



Disclaimer

The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for the quarter ended November 30, 2022. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the years ended February 28, 2022 and 2021. 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 investor presentation was approved by the Board of Directors of the Company on January 11, 2023. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at www.sedar.com.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this investor presentation, 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 presentation. The Company has also presented supplementary financial measures which are defined at the end of this presentation.

FORWARD-LOOKING INFORMATION

This investor presentation 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. 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 presentation are expressly qualified by this cautionary statement.

Presenters

Thank you for your attendance to our Q3 FY23 Financial Results Investor Call.
We will be happy to take questions at the end of the presentation.



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Navy



Nuclear



Process & Power



Severe Service



Oil & gas

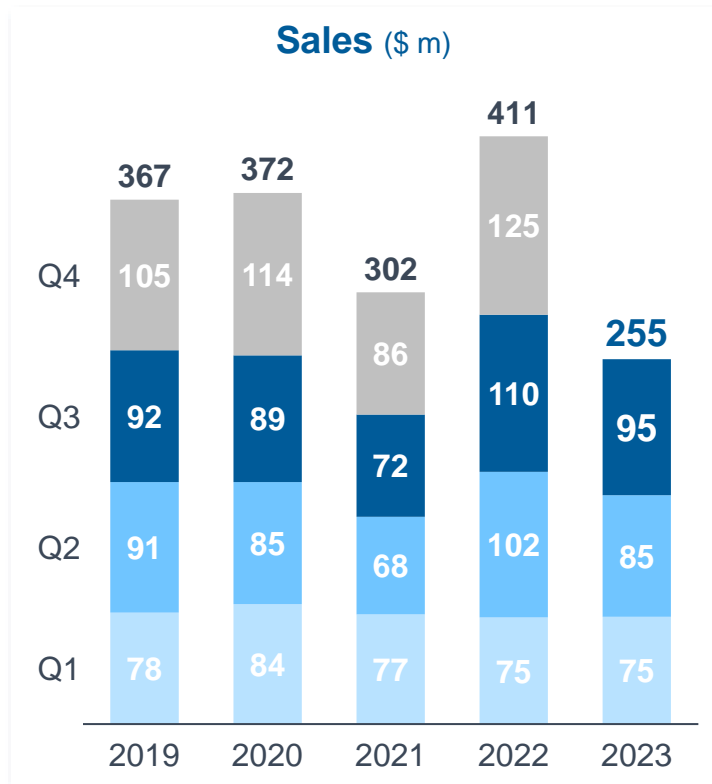


MRO & After-Market



Key Highlights – Q3

- **\$95.2 m** sales, improvement of \$10.2 m or +12.0% vs Q2-2023, however, a decrease of \$14.7 m or -13.4% vs Q3-2022
- **\$6.1 m** EBITDA² is better than the \$1.4 m posted in the previous quarter and lower than the \$13.2 m achieved last year. Both comparatives were impacted mainly by the sales volume
- **\$2.7 m** net income¹ for the quarter
- **\$488.3 m** backlog² → Decrease due predominantly to the EUR/USD foreign exchange impact
- **\$29.3 m** net cash → Strong cash position highlighting healthy financial position

