D-BOX

Management Discussion and Analysis

D-BOX Technologies Inc.

Second Quarter ended September 30, 2013

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MANAGEMENT DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

Second Quarter ended September 30, 2013

1. Scope of the MD&A / Introduction

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiary, and key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the second quarter and six-month period ended September 30, 2013 by comparison to those of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at September 30, 2013 and March 31, 2013.

This MD&A has been prepared in accordance with National Instrument 51-102, Continuous Disclosure Obligations, and should be read in conjunction with the information included in the audited consolidated financial statements and the MD&A for the fiscal year ended March 31, 2013 and the unaudited interim condensed consolidated financial statements of the second quarter ended September 30, 2013. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements of the second quarter ended September 30, 2013 and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

2. Forward-looking Statements

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, the projects, the objectives, the strategies, the estimates, the intentions and the expectations of the Corporation, as well as other statements not referring to historical facts, are forward-looking statements. Forward-looking statements can be identified by terms such as "expects," "anticipates," "estimates," "predicts," "undertakes" and other similar terms and expressions. These statements are based on the information available at the time they were prepared and management's good faith assumptions and expectations regarding future events, and inherently involve known and unknown risks and uncertainties such as, but not limited to, competition, the Corporation's ability to build on its technology, the Corporation's ability to continue developing its distribution network and enter into new commercial agreements in the entertainment and industrial markets, exchange rate fluctuations, and other factors discussed herein (see "Risks and Uncertainties") or in the Corporation's continuous disclosure filings. The Corporation's actual results may be materially different from those expressed or implied in these forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Except as required by law, the Corporation does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, in particular, new information or future events.

3. Quarterly Highlights

3.1 Financial Highlights

- Sustained growth in revenues, adjusted EBITDA and available funds:
  - ✓ 21% increase of quarterly revenues
  - ✓ Positive adjusted EBITDA of $229 k
  - ✓ Increase of 40% in available cash to $6.4 million

For the second quarter and six-month period ended September 30
(in thousands of $CA, except per share amounts)

	Second quarter		Six months	
	2013	**2012**	**2013**	**2012**
Revenues	**4,495**	3,708	**7,994**	7,276
Adjusted EBITDA	**229**	130	**242**	247
Net loss	**(675)**	(1,204)	**(1,194)**	(1,794)
Basic and diluted net loss per share	**(0.0041)**	(0.0074)	**(0.0073)**	(0.0110)

Information from the consolidated Balance Sheet

	Sept. 30, 2013	**June 30, 2013**	**March 31,2013**
Cash and cash equivalents	**6,402**	4,577	5,708

3.2 Operational Highlights

- Continuous deployment of 29 new screens with international and strategic theatre chains:
  - ✓ 15 new motion systems installed since July 1:
    - ❖ Kinomax: Russia (3)
    - ❖ Barguzin: Russia (2)
    - ❖ Luxor: Russia (1)
    - ❖ Cinema West, The Grand : United-States (3)
    - ❖ Les Cinémas Gaumont Pathé: France (3)
    - ❖ Golden Harvest: Hong Kong (1)
    - ❖ Aeon Entertainment: Japan (1)
    - ❖ JT Bioscopen: Netherlands (1)
  - ✓ 14 new theatre chains added to the backlog:
    - ❖ Cinemark USA: United-States (4)
    - ❖ Cinemark South America: Chile (2)
    - ❖ Les Cinémas Gaumont Pathé: France and Switzerland (2)
    - ❖ Golden Village : Singapore (2)
    - ❖ Linia Kino Oskar Gulliver : Ukraine (2)
    - ❖ Golden Harvest: Hong Kong (1)
    - ❖ Cinema Beloeil: Canada (1)

- New longer stroke actuators will be presented by D-BOX in December at the world's largest trade show in the fields of modeling, simulation and training (ITSEC: *The Interservice/Industry Training, Simulation and Education Conference*). For the industrial market, these new applications will allow the opening of new markets.

4. Corporate Profile

D-BOX Technologies Inc. designs, manufactures and commercializes cutting-edge motion systems intended for the entertainment and industrial markets. This unique and patented technology uses motion effects specifically programmed for each visual content which are sent to a motion system integrated into either, a platform, a seat or any other product. The resulting motion is perfectly synchronized with the on-screen action, thus creating an unparalleled realistic immersive experience. By reaching agreements with various industry leaders in the entertainment and industrial markets, D-BOX's motion technology is gradually proving itself as a new global standard. D-BOX is a public company whose shares are traded on the Toronto Stock Exchange under the symbol DBO.

