishments and new builds of CANDU® reactors in Canada and around the world.

During the past year, Velan also secured a valve order of more than CA\$20 million from Ontario Power Generation for reactors being restored at the Pickering Nuclear Generation Station. This contract confirms our leading position in the domestic nuclear market. The first shipment is scheduled for January 2027 with subsequent deliveries to be completed by the end of January 2028.

In addition, a key infrastructure project in Canada, of which Velan had previously obtained a Main Services Agreement with GE Vernova Hitachi Nuclear Energy as part of provisioning a small modular reactor at OPG's Darlington site, has been fast-tracked by the federal government. The main objective of this government program is to significantly reduce approval time for projects of national interest, so this bodes well for Velan and the deployment of the first SMR in North America.

As indicated above, cascading contract wins in the nuclear sector have altered our backlog profile with a larger proportion of orders delivered over an extended period, but we are approaching the time in which they will be converted into revenue and create a positive effect on our bottom line.

On the defense side, Velan is firmly entrenched as the valve supplier of choice for nuclear and conventional propulsion of surface and sub-surface vessels. Naval forces around the world rely on our innovations and customized solutions to offset the great stress imposed on valves from harsh sea conditions.

Considering heightened geopolitical tensions worldwide, we expect many countries to increase defense spending in the coming years as they seek to safeguard their sovereignty.

Similarly, the oil and gas sector has been affected by global tensions with the price of crude oil experiencing significant volatility in recent months. Velan remains neutral regarding geopolitical disputes; however, important investments will be required over the near-to mid-term to restart idled projects and/or rebuild damaged refining and pipeline infrastructures in the Middle East.

Given our growing presence overseas, including through our joint venture in the Kingdom of Saudi Arabia, we stand to benefit from these investments. We also anticipate a steady order flow from North American refineries, since we supply a large proportion of them with the most reliable engineered valves in the industry.

Finally, in traditional power, Velan has been a leader in high-pressure, high-temperature isolation valves at power plants for decades. We remain committed around the world, both in aftermarket support of existing plants and new constructions. In North America, we are expanding our sales channel to better serve this market while advancing new product introductions that will broaden our offering later in the fiscal year.

BUILDING A STRONGER, MORE COMPETITIVE AND PROFITABLE COMPANY

With a strong balance sheet, a solid backlog of strategic projects and a robust opportunity pipeline supported by favourable long-term fundamentals, we are well positioned to execute our strategy and create sustainable value. Over the short term, however, geopolitical and regional conflicts are affecting customer activity, order timing and shipment schedules.

This said, certain areas within our control can be improved. Cost discipline remains a core priority, and we are focused on rightsizing our cost structure and driving further efficiencies across the organization.

Accordingly, we are advancing a comprehensive transformation plan aimed at optimizing our operations, leveraging our global scale, streamlining our organizational structure and modernizing our facilities as we prepare for anticipated growth across our core markets. These initiatives are intended to strengthen execution, improve delivery performance, enhance customer service and support profitable growth over the long term.

WRAP-UP

In closing, Velan is embarking on an exciting new chapter in its history. With outside distractions behind us, we intend to build on our leadership position in the global industrial valve industry.

I would like to take this opportunity to thank our employees for their hard work and commitment during the past year. I also would like to express thanks to customers for their trust in our solutions. Finally, I am grateful to shareholders for their belief in our long-term growth strategy.



Rishi Sharma

President and Chief Executive Officer



FOCUSED ON MARKETS

THAT MAKE A DIFFERENCE

The greatest legacy of the Velan family is a targeted market-driven approach. Velan has a long history of working with customers to design valves that address specific real-world challenges. Nothing is created in a vacuum. We are focused on industrial markets where we can make a difference.

Fiscal 2026 reflected this customer-centric approach through contract wins in strategic markets like nuclear, defense, oil and gas, as well as traditional power.

Given the sale of Velan to Canadian private equity firm, Birch Hill, recently closed, some business processes will necessarily be fine-tuned, but the close collaboration with customers will remain unchanged. Through customer intimacy, Velan will continue to develop purpose-built solutions that meet the most stringent of requirements. That's the Velan way.



A.K. Velan - 1991 Canada Export Award

A 75-YEAR LEGACY OF EXCELLENCE

For 75 years, three generations of the Velan family — beginning with founder A.K. Velan — have built the Company into a global leader in the industrial steel valve industry, defined by engineering integrity, uncompromising quality, and the confidence of customers who count on us in the most demanding environments.

As Velan enters its next chapter, these standards carry forward unchanged. Birch Hill, our new majority shareholder, joins us with a shared commitment to preserving what has always set Velan apart.

Seventy-five years of excellence is not an ending. It's the foundation on which we continue to build.



FOCUSED

ON OUR GLOBAL NETWORK



NORTH AMERICA

- 1** Velan Head Office
Montreal, Canada
- 2** Velan Inc.
Granby, Canada
- 3** Velan Valve Corp.
Williston, U.S.A.
- 4** VelTEX
Missouri City, U.S.A.

EUROPE

- 5** Válvulas Industriais, Lda.
Lisbon, Portugal
- 6** Velan GmbH
Willich, Germany
- 7** Velan ABV S.r.l.
Lucca, Italy

MIDDLE EAST

- 8** Velan Gulf Manufacturing Company
Dammam, Saudi Arabia

ASIA

- 9** Velan Valves India Pvt. Ltd.
Coimbatore, India
- 10** Velan Valves (Suzhou) Co., Ltd.
Suzhou, China
- 11** **12** Velan Ltd
Ansan City, South Korea
- 13** Velan-Valvac
Taichung, Taiwan

FISCAL 2026 GEOGRAPHICAL SALES*



North America	\$145,569	49.1%
Asia Pacific	\$93,256	31.5%
Europe	\$33,831	11.4%
Africa / Middle-East	\$18,601	6.3%
South & Central America	\$5,147	1.7%

* Defined as the country where the sale was recorded.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended February 28, 2026

The following discussion provides an analysis of the consolidated operating results and financial position of Velan Inc. ("the Company") for the fiscal year ended February 28, 2026. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended February 28, 2026, and February 28, 2025. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The significant accounting policies upon which these consolidated financial statements have been prepared are detailed in Note 2 of the Company's audited consolidated financial statements. All foreign currency transactions, balances and overseas operations have been converted to U.S. dollars, the Company's reporting currency. This MD&A was approved by the Board of Directors of the Company on May 14, 2026. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR+ at www.sedarplus.ca.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this MD&A, 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. Reconciliations of these amounts can be found at the end of this report. The Company has also presented supplementary financial measures which are defined at the end of this report.

FORWARD-LOOKING INFORMATION

This MD&A 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. These risks and uncertainties are disclosed in the Company's filings with the appropriate securities commissions and are included in this report (see *Certain Risks That Could Affect Our Business* section). 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 report are expressly qualified by this cautionary statement.

ABOUT VELAN

The Company designs, manufactures and markets on a worldwide basis a broad range of industrial valves for use in critical applications. Velan provides solutions to many industrial sectors including power generation, nuclear, oil and gas, chemicals, LNG and cryogenics, pulp and paper, geothermal processes, shipbuilding, defense, and carbon-neutral technologies. The Company is a world leader in steel industrial valves operating 11 manufacturing plants worldwide with 1,296 employees. The Company's head office is located in Montreal, Canada. The Company's business strategy is to design, manufacture, and market new and innovative valves with emphasis on quality, safety, ease of operation, and long service life. The Company's strategic goals include, but are not limited to, customer-driven operational excellence and margin improvements, accelerated growth through increased focus on key target markets where the Company has distinct competitive advantages and continuously improving and modernizing its systems and processes.

The consolidated financial statements of the Company include the North American operations comprising two manufacturing plants in Canada, as well as one manufacturing plant and one distribution facility in the U.S. Significant overseas operations include manufacturing plants in Italy, Portugal, the Kingdom of Saudi Arabia, Korea, Taiwan, India, and China. The Company's network also include a sales operation in Germany.

THREE-YEAR FINANCIAL SUMMARY

(unless otherwise noted, all amounts are in U.S. dollars)

IFRS	For the reporting period ended on		
	February 28, 2026	February 28, 2025	February 29, 2024
(thousands)			
Operating data from continuing operations			
Sales	296,405	295,196	258,652
Gross profit	81,092	84,917	54,630
Net income (loss) ¹	15,310	(67,246)	(31,969)
Net income (loss) per share – basic and diluted	0.71	(3.12)	(1.48)
Cash flow data from continuing operations			
Cash provided by operating activities before net change in provisions	(15,719)	23,961	13,714
Balance sheet data			
Cash and cash equivalents	53,354	34,872	36,445
Total assets	346,607	501,966	479,393
Long-term debt, including current portion	18,225	16,203	28,777
Shareholder data			
Cash dividends per share ² (in CA\$)			
Multiple voting shares	0.53	0.03	0.03
Subordinate voting shares	0.53	0.03	0.03
Outstanding Shares at reporting date			
Multiple voting shares	15,566,567	15,566,567	15,566,567
Subordinate voting shares	6,019,068	6,019,068	6,019,068

NON-IFRS	For the reporting period ended on		
	February 28, 2026	February 28, 2025	February 29, 2024
(thousands)			
Adjusted EBITDA ³	20,674	27,470	2,126
Adjusted net income (loss) ³	890	6,600	(15,653)
Adjusted net income (loss) per share – basic and diluted	0.04	0.31	(0.73)

Backlog² and Bookings²

	As at					
	February 28, 2026		February 28, 2025		February 29, 2024	
(thousands)	\$	%	\$	%	\$	%
Backlog	283,290		274,877		283,647	
For delivery within the next 12 months	216,709	76.5%	225,662	82.1%	259,662	91.5%
For delivery between 12 and 24 months	66,581	23.5%	44,183	16.1%	13,757	4.9%
For delivery between 24 and 36 months	0	0.0%	0	0.0%	10,228	3.6%
For delivery beyond 36 months	0	0.0%	5,032	1.8%	0	0.0%
Bookings	295,039		292,505		288,681	

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

² Includes a special dividend of CA\$0.30 per share

³ Non-IFRS and supplementary financial measures – additional specifications at the end of this report

FISCAL 2026 HIGHLIGHTS FROM CONTINUING OPERATIONS¹ (unless otherwise indicated)

The Company is pleased with its overall performance in fiscal 2026, given an operating environment marked by economic uncertainty stemming from tariffs, the ongoing conflict in the Middle East and by heightened geopolitical tensions worldwide. These factors had adverse effects on the Company in several ways, notably through delayed bookings and deliveries, supply chain disruptions and profitability.

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS (see below)

- Sales for fiscal 2026 amounted to \$296.4 million, up \$1.2 million or 0.4% compared to the previous fiscal year. The variation mainly reflects higher shipments from operations in India, China and Korea, partially offset by non-recurring revenue of \$5.2 million in fiscal 2025 from German operations.
- Gross profit for the year of \$81.1 million, versus \$84.9 million last year. The variation is attributable to a less favorable product mix this year compared to last. As a percentage of sales, gross profit was 27.4% in fiscal 2026, compared to 28.8% in fiscal 2025.
- Operating income of \$1.6 million, compared to an operating loss of \$82.3 million a year ago.
- Net income of \$15.3 million, or \$0.71 per share, compared to a net loss of \$67.2 million, or a loss of \$3.12 per share, last year.
- Including discontinued operations, net income of \$73.9 million, or \$3.42 per share, compared to a net loss of \$75.5 million, or a loss of \$3.50 per share, last year.
- Cash and cash equivalents were \$53.4 million at the end of fiscal 2026, up from \$34.9 million a year earlier, reflecting improved accounts receivable collections. Together with \$49.2 million of available credit facilities, total liquidity was \$102.6 million.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Order backlog² of \$283.3 million at the end of fiscal 2026, of which 76.5% is deliverable within the next 12 months, up from \$274.5 million a year earlier.
- Bookings² of \$295.0 million for the year, up 0.9% from last year. The increase reflects higher bookings from Italian operations, partially offset by lower bookings by German and Chinese operations following a strong order flow in the prior year.
- Adjusted EBITDA² of \$20.7 million in fiscal 2026 compared to adjusted EBITDA of \$27.5 million in fiscal 2025. The decrease is attributable to lower gross profit and higher administration costs.
- Adjusted net income² of \$0.9 million in fiscal 2026, versus adjusted net income of \$6.6 million in fiscal 2025.

OUTLOOK

Given orders totaling \$216.7 million, representing 76.5% of a total backlog of \$283.3 million, expected to be delivered in the next 12 months, and despite the current geopolitical and trade uncertainty, the Company expects to deliver an improved operating performance in fiscal 2027 supported by sharper focus and cost discipline. The Company is confident in its ability to secure future bookings, as business activity in its main markets remains healthy driven by solid prospects including nuclear, defense sectors and oil and gas industry. Management will continue to closely monitor the global situation, notably increased geopolitical tensions and an uncertain macroeconomic environment in the context of mounting trade disputes around the world which may delay the award and the delivery of certain projects.

¹ Unless otherwise noted, all amounts are in U.S. dollars.

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

The Company's financial position remains strong with cash and cash equivalents of \$53.4 million and a cash position, net of bank indebtedness, of \$41.5 million as at February 28, 2026. The Company will continue to manage diligently its working capital and capital investments to foster cash flow generation.

Furthermore, although Management believes that the strength of its financial position would allow the Company to counter certain risks, there can be no assurance that external outside economic and geopolitical factors will not materially adversely affect the Company's results of operations or financial condition. Such factors include, but are not limited to, the situation in the Middle East, import tariffs, foreign currency fluctuations, in particular the Canadian dollar and the euro against the U.S. dollar, commodity price fluctuations from both a procurement (price of steel) and sales (price of oil) perspective. See *Certain Risks That Could Affect Our Business* section for more details.

FOURTH QUARTER RESULTS FROM CONTINUING OPERATIONS (unless otherwise indicated)

IFRS MEASURES

- Sales of \$84.9 million, up \$1.7 million or 2.1%, compared to the same quarter last year.
- Gross profit of \$17.6 million or 20.7% of sales, versus \$19.8 million, or 23.8% of sales, last year.
- Operating loss of \$0.8 million, compared to an operating loss of \$18.6 million a year ago.
- Net loss of \$3.9 million, or a loss of \$0.18 per share, versus a net loss of \$16.1 million, or a loss of \$0.74 per share, last year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Bookings of \$73.7 million, up from \$62.0 million last year.
- Adjusted net loss of \$2.0 million, compared to an adjusted net loss of \$4.9 million last year.
- Adjusted net loss per share of \$0.09, compared to an adjusted net loss per share of \$0.23 last year.
- Adjusted EBITDA of \$4.0 million, up from \$3.6 million last year.

FISCAL YEAR RESULTS FROM CONTINUING OPERATIONS (unless otherwise indicated)

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS (see below)

- Sales of \$296.4 million, up \$1.2 million or 0.4%, compared to the same period last year.
- Gross profit of \$81.1 million, or 27.4% of sales, versus \$84.9 million, or 28.8% of sales, last year.
- Operating income of \$1.6 million, compared to an operating loss of \$82.3 million a year ago.
- Net income of \$15.3 million, or \$0.71 per share, compared to a net loss of \$67.2 million, or a loss of \$3.12 per share, last year.
- Including discontinued operations, net income of \$73.9 million, or \$3.42 per share, compared to a net loss of \$75.5 million, or a loss of \$3.50 per share, last year.
- Cash and cash equivalents of \$53.4 million at the end of fiscal 2026, versus \$34.9 million a year earlier.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Backlog of \$283.3 million, up \$8.4 million from \$274.9 million at the end of last year.
- Bookings of \$295.0 million, up \$2.5 million from \$292.5 million last year.
- Adjusted net income of \$0.9 million, versus adjusted net income of \$6.6 million last year.
- Adjusted net income per share of \$0.04, compared to adjusted net income per share of \$0.31 last year.
- Adjusted EBITDA of \$20.7 million in fiscal 2026, compared to \$27.5 million last year.