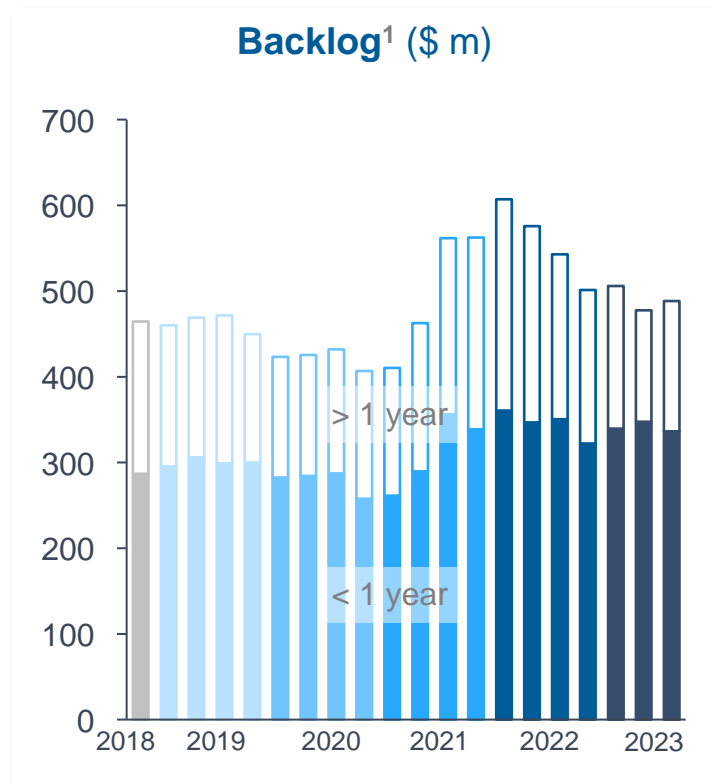


¹ Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares

² Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

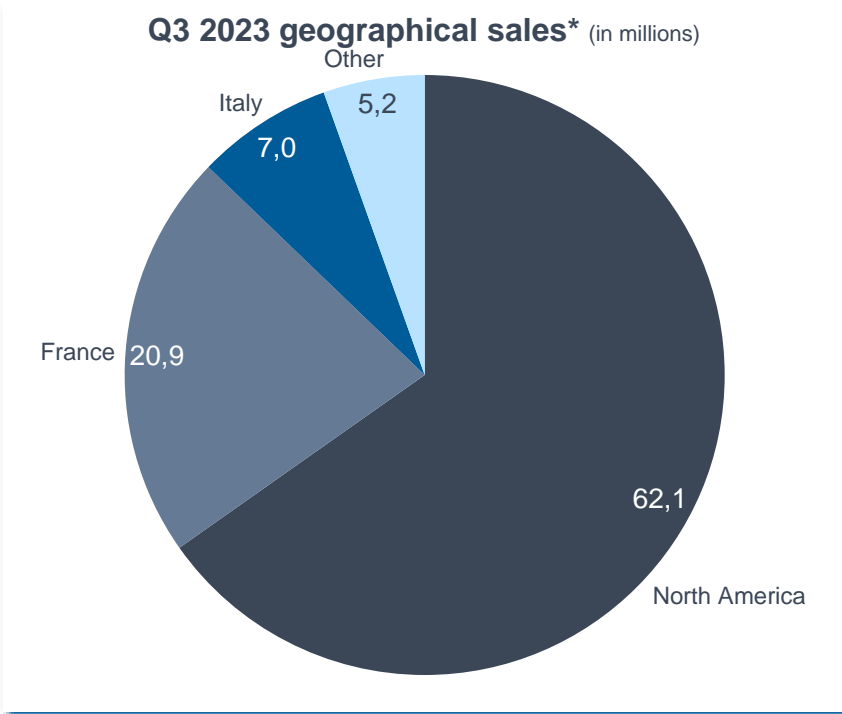
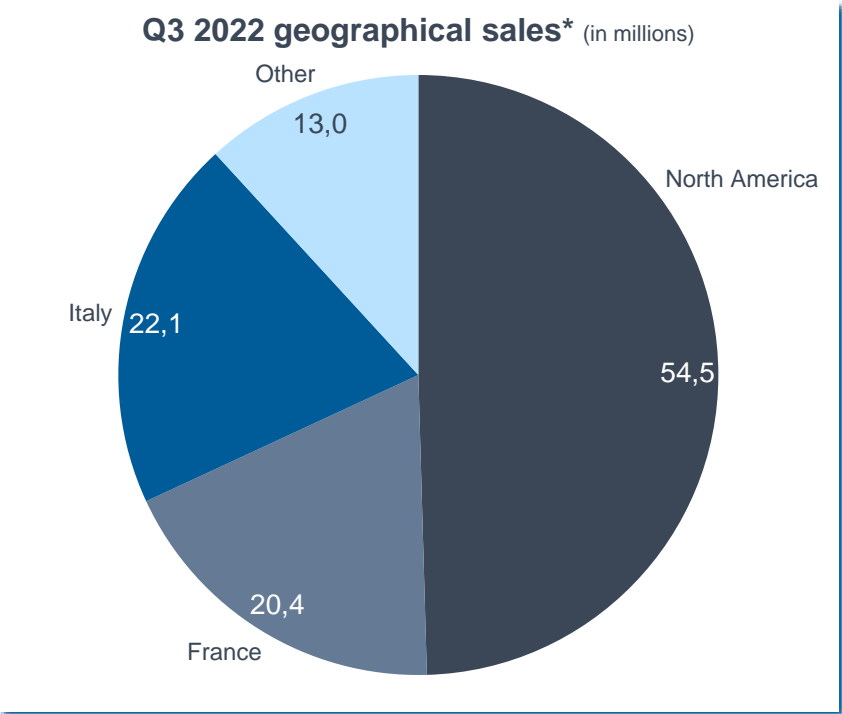
Backlog¹