Three components produce motion synchronized with image and sound:

1. the creation of motion effects making up the motion code known as D-BOX Motion Code;
2. a motion controller serving as an interface between the optical disk reader or the video server that contains the film, and the D BOX motion system; and
3. the D-BOX motion system, consisting amongst other things of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

The Corporation's current revenue streams mainly consist of:

1. the sale or lease of D-BOX motion systems including motion controllers and in some cases, computer servers;
2. utilization rights (license) for the D-BOX technology on the sale of admission tickets in movie theatres which are equipped with this technology to view a motion picture encoded by D BOX. The Corporation also receives system maintenance revenues relating to the use of systems.

The entertainment experience provided by the Corporation's technology targets two distinct markets: the entertainment market and the industrial market which each have their respective submarkets. As at September 30, 2013, D-BOX had 66 employees compared to 69 as at September 30, 2012.

5. Corporate Strategy

The Corporation is positioning itself as the global reference in regard to the creation and design of motion systems mainly for the entertainment market. It is developing its brand awareness in addition to offering a differentiating asset generating revenues in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the industrial market.

Examples of Applications

Entertainment Market	Industrial Market
• Commercial theatres • Home entertainment	• Casinos • Therapeutic care • Gaming (arcades and others) • Simulation and training • Amusement parks, museums and planetariums

5.1 Revenue Model

The Corporation's targeted revenue streams are as follows:

1. utilization rights and maintenance fees from the premium on admissions tickets sold by for the use of the technology in movie theatres;
2. the sale or rental of D-BOX motion systems to movie theatre owners; and
3. direct sales of motion systems to a network of specialized resellers, integrators, equipment or seating manufacturers whom market the D-BOX technology under their own brands (Original Equipment Manufacturers ("OEM")). This marketing method offers the advantage of minimizing sales and marketing costs.

5.2 Growth Strategy / Entertainment Market

The Corporation is continuously pursuing negotiations with movie theatre owners to increase the number of venues equipped with its technology. The Corporation continues to increase the number of exhibitors while ensuring broader geographical coverage around the world.

Concurrently, the Corporation is counting on the contacts and credibility it has established with studios to increase the amount of content. The Corporation believes that an increase in the offering of motion pictures has a direct impact on the number of equipped venues and that box office revenue per D-BOX equipped theatre acts as a motivational agent to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors who wish to add a distinctive element to their offering;
2. stimulate motion system sales for a clientele of the home entertainment who want to watch encoded movies in the comfort of their homes;
3. entice video game customers to equip their gaming seats with D-BOX actuators allowing them to live the action;
4. promote the sale of the technology to existing exhibitors who wish to equip more than one of their sites or to equip more than one screen within the same site as illustrated by the two following tables.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 5

Number of exhibitors with more than one site integrating the D-BOX technology

Q2 Sept. 2012	Q3 Dec. 2012	Q4 March 2013	Q1 June 2013	Q2 Sept. 2013
25	30	32	33	34

Number of sites with more than one screen within the same complex integrating the D-BOX technology

Q2 Sept. 2012	Q3 Dec. 2012	Q4 March 2013	Q1 June 2013	Q2 Sept. 2013
14	18	21	21	29

Furthermore, an increased number of equipped theatres has a direct impact on the offering of studios on the basis of a business model that is beneficial to all parties involved who split the new revenues generated by the technology. It should be noted that more than 95% of our commercial theatre exhibitors have added at least one additional screen equipped with the D-BOX MFX technology.

The D-BOX experience in movie theatres will continue to experience pronounced growth through the deployment of its technology. This vision is strengthened by the fact that the Corporation has continuously encoded content from major studios in addition to encoding local content in some countries where D-BOX is now present. Also, it has proven its technical and commercial merits and has received several awards over the last few years.

However, certain seasonal factors may impact the deployment of new D-BOX MFX systems in commercial theatres. The Corporation's growth rate of commercial theatre business activities will not necessarily be linear but rather subject to a certain level of volatility on the basis of consecutive quarters. With respect to markets outside of North America, it is noteworthy that the launch dates of movies are not necessarily the same in different geographical markets.

In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section).

Business development efforts targeting movie theatre chains are handled by an internal business development team and a few external partners in certain countries. In addition, the Corporation's representatives continue to attend trade shows. The Corporation believes that the entertainment market, in addition to being an excellent showcase for the demonstration of its technology to the largest number of people possible, generates increasing revenues through utilization rights earned from the use of the technology based on premiums on admission tickets, the sale or rental of motion systems and motion system maintenance contracts. This strategy drives a significant increase in brand awareness.

In measuring achievement of its deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX MFX systems as well as its backlog. From a practical standpoint, the Corporation defines systems backlog as follows: an order for D-BOX MFX systems received as part of a contractual agreement and for which the installation is scheduled within a twelve-month period of the filing date of its most recent financial statements. The following tables show the progression as at November 13, 2013, of installed, or added to the backlog, D-BOX MFX systems since the end of the last quarter on June 30, 2013.

