MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended February 28, 2025

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, 2025. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended February 28, 2025, and February 29, 2024. 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 21, 2025. 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 10 manufacturing plants worldwide with 1,272 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, Korea, Taiwan, India, and China. The Company's operations also include a sales operation in Germany.

SIGNIFICANT TRANSACTIONS

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

On January 14, 2025, the Company announced that it had entered into an agreement (the "Asbestos Divestiture Agreement") with an affiliate of Global Risk Capital (the "Buyer") to permanently divest its asbestos-related liabilities (the "Asbestos Divestiture Transaction"). The Asbestos Divestiture Transaction, completed on April 3, 2025, was achieved by Velan Inc. creating a new subsidiary and selling its existing U.S. subsidiary, Velan Valve Corp, which was capitalized with $143.0 million from Velan Inc. and $7.0 million from the Buyer. The Asbestos Divestiture Transaction has permanently removed all asbestos-related liabilities and obligations from Velan Inc.'s balance sheet and indemnified the Company for all legacy asbestos liabilities.

The Company also announced that its wholly-owned subsidiary, Velan UK, closed the sale of 100% of the share capital and voting rights of its French subsidiaries, Segault SAS and Velan SAS, to Framatome SAS, on March 31, 2025, for a total consideration of $208.2 million (€192.5 million), including $184.1 million (€170.0 million) in cash.

The sale of the French businesses met the criteria, at February 28, 2025, of assets held for sale and discontinued operations. As a result, the consolidated balance sheet as at February 28, 2025, has been adjusted to present the disposal group as asset held for sale, and the consolidated income statement and cash flows have been retrospectively adjusted to present only the results from continuing operations.

Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

Apart from a change in presentation, these transactions had accounting impacts as follows (and further described in this MD&A):

1. The results from continuing operations include an expense of $76.2 million related to Asbestos-related costs. This expense mainly represents the accelerated accretion of interest of $48.0 million and an additional provision of $28.3 million in order to account for the expected settlement of $143.0 million. The tax benefits of these adjustments are not recognized in the United States.
2. The results from continuing operations include the recognition of a deferred tax asset in an amount of $20.2 million, representing previously unrecognized tax attributes that the Company expect to use to offset the resulting tax liability from the disposal of the French subsidiaries. While the final tax liability associated with the sale of the French businesses will change significantly upon closing of the transaction, the Company expects to have sufficient unrecognised tax benefits in order to offset the final tax liability, which will have no effect on the Company's liquidity.
3. The results from discontinued operations included a deferred tax expense of $20.2 million relating to the recognition of temporary differences on the French businesses. This $20.2 million has been calculated using difference between the net book value of the French subsidiaries and the related tax basis.

SUBSEQUENT EVENT

The Company reported that on May 21, 2025, it entered into a new, $25 million, three-year, revolving credit facility (the "Credit Agreement") with market competitive terms. Additionally, the Credit Agreement also includes a $5 million swing line and a $5 million 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 matures on May 21, 2028, and may be extended at maturity, subject to lender and borrower agreement.

The facility is expected to be operational and funded in the second quarter of the fiscal year 2026.

THREE-YEAR FINANCIAL SUMMARY

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

IFRS	For the reporting period ended on		
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2023**
Operating data from continuing operations			
Sales	295,196	258,652	279,618
Gross profit	84,917	54,630	76,329
Net loss[1]	(67,246)	(31,969)	(67,749)
Net loss per share – basic and diluted	(3.12)	(1.48)	(3.14)
Cash flow data from continuing operations			
Cash provided by operating activities	26,525	12,461	4,361
Balance sheet data			
Cash and cash equivalents	34,872	36,445	50,513
Total assets	501,966	479,393	477,857
Long-term debt, including current portion	16,203	28,777	29,896
Shareholder data			
Cash dividends per share (in CA$)			
Multiple voting shares	0.03	0.03	0.03
Subordinate voting shares	0.03	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		
(thousands)	**February 28, 2025**	**February 29, 2024**	**February 28, 2023**
Adjusted EBITDA[2]	27,470	2,126	1,532
Adjusted net income (loss)[2]	6,600	(15,653)	(13,440)
Adjusted net income (loss) per share – basic and diluted	0.31	(0.73)	(0.62)

Backlog[2] and Bookings[2]

	As at					
(thousands)	**February 28, 2025**		**February 29, 2024**		**February 28, 2023**	
	$	**%**	**$**	**%**	**$**	**%**
Backlog	274,877		283,647		255,040	
For delivery within the next 12 months	225,662	82.1%	259,662	91.5%	215,452	84.5%
For delivery between 12 and 24 months	44,183	16.1%	13,757	4.9%	n/a	n/a
For delivery between 24 and 36 months	0	0.0%	10,228	3.6%	n/a	n/a
For delivery beyond 36 months	5,032	1.8%	0	0.0%	n/a	n/a
Bookings	292,505		288,681		267,620	
Book-to-bill ratio[2]	0.99		1.12		0.96	

[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 – additional specifications at the end of this report*

FISCAL 2025 HIGHLIGHTS FROM CONTINUING OPERATIONS[1]