- **\$488.3 m** backlog¹
 - **\$336.2 m** shippable in the **next 12 months**
- **1.04 book-to-bill ratio¹** for the quarter
- Within 12 months backlog¹ **increased compared to year-end** due to a year-to-date book-to-bill ratio¹ of 1.04
- The backlog¹ was **negatively impacted by the weakening of the euro spot rate against the U.S. dollar** since the beginning of the fiscal year which represented \$21.6 m



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

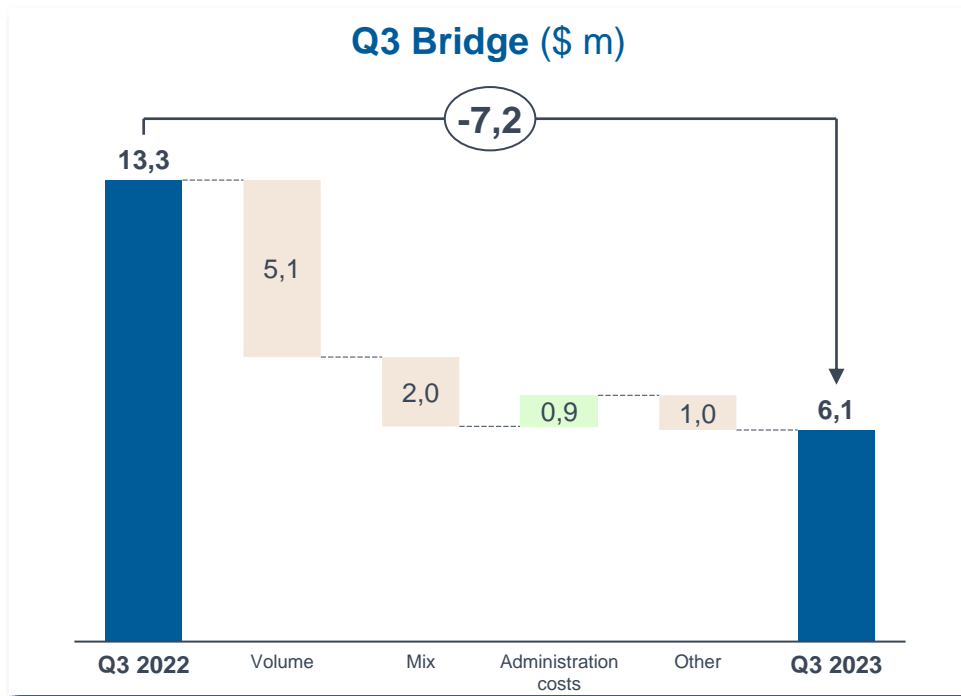
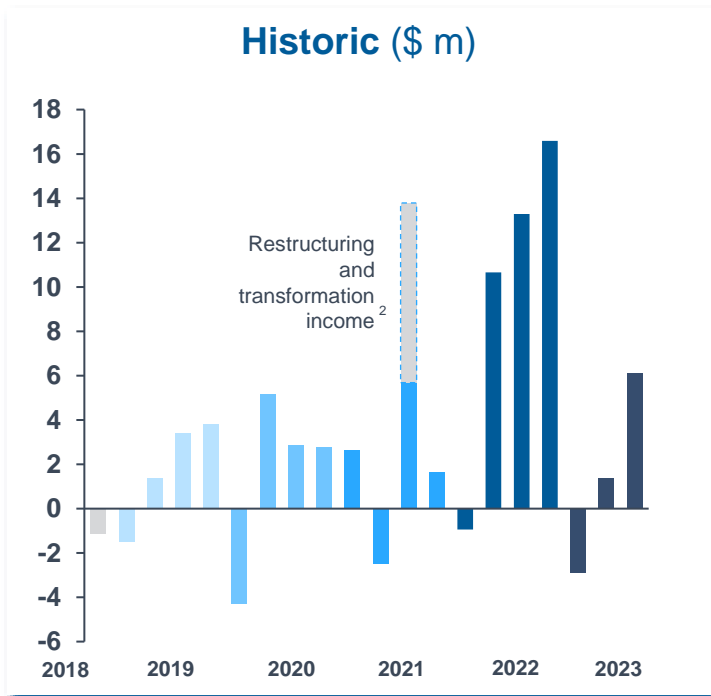
Sales – Decrease in sales in Italy partially offset by increased volume in North America