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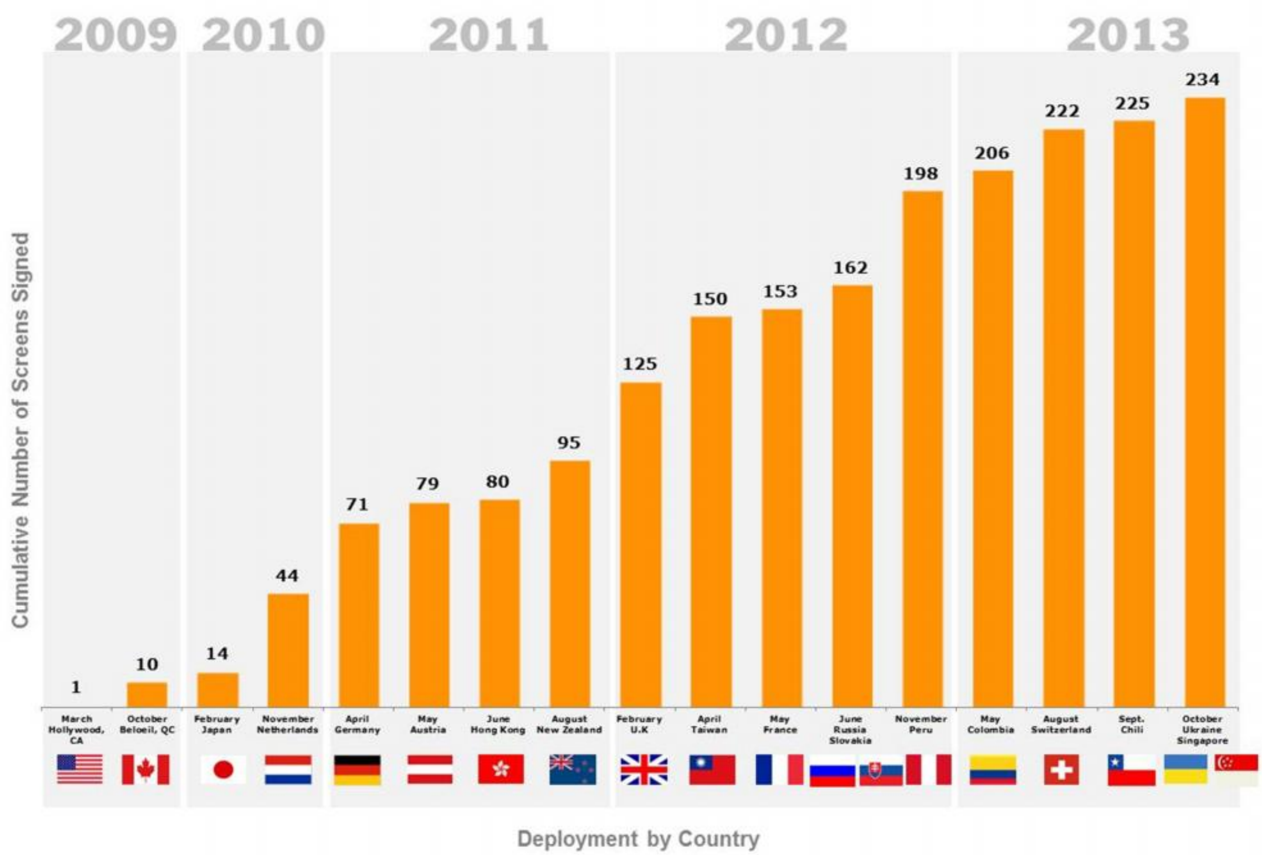
Increase of D-BOX MFX Systems
Variation for the quarter ended September 30, 2013 and on November 13, 2013

	Backlog*		Installed		Total	
	# screens	# D-BOX MFX systems	# screens	# D-BOX MFX systems	# screens	# D-BOX MFX systems
As at June 30, 2013	11	328	198	5,111	209	5,439
Additions to backlog during the quarter	16	434	—	—	16	434
Net installations during the quarter	(4)	(195)	4	195	—	—
As at September 30, 2013	23	567	202	5,306	225	5,873
Additions to the backlog during the period	13	352	—	—	13	352
Net installations during the period	(11)	(247)	7	142	(4)	(105)
As at November 13, 2013	25	672	209	5,448	234	6,120

* The final number may slightly fluctuate given certain constraints caused amongst others by the possible change of the layout of screening rooms or by changes made to contracts after their execution.

Worldwide growth of installed screens or in backlog
As at November 13, 2013



With respect to products targeting home entertainment, the Corporation aims to:

1. sell products under its own brand name and under original equipment manufacturers' (OEM), integrators' and resellers' brands;
2. increase the number of movies encoded by D-BOX.

