Management Discussion and Analysis

D-BOX Technologies Inc.

Third Quarter ended December 31, 2013

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MANAGEMENT DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

Third Quarter ended December 31, 2013

1. Scope of the MD&A

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 third quarter and nine-month period ended December 31, 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 December 31, 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 third quarter and nine-month period ended December 31, 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 third quarter and nine-month period ended December 31, 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

- Growth in revenues and available funds:
  - ✓ Quarterly revenues up by 36% including $1,081 k of recurring revenues from utilization rights, rental and maintenance fees.
  - ✓ Increase of available funds to $7.6 M.
- Net loss of $352 k for the quarter, lower by 25% at $1,546 k for the nine-month period in comparison to last year.
- Positive adjusted EBITDA* and cash flow relating to operating activities for the first nine months of the fiscal year:
  - ✓ Positive adjusted EBITDA* of $333 k for the quarter and of $575 k for the nine-month period.
  - ✓ Cash flow relating to operating activities of $2 520 k for the first nine months of the fiscal year.

For the third quarter and nine-month period ended December 31
(in thousands of $CA, except per share amounts

	Third Quarter		Nine Months	
	2013	**2012**	**2013**	**2012**
Revenues	**4,619**	3,392	**12,613**	10,668
Adjusted EBITDA *	**333**	154	**575**	401
Net loss	**(352)**	(273)	**(1,546)**	(2,067)
Basic and diluted net loss per share	**(0.0019)**	(0.0016)	**(0.0092)**	(0.0126)

Information from the consolidated Balance Sheet

	Dec. 31, 2013	**Sept. 30, 2013**	**March 31,2013**
Cash and cash equivalents	**7,626**	6,402	5,708

* See the « Non IFRS Measures » section and to the reconciliation table of adjusted EBITDA to the net loss on page 8.

3.2 Operational Highlights

- Continuous and strategic deployment with large theatre chains:
  - ✓ 27 screens added since October 1, 2013, including:
    - Two initial installations representing four screens with Cinemark USA, the third largest theatre chain in the United States and a breakthrough in Colombia with Cinemark Colombia S.A.S. which also installed two theatres representing four screens.
    - Initial installations in the Swiss market (with Gaumont Pathé, who is an existing customer in France) and new inroads in Hong Kong and in Russia.
- Recent introduction of new longer stroke actuators targeting amongst others the industrial market. These new applications will shortly be commercialized and will allow for the accelerated development of existing and new markets for the industrial simulation, virtual training and arcades.

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, the D-BOX motion technology is gradually imposing itself as a 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 December 31, 2013, D-BOX had 67 employees compared to 69 as at December 31, 2012.

5. Corporate Strategy

The Corporation is imposing itself as the global reference with respect to the creation and design of immersive motion systems. 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	• Simulation and training • Amusement parks, arcades, museums and planetariums • Casinos • Therapeutic care

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 4

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 continues to count on the contacts and credibility 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 for D-BOX MFX 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. generate motion system sales for a certain clientele of the home entertainment submarket who want to be able 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 of December 31, 2013, 37 exhibitors had more than one site integrating the D-BOX technology. Furthermore, 33 sites have more than one screen incorporating our technology within the same complex.

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

Q3 Dec. 2012	Q4 March 2013	Q1 June 2013	Q2 Sept. 2013	Q3 Dec. 2013
18	21	21	29	33

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.

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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.

