Management's Discussion and Analysis

D-BOX Technologies Inc.
Three and nine month periods ended December 31, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS D-BOX Technologies Inc. Three and nine month periods ended December 31, 2024

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 subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Company's financial position and operating results for the three and nine month periods ended December 31, 2024, 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 December 31, 2024 and March 31, 2024.

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 for the fiscal year ended March 31, 2024 and accompanying notes and the unaudited interim condensed consolidated financial statements of the three and nine month periods ended December 31, 2024. Unless otherwise indicated, the terms "Company" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the three and nine month periods ended December 31, 2024, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Company on February 12, 2025. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2 FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Company, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Company.

Forward-looking information is provided in this MD&A for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this MD&A is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Company's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking information include, but are not limited to: dependence on suppliers; concentration of clients; indebtedness; future funding requirements; access to content; global health crises; performance of content; distribution network; strategic alliances; competition; political, social and economic conditions; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labor relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in the Company's annual information form for the fiscal year ended March 31, 2024, a copy of which is available on SEDAR at www.sedarplus.ca. Except as may be required by Canadian securities laws, the Company does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Company cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on the Company's business, financial condition or results of operations.

3 CORPORATE OVERVIEW

D-BOX is a leader in the design of haptic and immersive experiences. D-BOX creates and redefines haptic and immersive entertainment experiences by moving the body and sparking the imagination through motion, vibration and textures. D-BOX has collaborated with industry leaders in entertainment and simulation and training to deliver new ways to enhance great content. Whether it's movies, TV series, video games, virtual reality, music, themed entertainment or professional simulation, D-BOX's motion technology creates a feeling of presence that makes life resonate like never before. Thanks to its unparalleled mastery of haptics, D-BOX offers the best possible synchronization of body movements with images and sound.

Three components produce unparalleled synchronized motion in perfect harmony with the images and sounds:

1. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content's specific telemetry.
2. A haptic processor serving as an interface between the content and the D-BOX haptic system can recognize the content being played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.
3. The D-BOX haptic system, consists, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

The Company's current revenue streams mainly consist of:

1. the sale or lease of D-BOX hardware including haptic actuators and haptic bases that are integrated by resellers, integrators, and equipment or seating manufacturers (known as original equipment manufacturers ("OEMs")) into chairs, recliners, seats, haptic controllers and electronic interfaces or servers, and market the D-BOX technology under their own brands;

2. the licensing of the D-BOX Haptic Code in theatres which are equipped with the D-BOX haptic systems to play content encoded by D-BOX. The Company also receives maintenance revenue relating to the use of these haptic systems.

As at December 31, 2024, D-BOX had 96 employees compared with 103 employees as at December 31, 2023.

3.1 Industry Overview

Entertainment

Theatrical customers

The theatrical industry continues to captivate audiences globally. The theatrical industry was valued at $69.7 billion USD in 2023 and is anticipated to register a CAGR of 5.1% between 2024 and 2032[1]. Technological advancements and premium experiences like the D-BOX experience contribute significantly to this industry's growth. These innovations provide audiences with a more immersive cinematic experience they can't get anywhere else. Millennials and younger generations are driving the experience economy, as well as the rise of entertainment centers. D-BOX continues to expand its footprint domestically in North America as well as abroad. The Company is focused on strengthening its leadership position in this market and expanding its global theatrical footprint. Having reached 1,000 screens during the period, the Company sets its sights on continued expansion.

The popularity of blockbuster releases also plays a pivotal role in the theatrical industry's success. Studios appear to be focusing on a lower volume, higher impact approach to their theatrical productions. We believe this strategy aligns very well with the Company's value proposition in the theatrical industry.

Sim racing customers

Over the last few years, sim racing has transitioned from a niche game to a legitimate e-sport. Rising adoption of virtual training solutions for racing drivers to improve their driving skills is expected to be a key driver in the demand for racing simulators. With its haptic systems that are capable of reproducing textures, velocity, engine vibrations and dynamic vehicle motion, D-BOX has drawn the attention of several leading racing simulation partners who have chosen to integrate the D-BOX haptic systems into their simulators, including Kindred Concepts and Mercedes-Benz.

