



Management Discussion and Analysis

D-BOX Technologies Inc.

Second quarter ended September 30, 2015

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MANAGEMENT DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

Second Quarter ended September 30, 2015

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 quarter and six-month period ended September 30, 2015 by comparing them to the results of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at September 30, 2015 and March 31, 2015.

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 management discussion and analysis for the fiscal year ended March 31, 2015 and the unaudited interim condensed consolidated financial statements of the second quarter and six-month period ended September 30, 2015. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the second quarter and six-month period ended September 30, 2015 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, without limitation, 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 revenue:
 - ✓ Quarterly revenue up by 15% to \$5,021 k:
 - Sales for the Entertainment market: +8% to \$3,634 k;
 - Sales for the Industrial market: +39% to \$1,387 k.
- Net loss of \$208 k for the quarter compared to net income of \$192 k last year.
- Adjusted EBITDA* of \$132 k for the quarter compared to \$372 k last year.
- Cash flows generated from the operating activities of \$943 k for the six-month period compared to a use of funds of \$805 k last year.
- Loan of \$5,000 k received from the Caisse de dépôt et placement du Québec on August 5, 2015.

Second quarter and six-month period ended September 30 (in thousands of CAD, except per share amounts)				
	Second quarter		Six months	
	2015	2014	2015	2014
Revenues	5,021	4,354	12,209	8,914
Adjusted EBITDA*	132	372	1,283	391
Net income (loss)	(208)	192	(178)	(1,013)
Basic and diluted net income (loss) per share	(0.0013)	0.0012	(0.0011)	(0.0062)
Information from the consolidated balance sheet				
	As at September 30, 2015		As at March 31, 2015	
Cash and cash equivalents	11,535		6,710	

* See the "Non IFRS Measures" section on page 7 and the reconciliation table of adjusted EBITDA to the net income (loss) on page 8.

3.2 Operational Highlights

- In the last twelve months, D-BOX increased by 33% the number of screens signed to 420.
- D-BOX continues its deployment in China, one of the fastest growing market in the world for commercial theatre exhibitors. As at September 30, 2015, D-BOX had 10 screens installed in the country compared to 1 screen installed as at September 30, 2014. Furthermore, D-BOX is actively pursuing its business development activities in this high-potential country.
- D-BOX demonstrates its capacity to participate in the convergence between virtual reality and the entertainment world by establishing a partnership with Sony Pictures Entertainment (SPE) in the context of the launch of the Goosebumps movie. This partnership will serve as an important technological showcase for the D-BOX immersive experience in eleven cities across North America.
- Progression in the industrial market with the installation of two new sites: the *Museo Interactivo Audiovisual of Las Condes* (Chile) (www.mui.cl), and the Richmond Olympic Experience (ROX), the first member of the network of museums of the international Olympic Committee located in North America (www.therox.ca).

4. Outlook

D-BOX focuses on two major development areas: the entertainment market and the industrial market which have their respective sub-markets. In light of the business development activities in each of these two markets, D-BOX anticipates the general upward trend in revenue to continue.

In combination with this expected growth of revenue, D-BOX also forecasts to gradually increase the level of its operating expenses aiming, amongst others, to support the sales and marketing of technological innovations that will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones. Generally speaking, the Corporation aims to maintain a positive adjusted EBITDA and intends to manage its operations accordingly.

5. Corporate Profile

D-BOX 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.

Three components produce motion synchronized in perfect harmony 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.

As at September 30, 2015, D-BOX had 96 employees up from 77 as at September 30, 2014.