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales for fiscal 2025 amounted to $295.2 million, up $36.5 million or 14.1% compared to the previous fiscal year. The increase mainly reflects higher shipments by Italian operations for the oil & gas industry and higher shipments by German operations. Currency movements had a $2.2 million negative effect on sales during the year.
- Gross profit for the year of $84.9 million, up from $54.6 million last year. The increase mainly reflects higher business volume which impacted the absorption of fixed production overhead costs and a more favourable product mix. As a percentage of sales, gross profit was 28.8% in fiscal 2025, compared to 21.1% in fiscal 2024.
- Cash and cash equivalents of $34.9 million at the end of fiscal 2025, versus $36.4 million a year earlier.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Order backlog[2] of $274.9 million at the end of fiscal 2025, of which 82.1% is deliverable within the next 12 months, down slightly from $283.6 million a year earlier. Currency movements had a $12.7 million negative effect on the value of the backlog.
- Bookings[2] of $292.5 million for the year, up 1.3% from last year. The increase reflects higher North American bookings in the nuclear sector and for maintenance, repair and overhaul ("MRO") activity, higher bookings in Germany for oil refinery projects, partially offset by lower bookings in Italy following a strong order flow in the prior year. Currency movements had a $3.3 million negative effect on the value of bookings for the year.
- Adjusted EBITDA[2] of $27.5 million in fiscal 2025 compared to adjusted EBITDA of $2.1 million in fiscal 2024. The increase is primarily attributable to higher gross profit, partially offset by higher administration costs.
- Adjusted net income[2] of $6.6 million in fiscal 2025, versus an adjusted net loss of $15.7 million in fiscal 2024.
- Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

OUTLOOK

The Company aims to build on the momentum gained in fiscal 2025 driven by solid bookings, the signing of several long-term partnerships in the nuclear sector and stronger operational and financial profiles resulting from the significant transactions. As at February 28, 2025, orders totaling $225.7 million, representing 82.1% of a total backlog of $274.9 million, are expected to be delivered in the next 12 months. Given these orders, and despite the current uncertainty related to tariffs, the Company expects to deliver another solid performance in fiscal 2026.

The Company is confident in its ability to secure future bookings, as business activity in its main markets remains healthy driven by solid prospects for the nuclear and defense sectors and sustained demand in the oil and gas industry. Management will continue to closely monitor the global situation, notably an uncertain macroeconomic environment in the context of mounting trade disputes around the world and increased geopolitical tensions. These factors may delay the award of certain projects.

The Company's financial position remains strong with a cash position, net of bank indebtedness, of $32.4 million as at February 28, 2025. Following the closure of the significant transactions after fiscal year-end, the net cash position further increased to approximately $55.0 million. The Company will continue to manage diligently its working capital and capital investments to foster cash flow generation.

Furthermore, as 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 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.

[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.*

FISCAL YEAR RESULTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales of $295.2 million, up $36.5 million or 14.1% compared to the same period last year.
- Strong improvement in gross profit, reaching $84.9 million or 28.8% of sales in fiscal 2025, up from $54.6 million, or 21.1% of sales, last year.
- Solid cash flows from operating activities of $26.5 million, versus $12.5 million last year.
- Cash and cash equivalents of $34.9 million at the end of fiscal 2025, versus $36.4 million a year earlier.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Backlog of $274.9 million, versus $283.6 million at the end of last year.
- Bookings of $292.5 million, versus $288.7 million last year, representing a book-to-bill ratio of 0.99.
- Adjusted net income of $6.6 million, versus an adjusted net loss of $15.7 million last year.
- Adjusted net income per share of $0.31, compared to an adjusted net loss per share of $0.73 last year.
- Significant increase in Adjusted EBITDA to $27.5 million in fiscal 2025, compared to $2.1 million last year, reflecting higher sales and gross profit.
- Following the closing of the France transaction in March 2025, a gain of approximately $96 million is expected to be recorded in the first quarter of fiscal 2026.

FOURTH QUARTER RESULTS FROM CONTINUING OPERATIONS

IFRS MEASURES INCLUDING SIGNIFICANT TRANSACTIONS

- Sales of $83.2 million, up $2.4 million or 2.9% compared to the same quarter last year.
- Gross profit of $19.8 million or 23.8% of sales, versus $22.4 million, or 27.7% of sales, last year.
- Cash flows from operating activities of $5.7 million, versus $13.3 million last year.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

- Bookings of $62.0 million, versus $111.7 million last year, representing a book-to-bill ratio of 0.75.
- Adjusted net loss of $4.9 million, versus adjusted net income of $3.7 million last year.
- Adjusted net loss per share of $0.23, compared to adjusted net income per share of $0.17 last year.
- Adjusted EBITDA of $3.6 million, compared to $9.3 million last year. The decrease is mainly attributable to lower gross profit and higher administration costs.