RESULTS OF OPERATIONS

(unless otherwise noted, all amounts are in U.S. dollars)

IFRS	Three-month periods ended			Twelve-month periods ended		
	February 28, 2026	February 28, 2025	Variance	February 28, 2026	February 28, 2025	Variance
(thousands)						
From continuing operations						
Sales	\$84,905	\$83,198	\$1,707	\$296,405	\$295,196	\$1,209
Gross profit	17,614	19,830	(2,216)	81,092	84,917	(3,825)
Administration costs	18,856	20,255	(1,399)	69,003	68,603	400
Restructuring expenses	2,245	19,111	(16,866)	9,614	100,412	(90,798)
Other expense (income)	(2,679)	(957)	1,722	841	(1,833)	(2,674)
Operating income (loss)	(808)	(18,579)	17,771	1,634	(82,265)	83,899
Net income (loss) ¹	(3,852)	(16,056)	12,204	15,310	(67,246)	82,556
Net income (loss) from discontinued operations	-	3,636	(3,636)	58,599	(8,254)	66,853
Net income (loss)	(3,852)	(12,420)	8,568	73,909	(75,500)	149,409
(as a percentage of sales)						
Gross profit from continuing operations	20.7%	23.8%	(310 bps)	27.4%	28.8%	(140 bps)
(in dollars per share)						
Net income (loss) per share from continuing operations – basic and diluted	(0.18)	(0.74)	0.56	0.71	(3.12)	3.83
Net income (loss) per share from discontinued operations – basic and diluted	-	0.17	(0.17)	2.71	(0.38)	3.09
Net income (loss) per share – basic and diluted	(0.18)	(0.57)	0.39	3.42	(3.50)	6.92

NON-IFRS	Three-month periods ended			Twelve-month periods ended		
	February 28, 2026	February 28, 2025	Variance	February 28, 2026	February 28, 2025	Variance
(thousands)						
From continuing operations						
Adjusted EBITDA ²	\$3,994	\$3,620	\$374	\$20,674	\$27,470	(\$6,796)
Adjusted net income (loss) ²	(2,002)	(4,899)	2,897	890	6,600	(5,710)
Adjusted net income (loss) per share – basic and diluted	(0.09)	(0.23)	0.14	0.04	0.31	(0.27)

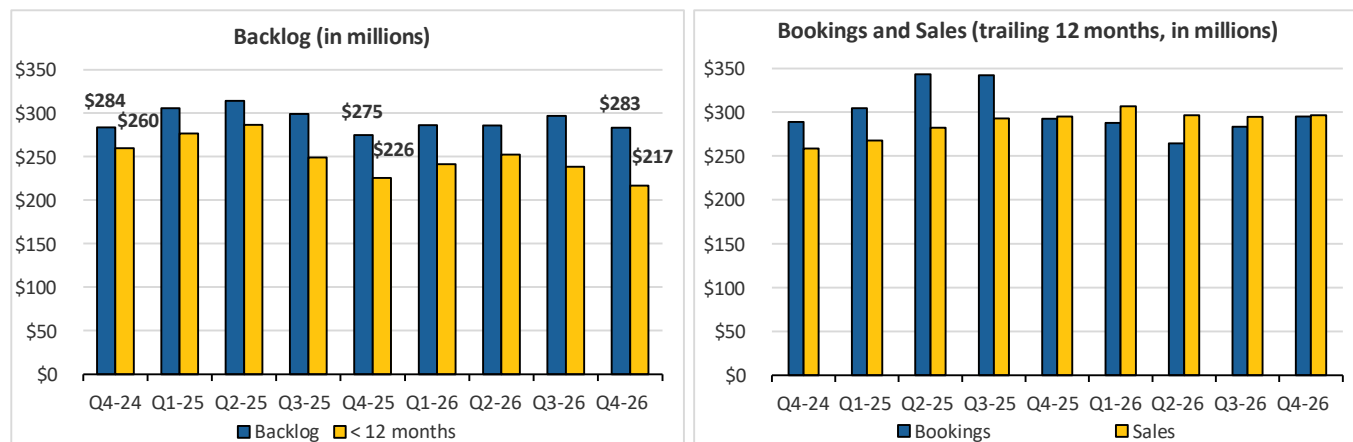
Backlog

	As at			
	February 28, 2026		February 28, 2025	
(thousands)	\$	%	\$	%
Backlog from continuing operations	283,290		274,877	
For delivery within the next 12 months	216,709	76.5%	225,662	82.1%
For delivery between 12 and 24 months	66,581	23.5%	44,183	16.1%
For delivery between 24 and 36 months	0	0.0%	0	0.0%
For delivery beyond 36 months	0	0.0%	5,032	1.8%

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.

As at February 28, 2026, the backlog from continuing operations stood at \$283.3 million, up \$8.4 million, or 3.1%, from \$274.9 million a year earlier. Currency movements had a \$10.1 million positive effect on the value of the backlog during the year mainly due to the strengthening of the euro versus the U.S. dollar. Excluding currency movements, the backlog remained relatively stable, reflecting bookings that were broadly in line with valve shipments during the fiscal year. As at February 28, 2026, 76.5% of the backlog, representing orders of \$216.7 million, is deliverable in the next 12 months, versus 82.1% of last year's backlog. This shift in the delivery schedule is driven by the securing of an increasing number of long-term contracts for the nuclear and defense sectors.



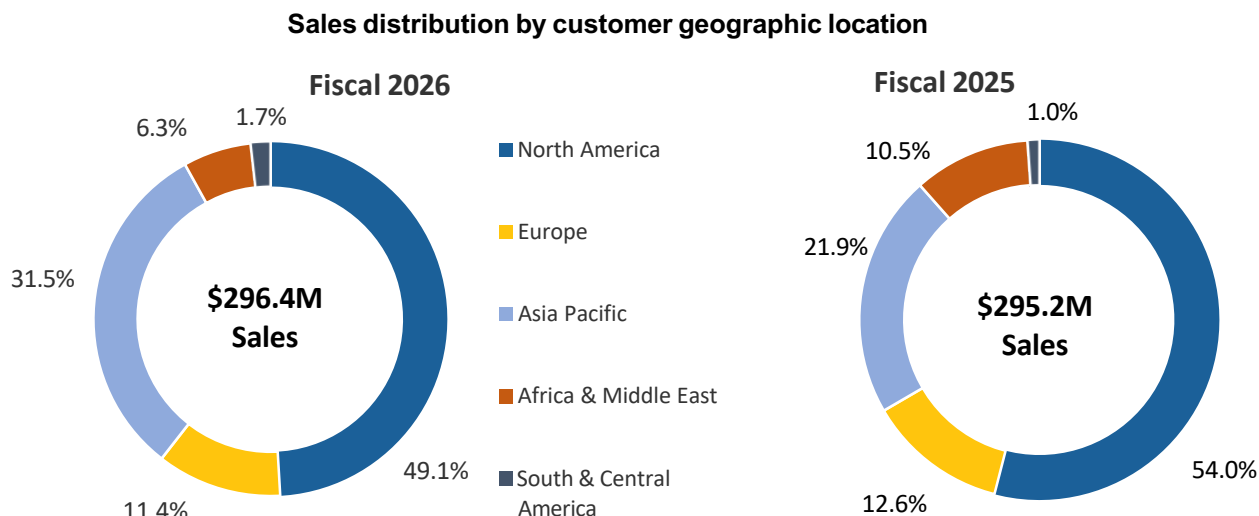
Bookings

	Three-month periods ended		Twelve-month periods ended	
(in thousands)	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Bookings from continuing operations	\$73,713	\$62,032	\$295,039	\$292,505

Bookings from continuing operations in the fourth quarter of fiscal 2026 totaled \$73.7 million, compared to bookings of \$62.0 million in the fourth quarter of fiscal 2025. The variation is attributable to higher North American bookings in the nuclear sector and for maintenance, repair and overhaul (MRO) activity, as well as higher bookings recorded by the Company's operations in India. These factors were partially offset by lower bookings by German operations. Currency movements had a negligible effect on the value of bookings for the quarter.

Fiscal 2026 bookings from continuing operations reached \$295.0 million, up \$2.5 million or 0.9% compared to the previous year. The increase reflects higher bookings from Italian operations, partially offset by lower bookings by German and Chinese operations following a strong order flow in the prior year. Currency movements had a \$2.2 million positive effect on the value of bookings for the year.

Sales



Sales from continuing operations reached \$84.9 million in the fourth quarter of fiscal 2026, an increase of \$1.7 million or 2.1% compared to the same period last year. The variation reflects higher shipments from North American, Chinese and Indian operations, partially offset by lower shipments from Italian operations due to changes in customer delivery schedules. Currency movements had a \$3.0 million positive effect on sales for the quarter.

Sales from continuing operations for fiscal 2026 amounted to \$296.4 million, an increase of \$1.2 million or 0.4% compared to last year. The variation mainly reflects higher shipments from operations in India, China and Korea, partially offset by non-recurring revenue of \$5.2 million in fiscal 2025 from German operations. Currency movements had a \$5.2 million positive effect on sales for the year.

Gross profit

For the fourth quarter of fiscal 2026, gross profit from continuing operations was \$17.6 million, compared with \$19.8 million a year ago. The variation is attributable to a less favorable product mix this year compared to last. Currency movements had a \$0.5 million positive effect on gross profit for the quarter. As a percentage of sales, gross profit was 20.7%, versus 23.8% last year.

In fiscal 2026, gross profit from continuing operations totaled \$81.1 million, versus \$84.9 million last year. The variation mainly reflects the aforementioned factors. Currency movements had a \$1.0 million positive effect on gross profit for the year. As a percentage of sales, gross profit was 27.4%, compared to 28.8% last year.

Administration costs

Administration costs from continuing operations reached \$18.9 million, or 22.2% of sales, in the fourth quarter of fiscal 2026, compared to \$20.3 million, or 24.3% of sales, last year. The decrease mainly reflects lower compensation expenses and last year's non-cash impact of a significant increase in the value of the Company's shares on the long-term incentive plan.

Fiscal 2026 administration costs from continuing operations amounted to \$69.0 million, or 23.3% of sales, compared to \$68.6 million, or 23.2% of sales, in fiscal 2025. The slight increase reflects higher professional fees and sales commissions, partially offset by cost reduction initiatives and last year's non-cash impact of a significant increase in the market value of the Company's share on the long-term incentive plan.

Restructuring expenses

For the three-month period ended February 28, 2026, restructuring expenses amounted to \$2.2 million, consisting of \$1.5 million in transaction-related costs related to the proposed sale of Velan Holding shares to Birch Hill Equity Partners Management Inc. ("Birch Hill") and a final adjustment to asbestos-related costs. In the three-month period ended February 28, 2025, restructuring expenses amounted to \$19.1 million, consisting of \$2.5 million in asbestos-related costs and of \$16.6 million in transaction-related costs.

In fiscal 2026, the Company incurred restructuring expenses of \$9.6 million consisting of transaction-related costs. In fiscal 2025, the Company incurred restructuring expenses of \$100.4 million, consisting of \$76.2 million in asbestos-related costs and \$24.2 million in transaction-related costs.

EBITDA¹ and Adjusted EBITDA¹

In the fourth quarter of fiscal 2026, the Company reported EBITDA from continuing operations of \$1.7 million compared to negative \$15.5 million for the same period a year ago. Excluding restructuring expenses, adjusted EBITDA from continuing operations was \$4.0 million in the fourth quarter of fiscal 2026, compared to \$3.6 million a year earlier. This increase reflects an increase in other income, mainly attributable to favourable currency movements, and lower administration costs, partially offset by lower gross profit.

In fiscal 2026, EBITDA from continuing operations was \$11.1 million compared to negative \$73.1 million last year. Excluding restructuring expenses, adjusted EBITDA from continuing operations for fiscal 2026 was \$20.7 million, versus \$27.5 million in fiscal 2025. The decrease is attributable to lower gross profit and higher administration costs.

Financing expenses (income)

For the fourth quarter of fiscal 2026, financing expenses from continuing operations were \$0.7 million, compared to financing income of \$1.2 million last year. The variation reflects last year's reevaluation of minority interest and lower finance income due to a reduction in interest rates.

Financing expenses from continuing operations amounted to \$1.6 million in fiscal 2026, versus financing income of \$0.3 million a year ago. The variation reflects the factors mentioned above.

Income taxes (recovery)

For the fourth quarter of fiscal 2026, the income tax expense from continuing operations was \$2.4 million, compared to an income tax recovery of \$0.6 million last year. The variation reflects higher EBITDA this year compared to last year, and last year's income tax recovery of \$3.5 million reflecting the recognition of deferred tax assets not previously recognized which were expected to be utilized against the tax liability resulting from the disposal of the French subsidiaries.

For fiscal 2026, the income tax recovery from continuing operations was \$15.1 million, compared to an income tax recovery of \$14.6 million last year. Fiscal 2026 included a \$23.1 million non-recurring tax recovery related to the disposal of the French subsidiaries in the first quarter. Fiscal 2025 included an income tax recovery of \$20.2 million reflecting deferred tax assets related to the recognition of deferred tax assets not previously recognized which were utilized against the tax liability resulting from the disposal of the French subsidiaries.

Net income (loss) and Adjusted net income (loss)

For the fourth quarter of fiscal 2026, the net loss from continuing operations was \$3.9 million, or a loss of \$0.18 per share, compared to a net loss of \$16.1 million, or \$0.74 per share last year. Adjusted net loss from continuing operations for the fourth quarter of fiscal 2026 was \$2.0 million, or a loss of \$0.09 per share, versus an adjusted net loss of \$4.9 million, or \$0.23 per share. The variation is attributable to higher adjusted EBITDA and to a lower tax expense, excluding last year's non-recurring items.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this report

Net income from discontinued operations was \$3.6 million, or net income of \$0.17 per share, in the fourth quarter of fiscal 2025.

As a result, the net loss for the fourth quarter of fiscal 2026 was \$3.9 million, or a loss of \$0.18 per share, compared to a net loss of \$12.4 million, or a loss of \$0.57 per share, in the fourth quarter of fiscal 2025.

For fiscal 2026, net income from continuing operations was \$15.3 million, or net income of \$0.71 per share, compared to a net loss of \$67.2 million, or a loss of \$3.12 per share, in fiscal 2025. Adjusted net income from continuing operations was \$0.9 million, or net income of \$0.04 per share, in fiscal 2026, versus adjusted net income of \$6.6 million, or net income of \$0.31 per share, in fiscal 2025. The variation is attributable to lower adjusted EBITDA.

Net income from discontinued operations was \$58.6 million, or net income of \$2.71 per share, in fiscal 2026, versus a net loss from discontinued operations of \$8.3 million, or a loss of \$0.38 per share, in fiscal 2025.

As a result, net income for fiscal 2026 was \$73.9 million, or net income of \$3.42 per share, compared with a net loss of \$75.5 million, or a loss of \$3.50 per share, last year.

Discontinued operations

The income and expenses, gains and losses relating to the discontinuation of the disposal group have been subtracted from the Company's net income from continuing operations and are presented on a separate line in the consolidated statement of income.

Results from discontinued operations for the fiscal ended February 28, 2026, include a gain of \$95.8 million on the disposal of French subsidiaries Velan SAS and Segault as well as the recognition of a cumulative translation adjustment of \$12.5 million. Details are as follows:

	Three-month periods ended		Twelve-month periods ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$	\$	\$
Sales	-	34,844	4,764	95,778
Cost of sales	-	20,057	3,127	58,640
Gross profit	-	14,787	1,637	37,138
Administration costs	-	5,949	1,782	21,801
Gain on Disposal of SAS and Segault	-	-	(95,824)	-
Reclassification of foreign currency translation of foreign subsidiaries from discontinued operations	-	-	12,456	-
Other expense (income)	-	(886)	782	21
Operating income (loss)	-	9,724	82,441	15,316
Finance costs – net	-	36	(128)	(82)
Income (loss) before income taxes	-	9,688	82,569	15,398
Income tax expense	-	6,052	23,970	23,652
Net profit (loss) for the period	-	3,636	58,599	(8,254)

SIGNIFICANT TRANSACTIONS

(unless otherwise noted, all amounts are in U.S. dollars)

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, 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 certain 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.

As announced, 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.

The Company completed the divestiture of its asbestos-related liabilities on April 3, 2025, which permanently removed all asbestos-related liabilities and obligations from Velan Inc.'s balance sheet and indemnified the Company for all asbestos liabilities.

The Company also closed the sale of 100% of the share capital and voting rights of its French subsidiaries on March 31, 2025, for a total consideration of \$208.2 million (€192.5 million), including \$184.1 million (€170.0 million) in cash.

As a result of the sale of the French businesses, the consolidated balance sheet as at February 28, 2025, was adjusted to present the disposal group as asset held for sale, and the consolidated income statement and cash flows were retrospectively adjusted to present only the results from continuing operations. A gain of \$95.8 million was recorded in the first quarter of fiscal 2026 and the sale also triggered the recognition of a negative cumulative translation adjustment of \$12.5 million. These amounts were recorded as part of results from discontinued operations.

SUMMARY OF QUARTERLY RESULTS

(unless otherwise noted, all amounts are in U.S. dollars)

Summary financial data derived from the Company's unaudited financial statements from each of the eight most recently completed quarters, presented on the basis of continuing operations, are as follows:

	Quarters ended							
<i>(in thousands, excluding per share amounts)</i>	February 2026	November 2025	August 2025	May 2025	February 2025	November 2024	August 2024	May 2024
Sales from continuing operations	\$84,905	\$71,660	\$67,611	\$72,229	\$83,198	\$73,404	\$77,696	\$60,898
Net income (loss) from continuing operations	(3,852)	2,996	(1,660)	17,826	(16,056)	(47,835)	(1,168)	(2,187)
per share – basic and diluted	(0.18)	0.14	(0.08)	0.83	(0.74)	(2.22)	(0.05)	(0.10)
Net income (loss) from discontinued operations	-	-	(780)	59,379	3,636	(14,262)	1,289	1,083
per share – basic and diluted	-	-	(0.03)	2.70	0.17	(0.66)	0.06	0.05
Net income (loss)	(3,852)	2,996	(2,440)	77,205	(12,420)	(62,097)	121	(1,104)
per share – basic and diluted	(0.18)	0.14	(0.11)	3.58	(0.57)	(2.88)	0.01	(0.05)
Adjusted EBITDA from continuing operations	3,994	9,542	3,358	3,780	3,620	14,260	6,746	2,846
Adjusted net income (loss) from continuing operations	(2,002)	3,955	(1,153)	90	(4,899)	8,502	2,754	242
per share – basic and diluted	(0.09)	0.18	(0.05)	0.00	(0.23)	0.39	0.13	0.01

FINANCIAL POSITION

Assets

As at February 28, 2026, total assets stood at \$346.6 million, down from \$502.0 million as at February 28, 2025.