6. Corporate Strategy

The Corporation is a leader with respect to the creation and design of non-distractive immersive motion systems. It continues to develop brand awareness in addition to offering a differentiated asset generating revenue 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
<ul style="list-style-type: none"> • Commercial theatres • Home entertainment: <ul style="list-style-type: none"> ○ Home theatre ○ Home video games ○ Virtual reality 	<ul style="list-style-type: none"> • Simulation and training / virtual reality • Amusement parks, arcades, museums and planetariums

6.1 Revenue Models

The Corporation's revenue streams consist mainly of:

1. the sale or lease of D-BOX motion systems including motion controllers and computer servers in the case of larger installations such as commercial theatres;
2. utilization rights (license) for the D-BOX technology on the sale of admission tickets in commercial theatres which are equipped with this technology to view a motion picture encoded by D-BOX. The Corporation also receives system maintenance revenue relating to the use of systems;
3. direct sales of motion systems to a network of specialized resellers, integrators, equipment or seating manufacturers who market the D-BOX technology under their own brands (Original Equipment Manufacturers or OEMs). This marketing method offers the advantage of minimizing sales and marketing costs; and
4. coding rights for visual content.

6.2 Growth Strategy / Entertainment Market

The Corporation is constantly pursuing opportunities with commercial theatre owners to increase the number of venues equipped with its technology.

Concurrently, the Corporation leverages its relationships and credibility established with Hollywood's major studios and some Asian and European studios in order to provide a wide array of content to its commercial theatres. The Corporation believes that an increase in the offer of motion pictures has a direct impact on the number of equipped venues and that box office revenue for D-BOX motion systems equipped theatres acts as an incentive to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors that want to add a distinctive element to their offering;
2. facilitate the sale of its technology to current exhibitors that may want to equip more than one of their complexes or equip more than one screen within the same complex;
3. generate motion system sales to the home entertainment clientele, who want to experience D-BOX in the comfort of their homes;
4. encourage video game customers to purchase gaming seats equipped with D-BOX motion systems thereby allowing them to add a new level of immersion to their gaming experience;
5. promote the technology to potential customers in the industrial market.

As of September 30, 2015, over 35 exhibitors had more than one location that integrated the D-BOX motion system and more than 95 installed locations had more than one screen incorporating our technology within the same complex.

An increase in the number of equipped theatres has a direct impact on the offering of studios which is based on a business model that benefits all parties since they share the new revenue generated by D-BOX.

Access to content is a key factor in accelerating the deployment of D-BOX motion system. The Corporation is constantly expanding its business relationships with new film and gaming content providers. For instance, over 165 titles, including more than 85 which ranked number 1 at the box office on opening weekend, have been coded so far for presentation in commercial theatres.

The D-BOX experience in commercial theatres will continue to expand significantly through the deployment of its motion systems. This vision is strengthened by the fact that the Corporation has continuously coded content from major studios in addition to coding local content in some countries where D-BOX is now present. Furthermore, it has proven its technical and commercial benefits and has received several awards over the last few years.