RESULTS OF OPERATIONS

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

IFRS	Three-month periods ended			Twelve-month periods ended		
(thousands)	**February 28, 2025**	**February 29, 2024**	*Variance*	**February 28, 2025**	**February 29, 2024**	*Variance*
From continuing operations						
Sales	$83,198	$80,847	*$2,351*	$295,196	$258,652	*$36,544*
Gross profit	19,830	22,412	*(2,582)*	84,917	54,630	*30,287*
Administration costs	20,255	16,082	*4,173*	68,603	62,586	*6,017*
Other expense (income)	(957)	1,412	*(2,369)*	(1,833)	463	*(2,296)*
	532	4,918	*(4,386)*	18,147	(8,419)	*26,566*
Restructuring expenses	19,111	12,537	*6,574*	100,412	19,383	*81,029*
Income taxes	(558)	1,437	*(1,995)*	(14,551)	2,269	*(16,820)*
Net loss[1]	(16,056)	(8,462)	*(7,594)*	(67,246)	(31,969)	*(35,277)*
Net income (loss) from discontinued operations	3,636	6,379	*(2,743)*	(8,254)	12,232	*(20,486)*
Net loss	(12,420)	(2,083)	*(10,337)*	(75,500)	(19,737)	*(53,763)*
(as a percentage of sales)						
Gross profit from continuing operations	23.8%	27.7%	*(390 bps)*	28.8%	21.1%	*770 bps*
(in dollars per share)						
Net loss per share from continuing operations – basic and diluted	(0.74)	(0.39)	*(0.35)*	(3.12)	(1.48)	*(1.64)*
Net income per share from discontinued operations – basic and diluted	0.17	0.29	*(0.12)*	(0.38)	0.57	*(0.98)*
Net loss per share – basic and diluted	(0.57)	(0.10)	*(0.47)*	(3.50)	(0.91)	*(2.59)*

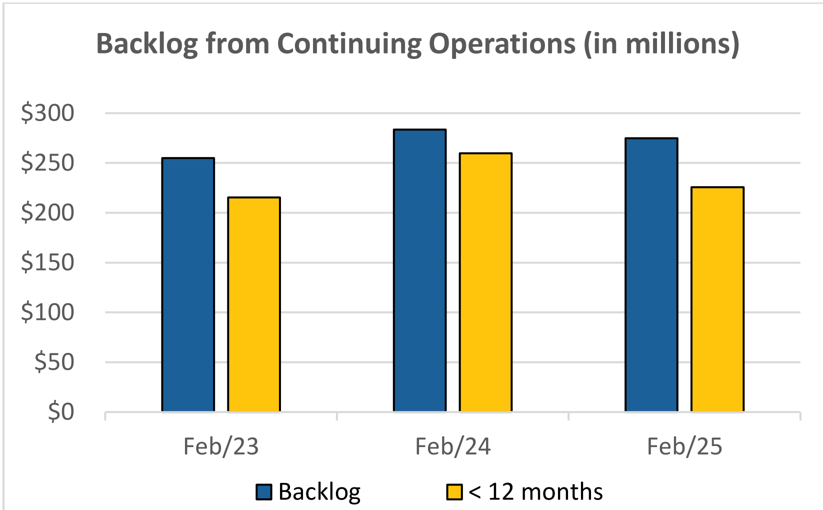
NON-IFRS	Three-month periods ended			Twelve-month periods ended		
(thousands)	**February 28, 2025**	**February 29, 2024**	*Variance*	**February 28, 2025**	**February 29, 2024**	*Variance*
From continuing operations						
Adjusted EBITDA[2]	$3,620	$9,281	*($5,661)*	$27,470	$2,126	*$25,344*
Adjusted net income (loss)[2]	(4,899)	3,689	*(8,588)*	6,600	(15,653)	*22,253*
Adjusted net income (loss) per share – basic and diluted	(0.23)	0.17	*(0.40)*	0.31	(0.73)	*1.04*

Backlog

	As at			
	February 28, 2025		**February 29, 2024**	
(thousands)	**$**	**%**	**$**	**%**
Backlog from continuing operations	274,877		283,647	
For delivery within the next 12 months	225,662	82.1%	259,662	91.5%
For delivery between 12 and 24 months	44,183	16.1%	13,757	4.9%
For delivery between 24 and 36 months	0	0.0%	10,228	3.6%
For delivery beyond 36 months	5,032	1.8%	0	0.0%

[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, 2025, the backlog from continuing operations stood at $274.9 million, down 3.1%, from $283.6 million a year earlier. Currency movements had a $12.7 million negative effect on the value of the backlog during the year mainly due to the weakening of the euro versus the U.S. dollar. Excluding currency movements, the backlog increased slightly as a higher North American backlog reflecting orders from the nuclear sector was offset by a decrease in the Italian backlog due to strong shipments. As at February 28, 2025, 82.1% of the backlog, representing orders of $225.7 million, is deliverable in the next 12 months, versus 91.5% of last year's backlog.