Current assets amounted to \$285.1 million as at February 28, 2026, down from \$418.9 million a year earlier. The variation reflects the disposal of assets held for sale of \$176.8 million, partially offset by an \$18.5 million increase in cash and cash equivalents, a \$12.8 million increase in accounts receivable and a \$12.2 million increase in inventory.

Non-current assets totalled \$61.5 million as at February 28, 2026, down from \$83.1 million last year. The variation is mainly attributable to a decrease of \$19.8 million in the value of deferred taxes following the sale of the French subsidiaries.

Liabilities

As at February 28, 2026, total liabilities amounted to \$164.5 million, down from \$403.2 million as at February 28, 2025.

Current liabilities stood at \$134.2 million as at February 28, 2026, down from \$374.3 million a year ago. The decrease is attributable to a \$143.7 million reduction in provision related to Asbestos and to the disposal of liabilities held for sale of \$110.9 million. These factors were partially offset by a \$9.4 million increase in bank indebtedness and a \$6.3 million increase in accounts payable and accrued liabilities.

Non-current liabilities were \$30.3 million as at February 28, 2026, up from \$28.9 million, last year. The variation mainly reflects a \$1.7 million increase in customer deposits.

Equity

As at February 28, 2026, total equity was \$182.1 million, versus \$98.7 million as at February 28, 2025. The variation is due to the net income for fiscal 2026, which included the gain in the sale of the French assets, and an \$18.0 million decrease in accumulated other comprehensive loss.

LIQUIDITY AND CAPITAL RESOURCES – a discussion of liquidity risk, credit facilities and cash flows *(unless otherwise noted, all dollar amounts are denominated in U.S. dollars)*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continually monitoring its future cash requirements. Cash flow forecasting is performed in the operating entities and aggregated by the Company's corporate finance team. The Company's policy is to maintain sufficient cash and cash equivalents and available credit facilities in order to meet its present and future operational needs.

As at February 28, 2026						
(thousands)	Carrying value \$	Less than 1 year \$	1 to 3 years \$	4 to 5 years \$	After 5 years \$	Total \$
Long-term debt	18,225	3,737	3,160	2,345	12,720	21,962
Long-term lease liabilities	5,560	1,725	2,544	1,162	455	5,886
Accounts payable and accrued liabilities	85,094	85,094	-	-	-	85,094
Customer deposits	25,795	20,068	3,087	2,640	-	25,795
Derivative liabilities	130	130	-	-	-	130

As at February 28, 2026, the Company is in compliance with all covenants related to its debt and credit facilities.

At the end of the current fiscal year, the Company did not have any outstanding purchase commitments with foreign suppliers due within one year which were covered by letters of credit.

On February 28, 2026, the Company's order backlog¹ was \$283.3 million. The Company believes that its net cash, subject to certain local exchange control restrictions, along with future cash flows generated from operations, are sufficient to meet its financial obligations, increase its capacity, satisfy its working capital requirements, and execute its business strategy. However, there can be no assurance that the risk of an event, such as a sharp downturn in the economy, an escalating trade dispute, or a conflict will not materially adversely affect the Company's results of operations or financial condition.

As part of managing its liquidity risk, the Company also monitors the financial health of its key suppliers.

Cash flows - quarter and fiscal year ended February 28, 2026

(unless otherwise noted, all amounts are in U.S. dollars, and all comparisons are to same period in the prior fiscal year)

The Company's changes in net cash were as follows:

	Three-month periods ended		Fiscal years ended	
(thousands)	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Net cash from continuing operations – Beginning of period	20,223	32,061	32,364	27,283
From continuing operations				
Cash provided (used) by operating activities before net change in provisions	22,320	7,465	(15,719)	23,961
Net change in provisions	<u>2,282</u>	<u>(264)</u>	<u>(144,417)</u>	<u>2,564</u>
Cash provided (used) by operating activities	24,602	7,201	(160,136)	26,525
Cash used by investing activities excluding proceeds on disposal of French assets	(3,579)	(1,793)	(7,094)	(10,277)
Proceeds on disposal of French assets	<u>-</u>	<u>-</u>	<u>182,363</u>	<u>-</u>
Cash provided (used) by investing activities	(3,579)	(1,793)	175,269	(10,277)
Cash used by financing activities	(395)	(3,727)	(8,514)	(9,815)
Effect of exchange rate differences on cash	<u>641</u>	<u>(1,378)</u>	<u>2,509</u>	<u>(1,352)</u>
Net change in cash from continuing operations	21,269	303	9,128	5,081
Net change in cash from discontinued operations	-	208	8,745	6,354
Net change in cash and cash equivalents	21,269	511	17,873	11,435
Net cash from continuing operations – end of period	41,492	32,364	41,492	32,364

Operating activities

For the three-month period ended February 28, 2026, cash provided by operating activities from continuing operations before net change in provisions totalled \$22.3 million, versus \$7.5 million in the corresponding period a year earlier. The favorable movement in cash is mainly attributable to positive changes in non-cash working capital movements.

For the fiscal year ended February 28, 2026, cash used by operating activities from continuing operations before net change in provisions was \$15.7 million, versus cash provided of \$24.0 million in the previous year. The unfavorable movement in cash mainly reflects negative changes in non-cash working capital movements in the first nine months of the year, partially offset by favourable changes in the fourth quarter.

The changes in non-cash working capital items were as follows:

	Three-month periods ended		Fiscal years ended	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
<i>(thousands)</i>				
Accounts receivable	3,658	(783)	(9,198)	7,739
Inventories	8,132	13,399	(9,197)	(11,319)
Income tax recoverable	(596)	224	158	490
Deposits and prepaid expenses	833	277	506	1,865
Accounts payable and accrued liabilities	9,798	6,052	4,955	28,774
Income tax payable	(172)	1,197	(1,255)	2,507
Customer deposits	8,557	(2,522)	(3,292)	1,203
Provisions	2,282	(264)	(144,417)	2,564
Changes in non-cash working capital items	32,492	17,580	(161,740)	33,823

Investing activities

Cash used by investing activities from continuing operations for the quarter ended February 28, 2026, was \$3.6 million mainly reflecting additions to intangible assets of \$1.5 million and additions to property, plant and equipment of \$0.9 million. For the quarter ended February 28, 2025, cash used in investing activities from continuing operations stood at \$1.8 million reflecting additions to intangible assets totalling \$1.8 million.

For the fiscal year ended February 28, 2026, cash used in investing activities from continuing operations, excluding proceeds from the disposal of French assets, amounted to \$7.1 million reflecting net additions to property, plant and equipment of \$5.5 million and additions to intangible assets of \$1.5 million. For the fiscal year ended February 28, 2025, cash used in investing activities from continuing operations was \$10.3 million due to net additions to property, plant and equipment of \$7.5 million and additions to intangible assets of \$2.9 million.

Financing activities

During the fourth quarter of fiscal 2026, cash used by financing activities from continuing operations was \$0.4 million as a \$1.2 million decrease in long-term debt and repayment of long-term lease liabilities of \$0.4 million were partially offset a \$1.2 million increase in short-term bank loans. In the fourth quarter of fiscal 2025, cash used by financing activities from continuing operations was \$3.7 million as a \$5.0 million reduction in the revolving credit facility was partially offset by a net increase of \$1.8 million in long-term debt.

In fiscal 2026, cash used by financing activities from continuing operations was \$8.5 million mainly reflecting dividend payments of \$8.3 million and the repayment of \$7.7 million in long term-debt, partially offset by a \$7.9 million increase in the revolving credit facility. In fiscal 2025, cash used by financing activities from continuing operations stood at \$9.8 million mainly reflecting a \$5.0 million decrease in the revolving credit facility and a \$3.8 million net decrease in long-term debt.

FOREIGN EXCHANGE RATES

The following table shows certain average and closing exchange rates applicable to Velan's three- and twelve-month periods ended February 28, 2026, and 2025. Average exchange rates are used to translate foreign-denominated sales and expenses in U.S. dollars for the periods mentioned, while closing rates are used to translate foreign-denominated assets and liabilities in U.S. dollars as at the end of the periods.

		Three-month periods ended		Twelve-month periods ended	
		February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
US\$/CDN\$	Average	0.7275	0.6989	0.7208	0.7226
	Closing	0.7330	0.6926	0.7330	0.6926
US\$/Euro	Average	1.1525	1.0413	1.1529	1.0704
	Closing	1.1805	1.0411	1.1805	1.0411

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Company's financial performance.

The Company's financial risk management is generally carried out by the corporate finance team, based on policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks are the responsibility of the corporate finance team in conjunction with the finance teams of the Company's subsidiaries. The Company uses derivative financial instruments to hedge certain risk exposures. Use of derivative financial instruments is subject to a policy which requires that no derivative transaction be entered into for the purpose of establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only).

Market risk

Currency risk

Currency risk on financial instruments is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than a company's functional currency. The Company has operations with different functional currencies, each of which will be exposed to currency risk based on its specific functional currency.

When possible, the Company matches cash receipts in a foreign currency with cash disbursements in that same currency. The remaining anticipated net exposure to foreign currencies is hedged. To hedge this exposure, the Company uses foreign currency derivatives, primarily foreign exchange forward contracts. These derivatives are not designated as hedges for accounting purposes.

The amounts outstanding as at February 28, 2026, and February 28, 2025, are as follows:

	Range of exchange rates		Gain (loss) (in thousands of U.S. dollars)		Notional amount (in thousands of indicated currency)	
	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025	February 28, 2026	February 28, 2025
Foreign exchange forward contracts						
Sell US\$ for CA\$ - 0 to 15 months	-	-	-	-	-	-
Buy US\$ for CA\$ - 0 to 15 months	-	-	-	-	-	-
Sell € for US\$ - 0 to 12 months	-	-	-	-	-	-
Buy € for US\$ - 0 to 12 months	1.04 to 1.10	1.04 to 1.10	(45)	(405)	US\$1,000	US\$15,005

Foreign exchange forward contracts are contracts whereby the Company has the obligation to sell or buy the currencies at the strike price. The fair value of the foreign currency instruments is recorded in the consolidated statement of loss and reflects the estimated amounts the Company would have paid or received to settle these

contracts as at the financial position date. Unrealized gains are recorded as derivative assets and unrealized losses as derivative liabilities on the consolidated statement of financial position.

The following table provides a sensitivity analysis of the Company's most significant foreign exchange exposures related to its net position in the foreign currency financial instruments, which includes cash and cash equivalents, short-term investments bank indebtedness, short-term bank loans, derivative financial instruments, accounts receivable, accounts payable and accrued liabilities, customer deposits, provision for performance guarantees and long-term debt, including interest payable. A hypothetical strengthening of 5.0% of the following currencies would have had the following impact for the fiscal years ended February 28, 2026, and February 28, 2025:

(thousands)	Net income (loss)	
	February 28, 2026 \$	February 28, 2025 \$
Canadian dollar strengthening against the U.S. dollar	2,329	(1,420)
Euro strengthening against the U.S dollar	2,283	(4)
Indian rupee strengthening against the U.S dollar	680	451

A hypothetical weakening of 5.0% of the above currencies would have had the opposite impact for both fiscal years.

For the purposes of the above analysis, foreign exchange exposure does not include the translation of subsidiaries into the Company's reporting currency. For those subsidiaries whose functional currency is other than the reporting currency (U.S. dollar) of the Company, such exposure would impact other comprehensive income or loss.

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk is related primarily to its credit facilities, long-term debt and cash and cash equivalents. Items at variable rates expose the Company to cash flow interest rate risk, and items at fixed rates expose the Company to fair value interest rate risk. The Company's long-term debt and credit facilities predominantly bear interest, and its cash and cash equivalents earn interest at variable rates. An assumed 0.5% change in interest rates would have no significant impact on the Company's net income or cash flows.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Company's trade accounts receivable.

The Company's credit risk related to its trade accounts receivable is concentrated. As at February 28, 2026, three (2025 – four) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 17.0% (2025 – 15.8%) and the Company's ten largest customers accounted for 60.6% (2025 – 52.8%) of trade accounts receivable. In addition, one customer accounted for 12.3% of the Company's sales (2025 – 13.6%).

In order to mitigate its credit risk, the Company performs a continual evaluation of its customers' credit and performs specific evaluation procedures on all its new customers. In performing its evaluation, the Company analyzes the ageing of accounts receivable, historical payment patterns, customer creditworthiness and current economic trends. A specific credit limit is established for each customer and reviewed periodically. For some trade accounts receivable, the Company may obtain security in the form of credit insurance which can be called upon if the counterparty is in default under the terms of the agreement.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables. The expected credit loss rates are based on the Company's historical credit losses experienced over the last fiscal year prior to period end. The historical rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

The lifetime expected loss allowance for trade receivables was determined as follows:

As at February 28, 2026					
(thousands)	Current	Past due more than 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.000%	0.000%	0.000%	4.011%	
Gross carrying amount	40,723	5,107	8,372	15,482	69,684
Loss allowance	-	-	-	621	621

As at February 28, 2025					
(thousands)	Current	Past due more than 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.003%	0.009%	0.004%	11.533%	
Gross carrying amount	34,505	10,866	5,313	3,286	53,970
Loss allowance	1	1	-	379	381

The Company is also exposed to credit risk relating to derivative financial instruments, cash and cash equivalents and short-term investments, which it manages by dealing with highly rated financial institutions. The Company's primary credit risk is limited to the carrying value of the trade accounts receivable and gains on derivative assets. The table below summarizes the ageing of the trade accounts receivable:

As at		
(thousands)	February 28, 2026 \$	February 28, 2025 \$
Current	40,347	34,636
Past due 0 to 30 days	5,107	10,866
Past due 31 to 90 days	8,372	5,313
Past due more than 90 days	15,482	3,285
	69,398	54,100
Less: Loss allowance	(621)	(381)
Other receivables	68,687	53,719
	6,682	8,894
Total accounts receivable	75,369	62,613

The table below summarizes the movement in the allowance for doubtful accounts:

Fiscal years ended		
(thousands)	February 28, 2026 \$	February 28, 2025 \$
Balance – Beginning of the year	381	224
Loss allowance expense	229	166
Recoveries of trade accounts receivables	-	(3)
Write-off of trade accounts receivable	-	(3)
Foreign exchange	11	(3)
Balance – End of the period	621	381

Liquidity risk – see discussion in *liquidity and capital resources* section.

INTERNAL CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO"), in a timely manner so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO of the Company have evaluated, or caused the evaluation of, under their direct supervision, the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings) as at February 28, 2026 and have concluded that such disclosure controls and procedures were designed and operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has evaluated the design and effectiveness of its internal controls and procedures over financial reporting (as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings). The evaluation was based on the *"Internal Control-Integrated Framework (2013)"* issued by the *Committee of Sponsoring Organizations of the Treadway Commission ("COSO")*. This evaluation was performed by the CEO and the CFO of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the CEO and the CFO concluded that the internal controls and procedures over financial reporting were appropriately designed and operating effectively as at February 28, 2026.

In spite of its evaluation, Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure of internal controls and procedures occur and/or mistakes happen of a material nature, the Company intends to take the steps necessary to minimize the consequences thereof.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company did not make any material changes to the design of internal control over financial reporting during the year ended February 28, 2026, that have materially affected, or are reasonably likely to have materially affected, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES & ASSUMPTIONS

The Company's significant accounting policies as described above are essential to understanding the Company's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The assumptions and estimates used are based on parameters which are derived from the knowledge at the time of preparing the financial statements and believed to be reasonable under the circumstances. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry-specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed and beyond the control of the Company, the actual results may differ from those anticipated. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below:

Inventories

Inventories must be valued at the lower of cost and net realizable value. A write-down of inventory will occur when its estimated net realisable value (which is the estimated selling price minus costs necessary to make the sell) is below its carrying amount. This involves significant management judgment and is based on the Company's assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. Any change in the assumptions used in assessing this valuation or selling costs could impact the carrying amount of the inventory on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Provisions

Provisions must be established for possible product warranty expenses. The Company estimates its warranty exposure by taking into account past experience as well as any known technical problems and estimates of costs to resolve these issues. The Company estimates its exposure under these obligations based on an analysis of all identified or expected claims. Any change in the assumptions used could impact the value of the provision on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of loss.