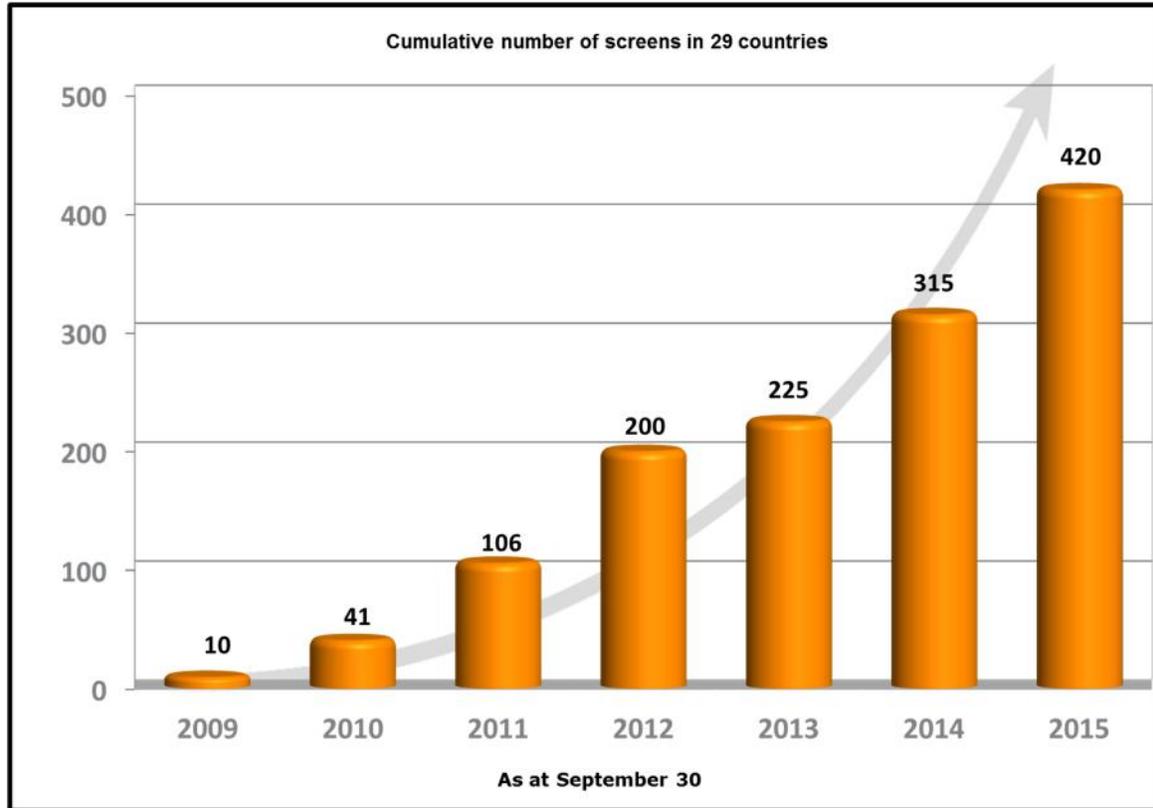
However, certain seasonal factors may impact the deployment of new D-BOX motion systems in commercial theatres. The Corporation's growth rate for its commercial theatre business activities will not necessarily be linear but rather subject to a certain level of volatility when comparing consecutive quarters.

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 commercial theatre chains are handled by an internal business development team and a few external partners in certain countries. Moreover, the Corporation's representatives continue to attend major trade shows. The Corporation believes that the entertainment market, in addition to demonstrate its technology to the largest number of people possible, generates significant revenue through utilization rights earned from the use of the technology based on premiums for 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 motion systems as well as its backlog. From a practical standpoint, the Corporation defines system backlog as follows: an order for D-BOX motion systems received as part of a contractual agreement and for which the installation is scheduled within a twelve-month period. The total installed or in backlog screens increased by 33% and stood at 420 at the end of the quarter in comparison with 315 a year ago.

Worldwide growth of installed screens or in backlog As at September 30, 2015



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 offer of content coded by D-BOX; and
3. create products and form partnerships with strategic players that should accelerate mass markets penetration.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to live a non-distractive motion experience;
- that it generates a new source of business traffic and new revenue for commercial theatre operators allowing them to stand out from competitors and increase their revenue ((i) direct revenue from the sale of tickets in the D-BOX zone and (ii) indirect revenue from the sale of food and beverages); and
- that it brings in additional visibility and a new source of revenue for the studios.

6.3 Growth Strategy / Industrial Market

The industrial market contributes significantly to the global awareness of the D-BOX brand thereby sparking consumer interest for the realism and efficiency which can stimulate demand for the D-BOX experience in other sub-markets, such as: simulation and training, arcades, military, virtual reality, amusement parks, museums and planetariums. The Corporation is mobilizing resources devoted to the business development of this market with the goal of identifying new partners and meeting their needs.

With respect to products earmarked for industrial simulation users, the Corporation is following its mission to sell products under its own brand, 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 last few years, the Corporation has stepped up its presence at commercial and industrial trade shows, which raises awareness of D-BOX and its motion technology.

The Corporation recently developed motion systems adapted to the needs of the industrial market and their sales should accelerate over the course of the next few quarters.

The Corporation will continue dedicating 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 willingness to invest the necessary effort and resources to generate new and important revenue streams.

7. Non-IFRS Measures

In this MD&A, the Corporation uses two measures that are non-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 a standardized meaning under IFRS and are not likely to be comparable to similar measures used by other issuers.

- 1) The adjusted EBITDA provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations. It is comprised of the net income (loss) but excludes the following: items not affecting cash, foreign exchange gain or loss, financial expenses (income) and income taxes.