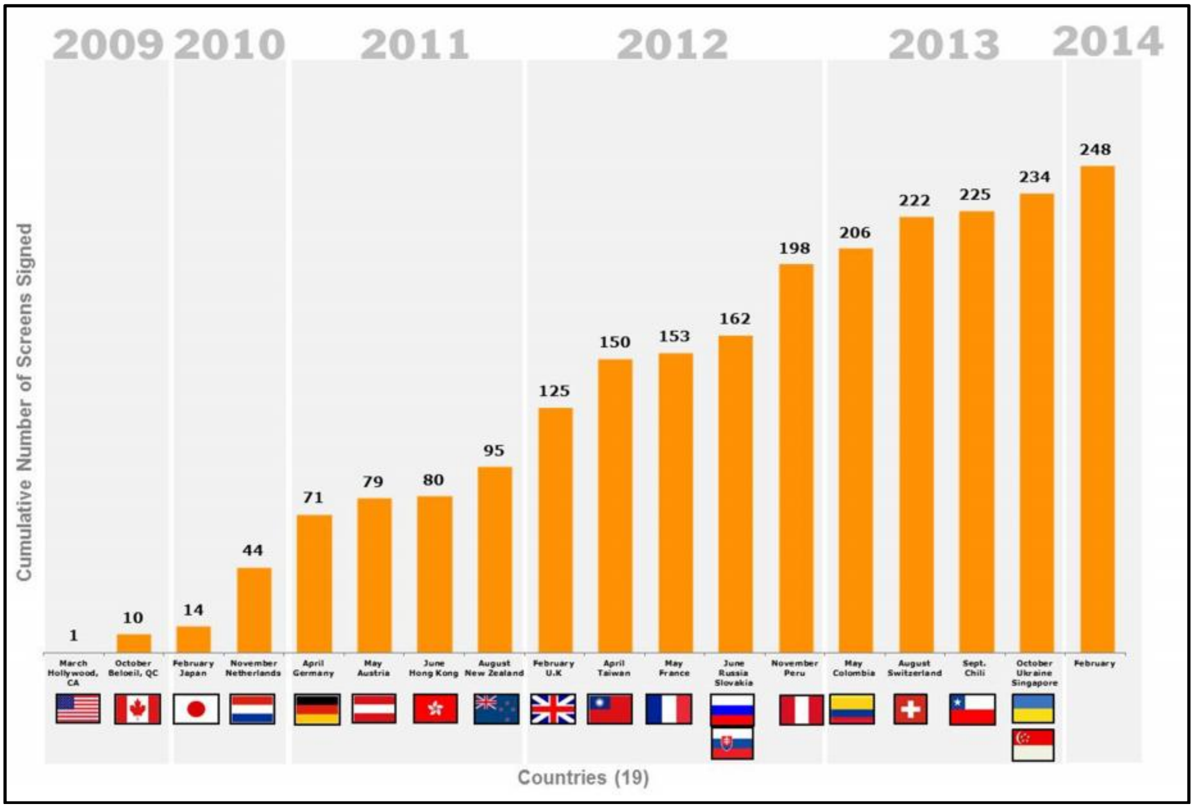
In measuring achievement of its deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX MFX systems as well as its backlog. From a practical standpoint, the Corporation defines systems backlog as follows: an order for D-BOX MFX systems received as part of a contractual 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 February 12, 2014, of installed, or added to the backlog, D-BOX MFX systems since the end of the last quarter on December 31, 2013.

Increase of D-BOX MFX Systems
Variation for the quarter ended December 31, 2013 and on February 12, 2014

	Backlog*		Installed		Total	
	# screens	# D-BOX MFX systems	# screens	# D-BOX MFX systems	# screens	# D-BOX MFX systems
As at September 30, 2013	23	567	202	5,306	225	5,873
Additions to backlog during the quarter	22	483	—	—	22	483
Net installations during the quarter	(29)	(784)	25	679	(4)	(105)
As at December 31, 2013	16	266	227	5,985	243	6,251
Additions to the backlog during the period	7	199	—	—	7	199
Net installations during the period	(4)	(71)	2	25	(2)	(46)
As at February 12, 2014	19	394	229	6,010	248	6,404

* 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 February 12, 2014



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 111 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 zone and (ii) indirect revenues from the sale of food and beverages); and
- that it brings in additional visibility and a new source of revenues for the studios.

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5.3 Growth Strategy / Industrial Market

The industrial market continues to significantly increase global awareness to the D-BOX brand sparking consumer interest for the Audio Video Motion (AVM) experience in order to stimulate demand for the D-BOX experience in other submarkets, such as: industrial simulation, arcades, casinos, 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, contributing raising awareness to D-BOX and its motion technology.

The Corporation is working on developing motion systems which are better suited for new sectors of the industrial market. These systems are expected to be available over the course of the next few quarters.

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 the readiness to invest the necessary effort and resources to generate significant new revenue streams.