Longer term, the Corporation intends to create products or forge partnerships with strategic players which will allow an eventual and progressive penetration of the consumer mass market.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to experience immersive Audio Video Motion (AVM);
- that more than 95% of our commercial theatre exhibitors add at least one other screen equipped with the D-BOX technology;
- that our close relations with major studios have allowed us, since 2009, to code 91 motion pictures set for a theatrical release in order to constantly renew the offer to moviegoers;
- that, in comparison with traditional theatre seats, the D-BOX zone has a significantly superior occupancy rate;
- that it generates a new source of business traffic and new revenues for movie theatre operators allowing them to stand out from competitors and increase their revenues ((i) direct revenues from the sale of tickets in the D-BOX section and (ii) indirect revenues from the sale of food and beverages); and
- that it brings in an additional source of revenues for the studios.

5.3 Growth Strategy / Industrial Market

The industrial market continues to significantly increase global awareness to the D-BOX brand sparking commercial interest for the Audio Video Motion (AVM) experience in order to stimulate demand for the D-BOX experience in other submarkets, such as: arcades, casinos, industrial simulation, therapeutic care, virtual training, museums and planetariums. The Corporation is mobilizing resources that are devoted to the business development of this continuously-growing market with the goal of identifying new eventual partners, to properly satisfy their needs and answer their requests.

With respect to products earmarked for industrial simulation users, the Corporation is following its mission to sell products under its own brand as well as under original equipment manufacturers brands (OEM's) and through a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEM's to penetrate new markets.

In the longer term, the Corporation seeks to develop products or enter into partnerships with strategic players which will allow for the eventual and progressive penetration of new markets.

In the last few years, the Corporation has stepped up its presence at commercial and industrial trade shows, raising awareness to D-BOX and its motion technology. The Corporation will continue to dedicate a team to develop and service this market to identify new potential customers and adequately meet their demands. The main selection criteria for new customers include an efficient international distribution network, a well-renowned name in the market and readiness to invest the necessary effort and resources to generate significant new revenue streams.

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5.4 Content for the Entertainment Market

Access to content is a key factor regarding the speed of D-BOX technology deployment. To date, the Corporation has developed business relationships with many theatrical and video game content providers.

Number of movies presented or to be presented in theatres

Fiscal Year	Number of Movies
2010	12
2011	13
2012	22
2013	28
2014 to date	16
Total	91

6. Outlook

D-BOX focuses on two major development areas: the entertainment market and the industrial market which have their respective submarkets.

In light of the business development activities in each of these two markets, D-BOX anticipates that the upward trend in revenues should be maintained.

In combination with this expected growth of revenues, D-BOX also forecasts to gradually increase the level of its operating expenses to support, among other things, the launch of new applications for its technology in the industrial and other markets.

Generally speaking, the Corporation aims to maintain a positive adjusted EBITDA and intends to manage its operations based on attaining this objective.

7. Non-IFRS Measures

In this MD&A, the Corporation's management uses two measures which are not compliant with IFRS. These measures, gross profit excluding amortization and adjusted EBITDA, supply useful and complementary information to, among other things, assess the Corporation's financial performance and cash flows from operating activities, but do not have standardized meanings under IFRS. Moreover, these measures are not likely to be comparable to similar measures used by other issuers. The adjusted EBITDA designates the net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses and interest income and income taxes (see the table explaining the reconciliation of adjusted EBITDA to the net loss on page 14).

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8. Main Financial Data

The following table presents selected significant financial data for the second quarter and six-month period ended September 30, 2013 by comparing them with the corresponding period of the previous fiscal year.

	Quarter ended September 30		Six-months ending September 30	
	2013	2012	2013	2012
Information from the Consolidated Statements of Operations and Comprehensive Loss				
Revenues	4,495	3,708	7,994	7,276
Gross profit excluding amortization*	2,207	2,007	4,407	3,973
Adjusted EBITDA*	229	130	242	247
Net loss	(675)	(1,204)	(1,194)	(1,794)
Basic and diluted net loss per share	(0.0041)	(0.0074)	(0.0073)	(0.0110)
Information from the Consolidated Statements of Cash Flows				
Goods held for lease			(116)	(1,425)
Cash flows relating to operations			1,039	(942)
Additions to property, plant and equipment			(157)	(238)
Additions to intangible assets			(180)	(126)

* See the "Non IFRS measures" section.

The following table presents certain important financial data of the consolidated balance sheet as at September 30, 2013 and as at March 31, 2013.