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

(in thousands of \$)	Second quarter ended September 30		Six-month period ended September 30	
	2015	2014	2015	2014
Net loss (income)	(208)	192	(178)	(1,013)
Amortization of property and equipment	468	477	1,067	992
Amortization of intangible assets	137	121	267	197
Amortization of other assets	19	15	82	36
Write-off of property and equipment	44	18	134	72
Gain on disposal of property and equipment	—	—	—	(36)
Share-based payments	62	105	119	220
Foreign exchange gain	(493)	(564)	(334)	(93)
Financial expenses (income)	103	8	115	11
Income taxes	—	—	11	5
Adjusted EBITDA	132	372	1,283	391

- 2) The gross profit excluding amortization serves to evaluate the Corporation's capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization (see the table explaining the reconciliation of gross profit to gross profit excluding amortization on page 10).

8. Main Financial Data

The following tables present selected significant financial data for the second quarter and the six-month period ended September 30, 2015 by comparing them with the corresponding periods of the previous fiscal year.

Information from the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)	Second quarter ended September 30		Six months ended September 30	
	2015	2014	2015	2014
Revenue	5,021	4,354	12,209	8,914
Gross profit excluding amortization*	2,817	2,370	7,287	4,936
Net income (loss)	(208)	192	(178)	(1,013)
Adjusted EBITDA*	132	372	1,283	391
Basic and diluted net income (loss) per share	(0.0013)	0.0012	(0.0011)	(0.0062)

* See the "Non-IFRS measures" section on page 7.

Information from the Consolidated Statements of Cash Flows	Six months ended September 30	
	2015	2014
Goods held for lease	(644)	(117)
Cash flows relating to operating activities	943	(805)
Additions to property and equipment	(626)	(300)
Additions to intangible assets	(454)	(633)
Cash flows relating to financing activities	4,876	1

The following table presents certain important financial data of the consolidated balance sheets as at September 30, 2015 and as at March 31, 2015.

Information from the Consolidated Balance Sheets	September 30, 2015	March 31, 2015
Cash and cash equivalents	11,535	6,710
Inventories	4,747	3,903
Working capital	15,780	11,238
Total assets	29,526	24,838
Current liabilities	4,200	4,245
Long-term debt	4,361	—
Equity	20,965	20,593

9. Operating Results

9.1 Revenue

Revenue for the second quarter ended September 30, 2015 increased by 15% to \$5,021 k compared to \$4,354 k for the second quarter ended September 30, 2014. For the entertainment market, revenue consists of D-BOX motion system sales to commercial theatre operators, revenue from right of use, rental and maintenance with respect to admission tickets sold in commercial theatres and system sales to home entertainment customers. Revenue also includes motion system sales to customers in the industrial market who sell D-BOX motion systems under their own brand names and system sales to customers in the entertainment market.

During the second quarter ended September 30, 2015, the entertainment market generated an 8% increase in revenue to \$3,634 k compared to the \$3,356 k realized last year. Revenue from commercial theatres increased by 9% from \$3,118 k in the second quarter of 2014 to \$3,401 k in the second quarter of this year. These revenues consist of: i) the sale of D-BOX motion systems which increased by 17% to \$2,208 k (\$1,880 k for the corresponding quarter in 2014) and ii) revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres which decreased by 4% to \$1,193 k (\$1,238 k in 2014). This decrease is mainly due to the box office performance of the movies presented during the quarter.

It is important to note that revenue from rights for use, rental and maintenance can fluctuate from one period to another based on the following factors:

- the box office performance of the movies that are presented, which can vary significantly from one movie to another;
- the revenue sharing with exhibitors and studios;
- the individual performance of exhibitors;
- the average number of D-BOX motion systems deployed, which is constantly evolving;
- the number of weekly screenings of a D-BOX movie, which can vary based on the country in which a film is presented, or from one exhibitor to another; and
- the number of weeks a movie is played, which can vary based on the country due to different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period of time.

As at September 30, 2015, 9,608 D-BOX MFX systems were installed in 388 screens around the world compared to 6,766 D-BOX MFX systems installed in 266 screens at the same date last year.

