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Ergoresearch Ltd. (TSX-V: ERG)

Corporate Presentation

February 2014



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Forward-looking statements

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Investment Highlights

➤ #1 Integrated Orthotic / Orthopedic Retailer

- Integrated orthopedic solutions and products with over 100 locations across Québec
- #1 retailer in the Québec market with 20% market share⁽¹⁾

➤ Favourable Industry Trends

- Aging population with related joint problems and a high incidence of diabetes and obesity
- Largest segment of the population (Baby Boomers) will experience osteoarthritis ('OA'), with 50% of the 65+ population suffering from OA

➤ Robust Financial Performance & Growth

- 34% revenue CAGR since 2006 with a plan to triple in 3 years with significant upside from the Power Knee in the U.S.
- Strong margins due to patented technology and the Corporation's vertical integration strategy
- No cash income taxes to be paid in the foreseeable future given large tax assets
- Average ROIC of 26% - delivering value to shareholders

➤ Highly Fragmented Market Ripe for Consolidation

- Comprised of several regional orthopedic laboratories with traditional and artisan manufacturing methods
- Actively executing on roll-up strategy: 3 successful acquisitions completed within last 15 months

➤ Strong and Experienced Management Team

- CEO responsible for ramping up Iris eye care clinics from 16 - 165 over 8 years
- Has delivered superior growth (34% revenue CAGR) since joining in 2006



ERGORECHERCHE

1. Management estimate

Executive Summary

- Ergoresearch Ltd. (“Ergoresearch” or the “Company”) manufactures, markets, distributes, sells, and develops intelligent orthotics, medical devices and software in the orthopedic industry
- The Company has the #1 orthotics network in Québec, with over 100 clinics and satellite centres flying under the banners of Clinique du pied Équilibre, Podotech, Orthoconcept and Laboratoire Langelier
- Leading manufacturer of “intelligent” foot orthotics and specialty orthotics
 - Trend-setter in creating durable medical equipment and software for the orthopedics market
 - Through Victhom Human Bionics, the Company also owns patents in the field of bionics including intellectual property for the Power Knee, the world’s only motor-powered prosthesis for above-knee amputees
- The Company trades on TSX-V under the symbol “ERG” with a current market capitalization of \$75 million

Significant Shareholders

Proteor SA	23.1%
Sylvain Boucher	21.1%
Danielle Boucher (sister)	20.0%
Fiera Capital	10.2%

ERG 2-Year Share Price History



Source: Company filings and FactSet

Experienced Management Team & Board of Directors

Management

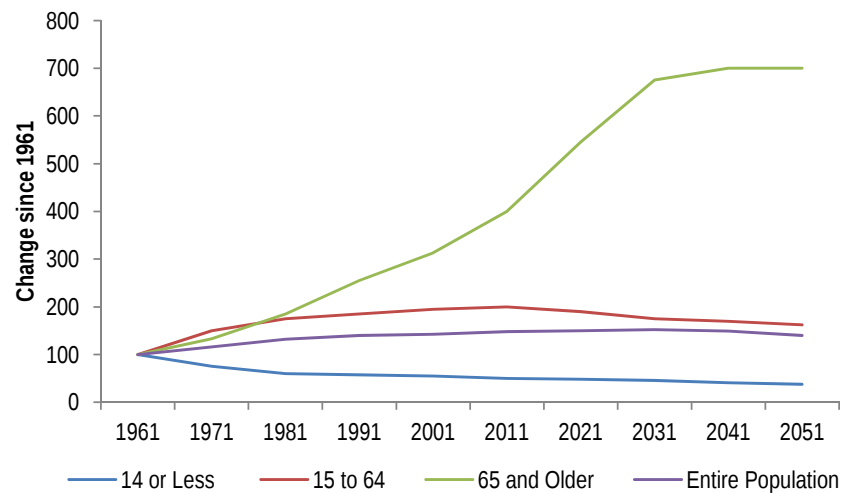
Sylvain Boucher	<i>Chief Executive Officer, President and Director</i>
Dominique Boudreau	<i>Controller</i>
Frederic Petit	<i>Vice President Operation</i>
Louis Desrosiers	<i>Vice President R&D</i>
Philippe Rondeau	<i>Sales and development</i>

Board of Directors

Michel Pierron	<i>Director and President of Audit Committee</i>
François Tellier	<i>Director</i>
Catherine Chamouton	<i>Director</i>
Gilles Laporte	<i>Director</i>