Simulation and Training

Simulation and training through haptics allows for the unique opportunity to improve safety by allowing operators to learn and practice new skills in a controlled environment without the risk of accidents, injuries, costly damage to expensive machinery and less environmental impact in many cases. The construction, automotive and military industries are three sectors in which the Company sees growth potential in simulation and training through haptics, and these sectors are reacting positively to the D-BOX haptic experience. Simulation and training revenues have grown steadily for D-BOX over the last three years, and market analysts' expectations for the overall industry are that it continue to grow.

3.2 Business Strategy

The Company engages in business activities within a single operating segment. D-BOX sells its products to OEMs including integrators, resellers and distributors. As it relates specifically to system sales revenues, the Company analyzes and discusses performance across two markets, the entertainment market and the simulation and training

[1] According to Global Market Insights (GMI): www.gminsights.com

market. D-BOX distributes the same products in both markets; however, it considers that these markets have a disproportionate effect on revenue, and therefore discuss them separately.

The entertainment market includes customers in theatrical entertainment, location-based entertainment centres (theme parks, arcades, museums, planetariums, etc.) and simulation video game peripherals (which includes sim racing and other simulation gaming customers). The simulation and training market includes customers in the automobile, transportation logistics, aviation and construction industries, as well as certain military customers.

Key components of the Company's business strategy in these markets are as follows:

- Increase market penetration in three key commercial markets: Theatrical, Sim racing, and Simulation and training;
- Continue to enhance and develop D-BOX's haptic motion technology in order to maintain our presence as a leader in immersive seated haptic experiences;
- Enter into business partnerships with market leaders in these markets to integrate the D-BOX haptic experience in their products and to commercialize new products and applications;
- Expand, drive growth and scale in existing markets by extending existing capabilities and infrastructure;
- Focus on operational excellence by controlling costs while continuing to provide leading haptic experiences.

4 FINANCIAL AND OPERATING HIGHLIGHTS

Highlights for the three month period ended December 31, 2024

- Total revenues increased 65% to $13.3 million compared with $8.1 million in the previous year.
- Rights for use, rental and maintenance revenues increased 123% to $3.2 million compared with $1.4 million in the previous year.
- System sales revenues increased 52% to $10.1 million compared with $6.7 million in the previous year.
- Net profit increased to $1.5 million compared with a $0.4 million net loss in the previous year.
- Adjusted EBITDA* increased to $2.6 million compared with $0.1 million in the previous year.
- The Company paid off the remaining balance of its BDC loan, in a series of payments totaling $0.9 million.
- The Company signed a 10 year lease extension renewal resulting in a $3.8 million lease liability and right of use asset.
- Cash and cash equivalent was $6.3 million as at December 31, 2024 compared with $2.9 million as at March 31, 2024.

Highlights for the nine month period ended December 31, 2024

- Total revenues increased 16% to $34.2 million compared with $29.4 million in the previous year.
- Rights for use, rental and maintenance revenues increased 34% to $8.8 million compared with $6.6 million in the previous year.
- System sales revenues increased 11% to $25.4 million compared with $22.8 million in the previous year.
- Net profit increased to $3.3 million compared with $0.5 million in the previous year.
- Adjusted EBITDA* increased 135% to $5.7 million compared with $2.4 million in the previous year.

(Amounts are in thousands of Canadian dollars)

	Three month periods ended December 31			Nine month periods ended December 31		
	2024	2023	Var. (%)	**2024**	2023	Var. (%)
Revenues	**13,299**	8,075	65 %	**34,178**	29,418	16 %
Net profit	**1,531**	(425)	460 %	**3,340**	473	606 %
Adjusted EBITDA*	**2,565**	90	2750 %	**5,733**	2,439	135 %
	As at December 31, 2024			**As at March 31, 2024**		
Cash and cash equivalents	**6,333**			2,916		

* See the "Non-IFRS Financial Performance Measures" in section 8.