The entertainment market also includes system sales for home entertainment for an amount of \$233 k in comparison with \$238 k last year.

For the industrial market, our development strategy consists of selling our motion system technology to customers so they can integrate it into their products. Industrial market sales are driven, among other things, by the attendance at commercial and industrial trade shows which contributes to raising awareness to the D-BOX technology and the presentation in commercial theatres of movies integrating the D-BOX Motion Code, which creates a growing demand for the D-BOX experience in numerous other sub-markets.

Sales of motion systems to customers of the industrial market increased by 39% to \$1,387 k for the second quarter ended September 30, 2015 compared to \$998 k for the quarter ended September 30, 2014. The increase in sales for the industrial market was mainly driven by simulation and training systems sold to customers in the construction, automotive sub-markets, amusement parks and arcades.

For the six-month period ended September 30, 2015, revenues increased by 37% and amounted to \$12,209 k in comparison with \$8,914 k for the corresponding period of last year. This is explained by a 33% increase of revenues in the entertainment market with the increase of D-BOX motion system sales which amounted to \$4,772 k and by a 46% increase of revenues from utilization rights, rental and maintenance fees which amounted to \$3,469 k. Sales of systems for the home entertainment market amounted to \$565 k representing an increase of 23% in comparison with the \$461 k realized in the corresponding period last year. In the industrial market, sales increased by 47% and amounted to \$3,403 k in comparison with \$2,314 k last year.

9.2 Gross Profit

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

(in thousands of \$)	Second quarter ended September 30		Six-months ended September 30	
	2015	2014	2015	2014
Revenue	5,021	4,354	12,209	8,914
Gross profit	2,382	1,912	6,227	4,022
Amortization related to cost of goods sold	435	458	1,060	914
Gross profit excluding amortization*	2,817	2,370	7,287	4,936
Gross margin excluding amortization	56%	54%	60%	55%

* See the "Non-IFRS measure" section on page 7.

For the second quarter ended September 30, 2015, gross profit increased by 25 % amounting to \$2,382 k in comparison with \$1,912 k for the corresponding quarter of the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit amounted to \$2,817 k (56 % of revenue) in the second quarter of the current fiscal year in comparison with the \$2,370 k (54% of revenue) achieved for the same period last year. This 19 % increase in gross profit excluding amortization is mainly explained by the good performance in sales of both the entertainment and industrial markets.

For the six-month period ended September 30, 2015, gross profit amounted to \$6,227 k in comparison with \$4,022 k for the corresponding period of the previous fiscal year. Excluding amortization, gross profit amounted to \$7,287 k (60 % of revenues) in comparison with \$4,936 k (55% of revenues) last year. This 48 % improvement of gross profit is explained by the increase in revenues from rights for use, rental and maintenance that generate a higher gross margin as compared to overall revenues.

9.3 Operating Expenses

Selling and Marketing: selling and marketing expenses consist primarily of employee costs including share-based payments, professional fees, advertising and point-of-sales material expenses and attendance at trade shows. They also include expenses related to motion coding and other marketing expenses.

For the second quarter ended September 30, 2015, selling and marketing expenses totaled \$1,428 k (28% of revenue) representing a 18% increase in comparison with \$1,211 k (28% of revenue) for the corresponding quarter of the previous fiscal year. This is explained for the most part by an increase in employee-related costs and professional fees.

For the six-month period ended September 30, 2015, selling and marketing expenses amounted to \$3,095 k (25% of revenues) which compares to \$2,756 k (31% of revenues) for the six-month period ended September 30, 2014. This 12% increase is mostly explained by an increase in employee-related costs and professional fees.

Administration: administrative expenses consist primarily of employee costs including share-based payments expense, professional fees as well as other general and administrative expenses.

For the second quarter ended September 30, 2015, administrative expenses amounted to \$1,035 k (21% of revenue) representing a 48% increase compared to the \$698 k (16% of revenue) spent in the quarter ended September 30, 2014. This increase is primarily explained by the increase of employee-related costs, costs related to being a publicly traded company and professional fees.