Positive sales momentum continued this quarter thanks to the recording of a significant order in North America despite another quarter of lower sales in Italy due to lower order bookings and timing related thereto combined with exceptional sales volume in previous year.

*Geographical third-party sales are defined as the country where the sales was recorded.

EBITDA¹ evolution



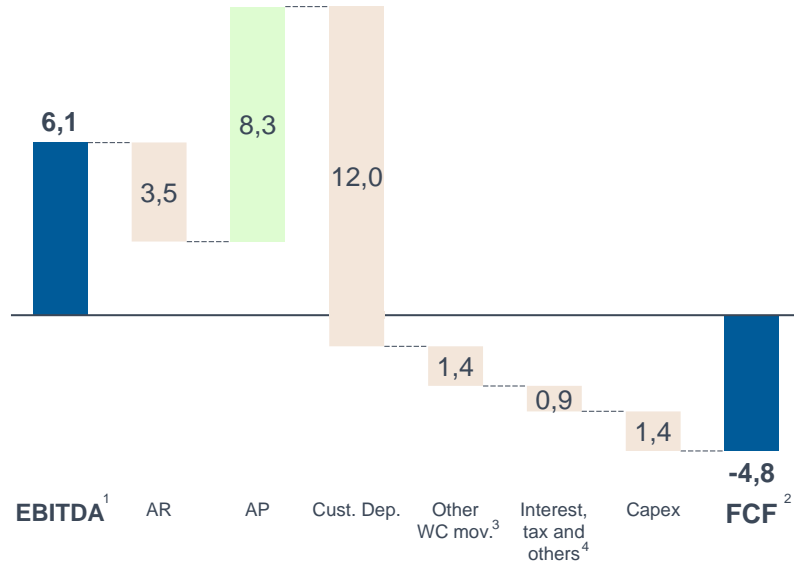
- Significant increase vs Q2-F2023 from \$1.4 m EBITDA¹ to \$6.1 m driven by an improved performance throughout the year.
- Q3-F2022 comparative shortfall as a result of a lower sales volume compared to last year.

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

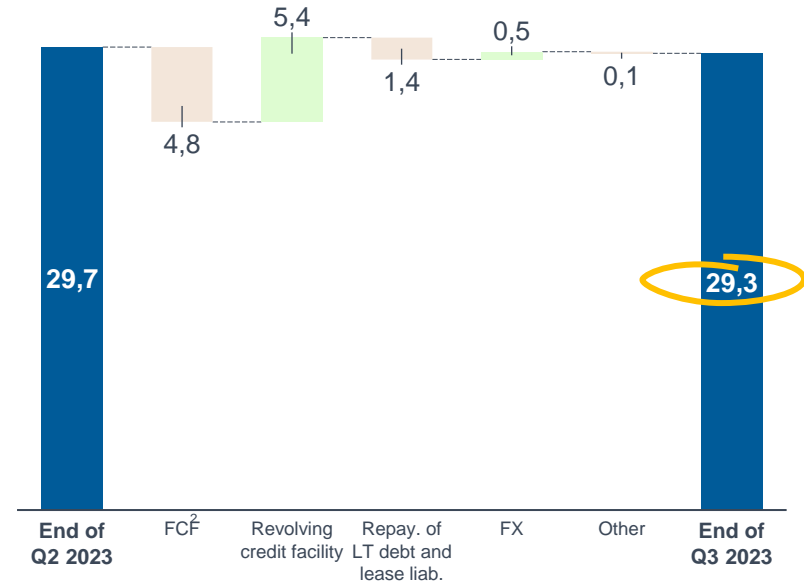
² Primarily due to a \$9.6 m gain on the disposal of a plant. See MD&A for more details.