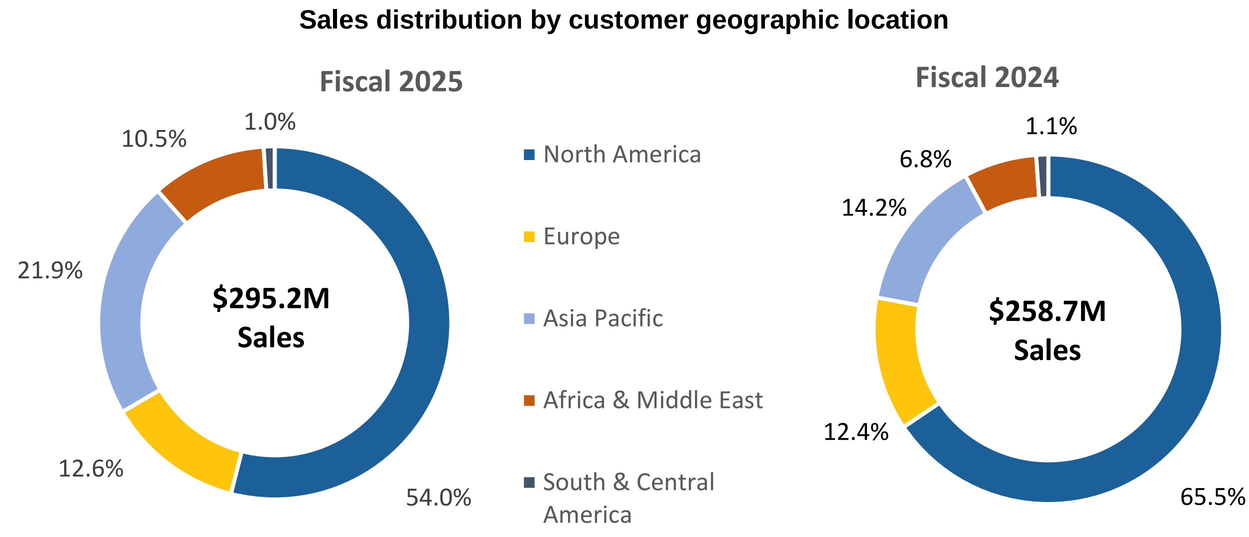
Bookings

	Three-month periods ended		Twelve-month periods ended	
(in thousands, excluding ratio)	**February 28, 2025**	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
Bookings from continuing operations	$62,032	$111,657	$292,505	$288,711
Book-to-bill ratio	0.75	1.38	0.99	1.12

Fiscal 2025 bookings from continuing operations reached $292.5 million, up $3.8 million or 1.3% compared to the previous year. The increase reflects higher North American bookings in the nuclear sector and for MRO activity, and higher bookings in Germany for oil refinery projects. These factors were partially offset by lower bookings in Italy following a strong order flow in the prior year. Currency movements had a $3.3 million negative effect on the value of bookings for the year mainly due to the weakening of the euro versus the U.S. dollar.

Bookings from continuing operations for the fourth quarter of fiscal 2025 amounted to $62.0 million, compared to bookings of $111.7 million in the fourth quarter of fiscal 2024. The variation is mainly attributable to the timing of orders for Italian operations due to project delays this year and strong oil and gas bookings a year ago, and to lower bookings in North America. These factors were partially offset by higher orders recorded by the Company's operations in China.

Sales



Sales from continuing operations for fiscal 2025 amounted to $295.2 million, an increase of $36.5 million or 14.1% compared to last year. The variation mainly reflects higher shipments from Italian operations for the oil & gas industry and higher business volume at German operations, including non-recurring revenue of $5.2 million in the second quarter for which no gross profit was recognized. These factors were partially offset by slightly lower sales in North American and in other international markets. Currency movements had a $2.2 million negative effect on sales for the year mainly due to the weakening of the euro versus the U.S. dollar.

Sales from continuing operations reached $83.2 million in the fourth quarter of fiscal 2025, an increase of $2.4 million or 2.9% compared to the same period last year. The variation is mostly attributable to higher shipments from Italian and German operations, partially offset by lower shipments from North American operations, including MRO activities. Currency movements had a $2.4 million negative effect on sales for the quarter mainly due to the weakening of the euro versus the U.S. dollar.

Gross profit

In fiscal 2025, gross profit from continuing operations reached $84.9 million, up significantly from $54.6 million last year. The variation reflects a higher business volume which impacted the absorption of fixed production overhead costs and a more favorable product mix. Currency movements had a $0.4 million negative effect on gross profit for the year. As a percentage of sales, gross profit was 28.8%, compared to 21.1% last year.

For the fourth quarter, gross profit from continuing operations was $19.8 million, compared with $22.4 million a year ago. The variation reflects a less favorable product mix this year compared to last due to lower MRO sales and higher provisions for aging inventory. Currency movements had a $0.4 million negative effect on gross profit for the quarter. As a percentage of sales, gross profit was 23.8%, versus 27.7% last year.

Administration costs

Fiscal 2025 administration costs from continuing operations amounted to $68.6 million, or 23.2% of sales, compared to $62.6 million, or 24.2% of sales, in fiscal 2024. The increase is mostly attributable to higher sales commissions due to higher volume, higher freight costs and the non-cash impact of a significant increase in the market value of the Company's share on the long-term incentive plan. These factors were partially offset by lower professional fees.

Administration costs from continuing operations reached $20.3 million, or 24.3% of sales, in the fourth quarter of fiscal 2025, compared to $16.1 million, or 19.9% of sales, last year. The increase essentially reflects the factors noted above.

Restructuring expenses

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. In fiscal 2024, restructuring expenses of $19.4 million were incurred, consisting of $14.5 million in asbestos-related costs and $4.9 million in transaction-related costs.

For 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 the three-month period ended February 29, 2024, restructuring expenses of $12.5 million consisted of $11.1 million in asbestos-related costs and of $1.2 million in transaction-related costs.