For the six-month period ended September 30, 2015, administrative expenses amounted to \$2,026 k (17% of revenues) which compares to \$1,613 k (18% of revenues) for the six-month period ended September 30, 2014. This 26% increase is explained essentially by the same reasons as described for the current quarter.

Research and Development: research and development expenses mainly include costs related to employees, amortization of assets and patents, others costs associated with existing product enhancement, and the cost of adapting products to various international standards, less investment tax credits.

For the quarter ended September 30, 2015, research and development expenses amounted to \$517 k (10% of revenue) which compares to \$367 k (8% of revenue) for the corresponding quarter of the previous fiscal year. This increase is mainly explained by higher employee costs associated to product development and enhancement and by a reduction of investment tax credits.

For the six-month period ended September 30, 2015, research and development expenses increased to \$1,492 k (12% of revenues) compared to \$743 k (8% of revenues) for the same period last year. The \$749 k increase is mostly explained by: i) a change in estimate of \$401 k coming from a reduction of investment tax credits receivable, and an increase related to a liability for investment tax credits (this liability follows reception from relevant tax authorities of an assessment project relative to a previous

fiscal year), and ii) an increase of \$182 k in employee costs for the hiring of additional resources associated to product development and enhancement.

Foreign Exchange Gain or Loss: the foreign exchange gain or loss mainly results from the fluctuation of Canadian currency relative to US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the conversion of US dollar monetary assets and liabilities at the end-of-period rate.

Thus, for the second quarter ended September 30, 2015, the foreign exchange gain amounts to \$493 k in comparison with a foreign exchange gain of \$564 k for the corresponding quarter last year.

For the six-month period ended September 30, 2015, the foreign exchange gain amounts to \$334 k which compares to a gain of \$93 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 with the US currency over the course of each of these two periods.

9.4 Financial Expenses (Income)

For the second quarter ended September 30, 2015, financial expenses amounted to \$103 k in comparison with \$8 k for the corresponding quarter of the previous fiscal year. The increase in financial expenses comes mainly from the interest expense related to the long-term debt issued on August 5, 2015.

For the six-month period ended September 2015, financial expenses (net of income) amounted to \$115 k compared to \$11 k in 2014.

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.

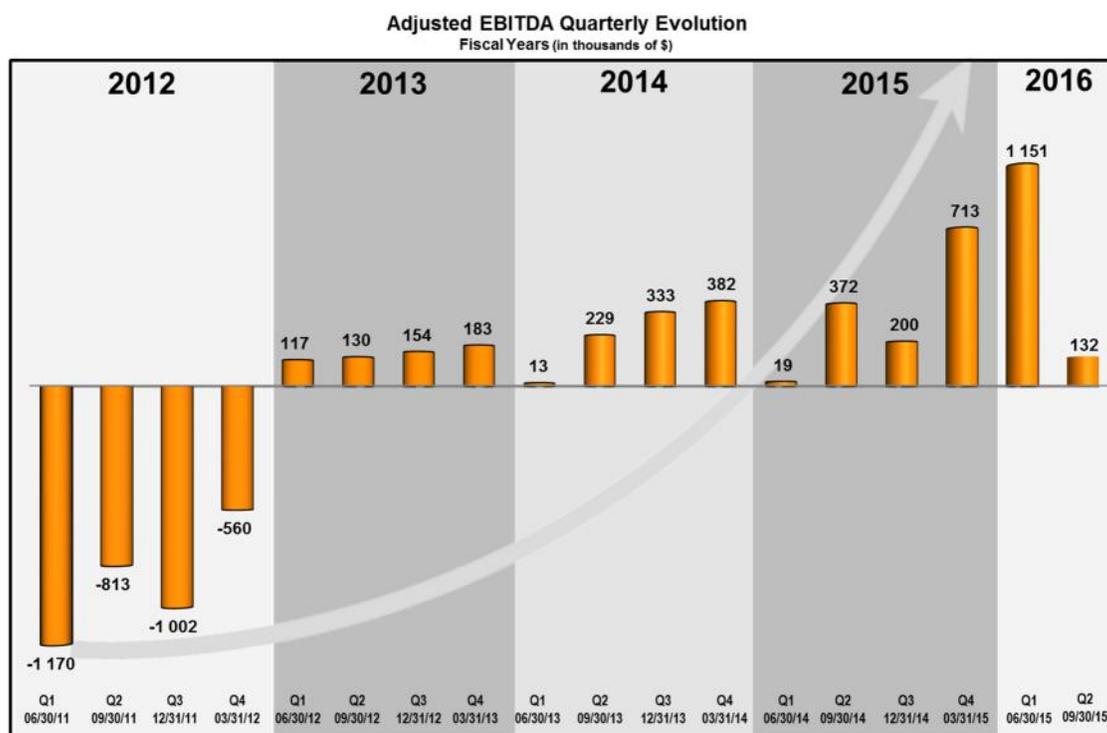
9.6 Net Income (Loss)