Impairment of non-financial assets

Assets that have an indefinite life, such as goodwill, are tested annually by the Company for impairment, or more frequently if events or circumstances indicate there may be impairment. All other assets must be reviewed by the Company at the end of each reporting period in order to determine whether there is an indication of possible impairment. Determining whether there are indicators of potential impairment is a matter of significant judgment. When determining the recoverable amount of a CGU, management prepares estimates based on assumptions such as the weighted-average cost of capital, the Earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, revenue growth or the recoverable amount of each individual assets. Any change in the assumptions used could impact the carrying amount of the CGU.

Income taxes

The Company must estimate its income taxes in each jurisdiction in which it operates. This involves assessing the probability of using net operating losses against future taxable income as well as evaluating positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. In the event these assessments are changed, there would be an adjustment to income tax expense with a corresponding adjustment to income tax balances on the consolidated statement of financial position.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical judgements in applying the Company's material policies

Deferred tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized. The Company estimates that future taxable profits will be sufficient to realize this asset.

Accounting standards and amendments issued but not yet adopted

The following new standard has been issued by the International Accounting Standards Board ("IASB") and is not yet effective for the Company's consolidated financial statements. The Company has not early adopted this standard.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements related to the presentation of financial performance, including the classification of income and expenses into defined categories and the presentation of new mandatory subtotals in the statement of profit or loss. The Standard also introduces enhanced disclosure requirements, including disclosures of management-defined performance measures, and updated principles for aggregation and disaggregation of financial information.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company does not plan to early adopt this Standard. The adoption of IFRS 18 is not expected to have an impact on the recognition or measurement of amounts in the consolidated financial statements but will result in changes to presentation and disclosures.

Standards and amendments effective January 1, 2026

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, including amendments related to the classification and measurement of financial instruments, contracts referencing nature-dependent electricity, and annual improvements to IFRS Accounting Standards, are effective for annual reporting periods beginning on or after January 1, 2026. The Company is currently assessing these amendments and does not expect them to have a material impact on the consolidated financial statements.

CERTAIN RISKS THAT COULD AFFECT THE COMPANY'S BUSINESS

Cyclical nature of end user markets, commodity price volatility and other macroeconomic factors

The demand for the Company's products in any particular industry or market can vary significantly according to the level of economic activity in that industry or market. These potential variations may be mitigated by the fact that the Company's sales are diversified geographically as well as by end user market. There can be no assurance that an economic recession or downturns in certain industries or geographic locations, such as the current downturn in the oil and gas industry, will not have a significant adverse effect on the Company's sales.

The Company's financial condition and results of operations may also be adversely affected by commodity price volatility. Crude oil and natural gas prices have experienced significant volatility in recent periods and are inherently subject to rapid and material fluctuations. These prices may change in response to relatively minor variations in supply and demand, market uncertainty, geopolitical tensions, and other factors beyond the Company's control. Commodity price volatility represents a significant risk to the Company's business, financial condition, results of operations, and future prospects.

Crude oil and natural gas prices are influenced by numerous factors, including, but not limited to: global supply and demand fundamentals; global and regional economic conditions; actions taken by the Organization of Petroleum Exporting Countries ("OPEC"), OPEC+, and other producing nations; government policies, regulations, taxation, and fiscal regimes; political instability and geopolitical developments; constraints on infrastructure and the ability to transport hydrocarbons to domestic and international markets; developments in the liquefied natural gas ("LNG") market; the availability, pricing, and adoption of alternative and renewable energy sources; and seasonal variations and extreme weather conditions.

Sustained periods of low commodity prices may reduce the Company's revenues, cash flows, provisions, and provisions values, and may adversely affect the economic viability of certain activities. Such conditions could result in asset impairments, downward revisions to provisions, reductions in capital expenditures, or limitations on the Company's ability to finance future operations and development. In addition, elevated price volatility may increase uncertainty in long-term planning and adversely affect the Company's ability to execute its business strategy. The Company is exposed to the risk of inflation fluctuation.

Trade policy and Tariffs

As a globally operating organization, Velan's business is subject to government policies related to import and trade restrictions and business acquisitions, support for export sales, and world trade policies including specific regional trade practices. As a result, Velan is exposed to risks associated with changing priorities by government and supranational agencies.

In addition, protectionist trade policies and changes in the political and regulatory environment in the markets in which Velan operates, such as foreign exchange import and trade controls, tariffs and other trade barriers, "buy local" government initiatives, price or exchange controls, retaliations to any such trade protection policies or measures, as well as potential changes to free trade arrangements, could affect Velan's business in several national markets, disrupt the supply chain, impact sales and profitability and make the repatriation of profits difficult.

In particular, executive orders signed by the President of the United States in February 2025 imposing tariffs on certain imports originating from Canada, Mexico and China, together with any additional tariffs, retaliatory measures or other trade protectionist actions that have been or may be implemented in connection therewith, have introduced and may continue to introduce uncertainty into the trade environment. Such measures could have a material adverse impact on sales of Velan's products to customers in the United States and could be disruptive and costly to the Company's production activities and supply chain. The imposition, expansion or continuation of tariffs or other trade restrictions may require the Company to source components from alternative suppliers or to modify or relocate certain production activities in order to mitigate tariff exposure. These actions could disrupt established supply chains, result in increased operating costs, and require significant management attention. Higher costs arising from tariffs or related mitigation efforts could reduce the competitiveness of Velan's products in domestic and international markets. In addition, evolving trade policies and the possibility of further changes to tariffs or trade agreements may increase uncertainty for the Company and its customers, making it more difficult to plan or commit to long-term investments and commercial arrangements. Velan continues to monitor developments in global trade policy and has established a management-level committee tasked with assessing potential impacts and evaluating available mitigation strategies. However, there can be no assurance that: (i) existing tariffs will be reduced or eliminated; (ii) additional tariffs, retaliatory measures or changes to trade agreements will not be introduced; or (iii) any actions taken by the Company will be sufficient to avoid or mitigate the adverse effects of such measures. The occurrence of any of the foregoing, even if temporary, could result in delays, cancellations or modifications of customer orders, the repayment of pre-delivery payments (net of applicable liquidated damages), reduced new order intake adversely affecting backlog and cash flows, and lower profitability as a result of reduced sales volumes and/or higher costs. Any such outcomes could have a material adverse effect on Velan's business, financial condition, cash flows and results of operations.

Competition

Competitive pressures in the Company's markets could lead to a loss of market share, which could negatively impact revenues, margins and net income. The Company also competes with manufacturers based in low wage countries that offer valves at lower prices. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company's results of operations and financial condition.

Backlog

The Company's order backlog consists of sales orders that are considered firm. It is also an indication of future sales revenues. However, there can be no assurance that subsequent cancellations or scope adjustments will not occur, that the order backlog will ultimately result in earnings, or when the related revenues and earnings from such order backlog will be recognized.

Dependence upon key personnel

The Company is dependent upon the abilities and experience of its executive officers and other key employees. There can be no assurance that the Company can retain the services of such executive officers and key employees.

If several executive officers or other key employees were to leave the employ of the Company, its operations could be adversely affected.

Foreign currency exchange risks

Due to the geographic mix of the Company's customers and its operations, the Company is exposed to foreign currency exchange risk. The Company enters into foreign currency forward contracts in order to manage a portion of its net exposure to foreign currencies. Such forward contracts contain an inherent credit risk related to default on obligations by the counterparty, which the company mitigates by entering into contracts with sound financial institutions that it anticipates will satisfy their obligations. Risk related to currency fluctuations could have a material adverse effect on the Company's results of operations and its financial position.

Debt restrictions

The Company's operations are restricted by the terms of its debt, which could limit its ability to plan for or react to market conditions, or to meet its capital needs. The Company's credit facilities and the indenture governing its senior notes include a number of significant restrictive covenants. These covenants restrict, under certain conditions, the Company's ability to:

- incur debt;
- pay dividends on stock or redeem subordinated debt;
- make investments;
- sell assets, including capital stock in subsidiaries;
- guarantee other indebtedness;
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries;
- enter into transactions with affiliates;
- create or assume liens securing debt;
- sell or transfer and leaseback transactions;
- engage in mergers or consolidations; and
- enter into a sale of all or substantially all of our assets.

These covenants could limit the Company's ability to plan for or react to market conditions or to meet its capital needs. The Company's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Company's ability to comply with these covenants and requirements may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance. The restrictive covenants contained in the Company's senior note indenture, along with the Company's credit facility, do not directly apply to its joint ventures, minority investments and unrestricted subsidiaries.

Interest rate risk and debt financing

A portion of the Company's liabilities consist of debt instruments that bear interest at variable rates. As such, the Company is exposed to the risk of interest rate fluctuations. This risk could have an adverse effect on the Company's results of operations. At maturity of such instruments, the Company may also not be able to refinance such instruments at terms favorable to the Company, or at all. In addition, the terms of the Company's indebtedness provide that, upon an event of default, such indebtedness becomes immediately due and payable. Failure to refinance existing indebtedness on favorable terms or to comply with the terms of such indebtedness could have a material adverse effect on the Company's results of operations and its financial position.

Availability and prices of raw materials

The price of raw materials, principally steel, represents a substantial portion of the cost of manufacturing the Company's products. Historically, there have been fluctuations in these raw material prices and, in some instances, price movements have been volatile. There can be no certainty that the Company will be able to pass on increases

resulting from higher costs of raw materials to its customers through increases in selling prices, or otherwise absorb such cost increases without negatively affecting its margins.

In addition, certain raw materials become, from time to time, in short supply for periods of time. Typically, these shortages do not last long and the Company is usually able to ensure that its needs are met. However, there can be no assurances that its sources of supply will be adequate to supply all of its needs on a timely basis, particularly in the context of the global supply chain disruptions related to the Ukraine conflict.

Labour relations

A substantial portion of the Company's workforce is covered by union agreements with certain collective agreements expired in 2025 and were successfully renewed through 2028. Although the Company has been successful in the past in negotiating renewals, there can be no assurance that this will continue. Failure to renegotiate these agreements could lead to work disruptions or higher labour costs, which could negatively impact results.

Reliance on key suppliers

The Company has several key suppliers with whom it has invested in forging dies and casting patterns. While the Company has alternate sources for most material purchases, the loss of a key supplier could impact negatively on the Company.

Reliance on distributors and sales agents

The Company is directly affected by the ability of independent third-party distributors and sales agents retained by the Company to sell its products in their respective markets. The Company's continued success is thus dependent on its ability to attract and retain the distributors and sales agents it requires to support its existing business and to continue to grow.

Project undertakings

In competing for the sale of valves, the Company may enter into contracts that provide for the production of valves at specified prices and in accordance with certain time schedules. These contracts may involve greater risks as a result of unforeseen increases in costs due to more stringent terms and conditions. Although contract terms may vary from customer to customer, production delays and other performance issues may call for liquidated damages or other penalties in case of non-performance or warranty issues due to the more stringent terms and conditions of such contracts.

Political and economic risks associated with international sales and operations

Since the Company sells and manufactures its products worldwide, the business is subject to risks associated with doing business internationally, including changed in the political and regulatory environment in the markets in which the Company operates, which, among other things, result from changing priorities of governments and supranational agencies. For example, the adoption of and/or continued support for protectionist trade policies could negatively impact the movement of goods, services, and people across borders, including within North America and consequently, the sales and profitability of the Company.

The Company's business and operating results could also be adversely impacted by changes in tax laws from time to time, possibility of expropriation and embargo, foreign exchange restrictions and political, military and/or terrorist disruptions or changes in regulatory environments.

Global Geopolitical Risks

The Company is exposed to risks arising from ongoing and potential geopolitical instability in various regions of the world. Armed conflicts, political tensions, trade disputes, economic sanctions, acts of terrorism, civil unrest, and changes in international relations among countries—including those involving major global or regional powers—have increased in recent years and may continue or intensify. Such geopolitical developments can result in heightened global political and economic uncertainty, market volatility, and disruptions to global trade and financial systems. Governments and international organizations have imposed, and may continue to impose, economic sanctions,

export controls, import restrictions and other restrictive measures against certain countries, entities or individuals in response to geopolitical events. These measures may affect the Company's ability to conduct business in certain markets, fulfill existing contracts, engage in cross-border transactions, or source materials, components, or services from suppliers. Compliance with such measures may also require the Company to suspend, modify or terminate certain commercial relationships or transactions, which could result in delays, lost revenue, increased costs, or contractual disputes.

Geopolitical instability may further contribute to global supply chain disruptions, increased transportation and logistics costs, shortages of raw materials or components, currency fluctuations, inflationary pressures, and reduced customer demand in certain markets. Any escalation or deterioration of geopolitical conditions could adversely affect the Company's customers and suppliers, potentially impacting order levels, production schedules, delivery timelines, and overall operating efficiency. The Company monitors geopolitical developments and applicable regulatory requirements and seeks to conduct its operations in compliance with all applicable laws, sanctions and trade restrictions. However, there can be no assurance that geopolitical developments, or actions taken by governments or supranational bodies in response thereto, will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Force majeure events

Force majeure events are unforeseeable events or circumstances that occur beyond the control of the Company. Such events include but are not limited to political unrest, war, terrorism, strikes, riots, and crime, as well as seismic or severe weather-related events such as earthquakes, hurricanes, tsunamis, tornadoes, ice storms, flooding and volcanic eruptions. The risk of occurrence of a force majeure event is unpredictable and may result in delays or cancellations of orders and deliveries to customers, delays in the receipt of materials from suppliers, damage to facilities or equipment, personal injury or fatality, and possible legal liability.

Product liability and other lawsuits

The Company, like other worldwide manufacturing companies, has been, and will continue to be, subject to a variety of potential liability claims or other lawsuits connected with its business operations, including potential liabilities and expenses associated with possible product defects or failures. While the Company maintains comprehensive general liability insurance coverage which it considers to generally be in accordance with industry practice, such insurance does not cover certain categories of claims to which the Company is subject. Comprehensive general liability premiums have also increased significantly during the last several years. Accordingly, the Company cannot be certain that comprehensive general liability insurance coverage will continue to be available to it at a reasonable cost, or, if available, would be adequate to cover its liabilities.

Health and safety risk

The Company is committed to providing all employees, contractors, and visitors to its premises with a healthy and safe work environment. The Company has implemented a program throughout its operations with policies and procedures that must be followed to ensure that it meets all applicable health and safety laws, regulations, and standards.

Environmental compliance matters

The Company's operations and properties are subject to increasingly stringent laws and regulations relating to environmental protection, including air and water discharges, waste management and disposal and employee safety. Such laws and regulations both impose substantial fines for violations and mandate cessation of operations in certain circumstances, the installation of costly pollution control equipment, or the undertaking of costly site remediation activities. Furthermore, new laws and regulations, or stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean up requirements could require the Company to incur additional costs which could be significant.

Controls over disclosures and financial reporting

In accordance with National Instrument 52-109, the Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing, maintaining, and evaluating the effectiveness of disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer are also responsible for the effective design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. A system of controls is subject to certain inherent limitations and is partially based on the possibility or probability of future events. Accordingly, a system of internal controls can provide only reasonable, and not absolute, assurance of reaching the desired objectives.

Control of the Company

Velan Holding Co. Ltd. (the "Controlling Shareholder") owns 15,566,567 Multiple Voting Shares representing, in the aggregate, approximately 92.8% of the voting interests in the Company. Voting control enables the Controlling Shareholder to determine all matters requiring shareholder approval. The Controlling Shareholder has advised the Company that the disposition of the shares requires the consent of certain Velan family members and controlled entities.

The Controlling Shareholder effectively has sufficient voting power to prevent a change in control of the Company, which may negatively affect the price and liquidity of the Subordinate Voting Shares (as such term is defined herein). The sale of a significant number of Subordinate Voting Shares by the Controlling Shareholder pursuant to the exercise of the conversion right attached to the Multiple Voting Shares may negatively impact upon the market price and liquidity of the Subordinate Voting Shares.

Income and other tax risks

The Company operates in a number of different tax jurisdictions and has a significant amount of cross-border purchase and sale transactions. The tax rules and regulations in various countries are becoming more complex. There is a risk that one or more tax authorities could disagree with the tax treatment adopted by the Company, resulting in defense costs and possible tax assessments.

Compliance with international laws

Due to the international nature of its operations, the Company is subject to differing systems of laws and regulations which are often complex and differ from one country to the next. Such laws and regulations include but are not limited to anti-bribery legislation, export and customs controls, foreign currency exchange controls, transfer pricing regulations and economic sanctions imposed by governmental authorities. Failure to comply with such laws could negatively impact earnings and may result in criminal, civil and administrative legal sanctions. The Company has implemented policies and procedures to effect compliance with these laws by its employees and representatives.

Non-controlling interest

The Company's operations in China and Taiwan are undertaken with partners that are classified as non-controlling interest. The success of these operations depends on the satisfactory performance of such partners in their obligations. The failure of such partners to perform their obligations could impose additional financial and performance obligations on the Company that could negatively impact its earnings and financial condition.