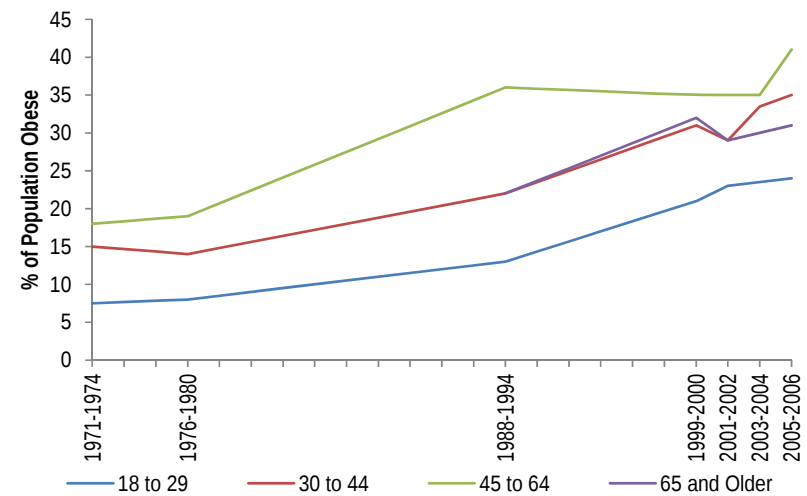
Favourable Industry Demographics

Historical and Forecasted Population Distribution



Source: MSSS, SDI

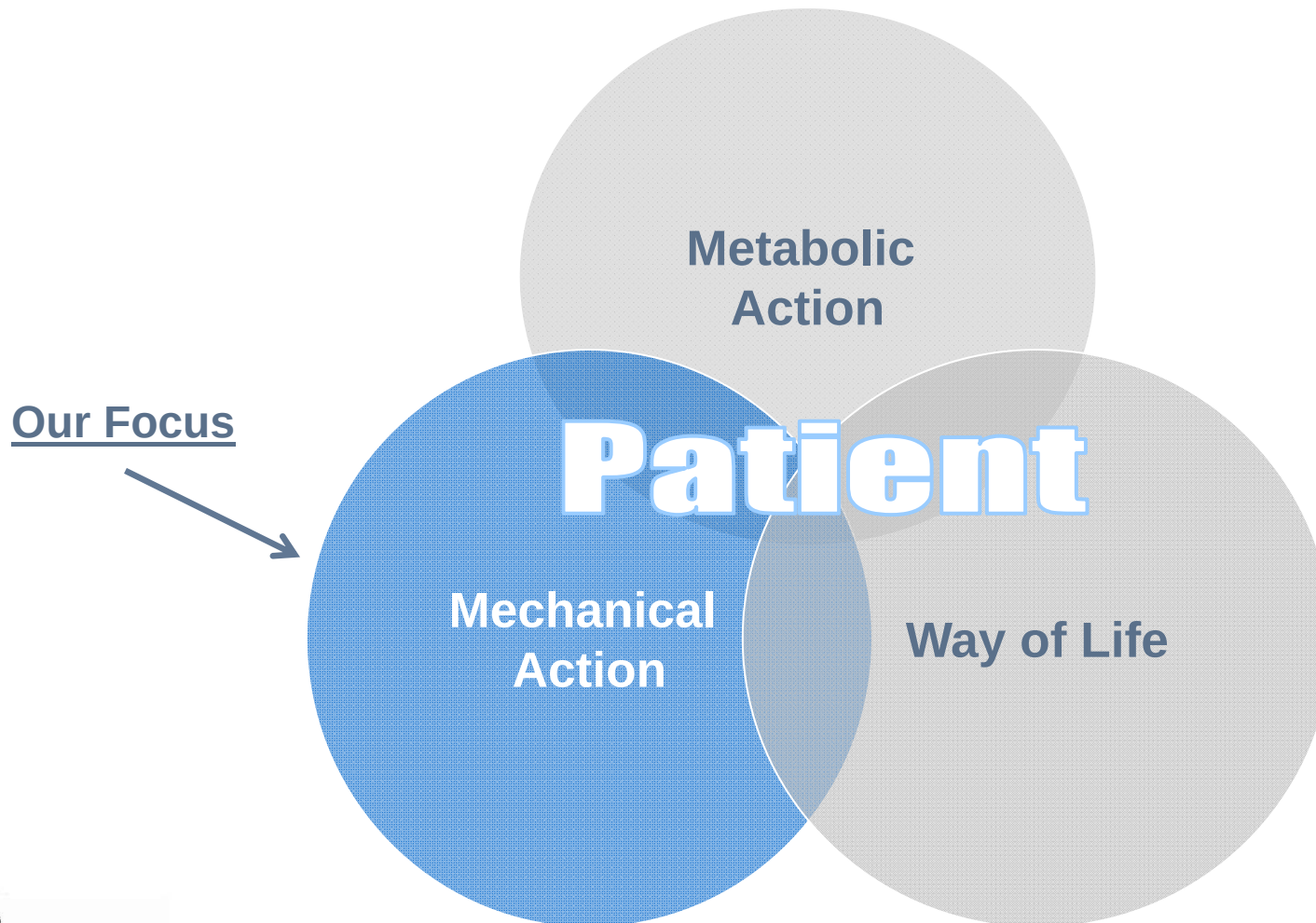
Historical Obesity Trending



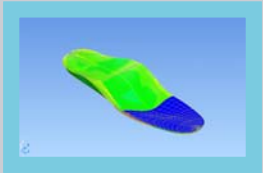
Market driven by an aging population and an increased prevalence of diabetes and obesity



Treatment Options



Product Overview

Product		Target	Wholesale Price	Retail Price
Custom Made Medical Orthotic		Foot, knee, hip and lower back ailments	95\$ - 125\$	380\$-600\$
OdrA		Medial knee osteoarthritis	1,750\$	2,450\$