EBITDA[1] and Adjusted EBITDA[1]

In fiscal 2025, EBITDA from continuing operations was negative $73.1 million compared to negative $18.5 million last year. Excluding restructuring expenses, adjusted EBITDA from continuing operations for fiscal 2025 was $27.5 million, versus $2.1 million in fiscal 2024. The increase is primarily attributable to higher gross profit, partially offset by higher administration costs.

In the fourth quarter of fiscal 2025, the Company reported negative EBITDA from continuing operations of $15.5 million compared to negative $3.2 million for the same period a year ago. Excluding restructuring expenses, adjusted EBITDA from continuing operations was $3.6 million in the fourth quarter of fiscal 2025, compared to $9.3 million a year earlier. This decrease reflects lower gross profit and higher administration costs.

Finance costs or income (net)

Net finance income from continuing operations amounted to $0.3 million in fiscal 2025, versus net finance costs of $2.0 million a year ago. The variation reflects a reduction in amounts owed to a partner as well as a lower level of long-term debt this year compared to last.

For the fourth quarter of fiscal 2025, net finance income from continuing operations was $1.2 million, compared to net finance costs of $0.9 million last year. The variation reflects the elements mentioned above.

Income taxes (recovery)

For fiscal 2025, the income tax recovery from continuing operations was $14.6 million, compared to an income tax expense of $2.3 million last year. The variation reflects lower EBITDA and an income tax recovery of $20.2 million in fiscal 2025 reflecting deferred tax assets related to the recognition of deferred tax assets not previously recognized which are expected to be utilized against the tax liability resulting from the disposal of the French subsidiaries. Moreover, temporary differences arising from the accounting of asbestos-related costs of $76.2 million have not been recognized in the United States.

For the fourth quarter of fiscal 2025, the income tax recovery from continuing operations amounted to $0.6 million, compared to an income tax expense of $1.4 million last year. The variation reflects lower EBITDA and an income tax recovery of $3.5 million in fiscal 2025 reflecting deferred tax assets related to the recognition of deferred tax assets not previously recognized which are expected to be utilized against the tax liability resulting from the disposal of the French subsidiaries. Moreover, temporary differences arising from the accounting of asbestos-related costs of $2.5 million have not been recognized in the United States.

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

For fiscal 2025, the net loss from continuing operations was $67.2 million, or $3.12 per share, compared to $32.0 million, or $1.48 per share, in fiscal 2024. Adjusted net income from continuing operations was $6.6 million, or net income of $0.31 per share, in fiscal 2025, versus an adjusted net loss of $15.7 million, or a net loss of $0.73 per share, in fiscal 2024. The variation is attributable to higher adjusted EBITDA.

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

Net loss from discontinued operations was $8.3 million, or a loss of $0.38 per share, in fiscal 2025, versus net income from discontinued operations of $12.2 million, or $0.57 per share, in fiscal 2024.

As a result, the net loss for the year was $75.5 million, or $3.50 per share, compared with a net loss of $19.7 million, or $0.91 per share, last year.

For the fourth quarter of fiscal 2025, the net loss from continuing operations was $16.1 million, or $0.74 per share, compared to a net loss of $8.5 million, or $0.39 per share last year. Adjusted net loss from continuing operations for the fourth quarter of fiscal 2025 was $4.9 million, or $0.23 per share, versus adjusted net income of $3.7 million, or $0.17 per share. The variation is attributable to lower adjusted EBITDA, partially offset by an income tax recovery this year as opposed to an income tax expense last year.

Net income from discontinued operations amounted to $3.6 million, or $0.17 per share, in the fourth quarter of fiscal 2025, versus net income from discontinued operations of $6.4 million, or $0.29 per share, a year ago.

As a result, the net loss for the quarter was $12.4 million, or $0.57 per share, compared to a net loss of $2.1 million, or $0.10 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. The details of the elements making up this result are as follows:

	Three-month periods ended		Twelve-month periods ended	
	February 28, 2025	**February 29, 2024**	**February 28, 2025**	**February 29, 2024**
(thousands)	**$**	**$**	**$**	**$**
Sales	34,844	37,047	95,778	88,164
Cost of sales	20,057	21,075	58,640	49,587
Gross profit	14,787	15,972	37,138	38,577
Administration costs	5,949	5,807	21,801	21,272
Other expense (income)	(886)	(1,503)	21	(15)
Operating income (loss)	9,724	11,668	15,316	17,320
Finance income	36	152	(82)	(113)
Finance costs	-	-	-	-
Finance costs – net	36	152	(82)	(113)
Income (loss) before income taxes	**9,688**	**11,516**	**15,398**	**17,433**
Income taxes (note a)	6,052	3,651	23,652	5,202
Net income (loss) for the period	**3,636**	**6,379**	**(8,254)**	**12,232**

a) Since management expects to realize the temporary tax differences over its disposal group, a deferred tax liability and expense of $20.2 million associated with the disposal group has been recognized. This deferred tax liability is calculated based on the net book value as at February 28, 2025, of the disposal group and will be revised using the expected proceeds from the disposal, which will result in a significantly higher final tax expense. The Company has sufficient unrecognized tax benefits that it will recognize to offset the impact of this tax expense, which will have no effect on the Company's liquidity.