5 OPERATING RESULTS

5.1 Revenues

The following table presents the revenue information for the three and nine month periods ended December 31, 2024, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three month periods				Nine month periods			
	2024	2023	Var. ($)	Var. (%)	**2024**	2023	Var. ($)	Var. (%)
Revenues from								
System sales								
Entertainment	**8,180**	4,496	3,684	82%	**19,194**	15,665	3,529	23%
Simulation and training	**1,956**	2,161	(205)	(9)%	**6,197**	7,180	(983)	(14)%
Total system sales	**10,136**	6,657	3,479	52%	**25,391**	22,845	2,546	11%
Rights for use, rental and maintenance	**3,163**	1,418	1,745	123%	**8,787**	6,573	2,214	34%
Total Revenues	**13,299**	8,075	5,224	65%	**34,178**	29,418	4,760	16%

Three month period ended December 31, 2024

For the three month period ended December 31, 2024, revenue increased 65% to $13.3 million compared with $8.1 million for the corresponding period in the previous year which was negatively impacted by the Hollywood work stoppage. The increase was largely due to the higher Entertainment system sales of $3.7 million, mainly driven by the theatrical market. We saw relative stability among sim racing customers and simulation and training customers as compared to the corresponding period in the previous year. The increase in theatrical customer system sales is primarily due to an increase of 51 net new screen installations during the period compared to 19 for the corresponding period in the previous year. These installations during the three-month period ended December 31, 2024, bring the total number of D-BOX screens to 1,006.

The remaining difference is explained by an increase in right for use, rental and maintenance revenues, which increased by 123% to $3.2 million from $1.4 million for the corresponding period in the previous year. The increase is primarily due to the strong results from Moana 2, Venom: The Last Dance, Sonic the Hedgehog 3 and Mufasa: The Lion King in D-BOX, as compared to a weaker movie slate in the corresponding period in the previous year. The movie slate combined with favorable movements in currency exchange rates resulted in the overall increase in right for use, rental and maintenance revenues. It's important to consider that this right for use, rental and maintenance revenues performance is heavily influenced by seasonality of the movie industry, and that these results may not be replicated in the following quarters.

Nine month period ended December 31, 2024

For the nine month period ended December 31, 2024, revenue increased 16% to $34.2 million compared with $29.4 million for the corresponding period in the previous year which was negatively impacted by the Hollywood work stoppage. The increase was largely due to an 11% increase in system sales, which is comprised of a $3.5 million increase in sales to theatrical and sim racing customers, offset by a $1.0 million decrease in simulation and training customers and a $1.0 million decrease to the direct to consumer ("DTC") customers. The remaining difference is explained by the 34% increase in rights for use, rental and maintenance revenues to $8.8 million compared with $6.6 million for the corresponding period in the previous year.

5.2 Gross Profit

The following table reconciles gross margin to gross profit for the three and nine month periods ended December 31, 2024:

(Amounts are in thousands of Canadian dollars)

	Three month periods		Nine month periods	
	2024	2023	**2024**	2023
Revenues	**13,299**	8,075	**34,178**	29,418
Gross profit	**6,687**	3,737	**17,666**	13,926
Gross margin*	**50%**	46%	**52%**	47%

* See the "Non-IFRS Financial Performance Measures" in section 8.

Three month period ended December 31, 2024

For the three month period ended December 31, 2024, gross profit increased to $6.7 million from $3.7 million for the corresponding period in the previous year. The increase is explained by the higher revenues and higher gross margin for the period ended December 31, 2024.

For the three month period ended December 31, 2024, gross margin increased to 50% from 46% for the corresponding period in the previous year. The increase in gross margin is due to the higher proportion (market mix) of rights for use, rental and maintenance revenues and the favorable impact from currency exchange rates in the period as compared to the corresponding period in the previous year.