Net cash analysis

Free Cash Flow² (\$ m)



Net cash bridge (\$ m)



- Free Cash Flow burn coming substantially all from the timing of collection of customer deposits on certain large orders.
- Net cash and overall liquidity position (net cash + unused credit facilities) for the company remains strong at **\$29.3 m** and **\$137.6 m** respectively

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

² Free cash flow is defined as Cash provided (used) by operating activities less additions to property, plant and equipment (or Capex)

³ Includes net change in long-term provisions and customer deposits

⁴ Other adjustments are defined as loss (gain) on disposal of property, plant and equipment, minority interests, net change in derivative assets and liabilities and other long-term liabilities.

Closing Comments FY23 Q3

- We continue to prudently manage the business across various global volatilities:
 - Our backlog **continues to remain strong**, with an ongoing renewal of opportunities
 - **Execution** remains our **top priority**, and we continue to work closely with all stakeholders to ensure we improve and meet our on time delivery
 - We remain confident in our ability to **deliver a strong Q4**, despite a slow start in the first half
 - We aim at preserving our **strong liquidity and cash base** through continued operational improvements – focusing on a strong close to FY2023 on shipments and improved working capital management

Presenters

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We are happy to answer any questions.



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NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

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

(in millions of USD)	2018		2019			2020				2021				2022				2023		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net income (loss) ¹	(8.2)	(3.7)	(2.4)	(0.2)	1.5	(5.8)	1.4	(0.8)	(11.1)	(1.9)	(5.1)	9.5	0.3	(5.1)	5.0	4.5	(25.6)	(7.4)	(3.7)	2.7
Depreciation of property, plant and equipment	2.8	2.6	2.9	2.6	3.5	2.6	2.6	2.9	2.8	2.5	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.2	2.0	2.1
Amortization of intangible assets	0.5	0.4	0.4	0.4	0.7	0.4	0.5	0.5	0.7	0.6	0.6	0.7	0.7	0.7	0.5	0.6	0.8	0.6	0.6	0.6
Finance costs - net	0.1	0.0	0.6	0.1	0.0	0.3	(0.2)	0.7	0.5	0.3	0.0	0.2	0.3	0.5	0.5	0.6	0.7	0.2	0.4	0.4
Income taxes	3.7	(0.8)	(0.1)	0.5	(1.9)	(1.8)	0.9	(0.4)	9.9	1.1	(0.5)	0.9	(2.3)	0.6	2.3	5.2	38.3	1.5	2.1	0.3
EBITDA	(1.1)	(1.5)	1.4	3.4	3.8	(4.3)	5.2	2.9	2.8	2.6	(2.5)	13.8	1.6	(0.9)	10.7	13.3	16.6	(2.9)	1.4	6.1

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

Definitions of supplementary financial measures

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

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

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

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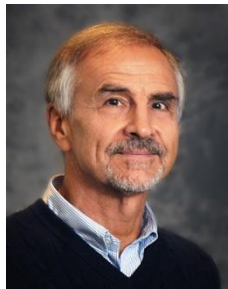
Our Board of directors



James A. Mannebach
Chair of the Corporation
St. Louis, Missouri, USA
Director since: 2018



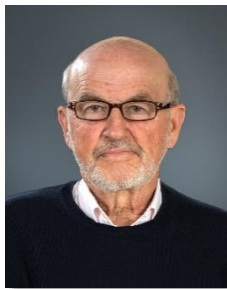
Suzanne Blanchet
La Prairie, Québec, Canada
Director since: 2021



Ivan Velan
Montréal, Québec, Canada
Director since: 1970



Bruno Carbonaro
Montréal, Québec, Canada
Director since: 2022



Peter Velan
Montréal, Québec, Canada
Director since: 2022



Dahra Granovsky
Toronto, Ontario, Canada
Director since: 2019



Rob Velan
Vice-Chairman
Montréal, Québec, Canada
Director since: 2013



Edward Kernaghan
Toronto, Ontario, Canada
Director since: 2021



Tom Velan
Former Chairman
Montréal, Québec, Canada
Director since: 1976