	September 30, 2013	March 31, 2013
Information from the Consolidated Balance Sheets		
Cash and cash equivalents	6,402	5,708
Inventories	3,925	4,578
Working capital	11,510	11,568
Total assets	24,106	24,537
Total liabilities	3,022	2,531
Equity	21,084	22,006

9. Operating Results

9.1 Revenues

Revenues for the second quarter ended September 30, 2013 amounted to $4,495 k, up 21% compared to $3,708 k for the quarter ended September 30, 2012. Revenues include motion system sales to customers in the industrial market which sell the D-BOX technology under their own brand names and system sales to customers of the entertainment market. The entertainment market consists of D-BOX MFX system sales to commercial theatre operators, revenues from utilization rights, rental and maintenance fees with respect to admission tickets sold in commercial theatres and system sales to home entertainment customers.

Sales of motion systems to customers of the industrial market amounted to $1,964 k for the quarter ended September 30, 2013 representing a 2% increase compared to $1,919 k for the corresponding quarter of the previous fiscal year. For the last few years, our development strategy has consisted in selling our motion system technology to customers from the industrial market so they can integrate it into their products. The growth in sales is explained by efforts deployed, including attendance at commercial and industrial trade shows which contribute getting the D-BOX technology known, and the presentation in commercial theatres of movies integrating D-BOX Motion Code which creates an increasing demand for the D-BOX experience in numerous other submarkets such as: casinos and electronic gaming, therapeutic care, industrial simulation and training. During the period, sales to our two main customers in the field of electronic gaming and casinos represented 31% of the Corporation's overall sales in comparison of 40% last year.

Revenues generated by the entertainment market during the quarter amounted to $2,531 k, representing a 41% increase when compared to the $1,789 k realized in the corresponding quarter of the previous fiscal year. Revenues from commercial theatre exhibitors increased by 55%, from $1,538 k in the second quarter of the 2012 fiscal year to $2,387 k in the second quarter of this year. These revenues are made up of: i) D-BOX MFX systems sold which increased by 177% to $1,889 k (compared to $682 k for the corresponding quarter last year) and ii) revenues from utilization rights, rental and maintenance fees in regards to admission tickets sold in commercial theatres which decreased by 42% to $498 k ($856 k for the corresponding quarter of last year). Despite the steady increase in the number of systems deployed, the decrease is explained, amongst others, by the box-office performance of the films presented in theatres during the quarter. On that note, in the previous quarter ended June 30, 2013, revenues from utilization rights, rental and maintenance fees had increased by 90% to $1,260 k as a result of the box-office performance of films presented during the period. Also, as a reminder, revenues from utilization rights, rental and maintenance fees can fluctuate from one period to another because of the following factors, among others:

- The box office performance of the movies that are presented, which can fluctuate significantly;
- The individual performance of exhibitors;
- The average number of D-BOX MFX systems deployed which is constantly evolving;
- The number of weekly screenings of a D-BOX movie, which can change based on the country in which a film is presented;
- The number of weeks during which a movie is played, which can vary amongst others based on the country given different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period.

As of September 30, 2013, 5,306 D-BOX MFX systems were installed in 202 auditoriums around the world compared to 4,018 D-BOX MFX systems installed in 157 auditoriums at the same date last year.

The entertainment market also includes system sales for home entertainment which decreased to $144 k in comparison to $251 k last year.

For the six-month period ended September 30, 2013, revenues amounted to $7,994 k in comparison to $7,276 k for the corresponding period of last year. This 10% increase is explained by a 9% increase of sales in the industrial market which amounted to $3,367 k in comparison to $3,084 k and by a 10% increase of revenues in the entertainment market. The increase of sales in the entertainment market is explained by a 26% increase of D-BOX MFX sales which amounted to $2,514 k and by a 16% increase of revenues from utilization rights, rental and maintenance fees which amounted to $1,758 k. Sales of systems for the home entertainment market amounted to $355 k representing a decrease in comparison to the $679 k realised in the corresponding period last year.

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9.2 Gross Profit

	Second quarter ended September 30		Six-month period ended September 30	
	2013	2012	2013	2012
Revenues	4,495	3,708	7,994	7,276
Gross profit	1,839	1,656	3,526	3,196
Amortization related to cost of goods sold	368	351	881	777
Gross profit excluding amortization *	2,207	2,007	4,407	3,973
Gross margin excluding amortization	49%	54%	55%	55%

* See the " Non-IFRS measure " section.

For the quarter ended September 30, 2013, gross profit increased by 11% amounting to $1,839 k in comparison to $1,656 k for the corresponding quarter of the previous fiscal year. Excluding amortization related to cost of goods sold, which mostly relates to goods held for lease for commercial exhibitors in the entertainment market, gross profit amounted to $2,207 k (49% of revenues) for the second quarter of the current fiscal year or a 10% increase in comparison to the $2,007 k (54% of revenues) achieved last year. The increase in gross profit is explained by the growth in revenues. The 54% margin achieved last year compares to the 49% margin achieved in this year's quarter and is explained by i) lower revenues from utilization rights, rental and maintenance fees which have a stronger positive impact on the gross margin and ii) from the write-down of obsolete parts and components for an amount of $80 k.