Nine month period ended December 31, 2024

For the nine month period ended December 31, 2024, gross profit increased to $17.7 million from $13.9 million for the corresponding period in the previous year. The increase is explained by the higher revenues and higher gross margin for the period ended December 31, 2024.

For the nine month period ended December 31, 2024, gross margin increased to 52% from 47% for the corresponding period in the previous year. The increase in gross margin is due to the higher proportion (market mix) of rights for use, rental and maintenance revenues versus system sales revenues during the period as compared to the corresponding period in the previous year.

5.3 Operating Expenses

The following table presents operating expense information for the three and nine month periods ended December 31, 2024, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three month periods			Nine month periods		
	2024	2023	Var. (%)	**2024**	2023	Var. (%)
Selling and marketing	**1,810**	1,611	12%	**5,353**	5,060	6%
% of revenues	14%	20%		16%	17%	
Administration	**1,574**	1,579	–%	**4,994**	4,995	–%
% of revenues	12%	20%		15%	17%	
Research and development	**1,187**	932	27%	**3,277**	2,887	14%
% of revenues	9%	12%		10%	10%	
Foreign exchange loss (gain)	**470**	(110)	(527)%	**409**	12	3308%
% of revenues	4%	(1)%		1%	–%	
Total operating expenses	**5,041**	4,012	26%	**14,033**	12,953	8%
% of revenues	38%	50%		41%	44%	

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

For the three month period ended December 31, 2024, selling and marketing expenses increased by 12% to $1.8 million (14% of revenues) compared with $1.6 million (20% of revenues) for the corresponding period in the previous year. The increase was due primarily to an increase in employee salaries and benefits, as well as an increase in marketing initiatives and participation in trade shows and travel focused on the entertainment market.

For the nine month period ended December 31, 2024, selling and marketing expenses increased by 6% to $5.4 million (16% of revenues) compared with $5.1 million (17% of revenues) for the corresponding period in the previous year. The increase was due primarily to an increase in employee salaries and benefits, as well as an increase in marketing initiatives and participation in trade shows and travel focused on the entertainment market.

Administration: Administration expenses consist primarily of employee costs including share-based payments, IT infrastructure costs, insurance costs, audit fees, professional fees and other general and administration expenses.

For the three month period ended December 31, 2024, administration expenses remained stable at $1.6 million (12% of revenues in the current period and 20% of revenues for the corresponding period in the previous year). For the nine month period ended December 31, 2024, administration expenses remained stable at $5.0 million (15% of revenues in the current period and 17% of revenues for the corresponding period in the previous year).

Research and Development: Research and development expenses mainly include costs related to employees including share-based payments, amortization of property and equipment and intangible assets, other costs associated with enhancements to existing products, and the cost of adapting products to various international standards, less investment tax credits.

For the three month period ended December 31, 2024, research and development expenses increased by 27% to $1.2 million (9% of revenues) from $0.9 million (12% of revenues) for the corresponding period in the previous year. For the nine month period ended December 31, 2024, research and development expenses increased by 14% to $3.3 million (10% of revenues) from $2.9 million (10% of revenues) for the corresponding period in the previous year. In both cases the increase is due to projects related to the next generation of products and software development.

Foreign Exchange Loss (Gain): Foreign exchange loss results primarily from the fluctuation of the Canadian dollar relative to the U.S. dollar when translating U.S. dollar operations at the prevailing rate on the date of a transaction and the translation of U.S. dollar monetary assets and liabilities at the end-of-period rate. Foreign exchange loss includes the change in fair value of derivative financial instrument related to foreign exchange.

For the three and nine month periods ended December 31, 2024, foreign exchange loss amounted to $0.5 million and $0.4 million, respectively, compared to a $0.1 million foreign exchange gain and a foreign exchange loss of $0.0 for the corresponding periods in the previous year, respectively.

Government assistance: For the three and nine month periods ended December 31, 2024, the Company recognized government assistance from various governmental entities in the amount of $0.1 million and $0.4 million, respectively, compared to $0.2 million and $0.4 million for the corresponding periods in the previous year respectively.