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	23
2013	29
2014 to date	34
Total	111

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 8

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 aiming amongst others, to support the launch of new applications for its technology for new industrial sub-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 uses two measures which are not compliant with IFRS; 1) the adjusted EBITDA and 2) the gross profit excluding amortization. Although these measures supply useful and complementary information, they do not have standardized meanings under IFRS and are not likely to be comparable to similar measures used by other issuers.

1) The adjusted EBITDA allows evaluating the Corporation's profitability and its capacity to generate funds from its operating activities. It designates the net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses and interest income and income taxes.

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

	Third Quarter ended December 31		Nine-month Period ended December 31	
	2013	**2012**	**2013**	**2012**
Net loss	(352)	(273)	(1,546)	(2,067)
Amortization of property, plant and equipment	492	584	1,529	1,498
Amortization of intangible assets	71	64	215	191
Amortization of other assets	38	12	68	41
Write-off of property, plant and equipment	86	5	123	5
Share-based payment expense	143	168	434	660
Foreign exchange gain	(150)	(409)	(276)	82
Financial results (financial expenses and interest income)	1	3	18	(13)
Income taxes	4	—	10	4
Adjusted EBITDA*	333	154	575	401

2) The gross profit excluding amortization also allows to evaluate the Corporation's capacity to generate funds through product sales, considering the cost of these products but excluding the main non-cash item, namely amortization (See the table explaining the reconciliation of gross profit to gross profit excluding amortization on page 11.)

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 9

8. Main Financial Data

The following table presents selected significant financial data for the third quarter and nine-month period ended December 31, 2013 by comparing them with the corresponding period of the previous fiscal year.

	Quarter ended December 31		Nine-months ending December 31	
	2013	2012	2013	2012
Information from the Consolidated Statements of Operations and Comprehensive Loss				
Revenues	4,619	3,392	12,613	10,668
Gross profit excluding amortization*	2,574	2,066	6,981	6,039
Adjusted EBITDA*	333	154	575	401
Net loss	(352)	(273)	(1,546)	(2,067)
Basic and diluted net loss per share	(0.0019)	(0.0016)	(0.0092)	(0.0126)
Information from the Consolidated Statements of Cash Flows				
Goods held for lease			(497)	(2,404)
Cash flows relating to operating activities			2,520	(1,701)
Additions to property, plant and equipment			(250)	(369)
Additions to intangible assets			(384)	(278)

* See the "Non-IFRS measures" section.

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

	December 31, 2013	March 31, 2013
Information from the Consolidated Balance Sheets		
Cash and cash equivalents	7,626	5,708
Inventories	3,222	4,578
Working capital	11,216	11,568
Total assets	23,802	24,537
Total liabilities	2,959	2,531
Equity	20,843	22,006

9. Operating Results

9.1 Revenues

Revenues for the third quarter ended December 31, 2013 amounted to $4,619 k, up 36% compared to $3,392 k for the quarter ended December 31, 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 $1,857 k for the quarter ended December 31, 2013 representing a 40% increase compared to $1,322 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: amusement parks, arcades, museums and planetariums and industrial simulation and training. During the period, sales to our two main customers in the field of electronic gaming and casinos represented 21% of the Corporation's overall sales in comparison of 27% last year.

During the quarter, revenues generated by the entertainment market amounted to $2,762 k, representing a 33% increase when compared to the $2,070 k realized in the corresponding quarter of the previous fiscal year. Revenues from commercial theatre exhibitors increased by 61%, from $1,599 k in the third quarter of the 2012 fiscal year to $2,580 k in the third quarter of this year. These revenues are made of: i) D-BOX MFX systems sold which increased by 34% to $1,499 k (compared to $1,115 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 increased by 123% to $1,081 k ($484 k for the corresponding quarter last year). The increase is explained, amongst others, by the box-office performance of the films presented in theatres during the quarter and the steady increase of deployed systems.

As a reminder, revenues from utilization rights, rental and maintenance fees can fluctuate from one period to another due to the following factors:

- 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 December 31, 2013, 5,985 D-BOX MFX systems were installed in 227 auditoriums around the world compared to 4,700 D-BOX MFX systems installed in 181 auditoriums at the same date last year. The entertainment market also includes system sales for home entertainment which decreased to $182 k in comparison to $471 k last year.