Given the aforementioned facts, the net loss for the second quarter ended September 30, 2015 amounted to \$208 k (\$0.0013 net loss per share) in comparison with a net income of \$192 k (\$0.0012 net income per share) in 2014.

For the six-month period ended September 30, 2015, the net loss amounted to \$178 k (\$0.0011 net loss per share), lower than the \$1,013 k net loss (\$0.0062 net loss per share) in 2014.

10. Adjusted EBITDA

The adjusted EBITDA is comprised of net income (loss) but excludes items not affecting cash, foreign exchange gain or loss, financial expenses (income) and income taxes. This measure provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations.



D-BOX achieved a positive adjusted EBITDA in the first quarter of the 2013 fiscal year. It has remained positive and has been trending upwards ever since as a result of sustained growth in revenue and a tight control over operating expenses.

In the second quarter ended September 30, 2015, D-BOX achieved an adjusted EBITDA of \$132 k in comparison with an adjusted EBITDA of \$372 k for the same period last year.

For the six months ended September 30, 2015, adjusted EBITDA increased to \$1,283 compared to \$391 k for the same period of last year.

11. Liquidity, Capital Resources and Financing Sources

As at September 30, 2015, total assets amounted to \$29,526 k compared to \$24,838 k as at March 31, 2015.

Working capital increased to \$15,780 k as at September 30, 2015 compared to \$11,238 k as at March 31, 2015. Cash and cash equivalents increased by \$4,825 k at \$11,535 k compared to \$6,710 k as at March 31, 2015 and is mostly explained by the long-term debt issued during the quarter. Accounts receivable, which mostly consists of trade accounts receivable, investment tax credits and commodity taxes receivable, decrease by \$1,549 k to \$2,753 k as at September 30, 2015 in comparison with \$4,302 k as at March 31, 2015. Inventories increased by \$844 k from \$3,903 k on March 31, 2015 to \$4,747 k on September 30, 2015. Inventories increased due to open orders at the end of the quarter and available inventories for new products.

Current liabilities decreased by \$45 k to \$4,200 k as of September 30, 2015 which compares to \$4,245 k as at March 31, 2015. Current liabilities include accounts payable and accrued liabilities which as a whole decreased by \$106 k to \$3,680 k compared to \$3,786 k as at March 31, 2015. This decrease in accounts payable and accrued liabilities is mostly explained by higher employee compensation accrued liabilities as at March 31, 2015 compared to September 30, 2015.

11.1 Operating Activities

For the six-month period ended September 30, 2015, cash flows generated by operating activities totalled \$943 k compared to a use of funds of \$805 k for the corresponding period of the previous fiscal year. This favorable variance of \$1,748 k is the result of a positive variance of \$539 k in net income when excluding items not affecting cash, plus a positive variance in changes in working capital items of \$1,209 k coming mainly from the reduction of accounts receivable.

11.2 Investing Activities

For the six-month period ended September 30, 2015, cash flows used by investing activities amounted to \$1,080 k in comparison with \$894 k for the corresponding period of the previous fiscal year.