Cybersecurity

The Company's information technology networks are critical to the day-to-day operation of its business, and include information about its finances, employees, products, customers and suppliers. Cybersecurity risks are becoming increasingly sophisticated, varied and numerous. The potential consequences of a material cybersecurity breach could include loss of key information, reputational damage and disruption of operations, with consequential material negative financial consequences. While the Company devotes substantial resources to maintaining and securing its information technology networks, there can be no assurance that the Company will be able to prevent, detect or respond to a potential breach of its information technology networks because of, among other things, the evolving

nature of cybersecurity threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats. The failure to prevent, detect or respond to a breach in the Company's information technology networks could have a material adverse impact on the Company's business, financial condition, result of operations and cash flows.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this MD&A, the Company 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		Twelve-month periods ended	
<i>(in thousands, except per share amounts; certain totals may not add up due to rounding)</i>	February 28, 2026 \$	February 28, 2025 \$	February 28, 2026 \$	February 28, 2025 \$
<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	(3,852)	(16,056)	15,310	(67,246)
<i>Adjustments for:</i>				
Asbestos-related costs	754	2,466	-	76,211
Transaction costs	1,096	12,234	8,690	17,788
Other restructuring expenses	-	-	-	89
Deferred tax assets related to the transactions	-	(3,543)	-	(20,242)
Non-recurring tax recovery on France transaction	-	-	(23,110)	-
Adjusted net income (loss) from continuing operations	(2,002)	(4,899)	890	6,600
per share – basic and diluted	(0.09)	(0.23)	0.04	0.31
<i>Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations</i>				
Net income (loss) from continuing operations	(3,852)	(16,056)	15,310	(67,246)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,815	1,775	6,899	6,864
Amortization of intangible assets and financing costs	621	577	2,276	2,133
Financing expenses	734	(1,229)	1,627	(263)
Income taxes (recovery)	2,431	(558)	(15,052)	(14,551)
EBITDA	1,749	(15,491)	11,060	(73,064)
<i>Adjustments for:</i>				
Asbestos-related costs	754	2,466	-	76,211
Transaction-related costs	1,491	16,645	9,614	24,201
Other restructuring expenses	-	-	-	121
Adjusted EBITDA	3,994	3,620	20,674	27,470

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 the proposed transaction, restructuring, and asbestos provision. 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 MD&A 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 the proposed transaction, restructuring, and asbestos provision. The forward-looking statements contained in this MD&A 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 forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2026 and 2025



Independent auditor's report

To the Shareholders of Velan Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Velan Inc. and its subsidiaries (together, the Company) as at February 28, 2026 and 2025, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 28, 2026 and 2025;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended February 28, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accuracy and existence of inventories Refer to note 2 – Summary of material accounting policies and note 7 – Inventories to the consolidated financial statements. The Company’s inventories totalled \$147,140 thousand as at February 28, 2026. Inventories are valued at the lower of cost and net realizable value. The cost of raw material is determined principally using the weighted average method. Costs of work in process and finished goods are determined using the raw material cost plus applicable direct labour and manufacturing overhead. Management applies significant judgment in determining the value of obsolete or unmarketable inventory based on an assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of the physical inventory cycle counts control. This included observing the physical cycle inventory count procedures at certain locations and performing independent test counts for a sample of inventory items and comparing the results to the Company’s accounting records. • For a sample of raw material and finished parts inventory items, tested the weighted average cost by agreeing to source documents and recalculating the weighted average cost.

Key audit matter	How our audit addressed the key audit matter
future demand and, in some cases, the specific risk of loss on specifically identified inventory. We considered this a key audit matter due to the magnitude of the inventories balance, the number of inventory locations across the Company's network, the significant judgment applied by management in the determination of the value of obsolete or unmarketable inventory and the audit effort involved in testing the inventories balance.	• For a sample of raw material cost included in finished goods and work in process, compared the raw material cost to the cost transferred from raw material inventory. • Tested the allocation of direct labour and manufacturing overhead costs to the finished goods and work in process by performing a reasonability test. • Tested that inventories at year-end were recorded at the lower of cost and net realizable value by: – comparing the cost of a sample of finished goods or work in process items to the most recent selling prices of the inventory items; and – performing an independent point estimate of obsolete inventory or unmarketable inventory provision based on the ageing of inventory and an assessment of market conditions for inventory items based on historical usage and estimated future demand. For a sample of inventory items, tested the usage, estimated future demand and ageing of inventory prepared by the Company by agreeing to source or other documents as applicable. Considered specific risk of loss on specifically identified inventory by inquiry with management and based on evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec

May 14, 2026

¹ CPA auditor, public accountancy permit No. A126402



Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	As at	
	February 28, 2026	February 28, 2025
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	53,354	34,872
Short-term investments	371	358
Accounts receivable (note 6)	75,369	62,612
Income taxes recoverable	5,511	5,617
Inventories (note 7)	147,140	134,969
Deposits and prepaid expenses	3,337	3,689
Derivative assets (note 27)	59	24
Assets held for sale (note 5)	-	176,762
	285,141	418,903
Non-current assets		
Property, plant and equipment (note 9)	50,935	51,349
Intangible assets and goodwill (note 11)	4,477	5,893
Deferred income taxes (note 22)	5,283	25,101
Other assets	771	720
	61,466	83,063
Total assets	346,607	501,966
Liabilities		
Current liabilities		
Bank indebtedness (note 12)	11,862	2,508
Accounts payable and accrued liabilities (note 13)	85,094	78,776
Income taxes payable	1,330	1,818
Customer deposits	20,211	22,338
Provisions (note 14)	10,227	153,957
Derivative liabilities (note 27)	130	480
Current portion of long-term lease liabilities (note 10)	1,592	1,437
Current portion of long-term debt (note 15)	3,737	2,096
Liabilities held for sale (note 5)	-	110,883
	134,183	374,293
Non-current liabilities		
Long-term lease liabilities (note 10)	3,968	4,727
Long-term debt (note 15)	14,488	14,107
Income taxes payable	-	692
Deferred income taxes (note 22)	1,346	737
Customer deposits	5,584	3,876
Other liabilities	4,935	4,796
	30,321	28,935
Total liabilities	164,504	403,228
Total equity	182,103	98,738
Total liabilities and equity	346,607	501,966

Commitments and contingencies (note 24)

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

Approved by the Board of Directors,

(s) James A. Mannebach
James A. Mannebach
Director

(s) Suzanne Blanchet
Suzanne Blanchet
Director



Consolidated Statements of Income (loss)

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

	Fiscal years ended	
	February 28, 2026 \$	February 28, 2025 \$
Sales (note 25)	296,405	295,196
Cost of sales (note 17)	215,313	210,279
Gross profit	81,092	84,917
Administration costs (note 18)	69,003	68,603
Other expense (income)	841	(1,833)
Restructuring expenses (note 20)	9,614	100,412
Operating income (loss)	1,634	(82,265)
Finance income	251	470
Finance costs	(1,878)	(207)
Finance costs – net	(1,627)	263
Income (loss) before income taxes	7	(82,002)
Income tax expense (recovery) (note 22)	(15,052)	(14,551)
Net Income (loss) for the period from continuing operation	15,059	(67,451)
Results from discontinued operations (note 5)	58,599	(8,254)
	73,658	(75,705)
Net Income (loss) attributable to:		
Subordinate Voting Shares and Multiple Voting Shares	73,909	(75,500)
Non-controlling interest	(251)	(205)
Net Income (loss) attributable to Shareholders for the period	73,658	(75,705)
Net Income (loss) per Subordinate and Multiple Voting Share		
Basic and diluted from continuing operations	0.71	(3.12)
Basic and diluted from discontinued operations	2.71	(0.38)
Basic and diluted from all operations	3.42	(3.50)
Dividends declared per Subordinate and Multiple Voting Share	0.38 (CA\$ 0.53)	0.02 (CA\$0.03)
Total weighted average number of Subordinate and Multiple Voting Shares		
Basic and diluted common number of shares	21,585,635	21,585,635
Net Income (loss) attributable to Shareholders:		
Continuing operations	15,059	(67,451)
Discontinued operations	58,599	(8,254)
Net Income (loss) for the period	73,658	(75,705)

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



Consolidated Statements of Comprehensive Income (loss)

(in thousands of U.S. dollars)

	Fiscal years ended	
	February 28, 2026 \$	February 28, 2025 \$
Comprehensive Income (loss)		
Net Income (loss) for the period	73,658	(75,705)
Other comprehensive income (loss)		
Foreign currency translation of foreign subsidiaries	5,545	(4,318)
Foreign currency translation of foreign subsidiaries from discontinued operations	-	(4,131)
Reclassification of foreign currency translation from discontinued operations	12,456	-
Comprehensive Income (loss)	91,659	(84,154)
Comprehensive Income (loss) attributable to:		
Subordinate Voting Shares and Multiple Voting Shares	91,910	(83,949)
Non-controlling interest	(251)	(205)
Comprehensive Income (loss)	91,659	(84,154)

Other comprehensive Income (loss) is composed solely of items that may be reclassified subsequently to the consolidated statement of Income (loss).



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						Total equity
	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interest	
Balance - February 29, 2024	72,695	6,260	(38,692)	141,914	182,177	1,082	183,259
Net Income (loss) for the period	-	-	-	(75,500)	(75,500)	(205)	(75,705)
Other comprehensive Income (loss)	-	-	(8,449)	-	(8,449)	-	(8,449)
Comprehensive Income (loss)	-	-	(8,449)	(75,500)	(83,949)	(205)	(84,154)
Other	-	95	-	-	95	-	95
Dividends							
Multiple Voting Shares	-	-	-	(333)	(333)	-	(333)
Subordinate Voting Shares	-	-	-	(129)	(129)	-	(129)
Balance - February 28, 2025	72,695	6,355	(47,141)	65,952	97,861	877	98,738
Balance - February 28, 2025	72,695	6,355	(47,141)	65,952	97,861	877	98,738
Net Income (loss) for the period	-	-	-	73,909	73,909	(251)	73,658
Other comprehensive Income (loss)	-	-	5,545	-	5,545	-	5,545
Reclassification of foreign currency translation from discontinued operations	-	-	12,456	-	12,456	-	12,456
Comprehensive Income (loss)	-	-	18,001	73,909	91,910	(251)	91,659
Dividends							
Multiple Voting Shares	-	-	-	(5,980)	(5,980)	-	(5,980)
Subordinate Voting Shares	-	-	-	(2,314)	(2,314)	-	(2,314)
Balance - February 28, 2026	72,695	6,355	(29,140)	131,567	181,477	626	182,103

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



Consolidated Statements of Cash Flow

(in thousands of U.S. dollars)

	Fiscal years ended	
	February 28, 2026 \$	February 28, 2025 \$
Cash flows from		
Operating activities		
Net Income (loss) for the period	73,658	(75,705)
Results from discontinued operations	58,599	(8,254)
Net Income (loss) for the period for continuing operations	15,059	(67,451)
Adjustments to reconcile net Income (loss) to cash provided by operating activities (note 29)	(13,455)	60,153
Changes in non-cash working capital items (note 30)	(18,187)	33,823
Cash provided (used) by operating activities from continuing operations (excluding Asbestos settlement)	(16,583)	26,525
Asbestos Settlement transaction (note 30)	(143,553)	-
Cash provided (used) by operating activities from continuing operations	(160,136)	26,525
Investing activities		
Short-term investments	(28)	172
Additions to property, plant and equipment	(5,536)	(7,772)
Additions to intangible assets	(1,549)	(2,905)
Proceeds on disposal of property, plant and equipment, and intangible assets	28	231
Net change in other assets	(9)	(3)
Cash provided (used) by investing activities from continuing operations (excluding proceeds on disposal of France assets)	(7,094)	(10,277)
Proceeds on disposal of France assets	182,363	-
Cash provided (used) by investing activities from continuing operations	175,269	(10,277)
Financing activities		
Dividends paid to Subordinate and Multiple Voting shareholders	(8,294)	(462)
Short-term bank loans	1,199	-
Net change in revolving credit facility	7,940	(5,000)
Increase in long-term debt	-	326
Repayment of long-term debt (note 15)	(7,690)	(4,163)
Repayment of long-term lease liabilities	(1,669)	(516)
Cash used by financing activities from continuing operations	(8,514)	(9,815)
Effect of exchange rate differences on cash and cash equivalents	2,509	(1,352)
Net change in cash during the period from continuing operations	9,128	5,081
Net change in cash during the period from discontinued operations (note 5)	8,745	6,354
Net change in cash and cash equivalents during the period	17,873	11,435
Net cash – Beginning of the period	32,364	27,283
Net cash – End of the period	41,492	32,364
Net cash is composed of:		
Cash and cash equivalents	53,354	34,872
Bank indebtedness	(11,862)	(2,508)
Net cash – End of the period	41,492	32,364
Supplementary information		
Interest paid	(382)	(735)
Income taxes paid	(6,925)	(3,261)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2026 and February 28, 2025

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

1 General information and basis of preparation

These consolidated financial statements represent the consolidation of the accounts of Velan Inc. (the "Company") and its subsidiaries. The Company is an international manufacturer of industrial valves.

The Company is a public company listed on the Toronto Stock Exchange under the symbol "VLN". It was incorporated under the name Velan Engineering Ltd. on December 12, 1952, and continued under the Canada Business Corporations Act on February 11, 1977. It changed its name to Velan Inc. on February 20, 1981. Velan Inc. maintains its registered head office at 7007 Côte-de-Liesse, Montreal, Quebec, Canada, H4T 1G2. The Company's controlling shareholder is Velan Holdings Co. Ltd.

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").

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

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

These consolidated financial statements were approved by the Company's Board of Directors on May 14, 2026.

2 Summary of material accounting policies

Functional and presentation currency

Functional currency is defined as the currency of the primary economic environment in which an entity operates. Indicators for determining an entity's functional currency are broken down into primary and secondary indicators.

Primary indicators include:

- the currency of sales and cash inflows;
- the currency of the country having primary influence over sales prices; and
- the currency of expenses and cash outflows.

Primary indicators receive more weight than secondary indicators. If a functional currency can be determined based on the primary indicators, the secondary indicators are not considered.

The functional and presentation currency of the Company is the U.S. dollar.

Consolidation

These consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with an investee, including a structured entity, and has the ability to affect those returns through its power to direct



the activities of an investee. Subsidiaries are fully consolidated from the date control has been transferred to the Company and deconsolidated from the date control ceases.

All subsidiaries prepare their financial statements at the same reporting date as the Company. Consolidated earnings include the Company's share of the results of its operations to that date. Intercompany transactions, balances and unrealized gains or losses on transactions between companies are eliminated.

Foreign currency transactions and balances

The Company and its subsidiaries translate foreign currency transactions and balances into their functional currencies. Foreign currency is defined as any currency that is different from an individual entity's functional currency.

Monetary assets and liabilities in foreign currencies are translated at year-end exchange rates. Non-monetary assets are translated at rates prevailing at the transaction dates. Revenue and expenses in foreign currencies are translated at weekly average rates throughout the year. Gains and losses arising on translation are included in the consolidated statement of income (loss) for the year.

Translation of accounts of foreign subsidiaries

The financial statements of the Company's foreign subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars for reporting purposes. All assets and liabilities are translated at year-end rates, and revenue and expenses at the average rate for the period. Resulting gains and losses are included in other comprehensive income (loss) for the year.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial assets comprise mainly cash and cash equivalents, short-term investments, accounts receivable and derivative assets. The Company's financial liabilities comprise mainly bank indebtedness, short-term bank loans, accounts payable and accrued liabilities, customer deposits, long-term debt and derivative liabilities.

The Company recognizes a financial instrument on its consolidated statement of financial position when the Company becomes party to the contractual provisions of the financial instrument or non-financial derivative contract (see Embedded derivatives). All financial instruments are initially recognized at fair value and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation underlying the liability has been discharged, cancelled or has expired.

Financial instruments classified at fair value through profit and loss

Derivative financial instruments are classified at fair value through profit and loss at each statement of financial position date with the changes in fair value recorded in the consolidated statement of income (loss) in the year in which these changes arise.

Financial instruments classified at amortized cost

The Company's cash and cash equivalents, short-term investments and accounts receivable, bank indebtedness, short-term bank loans, accounts payable and accrued liabilities, customer deposits and long-term debt, including interest payable are financial instruments carried at amortized cost using the effective interest rate method. The interest income or expense is included in the consolidated statement of income (loss) over the expected life of the instrument.

The Company assesses the expected credit losses associated with its financial assets measured at amortized costs at the end of every fiscal year. The impairment methodology applied depends on whether there has been a significant increase in credit risk.



The Company applies the simplified approach permitted by IFRS 9 for trade receivables which requires the expected lifetime losses to be recorded at initial recognition.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the “host instrument”). Embedded derivatives are treated as separate derivatives if their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not measured at fair value with changes in fair value recognized in profit and loss, nor designated at fair value through profit or loss.

The Company and its subsidiaries enter into certain contracts for the purchase and sale of non-financial items that are denominated in currencies other than their respective functional currencies. In cases where the foreign exchange component is not leveraged and does not contain an option feature, the contract is denominated in the functional currency of any substantial party to that contract, the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world, the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transactions takes place, the embedded derivative is considered to be closely related to the host instrument and is not accounted for separately.