Power Knee		Above the knee amputees	32,000\$ - 37,500\$	60,000\$ - 72,500\$

➤ Biomechanical-type products (class 1), non-invasive and non-toxic

Products: Expert-Fit Foot Orthotics

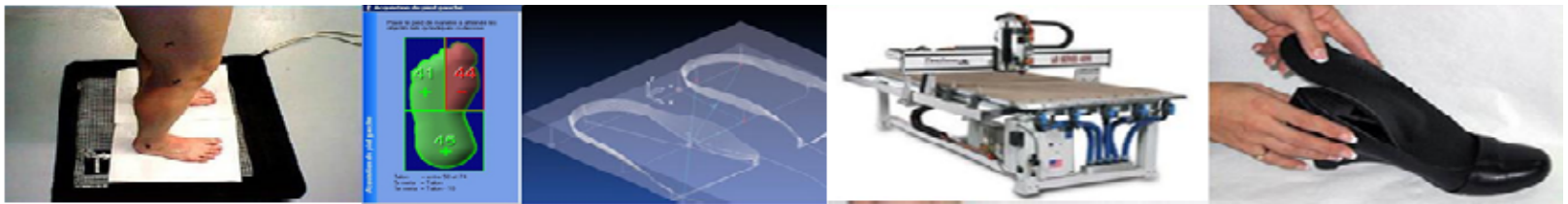
Disruptive Orthotic Technology

- **Expert-Fit™** software → Has transformed the industry
 - First robotized orthotic manufacturing software (proprietary to the Company)
- Dramatically reduces turnaround times
 - Lower barriers to expansion by reducing number of orthopedists needed
 - Orthopedists used to spend 50% of time crafting soles
 - Now 100% dedicated to client evaluations