For the nine-month period ended December 31, 2013, revenues amounted to $12,613 k in comparison to $10,668 k for the corresponding period of last year. This 18% increase is explained by a 19% increase of sales in the industrial market which amounted to $5,224 k in comparison to $4,406 k and by a 18% increase of revenues in the entertainment market. The increase of sales in the entertainment market is explained by a 29% increase of D-BOX MFX sales which amounted to $4,013 k and by a 42% increase of revenues from utilization rights, rental and maintenance fees which amounted to $2,839 k. Sales of systems for the home entertainment market amounted to $537 k representing a decrease in comparison to the $1,150 k realised in the corresponding period last year.

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9.2 Gross Profit

The following table explains the reconciliation of gross profit to gross profit excluding amortization.

	Third Quarter ended December 31		Nine-month period ended December 31	
	2013	2012	2013	2012
Revenues	4,619	3,392	12,613	10,668
Gross profit	2,132	1,561	5,658	4,757
Amortization related to cost of goods sold	442	505	1,323	1,282
Gross profit excluding amortization *	2,574	2,066	6,981	6,039
Gross margin excluding amortization	56%	61%	55%	57%

* See the " Non-IFRS measure " section.

For the quarter ended December 31, 2013, gross profit increased by 37% amounting to $2,132 k in comparison to $1,561 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$2,574 k (56% of revenues) for the third quarter of the current fiscal year or a 25% increase in comparison to the $2,066 k (61% of revenues) achieved last year. The increase in gross profit is explained by the increase of revenues.

For the nine-month period ended December 31, 2013, gross profit amounted to $5,658 k in comparison to $4,757 k for the corresponding period of the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit amounted to $6,981 k (55% of revenues) for the nine-month period ending December 31, 2013 in comparison to $6,039 k (57% of revenues) last year. This 16% 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 December 31, 2013 , selling and marketing expenses totaled $1,479 k (32% of revenues) representing a 21% increase in comparison to $1,244 k (36% of revenues) for the third quarter of the previous fiscal year. The increase is explained for the most part by employee-related costs and the write-off of some assets consisting mainly of demonstration booths used in commercial theatres.

For the nine-month period ended December 31, 2013, selling and marketing expenses amounted to $4,192 k (33% of revenues) which compares to $3,609 k (34% of revenues) for the nine-month period ending December 31, 2012. This 16% increase is explained by higher employee-related expenses, trade show expenses and the write-off of some assets.

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 December 31, 2013, administrative expenses amounted to $810 k (18% of revenues) which compares to $770 k (23% of revenues) for the corresponding quarter of the previous fiscal year. This 5% increase of administrative fees is explained for the most part by an increase of expenses related to the use of third party professionals.

For the nine-month period ended December 31, 2013, administrative expenses amounted to $2,288 k (18% of revenues) a 1% increase in comparison to $2,262 k (21% of revenues) for the nine-month period ending December 31, 2012.

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 December 31, 2013, research and development expenses increased by 38% to $340 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 higher certification costs as well as the cost of some materials used for product development. Investment tax credits were also lower given lesser eligible expenses.

For the nine-month period ended December 31, 2013, research and development expenses increased to $972 k (8% of revenues) compared with $880 k (8% of revenues) for the corresponding period of the previous fiscal year. The increase is also explained by higher certification costs as well as the cost of some materials used for product development. Investment tax credits were also lower given lesser eligible expenses.

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. Thus, during the quarter ended December 31, 2013, the fluctuation of the exchange rate of the US dollar in relationship to the Canadian dollar translated into a foreign exchange gain of $150 k which compares to a foreign exchange gain of $409 k last year.

For the nine-month period ended December 31, 2013, the foreign exchange gain amounts to $276 k which compares to a foreign exchange loss of $82 k for the corresponding quarter of the previous fiscal year. The foreign-exchange gain is explained by the strong fluctuation of the Canadian currency in comparison to the US currency over the course of the period in comparison to an opposite fluctuation of the currency for the same period last year.