5.4 Financial Expenses

For the three and nine month periods ended December 31, 2024, financial expenses net of interest income amounted to $0.1 million and $0.3 million, respectively, compared with $0.2 million and $0.5 million for the corresponding period in the previous year, respectively. These reductions are due to a reduction in the variable interest rate in some of the Company's credit facilities, as well as, a reduced usage of the line of credit throughout the current year, as compared to the previous year.

5.5 Income Taxes

With respect to accounting for future income taxes, the Company has concluded that a valuation allowance equal to its future income tax assets should be recorded. Income tax expenses, when incurred, are related to D-BOX's international operations in different countries and different foreign rules of taxation.

5.6 Net Profit

Net profit for the three and nine month periods ended December 31, 2024, amounted to $1.5 million (basic and diluted net profit per share of $0.007) and $3.3 million (basic and diluted net profit per share of $0.015), respectively, compared with a $0.4 million net loss (basic and diluted net loss per share of $0.002) and $0.5 million (basic and diluted net profit per share of $0.002) for the corresponding period in the previous year, respectively.

6 QUARTERLY DATA

Operating results for each of the past eight quarters are shown in the table below:

(Amounts are in thousands of Canadian dollars, except number of shares and per-share data)

	FY 2025			FY 2024				FY 2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
System sales	**10,136**	8,929	6,326	8,053	6,657	8,708	7,480	8,482
Rights for use, rental and maintenance	**3,163**	3,188	2,436	2,126	1,418	2,144	3,011	1,930
Total Revenues	**13,299**	12,117	8,762	10,179	8,075	10,852	10,491	10,412
Adjusted EBITDA*	**2,565**	2,905	263	619	90	1,092	1,257	648
Net profit (loss)	**1,531**	2,125	(316)	620	(425)	402	496	(115)
Basic and diluted net profit (loss) per share	**0.007**	0.010	(0.001)	0.003	(0.002)	0.002	0.002	(0.001)
Weighted average number of common shares outstanding (in thousands)	**220,381**	220,227	220,227	220,227	220,227	220,227	220,227	220,226

* See the "Non-IFRS Financial Performance Measures" in section 8.

7 LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

The following table shows certain selected significant financial information from the consolidated balance sheets as at December 31, 2024 and March 31, 2024:

(Amounts are in thousands of Canadian dollars)

	As at December 31, 2024	**As at March 31, 2024**
Cash and cash equivalents	**6,333**	2,916
Inventories	**5,785**	7,188
Total assets	**27,527**	20,936
Total current liabilities	**7,205**	6,820
Total liabilities	**11,841**	8,806
Equity	**15,686**	12,130

Working capital increased $3.0 million to $13.0 million as at December 31, 2024, from $10.0 million as at March 31, 2024. This is due to an increase in cash flows provided by operations during the period, resulting in increased cash at December 31, 2024.

Current liabilities increased $0.4 million to $7.2 million as at December 31, 2024. The variation is attributable to the increase of derivative financial instruments of $0.6 million, partially offset by the decrease in the current portion of long term debt. The increase in the derivatives is due to the increase in foreign exchange since March 31, 2024 affecting certain foreign exchange contracts. Total liabilities increased $3.0 million due to the signature of a lease renewal during the period, resulting in a lease liability of $3.8 million, along with a right-of-use asset in the same amount. As at December 31, 2024, long-term debt, including the current portion, stood at $1.3 million, versus $2.5 million as at March 31, 2024. The decrease is due to payments made to pay off the BDC debt which had variable interest affecting the Company's cash flows.

Equity increased $3.6 million to $15.7 million as at December 31, 2024, from $12.1 million as at March 31, 2024. The increase resulted mainly from the $3.3 million net profit for the period ended December 31, 2024.