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
(in thousands, excluding per share amounts)	**February 2025**	**November 2024**	**August 2024**	**May 2024**	**February 2024**	**November 2023**	**August 2023**	**May 2023**
Sales from continuing operations	$83,198	$73,404	$77,696	$60,898	$80,847	$62,842	$63,196	$51,767
Net income (loss) from continuing operations	(16,056)	(47,835)	(1,168)	(2,187)	(8,462)	(9,683)	(4,550)	(9,274)
per share – basic and diluted	(0.74)	(2.22)	(0.05)	(0.10)	(0.39)	(0.45)	(0.21)	(0.43)
Net income (loss) from discontinued operations	3,636	(14,262)	1,289	1,083	6,379	2,433	2,430	990
per share – basic and diluted	0.17	(0.66)	0.06	0.05	0.29	0.11	0.11	0.05
Net income (loss)	(12,420)	(62,097)	121	(1,104)	(2,083)	(7,250)	(2,120)	(8,284)
per share – basic and diluted	(0.57)	(2.88)	0.01	(0.05)	(0.10)	(0.34)	(0.10)	(0.38)
Adjusted EBITDA from continuing operations	3,620	14,260	6,746	2,846	9,281	(4,629)	1,240	(3,765)
Adjusted net income (loss) from continuing operations	(4,899)	8,502	2,754	242	3,689	(8,383)	(3,184)	(7,775)
per share – basic and diluted	(0.23)	0.39	0.13	0.01	0.17	(0.39)	(0.15)	(0.36)

FINANCIAL POSITION

Assets

As at February 28, 2025, total assets stood at $502.0 million, up from $479.4 million as at February 29, 2024.

Current assets amounted to $418.9 million as at February 28, 2025, including assets held for sale amounting to $176.8 million, up from $387.0 million a year earlier. On a continuing operations basis, the variation mainly reflects a $7.6 million increase in cash and cash equivalents and a $3.6 million increase in inventory. These factors were partially offset by a $9.0 million decrease in accounts receivable and a $2.0 million decrease in deposits and prepaid expenses.

Non-current assets totalled $83.1 million as at February 28, 2025, down from $92.4 million last year. On a continuing operations basis, the variation reflects a $2.2 million decrease in the value of the value of intangible assets and a $1.4 million decrease in the value of property plant and equipment.

Liabilities

As at February 28, 2025, total liabilities amounted to $403.2 million, up from $296.1 million as at February 29, 2024.

Current liabilities stood at $374.3 million, including liabilities held for sale of $110.9 million, up from $160.4 million last year. On a continuing operations basis, the variation is mainly attributable to a $142.9 million increase in provisions, a $21.8 million increase in accounts payable and accrued liabilities, and a $3.5 million increase in customer deposits. These factors were partially offset by a $5.3 million decrease in the current portion of long-term debt.

The value of non-current liabilities was $28.9 million, down from $135.7 million, last year. On a continuing operations basis, the variation reflects a $74.1 million reduction in provision, a $3.7 million reduction in long-term debt and a $1.5 million decrease in customer deposits.

Equity

As at February 28, 2025, total equity was $98.7 million, versus $183.3 million as at February 29, 2024. The variation is attributable to a $76.0 million reduction in retained earnings, essentially mirroring the Company's net loss for fiscal 2025, and a $8.4 million increase in accumulated other comprehensive loss. This does not reflect the gain on the sale of the French assets which will be recognized in the first quarter of fiscal year 2026.

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, 2025
(thousands)	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	76,465	76,465	-	-	-	76,465
Customer deposits	26,214	22,338	1,597	2,279	-	26,214
Derivative liabilities	480	480	-	-	-	480

As at February 28, 2025, 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, 2025, the Company's order backlog[1] was $274.9 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 or an escalating trade dispute, 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, 2025

(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, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Net cash from continuing operations – Beginning of period	32,061	23,376	27,283	28,665
From continuing operations				
Cash provided by operating activities	5,676	13,340	26,525	12,461
Cash used by investing activities	(1,793)	(3,382)	(10,277)	(9,121)
Cash used by financing activities	(2,761)	(5,489)	(9,815)	(4,880)
Effect of exchange rate differences on cash	(819)	(562)	(1,352)	159
Net change in cash from continuing operations	303	3,907	5,081	(1,382)
Net change in cash from discontinued operations	208	6,176	6,354	(12,685)
Net change in cash and cash equivalents	511	10,083	11,435	(14,067)
Net cash from continuing operations – end of period	**32,364**	**27,283**	**32,364**	**27,283**

Operating activities

For the fiscal year ended February 28, 2025, cash provided by operating activities from continuing operations amounted to $26.5 million, up from $12.5 million in the previous year. The favorable movement in cash reflects higher EBITDA and positive changes in non-cash working capital movements.

For the three-month period ended February 28, 2025, cash provided by operating activities from continuing operations totalled $5.7 million, versus $13.3 million in the corresponding period a year earlier. The unfavorable movement in cash is attributable to lower EBITDA partially offset by positive changes in non-cash working capital movements.