Before →

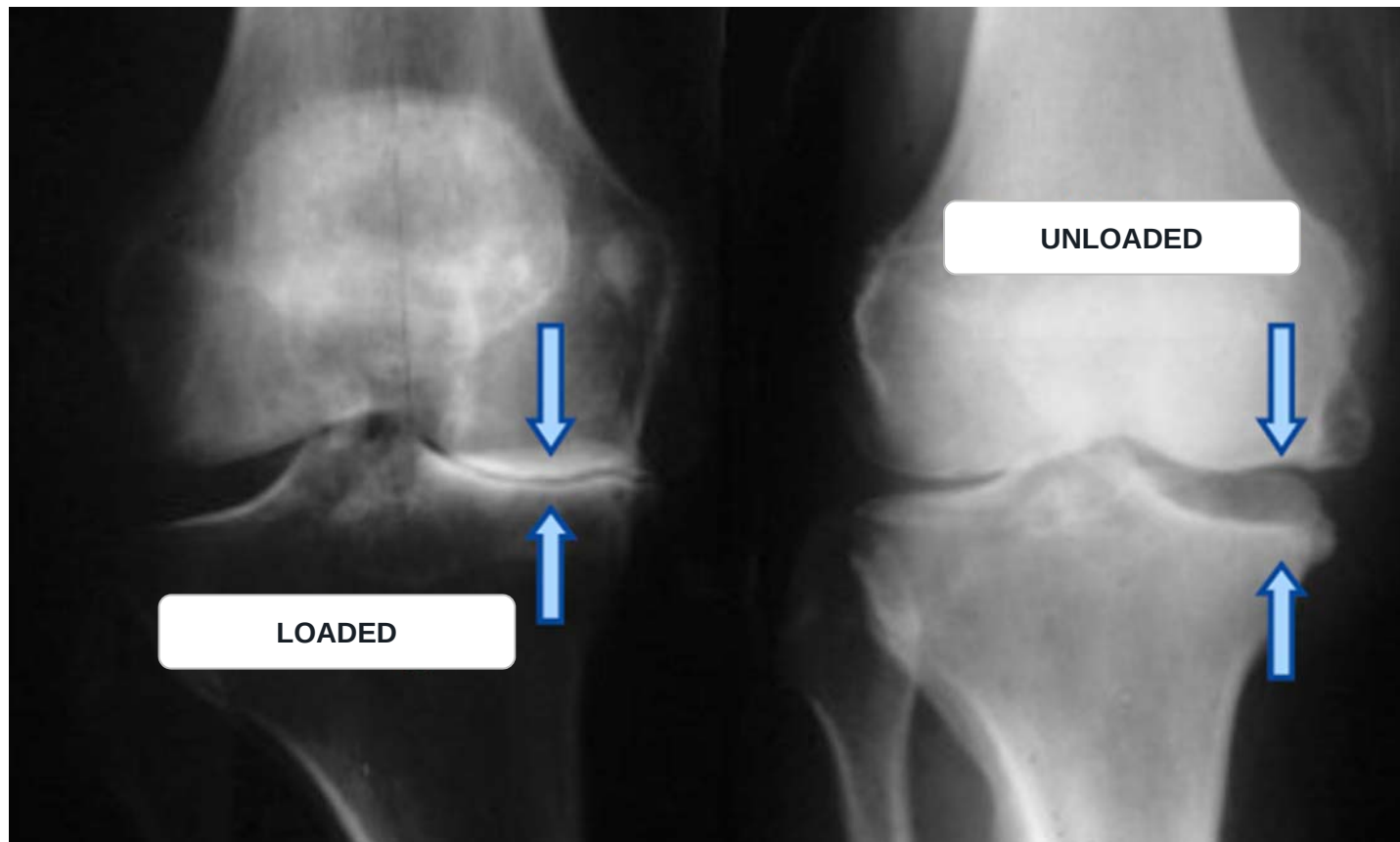


Now →



Major Healthcare Issue: Knee Osteoarthritis

Radiology Evaluation



Pain exacerbated with weight/pressure on the knee

Products: OdrA Knee Brace

Game Changing Knee Brace

- Specially designed to relieve knee OA, the OdrA orthotic knee device is the first to feature a Distraction + Rotation mechanism
 - Ergo has exclusive, lifetime license for Canada
 - Complementary to product offering of orthotics clinics
- Clinically proven superior pain reduction
- Knee osteoarthritis is a \$3b market in Canada
 - Affects 300k people in Quebec, 3m in Canada
 - No cure, brace as alternative to expensive surgery
- Looking to expand into U.S.
- Additional upside for third party distributors

OdrA
Distraction and Rotation
Orthotic Device



Exclusive lifetime license for the Canadian market, estimated at \$3 billion

Ingenuity Drives Efficiencies: 2014

- Significant savings for clinics through the use of Microsoft's Kinect (licensed) as a 3D knee scanner which is integrated in developing a customized OdrA brace
 - 2% of the cost of a traditional knee scanner