Cash flows from investing activities include costs associated to the acquisition of property and equipment which required investments of \$626 k this six-month period compared to \$300 k last year and the increase is mainly due to leaseholds improvements to premises. It also includes investments in intangible assets, mainly patents and internally developed products which required \$454 k compared to \$633 k for the comparable six-month period last year.

11.3 Financing Activities

For the six-month period ended September 30, 2015, cash flows generated by financing activities amounted to \$4,876 k as a result of a long-term debt issue.

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for net proceeds of \$4,870 k, net of financing fees of \$130 k. Each warrant entitles its holder to purchase one Class A common share at \$0.50 per share for a 48-month period ending August 5, 2019. The loan bears interest under specific conditions at a rate of either 7% or 10% and matures on February 5, 2020. Interests are payable quarterly and the principal can be reimbursed at any time by the Corporation and is payable in full on

the maturity date. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets (except for the intellectual property) of the Corporation and its subsidiary.

Long-term debt is classified as other financial liabilities and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The residual amount of gross proceeds of \$527 k was allocated to the warrants. Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method. Financing fees related to warrants are capitalized in reduction of equity.

On September 30, 2015, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

During the six-month period and the quarter ended September 30, 2015, the interest expense on long-term debt charged to income amounted to \$73 k, including an amount of \$19 k related to the accretion of interest.

11.4 Equity

Equity amounted to \$20,965 k as at September 30, 2015, compared to \$20,593 k as at March 31, 2015. This \$372 k increase in the six-month period results mainly from the warrants reserve of \$527 k less the net loss.

12. Quarterly Data

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

	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from the entertainment market								
Commercial theatres:								
- System sales	2,208	2,564	4,418	2,150	1,880	1,878	2,120	1,499
- Rights for use, rental and maintenance	1,193	2,276	658	991	1,238	1,143	815	1,081
	3,401	4,840	5,076	3,141	3,118	3,021	2,935	2,580
Home entertainment system sales	233	332	254	309	238	223	266	182
Total revenue Entertainment market	3,634	5,172	5,330	3,450	3,356	3,244	3,201	2,762
Revenue from the industrial market	1,387	2,016	1,350	1,544	998	1,316	1,779	1,857
TOTAL REVENUE	5,021	7,188	6,680	4,994	4,354	4,560	4,980	4,619
Adjusted EBITDA*	132	1,151	713	200	372	19	382	333
Net income (loss)	(208)	30	850	(315)	192	(1,205)	(43)	(352)
Basic and diluted net income (loss) per share	(0.001)	0.000	0.005	(0.002)	0.001	(0.007)	(0.001)	(0.002)
Weighted average number of common shares outstanding	163,791,129	163,784,462	163,784,462	163,784,462	163,783,665	163,781,129	163,781,129	163,781,129

* See the "Non-IFRS Financial Measures" section on page 7.

The fluctuation of revenue during the last eight quarters is explained, among other reasons, by the uneven growth of the entertainment and industrial markets. More specifically, for the entertainment market, revenue fluctuated mostly as per the performance of presented films.

13. Commitments

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services. The minimum payments for the coming years are as follows:

	Leases	Other Commitments
Next twelve months	233	16
Following four years	733	—
More than five years	225	—
	1,191	16

The Corporation's operating lease expenses amounted to \$244 k in the second quarter ended September 30, 2015 (\$161 k in 2014) and are secured by the universality of movable property, both present and future, in favour of the lessors.

14. Fully Diluted Share Capital (November 9, 2015)

	Class A common shares
Class A common shares outstanding	163,817,795
Convertible instruments	
Stock options outstanding	15,169,345
Warrants	4,500,000
	183,487,140

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, 2015 which is available on www.sedar.com.

16. Disclosure Controls and Internal Controls over Financial Reporting

Internal control over financial reporting aims to provide reasonable insurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the quarter ended September 30, 2015, there were no changes in the Corporation's internal control over financial reporting that materially affected, or are likely to materially affect, the Corporation's internal control over financial reporting.

17. Continuous Information and Additional Disclosure

This MD&A was prepared as at November 9, 2015. Additional information can be found on the SEDAR website at www.sedar.com.

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