The fair value of the embedded derivatives related to sales contracts is recorded in sales; purchase contracts are recorded in cost of sales. On the consolidated statement of financial position, gains are recorded as derivative assets and losses are recorded as derivative liabilities.

Transaction costs are expensed when incurred.

Fair value

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm’s-length transaction between knowledgeable willing parties. The fair value of derivative instruments is determined using valuation techniques.

The Company has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company’s activities. Revenue is shown net of variable compensation such as returns, rebates, discounts and provisions for performance guarantees.

Sales of goods

Sales of goods are recognized when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery of the products does not occur until the products have been shipped to a specified location in accordance with the agreed-upon shipping terms, the control, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Customers have a right to return faulty products, and some products are sold with volume discounts. Sales are recorded based on the price specified in the sales contract, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts, returns and accruals for performance guarantees. The volume discounts are assessed based on anticipated annual purchases.

Provision for performance guarantees are provisions that arise for possible late delivery and other contractual non-compliance penalties or liquidated damages. It is recognized as a reduction of sales when the Company has a present legal or constructive obligation as a result of a past event, and the amount has been reliably estimated.



Sales of services

Sales of services are recognized as the services are rendered, considering their acceptance by the Company's customers.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, other short-term highly liquid investments with original maturities of three months or less, and bank indebtedness. Bank indebtedness is shown in current liabilities on the consolidated statement of financial position.

Short-term investments

Short-term investments include all highly liquid investments with original maturities greater than three months but less than one year.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of inventories is determined as follows:

- a) raw materials principally using the weighted average method except for items that are not ordinarily interchangeable, in which case specific identification of their individual costs is used; and
- b) work in process and finished goods using the raw material cost described in (a) plus applicable direct labour and manufacturing overhead.

The value of obsolete or unmarketable inventory is based on the Company's assessment of market conditions for its products determined by historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. The write-down may be reversed if the circumstances which caused it no longer exist.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or manufacturing costs less any related government assistance, accumulated depreciation and any accumulated impairment losses. Acquisition costs include any expenditure that is directly related to the acquisition of the item. Manufacturing costs include direct material and labour costs plus applicable manufacturing overheads. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use are added to the cost of those assets, until such time as those assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of a replaced part is expensed as the parts are used. All other repairs and maintenance are charged to the consolidated statement of income (loss) during the period in which they are incurred.

Depreciation of assets commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and treated on a prospective basis as a change in estimate.



Depreciation on the property, plant and equipment is determined principally using the following methods and annual rates or terms:

	Method	Rate/term
Buildings	Declining balance	4% to 5%
Machinery and equipment/Furniture and fixtures	Declining balance	10% to 31%
Data processing equipment	Straight-line	3 years
Rolling stock	Declining balance	30%
Leasehold improvements	Straight-line	Over lease terms

Intangible assets

Purchased intangible assets relate primarily to patents, products, designs, customer lists and computer software. Internally generated intangible assets relate to development costs. Research and development costs are expensed as incurred unless the development costs meet the criteria for deferral.

Amortization expense is recognized in the consolidated statement of income (loss) in the expense category consistent with the function of the intangible asset. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period or more frequently if events or circumstances occur that would indicate a change in useful life. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated on a prospective basis as a change in estimate. Amortization is determined principally using the following methods and terms:

	Method	Rate/term
Patents, products and designs	Straight-line	5 to 15 years
Computer software	Straight-line	1 to 3 years

Impairment of non-financial assets

Assets that have an indefinite life (e.g. goodwill or indefinite life intangible assets) are not subject to amortization are tested annually for impairment or more frequently if events or circumstances indicate there may be impairment.

All other long-lived assets must be reviewed at the end of each reporting period in order to determine whether there is an indication of possible impairment.

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. A cash-generating unit ("CGU") is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If an indication of impairment exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU. The recoverable amount is the greater of an asset's or CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-current and non-financial assets, other than goodwill, that have previously suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.



Income taxes

The provision for income taxes for the year comprises current and deferred income taxes. Taxes are recognized in the consolidated statement of income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity, in which case the taxes are recognized in other comprehensive income (loss) or equity, respectively.

Current income taxes

The current income taxes charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company generates taxable profits. When an asset is transferred between entities within the consolidated group, the difference between the tax rates of the two entities is recognized as a tax expense in the period in which the transfer occurs. Current taxes payable is recognized for any taxes payable in the current period. Current tax liabilities are recognized for current taxes to the extent that they remain unpaid for current and prior periods.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate. Uncertain income tax provisions are recorded when probable and are recorded at the Company's best estimate of the amount.

Deferred income taxes

Deferred income taxes are recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, the deferred income taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Current income tax assets and liabilities are offset when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Normally, the Company would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Company to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either: (1) the same taxable entity; or (2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for costs that need to be incurred to operate in the future or expected future operating losses.

Provisions are measured at the present value of the expenditures required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.



Leases

In situations where the Company is a lessee, it recognizes a right-of-use asset and a lease liability when the asset is available for use. The right-of-use asset is measured at the amount of the lease liability adjusted for any initial direct costs, prepaid lease payments, restoration costs, and any lease incentives received. The right-of-use asset is depreciated over the shorter of the lease term and useful life of the asset using the straight-line method since it closely reflects the expected pattern of consumption of the future economic benefits. The right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is measured at the present value of lease payments payable discounted using the implicit rate or the Company's incremental borrowing rate when the implicit rate cannot be determined. It is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, rate or estimate. Cash payments for the principal portion of the lease liability are presented within the financing activities and the interest portion of the lease liability is presented within the operating activities of the statement of cash flows.

The Company has elected to apply the recognition exemptions for short term leases and leases where the underlying asset has a low value whereby payments made are charged to the consolidated statement of income (loss) on a straight-line basis over the term of the lease.

Share-based compensation plans

Grants under the Company's share-based compensation plans are accounted for in accordance with the fair value-based method of accounting. The Company operates a share-based compensation plan under which it receives services from employees as consideration for share options, performance share units ("PSUs") and deferred share units ("DSUs").

Share options

The fair value of the employee services received in exchange for the grant of the options is amortized over the vesting period as compensation expense, with a corresponding increase to contributed surplus. The total amount to be expensed is determined by multiplying the number of options expected to vest with the fair value of one option as of the grant date as determined by the Black-Scholes option pricing model. Remaining an employee of the Company for a specified period of time is the only condition for vesting. Vesting typically occurs one-quarter per year over four years from the grant date. This non-market performance condition is factored into the estimate of the number of options expected to vest. If the number of options expected to vest differs from that originally expected, the expense is adjusted accordingly. When options are exercised, the Company issues new shares. The proceeds received, together with the amount recorded in contributed surplus, net of any directly attributable transaction costs, are recorded in share capital.

PSUs and DSUs

PSUs and DSUs may be granted to certain independent directors and full-time employees as part of their long-term compensation package entitling them to receive payout in cash based on the Company's share price at the relevant time. A liability for PSUs and DSUs is measured at fair value on the grant date and is subsequently adjusted at each balance sheet date for changes in fair value according to the estimation made by management of the number of PSUs and DSUs that will eventually vest. The liability is recognized to accounts payable and accrued liabilities over the vesting period, with a corresponding charge to compensation expense. These plans have been suspended until the VH Transaction is closed.

Critical accounting estimates and assumptions

The Company's material accounting policies as described above are essential to understanding the Company's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The assumptions and estimates used are based on parameters which are derived from the knowledge at the time of preparing the financial statements and believed to be reasonable under the circumstances. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry-specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed and



beyond the control of the Company, the actual results may differ from those anticipated. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is changed.

Since the announcement in February 2026 of customs tariffs by the United States, the global economic environment has been affected by the uncertainty surrounding the evolution of trade relations between different countries and the United States. Based on this highly uncertain situation, the judgments, estimates and assumptions made in the preparation of these financial statements could differ from future results.

Inventories

Inventories must be valued at the lower of cost and net realizable value. A write-down of inventory will occur when its estimated net realisable value (which is the estimated selling price minus costs necessary to make the sell) is below its carrying amount. This involves that management applies significant judgement in determining the value of obsolete or unmarketable inventory based on an assessment of market conditions for its products determined by ageing of inventory, historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. Any change in the assumptions used in assessing this valuation or selling costs could impact the carrying amount of the inventory on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of income (loss).

Warranty provisions

Provisions must be established for possible product warranty expenses. The Company estimates its warranty exposure by taking into account past experience as well as any known technical problems and estimates of costs to resolve these issues. The Company estimates its exposure under these obligations based on an analysis of all identified or expected claims. Any change in the assumptions used could impact the value of the provision on the consolidated statement of financial position with a corresponding impact made to cost of sales on the consolidated statement of income (loss).

Impairment of non-financial assets

Assets that have an indefinite life, such as goodwill, are tested annually by the Company for impairment, or more frequently if events or circumstances indicate there may be impairment. All other assets must be reviewed by the Company at the end of each reporting period in order to determine whether there is an indication of possible impairment. Determining whether there are indicators of potential impairment is a matter of significant judgment. When determining the recoverable amount of a CGU, management prepares estimates based on assumptions such as the weighted-average cost of capital, the Earnings before interest, taxes, depreciation and amortization ("EBITDA") margin, revenue growth or the recoverable amount of each individual assets. Any change in the assumptions used could impact the carrying amount of the CGU.

Income taxes

The Company must estimate its income taxes in each jurisdiction in which it operates. This involves assessing the probability of using net operating losses against future taxable profits as well as evaluating positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. In the event these assessments are changed, there would be an adjustment to income tax expense with a corresponding adjustment to income tax balances on the consolidated statement of financial position.

Critical judgements in applying the Company's material policies

Deferred tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred income tax assets are reviewed at each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized. The Company estimates that future taxable profits will be sufficient to realize this asset.



3 New accounting standards and amendments

Accounting standards and amendments issued but not yet adopted

(material items only – as at February 28, 2026)

The following new standard has been issued by the IASB and is not yet effective for the Company's consolidated financial statements. The Company has not early adopted this standard.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements related to the presentation of financial performance, including the classification of income and expenses into defined categories and the presentation of new mandatory subtotals in the statement of profit or loss. The Standard also introduces enhanced disclosure requirements, including disclosures of management-defined performance measures, and updated principles for aggregation and disaggregation of financial information.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company does not plan to early adopt this Standard. The adoption of IFRS 18 is not expected to have an impact on the recognition or measurement of amounts in the consolidated financial statements but will result in changes to presentation and disclosures.

Standards and amendments effective January 1, 2026

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, including amendments related to the classification and measurement of financial instruments, contracts referencing nature-dependent electricity, and annual improvements to IFRS Accounting Standards, are effective for annual reporting periods beginning on or after January 1, 2026. The Company is currently assessing these amendments and does not expect them to have a material impact on the consolidated financial statements.

4 Reclassification of comparative figures

As described in note 14 Provisions, the Company settled its current and future exposure to asbestos-related litigation. As these expenses were significant, management considered that the historical information needed to be presented separately to best depict the past performance of the Company, and it reclassified the element of the expenses in "Restructuring expenses" on the Consolidated Statements of Income (loss) and note 20 as follows:

	As previously reported
	February 28, 2025
<i>(thousands)</i>	\$
Administration cost – as would have been disclosed	119,049
Reclassification	(24,201)
Discontinued operations	(21,801)
Administration – as reclassified	73,047
Finance cost – as would have been disclosed	75,948
Reclassification	(76,211)
Finance cost – as reclassified	(263)



5 Disposal of Velan S.A.S. and Segault S.A.S.

On March 31, 2025, the Company completed the closing of the sale of its French subsidiaries Velan S.A.S. and Segault S.A.S. (the disposal group) for a total consideration of €192,500 (\$208,227), including the transfer of an intercompany loan of \$24,361, for a net cash consideration of \$183,143 after related transaction costs.

Based on the net book value at the closing of the transaction and the related costs, a gain of \$95,824 recorded in the fiscal year 2026.

a) The assets and liabilities of the disposal group is as follows:

	As at
	March 31,
	2025
(thousands)	\$
Cash and cash equivalents	25,063
Accounts receivable	47,700
Income taxes recoverable	1,042
Inventories	76,329
Deposits and prepaid expenses	2,104
Property, plant and equipment	16,319
Intangible assets and goodwill	8,960
Deferred income taxes	(51)
Assets held for sale	177,466
Accounts payable and accrued liabilities	24,057
Customer deposits	49,587
Provisions	3,707
Current portion of long-term lease liabilities	179
Current portion of long-term debt	1,129
Long-term lease liabilities	6,105
Long-term debt	2,717
Income taxes payable	861
Deferred income taxes	1,716
Other liabilities	89
Liabilities held for sale	90,147
Net Assets	87,319
Net consideration received in cash	183,143
Gain on disposal	95,824

b) The income and expenses, gains and losses relating to the discontinuation the disposal group have been subtracted from the Company's net income from continuing operations and are presented on a separate line in the consolidated statement of income. The result for the current period only covers one month due to the closing of the sale on March 31, 2025. The details of the elements making up this result are as follows:

For the years ended		
	March 31, 2025	February 28, 2025
<i>(thousands)</i>	\$	\$
Sales	4,764	95,778
Cost of sales	3,127	58,640
Gross profit	1,637	37,138
Administration costs	1,782	21,801
Gain on disposal of Velan S.A.S. and Segault S.A.S.	(95,824)	-
Reclassification of foreign currency translation of foreign subsidiaries from discontinued operations	12,456	-
Other expense (income)	782	21
Operating income (loss)	82,441	15,316
Finance costs – net	(128)	(82)
Income (loss) before income taxes	82,569	15,398
Income tax expense	23,970	23,652
Net profit (loss) for the period	58,599	(8,254)

c) Cash flows generated by the disposal group for the reporting periods under review until its disposal are as follows:

For the years ended		
	March 31, 2025	February 28, 2025
<i>(thousands)</i>	\$	\$
Operating activities	(948)	12,042
Investing activities	8,912	(5,667)
Financing activities	781	(214)
Effect of exchange rate differences on cash and cash equivalents	-	192
Net change in cash during the period from discontinued operations	8,745	6,354

6 Accounts receivable

As at		
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Trade accounts receivable	69,308	54,100
Loss allowance	(621)	(381)
Other accounts receivables	6,682	8,893
	75,369	62,612

The table below summarizes the movements in the loss allowance:

	As at	
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Balance – Beginning of year	381	224
Loss allowance expense (reversal)	229	166
Recoveries of trade accounts receivable	-	(3)
Write-off of trade accounts receivable	-	(3)
Foreign exchange	11	(3)
Balance – End of year	621	381

The loss allowance is included in the administration costs on the consolidated statement of income (loss). Amounts charged to the loss allowance account are generally written off when there is not a reasonable expectation of recovery.

7 Inventories

	As at	
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Raw materials	17,238	22,001
Work in process and finished parts	93,898	77,450
Finished goods	36,004	35,518
	147,140	134,969

As a result of variations in the ageing of its inventories, the Company recognized a net decrease of inventory provision for the year of \$57 (2025 – net increase of \$10,466), including reversals of \$11,378 (2025 – \$6,180).