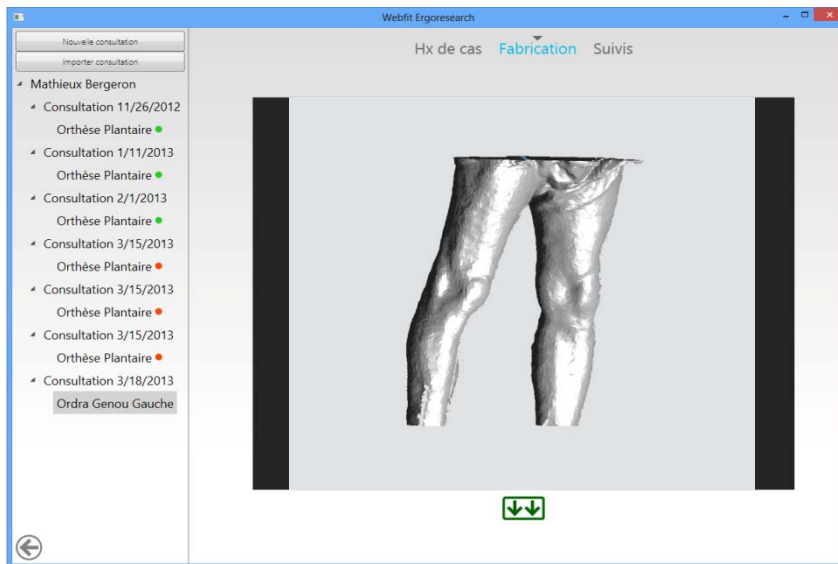


Image capture using Kinect



Mold after machining

Product: Power Knee

Strong Royalty Stream Potential

POWER KNEE™



<http://usatoday30.usatoday.com/life/movies/news/story/2012-05-16/greg-gadson-battleship/55030538/1>

Power Knee

- The world's **only** motor-powered prosthesis with artificial intelligence designed for above-knee amputees
- Exclusive worldwide licence to OSSUR
 - OSSUR is the #2 global player in the orthotics – prostheses market with over \$400M in Sales and \$900M in Market Cap
 - The Company receives a 12.5% royalty
 - Over 40 existing certified centers (accredited centers in the US) up from 12 a year ago
- MILESTONE : September 2012 CMS awarded Medicaid reimbursement code for the Power Knee
 - July 01 2013 : effective date (price list published)

Product: Power Knee

Market Opportunity

- Addressable market in US estimated at ~US\$60 – 80M
 - Global prosthetics market of ~US\$950M
 - US market of ~US\$200M
 - Above knee prosthetics estimated at 30% – 40% of US market
 - Ossur reports LTM sales of US\$25m for Bionics (as of Q3/13)
 - Power Knee is significant growth contributor
 - YoY growth in Bionics of 8 – 10% for LTM 2013 period
 - No superior competing products for above knee amputees
 - Approved for reimbursement under Medicaid as of early 2013
 - Should help accelerate sales growth in U.S.
- “A very important milestone [US Medicaid reimbursement] and confirms the acceptance of Bionic products as the next generation of prosthetics”*
Ossur



Source: Management estimates and company filings

Extensive Network of Clinics Across Québec

- The Company has over 100 clinics and satellite centres across Québec the banners of Clinique du pied Équilibre, Podotech, Orthoconcept and Laboratoire Langelier
 - In January 2013, the Company acquired Laboratoire Langelier, Québec's #2 orthotics retailer, for \$4.6 million, generating \$6.2 million in annual sales
 - In November 2012, acquired Laboratoire Podotech, a lab with expertise in orthopedic footwear operating in Laval and the Lower Laurentians, generating \$400K in annual sales



Broad network reaching across Québec

Growth Strategy: Next 3 Years

① Organic Growth Through Continued Innovation

- New products under patent
- Evidence based medicine
- Licencing – OdrA

② Power Knee

- U.S. market estimated at \$200M
- No superior competing product for above knee amputees
- Approved for U.S. Medicaid reimbursement

③ Acquisitions

- Highly-fragmented custom orthotics industry
 - ◆ *40 – 50 potential targets in Canada*
 - ◆ *The Company has a 5% market share of the Canadian orthotics market (valued at \$400m)*
- Proven ability to execute the roll-up strategy
 - ◆ *Podotech – October 2012*
 - ◆ *Laboratoire Langelier – January 2013*
 - ◆ *Victhom (TSX-V: VHB) – April 2013*

Acquisitions to complement and supplement organic growth

Acquisition Track Record of Value Creation: Significant Advantage



Limited growth when acquired in 2005

- Sales of \$590k and profit of \$120k in 2006
- Sales of \$3.4M in 2013



Declining sales and earnings when purchased in 2008

- Sales of \$3.6M and a loss of (\$200k) in 2008
- Sales of \$5.5M in 2013



Acquired Podotech in Nov. 2012

- Sales of \$340K in 2012 and \$400k in 2013
- Purchase price of \$330k



Acquisition announced in Nov. 2012
(closed in Jan. 2013)