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

	Three-month periods ended		Fiscal years ended	
(thousands)	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Accounts receivable	(783)	(12,189)	7,739	5,990
Inventories	13,399	11,723	(11,319)	10,288
Income tax recoverable	224	193	490	(1,040)
Deposits and prepaid expenses	277	(2,120)	1,865	(1,356)
Accounts payable and accrued liabilities	6,052	21,362	28,774	18,867
Income tax payable	1,197	574	2,507	290
Customer deposits	(2,522)	783	1,203	532
Provisions	(264)	(3,033)	2,564	(1,253)
Changes in non-cash working capital items	**17,580**	**17,293**	**33,823**	**32,318**

For the fiscal year ended February 28, 2025, positive non-cash working capital movements reflected higher accounts payable and accrued liabilities and lower accounts receivable. These factors were partially offset by higher inventories.

For the quarter ended February 28, 2025, positive non-cash working capital movements were mainly due to a decrease in inventories and an increase in accounts payable and accrued liabilities. These factors were partially offset by a decrease in customer deposits due to lower bookings.

Investing activities

For the fiscal year ended February 28, 2025, cash used in investing activities from continuing operations amounted to $10.3 million as a result of additions to property, plant and equipment of $7.5 million and additions to intangible assets of $2.9 million. For the fiscal year ended February 29, 2024, cash used in investing activities from continuing operations was $9.1 million reflecting additions to property, plant and equipment of $5.9 million, additions to intangible assets of $2.4 million and a $0.9 million increase in short-term investments.

Cash used by investing activities from continuing operations for the quarter ended February 28, 2025, was $1.8 million reflecting additions to intangible assets totalling $1.8 million. For the quarter ended February 29, 2024, cash used in investing activities from continuing operations stood at $3.4 million mainly reflecting additions of $1.0 million to intangible assets and of $0.6 million to property, plant and equipment and a $0.9 million increase in short-term investments.

Financing activities

In fiscal 2025, cash used by financing activities from continuing operations was $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. In fiscal 2024, cash used by financing activities from continuing operations stood at $4.9 million as net repayments of $7.6 million in long-term debt and repayments of $2.0 million in lease liabilities were partially offset by a $5.0 million increase in the revolving credit facility.

During the fourth quarter of fiscal 2025, cash used by financing activities from continuing operations was $2.8 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 the fourth quarter of fiscal 2024, cash used by financing activities from continuing operations was $5.5 million essentially due to a net $5.8 million reduction in long-term debt.

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, 2025, and February 29, 2024, are as follows:

	Range of exchange rates		Gain (loss) (in thousands of U.S. dollars)		Notional amount (in thousands of indicated currency)	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
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	1.08 to 1.10	(405)	40	US$15,005	US$6,518

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, 2025, and February 29, 2024:

	Net income (loss)	
(thousands)	February 28, 2025 $	February 29, 2024 $
Canadian dollar strengthening against the U.S. dollar	(1,420)	(868)
Euro strengthening against the U.S dollar	(4)	(772)
Indian rupee strengthening against the U.S dollar	451	875

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, 2025, four (2024 – two) customers accounted for more than 5% each of its trade accounts receivable, of which one customer accounted for 15.8% (2024 – 7.6%) and the Company's ten largest customers accounted for 52.8% (2024 – 41.3%) of trade accounts receivable. In addition, one customer accounted for 13.6% of the Company's sales (2024 – 8.9%).

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, 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**

					As at February 29, 2024
(thousands)	**Current**	**Past due more than 30 days**	**Past due 31 to 90 days**	**Past due more than 90 days**	**Total**
Expected loss rate	0.056%	0.071%	0.081%	1.814%	
Gross carrying amount	81,030	12,600	7,426	9,041	110,097
Loss allowance	**45**	**9**	**6**	**164**	**224**

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, 2025 $**	**February 29, 2024 $**
Current	34,636	81,030
Past due 0 to 30 days	10,866	12,600
Past due 31 to 90 days	5,313	7,426
Past due more than 90 days	3,285	9,041
	54,100	110,097
Less: Loss allowance	(381)	(224)
	53,719	109,873
Other receivables	8,894	10,041
Total accounts receivable	**62,613**	**119,914**

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

	Fiscal years ended	
(thousands)	**February 28, 2025 $**	**February 29, 2024 $**
Balance – Beginning of the year	224	481
Loss allowance expense	166	68
Recoveries of trade accounts receivables	(3)	(228)
Write-off of trade accounts receivable	(3)	(98)
Foreign exchange	(3)	1
Balance – End of the period	**381**	**224**

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, 2025 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, 2025.

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, 2025, 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.

Asbestos provision estimates the liability related to all settlement costs on outstanding open and future cases in relation with the Company's ongoing litigations.

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

In May 2024, the IASB issued amendments to *IFRS 7, Financial Instruments: Disclosures* and *IFRS 9, Financial Instruments*, following the implementation review of the requirements of *IFRS 9* and related requirements of *IFRS 7.*

The IASB amended *IFRS 9* to clarify the timing of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash through an electronic payment system, and to clarify and add additional guidance for assessing whether the cash flows associated with a financial asset consist solely of repayments of principal and interest payments on the outstanding principal.

The *IASB* amended *IFRS 7* to add new disclosures for certain instruments whose contractual terms may modify cash flows, and to improve the presentation of information about equity instruments designated at fair value through other comprehensive income.
The Company is currently evaluating the impact of adopting the amendments to *IFRS 7* and *IFRS 9*, which will be effective for fiscal years beginning on or after January 1, 2026.