8 Subsidiaries and transactions with non-controlling interests

Interest in subsidiaries

Set out below are the Company's principal subsidiaries as at February 28, 2026. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Functional currency	Country of incorporation	% of ownership held by the Company		% of ownership held by the non-controlling interests		Principal activities
			2026	2025	2026	2025	
Velan Valve Corp. (note 14)	U.S. Dollar	U.S.A.	-	100	-	-	Valve Manufacturer
Velan Valve United States Opco Inc.	U.S. Dollar	U.S.A.	100	100	-	-	Valve Manufacturer
Velan Ltd.	U.S. Dollar	Korea	100	100	-	-	Valve Manufacturer
Velan Gulf Manufacturing Co. Ltd.	Saudi Riyal	Saudi Arabia	60	60	40	40	Valve Manufacturer
Velan Valvulas Industrials Lda.	Euro	Portugal	100	100	-	-	Valve Manufacturer
Velan S.A.S. (note 5)	Euro	France	-	100	-	-	Valve Manufacturer
Segault S.A.S. (note 5)	Euro	France	-	100	-	-	Valve Manufacturer
Velan GmbH	Euro	Germany	100	100	-	-	Valve Distribution
Velan ABV S.r.l.	Euro	Italy	100	100	-	-	Valve Manufacturer
Velan Valvac Manufacturing Co. Ltd.	U.S. Dollar	Taiwan	90	90	10	10	Valve Manufacturer
Velan Valve (Suzhou) Co. Ltd.	U.S. Dollar	China	85	85	15	15	Valve Manufacturer
Velan Valves India Private Limited	Indian Rupee	India	100	100	-	-	Valve Manufacturer



9 Property, plant and equipment

(thousands)	Land \$	Buildings \$	Machinery & equipment \$	Furnitures & fixtures \$	Data processing equipment \$	Rolling stock \$	Leasehold improve- ments \$	Right-of- use assets (note 10) \$	Total \$
At February 29, 2024									
Cost	9,412	54,291	136,721	8,604	4,557	2,002	3,915	17,790	237,292
Accumulated depreciation	-	(31,403)	(114,564)	(7,999)	(3,762)	(1,767)	(2,617)	(5,262)	(167,374)
	9,412	22,888	22,157	605	795	235	1,298	12,528	69,918
Year ended February 28, 2025									
Beginning balance	9,412	22,888	22,157	605	795	235	1,298	12,528	69,918
Transfer to Assets held for sale (note 5)	(1,395)	(2,838)	(5,887)	(208)	(204)	(64)	(1,255)	(5,983)	(17,835)
Additions	-	581	4,068	170	662	55	337	1,187	7,060
Modifications to lease terms	-	-	-	-	-	-	-	464	464
Disposals	-	-	(71)	13	-	-	-	(173)	(231)
Depreciation	-	(1,079)	(3,627)	(131)	(234)	(78)	(138)	(1,576)	(6,864)
Exchange differences	(120)	(194)	(376)	(18)	(24)	(6)	(51)	(374)	(1,163)
	7,897	19,358	16,264	431	994	142	190	6,073	51,349
At February 28, 2025									
Cost	7,897	43,797	116,595	8,545	4,563	1,989	1,919	11,206	196,511
Accumulated depreciation	-	(24,439)	(100,331)	(8,114)	(3,569)	(1,847)	(1,729)	(5,133)	(145,162)
	7,897	19,358	16,264	431	994	142	190	6,073	51,349
Year ended February 28, 2026									
Beginning balance	7,897	19,358	16,264	431	994	142	190	6,073	51,349
Additions	-	424	4,072	186	505	119	85	399	5,790
Modifications to lease terms	-	-	-	-	-	-	-	4	4
Disposals	-	-	(133)	(1)	-	(1)	-	(24)	(159)
Depreciation	-	(1,048)	(3,393)	(137)	(496)	(68)	(165)	(1,591)	(6,898)
Exchange differences	21	74	365	54	(141)	1	24	451	849
	7,918	18,808	17,175	533	862	193	134	5,312	50,935
At February 28, 2026									
Cost	7,918	44,502	121,734	8,751	4,776	2,121	2,248	12,023	204,073
Accumulated depreciation	-	(25,694)	(104,559)	(8,218)	(3,914)	(1,928)	(2,114)	(6,711)	(153,138)
	7,918	18,808	17,175	533	862	193	134	5,312	50,935

Depreciation expense of \$6,899 (2025 – \$6,864) is included in the consolidated statement of income (loss): \$5,594 (2025 – \$5,577) in “cost of sales” and \$1,305 (2025 – \$1,288) in “administration costs”.

10 Leases

a) Right-of-use assets

Carrying value by asset class		As at
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Buildings	3,836	4,423
Machinery & Equipment	465	577
Data Processing Equipment	118	149
Rolling Stock	893	924
	5,312	6,073

Depreciation by asset class		As at
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Land	-	-
Buildings	1,017	993
Furniture & Fixtures	-	-
Machinery & Equipment	146	140
Data Processing Equipment	41	50
Rolling Stock	387	393
	1,591	1,576

b) Long-term lease liabilities

		As at
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Current portion of long-term lease liabilities	1,592	1,437
Long-term lease liabilities	3,968	4,727
	5,560	6,164



Amounts recognized in the consolidated statement of income (loss):

(thousands)	Fiscal years ended	
	February 28, 2026 \$	February 28, 2025 \$
Expenses relating to short-term leases (included in "cost of sales" and "administration costs")	54	159
Expenses relating to leases of low-value assets, excluding short-term leases of low value (included in "cost of sales" and "administration costs")	126	14
Expenses related to variable lease payments (included in "cost of sales" and "administration costs")	27	117
Interest expenses (included in "finance costs")	178	358

11 Intangible assets and goodwill

(thousands)	Goodwill \$	Computer software \$	Patent, products & designs \$	Others \$	Total \$
At February 29, 2024					
Cost	8,463	5,069	22,169	5,849	41,550
Accumulated amortization	-	(4,349)	(14,811)	(5,847)	(25,007)
	8,463	720	7,358	2	16,543
Year ended February 28, 2025					
Beginning balance	8,463	720	7,358	2	16,543
Transfer to Assets held for sale	(7,884)	(1,097)	(9)	-	(8,989)
Additions	-	754	1,548	-	2,302
Amortization	-	(202)	(2,007)	-	(2,209)
Exchange differences	(579)	(30)	(1,142)	(2)	(1,753)
	-	145	5,748	-	5,893
At February 28, 2025					
Cost	-	2,124	21,650	14	23,788
Accumulated amortization	-	(1,979)	(15,902)	(14)	(17,895)
	-	145	5,748	-	5,893



(thousands)	Computer software \$	Patent, products & designs \$	Total \$
Year ended February 28, 2026			
Beginning balance	145	5,748	5,893
Additions	64	1,485	1,549
Disposal	-	(936)	(936)
Amortization	(127)	(2,149)	(2,276)
Exchange differences	3	244	247
	85	4,392	4,477
At February 28, 2026			
Cost	2,283	24,728	27,011
Accumulated amortization	(2,198)	(20,336)	(22,534)
	85	4,392	4,477

Amortization expense of \$2,276 (2025 – \$2,209) is included in the consolidated statement of income (loss): \$786 (2025 – \$725) in “cost of sales” and \$1,490 (2025 – \$1,484) in “administration costs”.

As at February 28, 2026, the Company capitalized \$1,485 (2025 – \$1,548) of development costs, net of research and development tax credits of \$211 (2025 - 293), as patents, products and designs.

12 Credit facilities

	As at	
(thousands)	February 28, 2026 \$	February 28, 2025 \$
Velan Korea (note a)	2,723	2,508
Velan North America (note b)	7,940	-
Velan India (note c)	1,199	-
	11,862	2,508

- a) The company borrowed an amount of \$2,723 (\$2,508 in 2025) on lines of credit in Korea with interest rates of 4.55% to 6.88%. These lines of credit mature in July and August 2026.
- b) The Company reported that on May 21, 2025, it entered a new, \$25 million, three-year, revolving credit facility (the “Credit Agreement”), the Credit Agreement also includes a \$5M swing line and a \$5M letter of credit facility. The Credit Agreement replaces the prior ABL agreement, dated as of February 28, 2025, which matured on the closing of the French and Asbestos transactions. The revolving credit facility may be used for general corporate purposes. The credit facility was funded and operational on June 25, 2025. The credit facility matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement. As at February 28, 2026, the Company had drawn down \$7,940 (2025 – Nil) on the revolving credit facility and had \$4,785 (2025 - \$1,789) in the form of outstanding letters of credit and letters of guarantee on a total of \$49,153 (2025 - \$35,316) borrowing availability.

The aggregate net book value of the assets pledged as collateral under the revolving credit facility amounted to \$12,533 (2025 – \$122,307).



- c) The Company borrowed an amount of \$1,199 (Nil in 2025) as PCFC (Pre-Shipment Credit in Foreign Currency) short-term working capital loan from Yes Bank in India with Interest rate of 5.23%. The PCFC short-term working capital loan mature in June 2026.

Foreign subsidiaries have the following credit facilities available as at February 28, 2026. These facilities are only available for the subsidiary that entered the facility.

Credit facilities available (thousands)	As at February 28, 2026	As at February 28, 2025	Borrowing Rates
European subsidiaries	\$35,544 (€30,089)	\$36,156 (€34,190)	0.70% to 6.58%
Korean subsidiaries	\$3,226 (KW4,649,000)	\$3,350 (KW4,679,200)	4.55% to 6.88%
Indian subsidiary	\$2,492 (INR 227,000)	\$2,685 (INR 227,000)	7.00%
Taiwanese subsidiary	\$382 (NTD 12,000)	\$370 (NTD 12,000)	1.65%
Chinese subsidiary	\$1,458 (CNY 10,000)	\$967 (CNY 7,000)	3.00%

The majority of the facilities are available in the form of letter of credit. They are secured by corporate guarantees. Most of these credit facilities have variable borrowing rates based on EURIBOR, KORIBOR, EONIA or prime rate. The borrowing rates listed above are the rates in effect as at February 28, 2026. The terms of the above facilities range from annual renewal to an indefinite term. The aggregate net book value of the assets pledged under the above credit facilities amounted to \$1,629 (2025 – \$1,621).

An amount of \$15,804 (2025 – \$18,197) was drawn against these secured credit facilities in the form of letters of credit and letters of guarantee.

13 Account payable and accrued liabilities

	As at	
(thousands)	February 28, 2026 \$	February 28, 2025 \$
Trade accounts payable	47,206	30,066
Goods and services taxes payable	4,368	3,774
Commissions payable	2,407	1,573
Accrued liabilities	15,107	24,529
Accrued payroll expenses	15,249	17,775
Other	757	1,059
	85,094	78,776



14 Provision

(thousands)	Provision for performance guarantees (note a) \$	Warranty provision (note b) \$	Asbestos provision (note c) \$	Other provision \$	Total \$
Balance – February 29, 2024	2,705	4,882	78,200	2,400	86,309
Additions	3,782	810	28,260	-	32,852
Accretion	-	-	47,951	-	47,951
Payments	(1,012)	(151)	(9,404)	-	(10,567)
Reversals	(697)	(447)	-	-	(1,144)
Liabilities held for sale	(959)	(2,145)	-	-	(3,104)
Exchange differences	(135)	(83)	-	-	(218)
Balance – February 28, 2025	3,684	2,866	145,007	2,400	153,957
<i>Less: Current provision</i>	<i>3,684</i>	<i>2,866</i>	<i>145,007</i>	<i>2,400</i>	<i>153,957</i>
<i>Long-term provision</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Balance – February 28, 2025	3,684	2,866	145,007	2,400	153,957
Additions	2,072	1,772	-	2,600	6,444
Payments	(1,362)	(2,106)	(145,007)	-	(148,475)
Reversals	(2,033)	(347)	-	-	(2,380)
Exchange differences	428	253	-	-	681
Balance – February 28, 2026	2,789	2,438	-	5,000	10,227
<i>Less: Current provision</i>	<i>2,789</i>	<i>2,438</i>	<i>-</i>	<i>5,000</i>	<i>10,227</i>
<i>Long-term provision</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

- a) The Company's provision for performance guarantees consists of possible late delivery and other contractual noncompliance penalties or liquidated damages. Management's best estimates consider the specific contractual terms, past experience and a probability of potential cash outflows.
- b) The Company offers various warranties to its customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labour costs.
- c) Two of the Company's U.S. subsidiaries were named as defendants in a number of pending lawsuits that seek to recover damages for personal injury allegedly caused by exposure to asbestos containing products manufactured and sold in the past. The asbestos provision estimates the potential liability related to all future settlement costs taking into consideration, among other factors, past settlement experience and a projection of future claims. At the same time of the disposal of Velan S.A.S. and Segault S.A.S. (the disposal, note 5), the Company sold the two U. S. subsidiaries to an affiliate of Global Risk Capital, thereby permanently removing its exposure to Asbestos-related litigation in the United States. Part of the proceed received in March 2025 from the disposal was used in April 3, 2025, to pay an amount of \$143 million for this settlement. At that time, the Company reclassified the non-current provision to current provision and accelerated the accretion expense for an impact of \$47,951.



15 Long-term debt

	As at	
	February 28, 2026 \$	February 28, 2025 \$
<i>(thousands)</i>		
Canadian entity		
Secured bank loan (\$CAD 17,358; February 28, 2025 - \$CAD 18,460) (note a)	12,720	12,760
Italian subsidiary		
Unsecured bank loan (€2,611; February 28, 2025 - €1,631) (note b)	3,084	1,692
Unsecured state bank loan (€68; February 28, 2025 - €333) (note c)	81	346
Gulf Subsidiary		
Unsecured third-party loan (note d)	440	200
Other (note e)	1,900	1,205
	18,225	16,203
Less: current portion	3,737	2,096
	14,488	14,107

- a) The secured mortgage bank loan of \$12,720 (\$CAD 17,358) bears interest at 3.55% with principal repayments of \$65 repayable over 16 years
- b) The unsecured mini loans total \$3,084 (€2,611) bears interest at a range of [Euribor + 0.40% - Euribor + 0.55%]. Repayments include monthly payments of \$525 and quarterly payments of \$62. These loans expire in 2026.
- c) The unsecured bank loan of \$81 (€68) bears interest of Euribor + 1% and is repayable in monthly payments of \$19. The loan expires in 2026.
- d) The unsecured third-party loan of \$440 bears interest 3.00% and is repayable at maturity. The loan expires in 2027.
- e) Included in Other is an amount of \$1,900 (¥12,945) (February 28, 2025 – \$1,205 (¥8,776)) related to an unconditional put option held by a minority shareholder in one of the Company's subsidiary companies. This is recognized as a liability instead of non-controlling interest.

The aggregate net book value of the assets pledged as collateral under long-term debt agreements amounted to \$12,720 (2025 – \$12,759)

The carrying value of long-term debt approximates its fair value.

16 Share capital

- a) Authorized – in unlimited number
- Preferred Shares, issuable in series
 - Subordinate Voting Shares
 - Multiple Voting Shares (five votes per share), convertible into Subordinate Voting Shares



b) Issued

	As at	
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
6,019,068 Subordinate Voting Shares	65,569	65,569
15,566,567 Multiple Voting Shares	7,126	7,126
	72,695	72,695

- c) The Company has a DSU plan allowing the Board of Directors, through its CGHR Committee, to grant DSUs to certain of its independent directors and full-time employees. A DSU is a notional unit whose value is based on the volume weighted average price of the Company's Subordinate Voting Shares on the Toronto Stock Exchange for the 20 trading days immediately preceding the grant date. The DSU plan is non-dilutive since vested DSUs shall be settled solely in cash.

Each DSU grant shall vest at the earlier of:

- the sixth anniversary of its grant date; or
- the day the holder of the DSU attains the retirement age, which, unless otherwise determined by the CGHR Committee, is the earliest of age 65, or the age at which the combination of years of service at the Company plus his or her age is equal to 75, being understood that the retirement age shall not be less than 55 years old.

Additionally, a grant made to an independent director will be deemed immediately vested.

In the event of a change of control, the Committee as constituted immediately prior to the change in control shall determine in its sole discretion the appropriate conversion, mitigation or redemption of DSUs taking into account the terms and conditions of the change of control.

Movements in outstanding DSUs and related expense were as follow:

	For the years ended	
	February 28, 2026	February 28, 2025
<i>(thousands)</i>		
<i>In numbers of DSUs</i>		
Opening balance	306,409	151,049
Issued	83,896	155,722
Settled	(22,839)	-
Forfeited	(11,799)	(362)
Closing balance	355,667	306,409
DSU expense for the years	(\$714)	(\$1,944)
Fair value of vested outstanding DSUs, end of years	\$2,623	\$2,059



17 Cost of sales

For the years ended		
	February 28 2026	February 28 2025
<i>(thousands)</i>	\$	\$
Change in inventories of finished goods and work in progress	8,897	(12,079)
Raw materials and consumables used	128,766	142,728
Employee expenses, excluding scientific research investments tax credits	49,689	48,334
Depreciation and amortization	5,572	5,615
Movement in inventory provisions – net	402	10,593
Foreign exchange loss	(1,078)	(1,292)
Other production overheads costs	23,065	16,380
	215,313	210,279

18 Administration costs

For the years ended		
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Employee expenses, excluding scientific research investments tax credits expenses	38,681	43,610
Scientific research investment tax credits	(391)	(469)
Commissions	2,840	3,839
Freight to customers	3,230	3,180
Professional fees	7,925	6,139
Movement in loss allowance	224	163
Depreciation and amortization	2,738	2,698
Other	13,756	9,443
	69,003	68,603



19 Employee expense

For the years ended		
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Wages and salaries	61,200	62,247
Social security costs	20,711	20,656
Scientific research investment tax credits	(391)	(469)
Share-based compensation	933	2,154
Other	5,526	4,573
	87,979	89,161

Compensation for executive and non-executive directors and certain members of senior management, including salaries and other short-term benefits and share-based compensation in the form of DSUs amounted to \$8,089 (2025 - \$8,005).

20 Restructuring expenses

For the years ended		
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Transaction costs	9,614	24,201
Asbestos-related costs (note 14)	-	76,211
	9,614	100,412

21 Research and development expenses

Research and development expenses are included in administration costs and consist of the following:

For the years ended		
	February 28, 2026	February 28, 2025
<i>(thousands)</i>	\$	\$
Research and development expenditures	3,002	2,828
Less: Scientific research investment tax credits	(391)	(469)
	2,611	2,359



22 Income taxes

In connection with the disposal of Velan S.A.S. and Segault S.A.S. in March 2025, the Company recognized in its results from continuing operations a previously unrecognized tax benefit in an amount of \$23,110 (\$20,242 in 2025) which was utilized to offset the income tax expense in relation to the disposal.