- Sales of \$6.3M in 2012 and \$7.0M in 2013
- Purchase price of \$4.6M

Proven ability to identify acquisitions, integrate and grow

Acquisition Track Record: Victhom Human Bionics (TSX-V: VHB)

Acquired Victhom in April 2013

- Victhom owns patents in the field of orthotics and prosthetics ("O&P"), including intellectual property used in the POWER KNEE, the world's first and only motor-powered prosthesis for above-knee amputees, a product distributed under license agreement by Ossur, a global leader in the O&P market
 - Purchase price - \$2.1M (net of cash)
 - Also provided the Company with significant tax losses representing approximately \$60 million

Rationale:

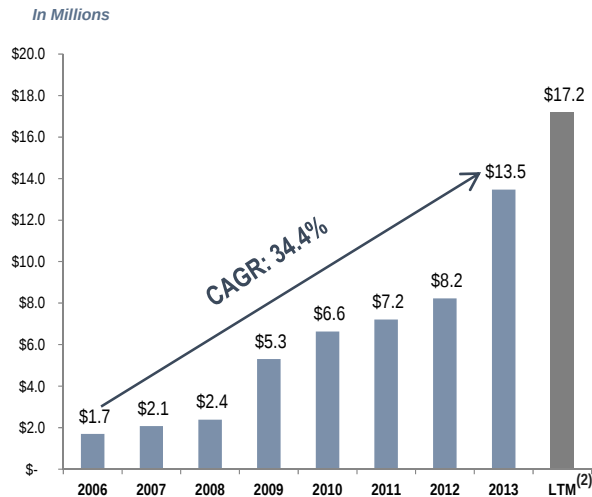
- World renown biomechanics laboratory with a patent portfolio in human bionics
- Royalty stream based on existing product, worldwide licence agreement with OSSUR and third party reimbursement in the pipeline



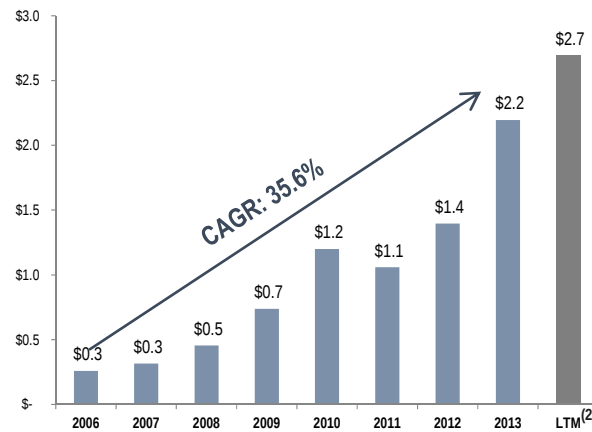
Robust Financial Performance & Growth

- Goal is to replicate this growth over the next 3 years

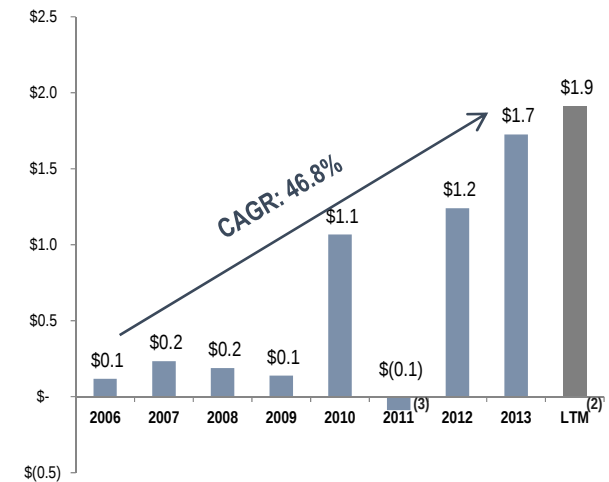
Revenue



EBITDA



Free Cash Flow ⁽¹⁾



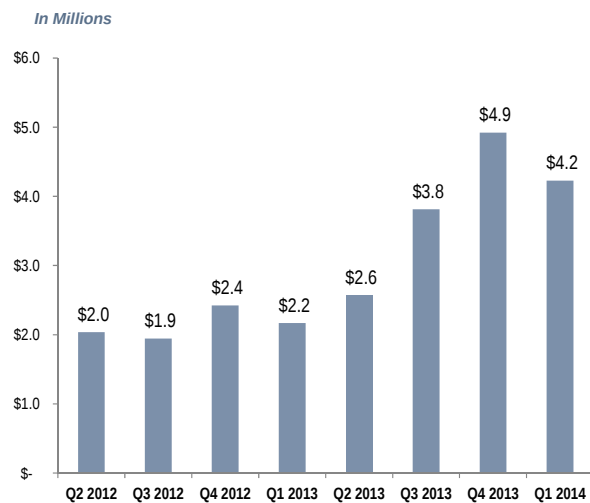
- (1) Defined as EBITDA less net capital expenditures excluding business acquisitions
- (2) Pro-forma for Langelier and Podotech Acquisitions
- (3) Includes \$1M in leasehold improvements