9.4 Financial Results

The financial results include financial expenses and interest income. For the quarter ended December 31, 2013, financial results amounted to a net expense of $1 k in comparison to a net expense of $3 k for the corresponding quarter of last year. For the nine-month period ended December 31, 2013, financial results amounted to a net expense of $18 k which compares to net interest income of $13 k for the corresponding period of last year.

9.5 Income Taxes

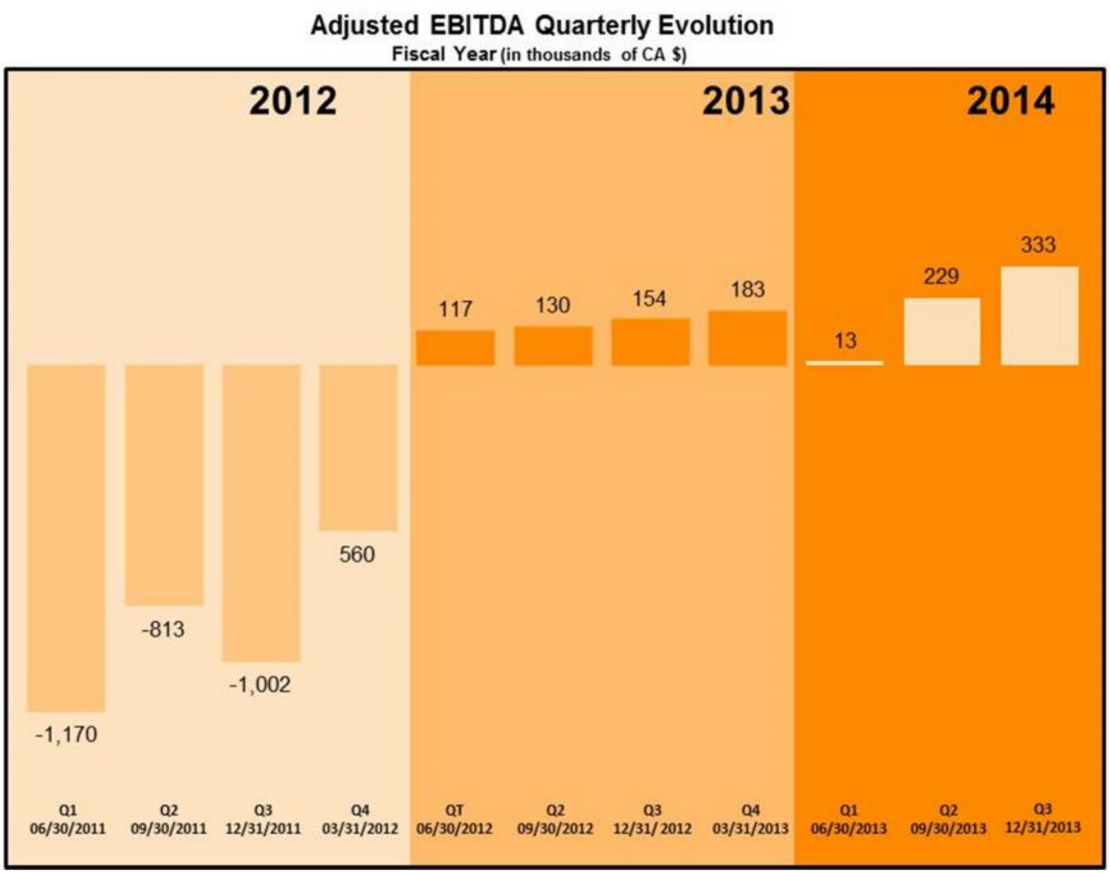
With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

9.6 Net Loss

Given the previously-mentioned items, the net loss for the third quarter, is slightly higher as it stands at $352 k ($0.0019 per share) in comparison to a net loss of $273 k ($0.0016 per share) for the corresponding quarter of last year. For the nine-month period ended December 31, 2013, the net loss stands at $1,546 k ($0.0092 per share) representing a $521 k decrease or 25% less in comparison to a loss of $2,067 k ($0.0126 per share) for the same period of last year.