For the six-month period ended September 30, 2013, gross profit amounted to $3,526 k in comparison to $3,196 k for the corresponding period of the previous fiscal year. Excluding amortization, gross profit amounted to $4,407 k (55% of revenues) for the six-month period ending September 30, 2013 in comparison to $3,973 k (55% of revenues) last year. This 11% improvement of gross profit is explained by the overall growth in revenues.

9.3 Operating Expenses

Selling and Marketing Expenses: Selling and marketing expenses consist primarily of salaries paid to staff including share-based payment expenses, professional fees, advertising and point-of-sales material expenses and attendance at industrial trade shows targeting both the industrial and entertainment markets. They also include expenses related to motion coding and other marketing expenses.

For the quarter ended September 30, 2013 , selling and marketing expenses totaled $1,289 k (29% of revenues) representing a 2% increase in comparison to $1,265 k (34% of revenues) for the second quarter of the previous fiscal year.

For the six-month period ended September 31, 2013, selling and marketing expenses amounted to $2,650 k (33% of revenues) which compares to $2,385 k (33% of revenues) for the six-month period ending September 30, 2012. This 11% increase is largely explained by higher employee-related expenses.

Administrative Expenses: Administrative expenses consist primarily of costs related to employee compensation including share-based payment expenses, professional fees, as well as other general and administrative expenses.

For the quarter ended September 30, 2013, administrative expenses amounted to $686 k (15% of revenues) which compares to $746 k (20% of revenues) for the corresponding quarter of the previous fiscal year. This 8% decrease of administrative fees is explained for the most part by an increase of employee-related and share-based payment expenses.

For the six-month period ended September 30, 2013, administrative expenses amounted to $1,541 k (19% of revenues) which compares to $1,492 k (21% of revenues) for the six-month period ending September 30, 2012. This decrease is explained by share-based payment expenses which amounted to $154 k in the current quarter in comparison to $274 k for the corresponding quarter of last year.

Research and Development Expenses: Research and development expenses mainly include costs related to employees, share-based payment expenses, others costs associated with existing product enhancement and cost reduction initiatives and the cost of adapting products to various international standards less investment tax credits.

For the quarter ended September 30, 2013, research and development expenses increased by 26% to $310 k (7% of revenues) compared with $246 k (7% of revenues) for the corresponding period of the previous fiscal year. The increase is explained by a $42 k reduction of investment tax credits and a $30 k increase of material purchases and product certification costs. Employee-related costs on the other hand decreased by $32 k during the quarter.

For the six-month period ended September 30, 2013, research and development expenses remained at $632 k (8% of revenues) compared to $634 k (9% of revenues) for the same period last year.

Foreign Exchange gain or loss: The foreign exchange gain or loss mainly results from the fluctuation of the Canadian currency in relationship to the US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the translation of the US dollars monetary assets and liabilities at the end-of-period rate. During the quarter ended September 30 2013, the fluctuation of the exchange rate of the US dollar in relationship to the Canadian dollar translated into a foreign exchange loss of $218 k which compares to a foreign exchange loss of $609 k last year.

For the six-month period ended September 30, 2013, the foreign exchange gain amounts to $126 k which compares to a loss of $491 k for the corresponding quarter of the previous fiscal year. The foreign-exchange gain is explained by the fluctuation of the Canadian currency in comparison to the US currency over the course of the period in comparison to the opposite fluctuation of currencies for the same period last year.

9.4 Financial Results

The financial results include financial expenses and interest income. For the quarter ended September 30, 2013, financial results amounted to a net expense of $11 k in comparison to a positive result of $6 k for the corresponding quarter of last year. For the six-month period ended September 30, 2013, financial results amounted to a net expense of $17 k which compares to net interest income of $16 k for the corresponding period of last year.