Ergoresearch has consistently grown its top line while being EBITDA and Cash Flow and expected to continue to grow

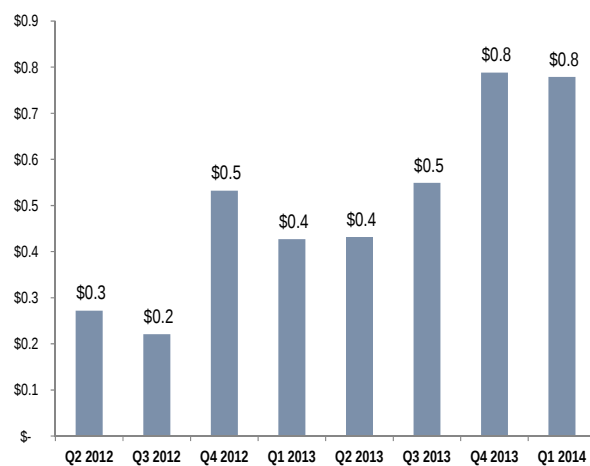


Robust Financial Performance & Growth

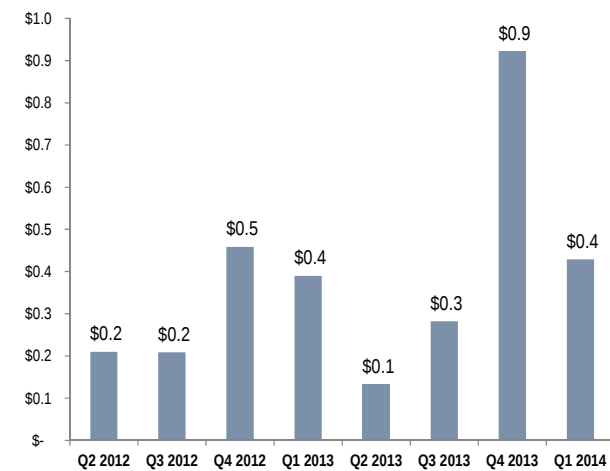
Revenue



EBITDA



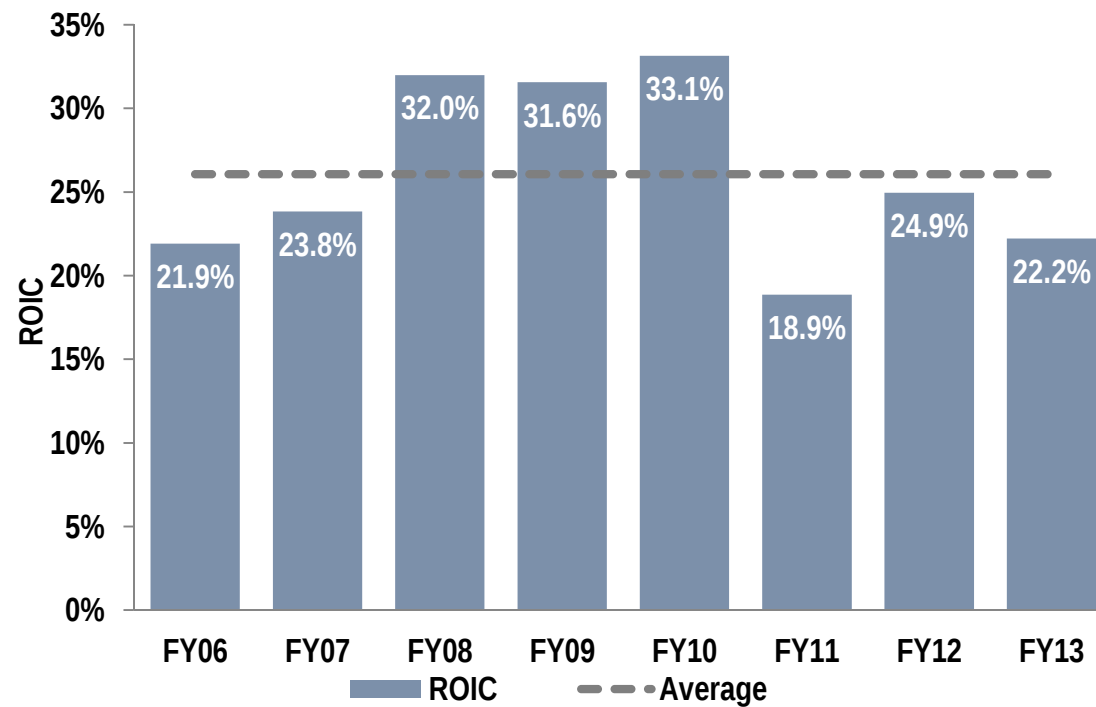
Free Cash Flow ⁽¹⁾



(1) Defined as EBITDA less net capital expenditures excluding business acquisitions

Track Record of Shareholder Value Creation

Return on Invested Capital



Note: FY13 excludes one-time gain of \$11.2m, and pro-forma for Langelier and Podotech acquisitions

Ergoresearch ROIC has averaged 26% over the last 7 years



Appendix: Statement of Financial Position

Balance Sheet as of September 30, 2013 (in C\$M)

ASSETS

Current Assets

Cash & Cash Equivalents	\$6.2
Trade and Other Receivables	1.0
Inventories	2.8
Other	0.3

\$10.4

Property, Plant & Equipment	\$2.7
Intangible Assets & Goodwill	6.6
Deferred Income Taxes ⁽¹⁾	11.1
Other Assets	0.1

\$20.5

Total	\$30.8
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LIABILITIES & EQUITY

Current Liabilities

Trade and Other Payables	\$1.5
Current Portion of LTD	1.5
Other	0.8

\$3.8

Long-Term Debt	\$3.8
Other Long-Term	0.2

\$4.0

Shareholders' Equity	\$23.0
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Total	\$30.8
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Comparable Company Analysis

- Significant hidden assets not captured by valuation metrics