	For the years ended	
	February 28, 2026 \$	February 28, 2025 \$
<i>(thousands)</i>		
Current taxes	9,014	5,381
Deferred income tax	(24,066)	(19,932)
Income tax expense(recovery)	(15,052)	(14,551)

The taxes on the Company's income before taxes differ from the amount that would arise using the statutory tax rates applicable to income of the consolidated entities as follows:

	For the years ended	
	February 28, 2026 \$	February 28, 2025 \$
<i>(thousands)</i>		
Income tax at statutory rate of 26.50%	2	(21,400)
Tax effects of:		
Difference in statutory tax rates in foreign jurisdiction	147	1,263
Non-deductible (taxable) foreign exchange losses (gains)	(813)	255
Deferred tax assets not recognized (utilized)	(14,004)	6,101
Other differences	(384)	(770)
Income tax expense (recovery)	(15,052)	(14,551)



The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at	
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Deferred income tax assets:		
To be realized after more than 12 months	5,277	4,812
To be realized within 12 months	6	20,289
Deferred income taxes liabilities		
To be realized after more than 12 months	(1,346)	(737)
To be realized within 12 months	-	-
Net deferred income tax asset	3,937	24,364

The movement of the net deferred income tax asset account is as follows:

	As at	
	February 28 2026	February 28 2025
(thousands)	\$	\$
Balance – Beginning of the year	24,364	1,731
Transferred to assets held for sale	-	2,454
Recovery (usage) of deferred income taxes in consolidated statement of income (loss)	(20,677)	19,932
Exchange differences	250	247
Net deferred income tax asset	3,937	24,364



The significant components of the net deferred income tax asset are as follows:

	As at	
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Property, plant and equipment	(248)	(261)
Intangible assets	-	-
Non-deductible provisions and reserves	2,085	2,402
Inventories	1,103	840
Non-capital loss carry forwards	1,467	21,437
Other	(470)	(54)
Net deferred income tax asset	3,937	24,364

The Company did not recognize deferred income tax assets of \$30,064 (2025 – \$26,531) in respect of non-capital losses amounting to \$114,859 (2025 – \$101,381) that can be carried forward to reduce taxable profits in future years. These losses expire between 2038 and indefinitely.

Deferred income tax liabilities of \$9,294 (2025 – \$7,330) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are not expected to reverse in the foreseeable future. Unremitted earnings as at February 28, 2026 totalled \$165,589 (2025 – \$253,362).

23 Income (Loss) per share

a) Basic and diluted

Basic Income (loss) per share is calculated by dividing the net income (loss) attributable to the Subordinate and Multiple Voting shareholders by the weighted average number of Subordinate and Multiple Voting Shares outstanding during the year.

	For the years ended	
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Net Income (loss) attributable to Subordinate and Multiple voting shareholders	73,909	(75,500)
Weighted average number of Subordinate and Multiple voting shares outstanding.	21,585,635	21,585,635
Basis and diluted income (loss) per share	\$3.42	\$(3.50)

Diluted Income (loss) per share is calculated by adjusting the weighted average number of Subordinate and Multiple Voting Shares outstanding to assume conversion of all dilutive potential Subordinate and Multiple Voting Shares. The Company does not have any dilutive potential Subordinate and Multiple Voting Shares.



24 Commitments

In the normal course of business, the Company issues performance bond guarantees related to product warranty and on-time as well as advance guarantees and bid bonds. As at February 28, 2026, the aggregate maximum value of these guarantees, if exercised, amounted to \$15,654 (2025 - \$13,285). The guarantees expire as follows:

	As at
	February 28, 2026
(thousands)	\$
February 28, 2027	7,992
February 29, 2028	6,063
February 28, 2029	1,580
February 28, 2030	19
February 28, 2031	-
Subsequent years	-
	15,654

25 Segment reporting

The Company reflects its results under a single operating and reportable segment. The geographic distribution of its sales is as follows:

	Fiscal year ended February 28, 2026						
(thousands)	Canada \$	United States \$	France \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales							
Customers -							
Domestic	30,013	99,427	-	1,008	21,337	-	151,785
Export	41,642	221	-	96,662	6,095	-	144,620
Intercompany (export)	31,325	7,195	-	3,073	63,947	(105,540)	-
	102,980	106,843		100,743	91,379	(105,540)	296,405
Property, plant and equipment	27,849	-	-	4,872	18,214	-	50,935
Intangible assets and goodwill	5,969	-	-	364	50	(1,906)	4,477
Other identifiable assets	42,677	-	-	95,773	381,266	(228,521)	291,195
Total identifiable assets	76,495	-	-	101,009	399,530	(230,427)	346,607

Fiscal year ended February 28, 2025							
(thousands)	Canada \$	United States \$	France \$	Italy \$	Other \$	Consolidation adjustment \$	Consolidated \$
Sales							
Customers -							
Domestic	24,201	114,665	-	36,453	18,597	-	193,916
Export	29,268	877	-	40,472	30,663	-	101,280
Intercompany (export)	48,771	10,061	-	158	57,129	(116,119)	-
	102,240	125,603	-	77,083	106,389	(116,119)	295,196
Property, plant and equipment	23,376	5,160	-	4,690	18,123	-	51,349
Intangible assets and goodwill	5,822	-	-	1,195	35	(1,159)	5,893
Other identifiable assets	133,868	66,748	-	71,416	158,642	(162,712)	267,962
Assets held for sale	-	-	176,762	-	-	-	176,762
Total identifiable assets	163,066	71,908	176,762	77,301	176,800	(163,871)	501,966

The sales distribution by customer geographic location is as follows:

Fiscal year ended February 28, 2026						
(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	18,601	33,831	145,570	93,256	5,147	296,405

Fiscal year ended February 28, 2025						
(thousands)	Africa / Middle East \$	Europe \$	North America \$	Asia / Pacific \$	South & Central America \$	Consolidated \$
Sales	31,103	37,173	159,400	64,556	2,964	295,196

26 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on mitigating unpredictable financial market risks and their potential adverse effects on the Company's financial performance.

The Company's financial risk management is generally carried out by the corporate finance team, based on policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks are the responsibility of the corporate finance team in conjunction with the finance teams of the Company's subsidiaries. The Company uses derivative financial instruments to hedge certain risk exposures. Use of derivative financial instruments is subject to a policy which requires that no derivative transaction be entered into for the purpose of



establishing a speculative or leveraged position (the corollary being that all derivative transactions are to be entered into for risk management purposes only).

Overview

The Company's financial instruments and the nature of risks which they may be subject to are set out in the next section.

Market risk

Currency risk

Currency risk on financial instruments is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than a company's functional currency. The Company has operations with different functional currencies, each of which will be exposed to currency risk based on its specific functional currency.

When possible, the Company matches cash receipts in a foreign currency with cash disbursements in that same currency. The remaining anticipated net exposure to foreign currencies is hedged. To hedge this exposure, the Company uses foreign currency derivatives, primarily foreign exchange forward contracts. These derivatives are not designated as hedges for accounting purposes.

The amounts outstanding under derivatives contracts as at February 28, 2026, and February 28, 2025, are as follows:

	Range of exchange rates		Fair value (In thousands of U.S. dollars)		Notional amount (In thousands indicated currency)	
	February 28, 2026	February 28, 2025	February 28, 2026 \$	February 28, 2025 \$	February 28, 2026	February 28, 2025
Foreign exchange forward contracts						
Sell US\$ for CA\$ - 0 to 12 months	-	-	-	-	-	-
Buy US\$ for CA\$ - 0 to 12 months	-	-	-	-	-	-
Sell US\$ for € - 0 to 12 months	-	-	-	-	-	-
Buy US\$ for € - 0 to 12 months	1.04 to 1.10	1.04 to 1.10	(45)	(405)	US\$1,000	US\$15,005

Foreign exchange forward contracts are contracts whereby the Company has the obligation to sell or buy the currencies at the strike price. The fair value of the foreign currency instruments is recorded in the consolidated statement of income (loss) and reflects the estimated amounts the Company would have paid or received to settle these contracts as at the financial position date. Unrealized gains are recorded as derivative assets and unrealized losses as derivative liabilities on the consolidated statement of financial position.

The following table provides a sensitivity analysis of the Company's most significant foreign exchange exposures related to its net position in the foreign currency financial instruments, which includes cash and cash equivalents, short-term investments bank indebtedness, short-term bank loans, derivative financial instruments, accounts receivable, accounts payable and accrued liabilities, customer deposits, provision for performance guarantees and long-term debt, including interest payable. A hypothetical strengthening of 5.0% of the following currencies would have had the following impact for the fiscal years ended February 28, 2026, and February 28, 2025:

(thousands)	Net income (loss)	
	February 28, 2026 \$	February 28, 2025 \$
Canadian dollar strengthening against the U.S. dollar	2,329	(1,420)
Euro strengthening against the U.S. dollar	2,283	(4)
Indian rupee strengthening against the U.S. dollar	680	451

A hypothetical weakening of 5.0% of the above currencies would have had the opposite impact for both fiscal years.



For the purposes of the above analysis, foreign exchange exposure does not include the translation of subsidiaries into the Company's reporting currency. For those subsidiaries whose functional currency is other than the reporting currency (U.S. dollar) of the Company, such exposure would impact other comprehensive income or loss.

Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk is related primarily to its credit facilities, long-term debt and cash and cash equivalents. Items at variable rates expose the Company to cash flow interest rate risk, and items at fixed rates expose the Company to fair value interest rate risk. The Company's long-term debt and credit facilities predominantly bear interest, and its cash and cash equivalents earn interest at variable rates. An assumed 0.5% change in interest rates would have no significant impact on the Company's net income or cash flows.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Company's trade accounts receivable.

The Company's credit risk related to its trade accounts receivable is concentrated. As at February 28, 2026, three (2025 – four) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 17.0% (2025 – 15.8%) and the Company's ten largest customers accounted for 60.6% (2025 – 52.8%) of trade accounts receivable. In addition, one customer accounted for 12.3% of the Company's sales (2025 – 13.6%).

In order to mitigate its credit risk, the Company performs a continual evaluation of its customers' credit and performs specific evaluation procedures on all its new customers. In performing its evaluation, the Company analyzes the ageing of accounts receivable, historical payment patterns, customer creditworthiness and current economic trends. A specific credit limit is established for each customer and reviewed periodically. For some trade accounts receivable, the Company may obtain security in the form of credit insurance which can be called upon if the counterparty is in default under the terms of the agreement.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables. The expected credit loss rates are based on the Company's historical credit losses experienced over the last fiscal year prior to period end. The historical rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

The lifetime expected loss allowance for trade receivables was determined as follows:

As at February 28, 2026					
	Current	Past due more than 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.000%	0.000%	0.000%	4.011%	
Gross carrying amount	40,347	5,107	8,372	15,482	69,308
Loss allowance	-	-	-	621	621

As at February 28, 2025					
	Current	Past due more than 30 days	Past due 31 to 90 days	Past due more than 90 days	Total
Expected loss rate	0.003%	0.009%	0.004%	11.533%	
Gross carrying amount	34,505	10,866	5,313	3,286	53,970
Loss allowance	1	1	-	379	381

The Company is also exposed to credit risk relating to derivative financial instruments, cash and cash equivalents and short-term investments, which it manages by dealing with highly rated financial institutions. The Company's primary credit risk is limited to the carrying value of the trade accounts receivable and gains on derivative assets.



Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continually monitoring its future cash requirements. Cash flow forecasting is performed in the operating entities and aggregated by the Company's corporate finance team. The Company's policy is to maintain sufficient cash and cash equivalents and available credit facilities in order to meet its present and future operational needs.

The following tables present the Company's financial liabilities identified by type and future contractual dates of payment based on contractual terms in place as at:

As at February 28, 2026						
	Carrying value \$	Less than 1 Year \$	1 to 3 Years \$	4 to 5 Years \$	After 5 Years \$	Total \$
Long-term debt	18,225	3,737	3,160	2,345	12,720	21,962
Long-term lease liabilities	5,560	1,725	2,544	1,162	455	5,886
Accounts payable and accrued liabilities	85,094	85,094	-	-	-	85,094
Customer Deposits	25,795	20,068	3,087	2,640	-	25,795
Derivative liabilities	130	130	-	-	-	130

As at February 28, 2025						
	Carrying value \$	Less than 1 Year \$	1 to 3 Years \$	4 to 5 Years \$	After 5 Years \$	Total \$
Long-term debt	16,203	2,096	3,301	2,275	10,628	18,300
Long-term lease liabilities	6,164	1,594	2,827	1,339	836	6,596
Accounts payable and accrued liabilities	78,776	78,776	-	-	-	78,776
Customer Deposits	26,214	22,338	1,597	2,279	-	26,214
Derivative liabilities	480	480	-	-	-	480

27 Fair value of financial instruments

The fair value hierarchy has the following levels:

- Level 1 – quoted market prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.



The fair value of financial assets and financial liabilities on the consolidated statements of financial position are as follows:

As at February 28, 2026				
(thousands)	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial position classification and nature				
Assets				
Derivative assets	59	-	59	-
Liabilities				
Derivative liabilities	130	-	130	-

As at February 28, 2025				
(thousands)	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial position classification and nature				
Assets				
Derivative assets	24	-	24	-
Liabilities				
Derivative liabilities	480	-	480	-

Fair value measurements of the Company's derivative assets and liabilities are classified under Level 2 because such measurements are determined using published market prices or estimates based on observable inputs such as interest rates, yield curves, and spot and future exchange rates. The carrying value of the Company's financial instruments is considered to approximate fair value, unless otherwise indicated.

28 Capital management

The Company's capital management strategy is designed to maintain liquidity in order to pursue its organic growth strategy, undertake selective acquisitions and provide an appropriate investment return to its shareholders while taking a conservative approach to financial leveraging.

The Company's financial strategy is designed to meet the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue or repurchase shares, raise or repay debt, vary the amount of dividends paid to shareholders or undertake any other activities it considers appropriate under the circumstances.

The Company monitors capital on the basis of its total debt-to-equity ratio. Total debt consists of all interest-bearing debt, and equity is defined as total equity.



The total debt-to-equity ratio was as follows:

	As at	
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Bank indebtedness	11,862	2,508
Current portion of long-term lease liabilities	1,592	1,437
Current portion of long-term debt	3,737	2,096
Long-term lease liabilities	3,968	4,727
Long-term debt	14,488	14,107
Total debt	35,647	24,875
Equity	182,107	98,738
Total debt-to-equity ratio	19.6%	25.2%

The Company's objective is to conservatively manage the total debt-to-equity ratio and to maintain funding capacity for potential opportunities.

The Company's financial objectives and strategy as described above have remained unchanged since the last reporting period. These objectives and strategies are reviewed annually or more frequently if the need arises.

As at February 28, 2026, the Company was in compliance of its financial covenants ratio.

29 Adjustments to reconcile net profit (loss) to cash provided from operating activities

	Fiscal periods ended	
	February 28, 2026	February 28, 2025
(thousands)	\$	\$
Depreciation of property, plant and equipment	6,899	6,864
Amortization of intangible assets	2,276	2,133
Amortization of financing costs	-	-
Deferred income taxes	(24,067)	(20,164)
Gain (loss) on disposal of property, plant and equipment	26	42
Net change in long-term provisions and customer deposits	1,709	69,782
Net change in derivative assets and liabilities	(437)	568
Net change in other liabilities	139	928
	(13,455)	60,153



30 Changes in non-cash working capital items

	Fiscal periods ended	
	February 28, 2026 \$	February 28, 2025 \$
<i>(thousands)</i>		
Accounts receivable	(9,198)	7,739
Inventories	(9,197)	(11,319)
Income taxes recoverable	158	490
Deposits and prepaid expenses	506	1,865
Accounts payable and accrued liabilities	4,955	28,774
Income taxes payable	(1,255)	2,507
Customer deposits	(3,292)	1,203
Provisions	(144,417)	2,564
	(161,740)	33,823

31 Debt from financing activities reconciliation

<i>(thousands)</i>	Long-term lease liabilities \$	Long-term debt \$	Total \$
Balance - February 29, 2024	12,644	28,778	41,422
Transfer to Liabilities held for sales	(6,084)	(3,501)	(9,585)
Cash inflows	-	1,574	1,574
Cash outflows	(1,606)	(8,149)	(9,755)
Foreign exchange adjustments	(176)	(141)	317
Other non-cash movements	1,386	(2,358)	(972)
Balance - February 28, 2025	6,164	16,203	22,367
Cash inflows	-	2,546	2,546
Cash outflows	(1,668)	(2,296)	(3,964)
Foreign exchange adjustments	483	348	831
Other non-cash movements	581	1,424	2,005
Balance - February 28, 2026	5,560	18,225	23,785

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CORPORATE

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AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

TSX Trust Company

SHARES OUTSTANDING AS AT JUNE 15, 2026

8,309,143 Subordinate Voting Shares
13,276,492 Multiple Voting Shares

LISTING

Symbol: VLN
Closing price on June 15, 2026: CA \$16.00

ANNUAL MEETING

Velan's annual meeting of shareholders will be held on Tuesday, August 25, 2026 at 4:30 pm (Eastern time). The meeting will be held in a virtual format via live webcast. <https://velan.com/financial-reports-documentation/>



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