9.5 Income Taxes

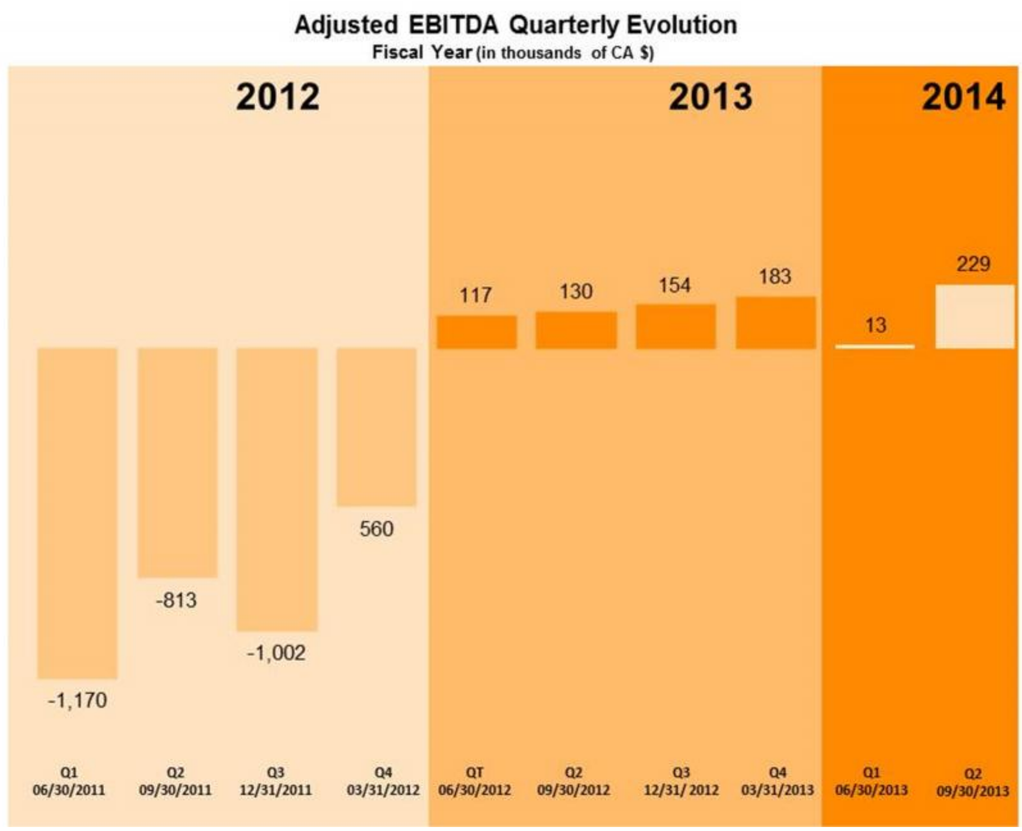
With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

9.6 Net Loss

Given the previously-mentioned items, the net loss for the second quarter has decreased to $675 k ($0.0041 per share) in comparison to a net loss of $1,204 k ($0.0074 per share) for the corresponding quarter of last year. For the six-month period ended September 30, 2013, the net loss has amounted to $1,194 k ($0.0073 per share) representing a $600 k or 33% improvement in comparison to a loss of $1,794 k ($0.0110 per share) for the same period of last year.

10. Adjusted EBITDA

The adjusted EBITDA designates net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses, interest income and income taxes. This measure supplies useful and complementary information which allows amongst others to evaluate profitability and cash flows provided by operations.



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As demonstrated by the previous graph, D-BOX achieved an adjusted positive EBITDA for the last six quarters. This turnaround in the Corporation's profile is the result of strategies developed over the course of the last few years for the industrial and entertainment markets which resulted into much higher revenues and gross profit in combination with a tight control over operating expenses.

The following table explains the reconciliation of the adjusted EBITDA to the net loss.

	Second quarter ended September 30		Six-month period ended September 30	
	2013	2012	2013	2012
Net loss	(675)	(1,204)	(1,194)	(1,794)
Amortization of property, plant and equipment	449	428	1,037	914
Amortization of intangible assets	74	65	144	127
Amortization of other assets	7	7	30	29
Write-off of property, plant and equipment	21	—	37	—
Share-based payment expense	124	231	291	492
Foreign exchange loss (gain)	218	609	(126)	491
Financial results (financial expenses and interest income)	11	(6)	17	(16)
Income taxes	—	—	6	4
Adjusted EBITDA*	229	130	242	247

* See the "Non IFRS Measure" section.

Adjusted EBITDA amounted to $229 k in the second quarter representing a 76% increase in comparison of $130 k for the corresponding quarter of the previous fiscal year. For the six-month period ended September 30, 2013, adjusted EBITDA amounted to $242 k compared to an adjusted EBITDA of $247 k for the corresponding period of the previous fiscal year.

11. Liquidity, Capital Resources and Financing Sources

As at September 30, 2013, total assets amounted to $24,106 k which compares to $24,537 k as at March 31, 2013. Since the beginning of the fiscal year, cash and cash equivalents increased by $694 k from $5,708 k to $6,402 k as at September 30, 2013, and mostly consisted of money market securities that are readily accessible by the Corporation. In comparison to the quarter ended June 30, 2013, cash and cash equivalents increased by $1,825 k ($4,577 k as at June 30, 2013), representing a 40% increase of available cash at the end of the quarter ended September 30, 2013. This increase comes from the working capital which generated cash and the company's performance during the last quarter and six-month period.