- Approximately \$60M in tax losses
- \$18M of investment in proprietary Expert-Fit™ technology
- ~\$70 – 80m of R&D spend by Victhom for Power Knee

<i>In C\$ millions unless otherwise noted</i>													
Company Name	Price	Market	Enterprise	EV / EBITDA			P/E			QoQ Growth ⁽¹⁾		Annual Growth	
	31-Jan-14	Cap.	Value	LTM	C2013E	C2014E	LTM	C2013E	C2014E	Revenue	EBITDA	Revenue	EBITDA
Hill-Rom	US\$36.27	US\$2,098	US\$2,285	8.0x	7.5x	7.6x	19.0x	16.6x	14.4x	neg	neg	5.0%	neg
Ossur	K\$11.20	US\$917	US\$996	15.2x	12.8x	10.5x	18.7x	20.7x	16.0x	2.2%	neg	0.2%	neg
Invacare	US\$20.18	US\$646	US\$669	24.8x	nmf	nmf	neg	neg	nmf	neg	neg	neg	neg
Exactech	US\$22.28	US\$309	US\$348	8.8x	8.2x	7.7x	20.6x	20.2x	18.3x	6.3%	10.6%	9.2%	29.7%
Tearlab Corp.	US\$6.69	US\$222	US\$180	neg	neg	neg	neg	neg	neg	nmf	neg	86.4%	neg
Savaria	\$3.30	\$79	\$93	10.0x	n/a	n/a	15.0x	n/a	n/a	15.9%	179.4%	2.2%	neg
New Look Eyewear ⁽²⁾	\$16.00	\$206	\$274	10.5x	n/a	n/a	17.9x	n/a	n/a	6.5%	7.8%	2.6%	15.5%
Average				12.9x	9.5x	8.6x	18.2x	19.2x	16.2x	7.7%	65.9%	17.6%	22.6%
Median				10.2x	8.2x	7.7x	18.7x	20.2x	16.0x	6.4%	10.6%	3.8%	22.6%
ERGOREsearch	\$1.04	\$75	\$74	27.5x	n/a	n/a	nmf	n/a	n/a	95.0%	82.4%	64.3%	56.8%

Notes:

(1) Defined as the change in the most recent quarterly YTD versus the YTD results in the prior fiscal year

(2) Pro Forma for the acquisition of Vogue Optical

(3) Pro Forma for the acquisition of Langelier and Podotech