In April 2024, the IASB issued *IFRS 18, Presentation and Disclosures in Financial Statements,* which will replace the current *IAS 1, Presentation of Financial Statements.*

IFRS 18 introduces three new elements designed to improve the presentation of information in financial statements. It introduces three new categories of revenue and expense (operating, investing, and financing) to improve the comparability of income statements between companies. In addition, *IFRS 18* aims to improve the transparency of performance indicators defined by management. Finally, *IFRS 18* provides guidance on how to present information in financial statements. The Company is currently evaluating the impact of adopting *IFRS 18,* which will be applicable to fiscal years beginning on or after January 1, 2027.

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 fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. Crude oil and natural gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for crude oil and natural gas; global economic conditions; the actions of the

Organization of Petroleum Exporting Countries (“OPEC”) and OPEC+; government regulation; political stability and geopolitical factors; the ability to transport crude to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions.

Global oil prices increased in 2022, as a result of the military conflict in Ukraine and the related international economic sanctions imposed on Russia. Concerns over global economic conditions, fluctuations in interest rates and foreign exchange rates, stock market volatility, energy costs, geopolitical issues, OPEC+ actions, inflation, the availability and cost of credit, the deceleration of economic growth in China, trade disputes between the United States and China, civil unrest in Venezuela and Iran and the Middle East tensions and war have contributed to increased economic uncertainty and diminished expectations for the global economy. Rapid variations of commodity prices could have a material adverse effect on the Company’s business, financial condition and results of operations. The Company is exposed to the risk of inflation fluctuation.

Asbestos litigation

Two of the Company’s previous U.S. subsidiaries have been 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. See “Legal Proceedings and Regulatory Actions”. As indicated above, on January 14, 2025, the Company entered into definitive agreement with an affiliate of Global Risk Capital to divest its asbestos-related liabilities at a cost of US$143 million. The transaction was completed on April 3, 2025.

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 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 expiring in 2025 and 2026. 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.

Ukraine conflict

In February 2022, a military conflict began between Russia and Ukraine. Since the conflict has started, there have been significant tensions between Russia and a number of countries including Canada, its NATO allies and other European countries. These countries have been imposing and will likely continue to impose a number of international economic sanctions on Russia and its allies. The conflict has resulted in international instability with significant economical and political impacts. Further deterioration of the conflict could have economic and geopolitical impacts on the Company, its customers and its suppliers, and particularly on the Company's numerous cross-border transactions. The Company fully supports the current sanctions imposed on Russia and has strictly complied with them by stopping the orders that were affected by such sanctions. If the conflict persists, this will likely result in an increase in global market volatility, global supply chain disruptions and inflation, which may have material adverse impact on the Company's business.

Tariffs

A tariff is a tax or duty imposed by a government on goods and services imported from other countries. Tariffs are used to raise revenue for the government, protect domestic industries by making imported goods more expensive and exert political leverage over other countries. The actual US tariff policy can have several significant impacts on the Company. Tariffs could raise the cost of imported materials and components, leading to higher production costs for manufacturers. The Company may need to find alternative suppliers or relocate production to avoid tariffs, disrupting established supply chains. Higher costs can make products less competitive in the global market, potentially reducing sales and market share. Some competitors might move production closer to their primary markets or to countries with favorable trade agreements to mitigate tariff impacts. Also, frequent changes in tariff policies can create uncertainty, making it difficult for the Company and customers to plan long-term investments and strategies. The Company created a committee responsible for determining the best strategy to manage the potential impact of tariffs going forward.

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 (such as ongoing asbestos 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, and certain of its operations in France 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	
(in thousands, except per share amounts; certain totals may not add up due to rounding)	**February 28, 2025 $**	**February 29, 2024 $**	**February 28, 2025 $**	**February 29, 2024 $**
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				
Net income (loss) from continuing operations	(16,056)	(8,462)	(67,246)	(31,969)
Adjustments for:				
Asbestos-related costs	2,466	11,124	76,211	14,497
Deferred tax assets related to the transactions	(3,543)	-	(20,242)	-
Other restructuring costs	-	919	89	919
Transaction costs	12,234	108	17,788	900
Adjusted net income (loss) from continuing operations	**(4,899)**	**3,689**	**6,600**	**(15,653)**
per share – basic and diluted	(0.23)	0.17	0.31	(0.73)
Reconciliation of net income (loss) from continuing operations to Adjusted EBITDA from continuing operations				
Net income (loss) from continuing operations	(16,056)	(8,462)	(67,246)	(31,969)
Adjustments for:				
Depreciation of property, plant and equipment	1,775	1,978	6,864	7,103
Amortization of intangible assets and financing costs	577	607	2,132	2,127
Finance costs – net	(1,229)	1,202	(263)	1,963
Income taxes	(558)	1,437	(14,551)	2,269
EBITDA	**(15,491)**	**(3,238)**	**(73,064)**	**(18,507)**
Adjustments for:				
Other restructuring costs	-	173	121	1,250
Asbestos-related costs	2,466	11,124	76,211	14,497
Transaction-related costs	16,645	1,222	24,201	4,886
Adjusted EBITDA	**3,620**	**9,281**	**27,470**	**2,126**

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

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.