Working capital stood at $11,510 k as at September 30 2013 compared with $11,568 k as at March 31, 2013. Accounts receivable, which mostly consist of trade accounts receivable, investment tax credits and commodity taxes receivable, amounted to $3,806 k as at September 30, 2013 in comparison to $3,411 k as at March 31, 2013. Inventories decreased to $3,925 k as at September 30, 2013 in comparison to $4,578 k as at March 31, 2013. Short-term liabilities increased by $491 k to $3,022 k as of September 30, 2013 which compares to $2,531 k as at March 31, 2013. Short-term liabilities include accounts payable and accrued liabilities which as a whole increased by $179 k and deferred revenues made up, for the most part, of customer deposits which increased by $312 k.

Since the end of the quarter ended September 30, 2013, cash and cash equivalents increased to $7,254 k as at November 13, 2013.

11.1 Operations

For the six-month period ended September 30, 2013 cash flows provided from operations totalled $1,039 k compared with a use of funds of $942 k for the corresponding period of the previous fiscal year. This $1,981 k improvement in cash flows provided by operations comes essentially from i) the $1,309 k decrease of funds used by operations for goods held for lease ($116 k this year in comparison to $1,425 k last year), reflecting the strategy to significantly reduce financing related to theatre screens in North-America, ii) the good performance of cash flows from operations before changes in working capital items for a total of $535 k.

11.2 Investing Activities

For the six-month period ended September 30, 2013, cash flows used by investment activities amounted to $337 k in comparison to $364 k for the corresponding period of the previous fiscal year. Cash flows from investing activities include costs associated to patents and patent requests and the internal costs of developing products which will be brought to market and which represent an amount of $50 k for the quarter and the six-month period.

11.3 Financing Activities

There were no financing activities for the quarters and the six-month periods ended September 30, 2013 and 2012.

11.4 Equity

Equity amounted to $21,084 k as at September 30, 2013, compared with $22,006 k as at March 31, 2013. This $922 k decrease is mainly the result of the six-month period's net loss amounting to $1,195 k less the share-based payment expense of $291 k accounted to the share-based payment expense reserve account.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 16

12. Quarterly Data

Operating results for each of the past eight quarters are presented in the table below.

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues from the industrial market	1,964	1,403	1,735	1,322	1,919	1,165	1,333	968
Revenues from the entertainment market								
Commercial theatre exhibitors:								
- System sales	1,889	625	1,097	1,115	682	1,312	641	50
- Utilization rights, rental & maintenance	498	1,260	542	484	856	663	412	362
	2,387	1,885	1,639	1,599	1,538	1,975	1,053	412
System sales for home entertainment	144	211	211	471	251	428	197	430
Total revenues Entertainment market	2,531	2,096	1,850	2,070	1,789	2,403	1,250	842
TOTAL REVENUES	4,495	3,499	3,585	3,392	3,708	3,568	2,583	1,810
Adjusted EBITDA*	229	13	183	154	130	117	(560)	(1,002)
Net loss	(675)	(519)	(508)	(273)	(1,204)	(590)	(1,824)	(1,958)
Basic and diluted net loss per share	(0.004)	(0.003)	(0.003)	(0.002)	(0.007)	(0.004)	(0.011)	(0.012)
Weighted average number of common shares outstanding	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129	163 781 129	163,781,129	163,781,129

* See the "Non-IFRS Financial Measures" section.

The variation of revenues during the last 8 quarters is explained amongst others by the uneven growth of the industrial and entertainment markets. More specifically for the entertainment market, revenues fluctuate in relationship to number of systems sold, the average number of systems installed, the number of systems which are leased, seasonality, the performance of presented films and the performance of commercial theatre exhibitors.

13. Commitments

Future minimum payments under long-term contracts, mainly leases for the rental of the Corporation's premises, are as follows for future fiscal years.

Fiscal year	In thousands of $
2014 (for the next six months)	119
2015	134
2016	57
2017	1
2018	—
	311

The Corporation has pledged the universality of movable and personal property, both present and future, as collateral in favour of the lessor up to a maximum of $120 k.

14. Outstanding Share Capital (November 13, 2013)

	Class A common shares
Class A common shares outstanding	163,781,129
Convertible instruments	
Stock options outstanding	13,791,878
	177,573,107

15. Risk and Uncertainties

We are active in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 18, 2013 which is available on www.sedar.com.

16. Controls and Procedures

Internal control over financial reporting means a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

During the quarter ended September 30, 2013, no material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect these controls were brought to the attention of the Corporation.

17. Additional and continuous disclosure

This MD&A has been prepared as at November 13, 2013. Additional information can be found on the SEDAR website at www.sedar.com.

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