10. Adjusted EBITDA

The adjusted EBITDA designates net loss before items not affecting cash, 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 the Corporation's capacity to generate funds from its operating activities.



As demonstrated by the previous graph, D-BOX achieved an adjusted positive EBITDA for the last seven 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.

Adjusted EBITDA amounted to $333 k in the third quarter representing a 116% increase in comparison of $154 k for the corresponding quarter of the previous fiscal year. For the nine-month period ended December 31, 2013, adjusted EBITDA amounted to $575 k representing a 42% increase in comparison to the adjusted EBITDA of $401 k for the period ended December 31, 2012.

11. Liquidity, Capital Resources and Financing Sources

As at December 31, 2013, total assets amounted to $23,802 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 $1,918 k going from $5,708 k to $7,626 k as at December 31, 2013, and mostly consisted of money market securities that are readily accessible by the Corporation.

In comparison to the previous quarter ended September 30, 2013, cash and cash equivalents increased by $1,224 k ($6,402 k as at September 30, 2013), representing a 19% increase of available cash during the quarter ended December 31, 2013. This increase comes from the working capital which generated cash and the company's performance during the last quarter and nine-month period.

Working capital stood at $11,216 k as at December 31, 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, decreased to $2 929 k as at December 31, 2013 in comparison to $3,411 k as at March 31, 2013. Inventories decreased to $3,222 k as at December 31, 2013 in comparison to $4,578 k as at March 31, 2013.

Short-term liabilities increased by $428 k to $2,959 k as of December 31, 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 $319 k and deferred revenues made for the most part of customer deposits which increased by $109 k.

As at February 12, 2014, cash and cash equivalents stood at $7,596 k.

11.1 Operating Activities

For the nine-month period ended December 31, 2013 cash flows provided from operations totalled $2,520 k compared with a use of funds of $1,701 k for the corresponding period of the previous fiscal year. This $4,221 k improvement in cash flows provided by operating activities comes essentially from i) the $1,907 k decrease of funds used for goods held for lease ($497 k this year in comparison to $2,404 k last year), reflecting the strategy to significantly reduce financing related to theatre screens in North America, ii) the $1,478 k decrease in the accounts receivable and iii) the $1,292 k decrease in inventories.

11.2 Investing Activities

For the nine-month period ended December 31, 2013, cash flows used by investment activities amounted to $634 k in comparison to $647 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.

11.3 Financing Activities

There were no financing activities for the quarters ended December 31, 2013 and 2012.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 15

11.4 Equity

Equity amounted to $20,843 k as at December 31, 2013, compared with $22,006 k as at March 31, 2013. This $1,163 k decrease is mainly the result of the nine-month period net loss of $1,546 k less the share-based payment expense of $434 k accounted to the share-based payment expense reserve account.

12. Quarterly Data

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

	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues from the industrial market	1,857	1,964	1,403	1,735	1,322	1,919	1,165	1,333
Revenues from the entertainment market								
Commercial theatre exhibitors:								
- System sales	1,499	1,889	625	1,097	1,115	682	1,312	641
- Utilization rights, rental & maintenance	1,081	498	1,260	542	484	856	663	412
	2,580	2,387	1,885	1,639	1,599	1,538	1,975	1,053
System sales for home entertainment	182	144	211	211	471	251	428	197
Total revenues Entertainment market	2,762	2,531	2,096	1,850	2,070	1,789	2,403	1,250
TOTAL REVENUES	4,619	4,495	3,499	3,585	3,392	3,708	3,568	2,583
Adjusted EBITDA*	333	229	13	183	154	130	117	(560)
Net loss	(352)	(675)	(519)	(508)	(273)	(1,204)	(590)	(1,824)
Basic and diluted net loss per share	(0.002)	(0.004)	(0.003)	(0.003)	(0.002)	(0.007)	(0.004)	(0.011)
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 three months)	60
2015	231
2016	107
2017	3
2018	—
	401

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 (February 12, 2014)

	Class A common shares
Class A common shares outstanding	163,781,129
Convertible instruments	
Stock options outstanding	14,531,845
	178,312,974

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 December 31, 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 February 12, 2014. Additional information can be found on the SEDAR website at www.sedar.com.

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