The following table shows selected significant financial information for the nine month periods ended December 31, 2024, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Nine month periods ended December 31	
	2024	2023
Cash flows provided by operating activities	**5,288**	2,624
Cash flows used in investing activities	**(629)**	(849)
Cash flows used in financing activities	**(1,256)**	(2,417)

For the nine month period ended December 31, 2024, net change in cash and cash equivalents totaled $3.4 million cash generated compared to $0.7 million cash used for the corresponding period in the previous year.

7.1 Operating Activities

For the nine month period ended December 31, 2024, cash flows provided by operating activities totaled $5.3 million compared with $2.6 million for the corresponding period in the previous year. This $2.7 million variance in cash flow from operating activities is mainly attributable to the $2.9 million increase in net profit as compared to the corresponding period in the previous year. The remaining difference is related to timing differences in changes to working capital items.

7.2 Investing Activities

For the nine month period ended December 31, 2024, cash flows used in investing activities amounted to $0.6 million compared with $0.8 million for the corresponding period in the previous year.

7.3 Financing Activities

For the nine month period ended December 31, 2024, cash flows used in financing activities amounted to $1.3 million compared with $2.4 million for the corresponding period in the previous year. The decrease in cash used is due to a reduction of repayments of the credit facility and long-term debt.

As at December 31, 2024, the effective interest rate of long-term debt was 2.32% (11.05% as at December 31, 2023). For the nine month period ended December 31, 2024, the interest expense on long-term debt charged to net profit amounted to $0.1 million compared with $0.2 million for the corresponding period in the previous year.

8 NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance. The two non-IFRS performance measures are described as follow:

1. EBITDA represents earnings before interest and financing, income taxes and depreciation and amortization. Adjustments to EBITDA are for items that are not necessarily reflective of the Company's underlying operating performance. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other issuers. Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. The following table reconciles adjusted EBITDA to net profit:

(Amounts are in thousands of Canadian dollars)

	Three month periods		Nine month periods	
	2024	2023	**2024**	2023
Net profit	**1,531**	(425)	**3,340**	473
Amortization of property and equipment	**296**	286	**813**	848
Amortization of intangible assets	**134**	187	**416**	571
Financial expenses	**104**	152	**272**	493
Income taxes	**11**	(2)	**21**	7
Share-based payments	**19**	2	**57**	35
Foreign exchange (gain) loss	**470**	(110)	**409**	12
Restructuring costs	**–**	–	**405**	–
Adjusted EBITDA	**2,565**	90	**5,733**	2,439

2) Gross margin is used to evaluate the Company's capacity to generate funds through product sales by considering the cost of these products (see the reconciliation table in section 5.2).

9 FULLY DILUTED SHARE CAPITAL (FEBRUARY 12, 2025)

	Class A common shares
Class A common shares outstanding	221,876,573
Convertible instruments	
Stock-options outstanding	5,717,500
Restricted/deferred share units outstanding	2,534,523
	230,128,596

10 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") STRATEGY

The Company is committed to conducting its business in an ethical, legal and socially responsible manner, with an ever more responsible approach by promoting, accelerating, and facilitating the integration of sustainable development principles into its business model.

ESG matters are interwoven with each other and must be addressed by all responsible corporate citizens. The Company recognizes that ESG has gained a greater importance among investors, policymakers, and other key stakeholders because it is seen as a way to safeguard businesses from future risks. The three pillars of ESG for D-BOX are as follows:

> *'E' or Environmental* pertains to the Company's energy use, waste, pollution, and natural resource conservation;
>
> *'S' or Social* looks at how the Company interacts with communities where it operates, and the Company's internal policies related to labour, diversity and inclusion policies, among others;
>
> *'G' or Governance* relates to internal practices and policies that lead to effective decision making and legal compliance. ESG facilitates the Company's top-line growth in the long run, attracts talent, reduces costs, and forge a sense of trust amongst consumers.

D-BOX has taken a proactive approach by adopting policies and behaviours pertaining to environment and sustainability, wellbeing, diversity and ethics. These policies and behaviours are described in the Annual Information Form (AIF) dated May 30, 2024, which is available on www.sedarplus.ca.

11 RISK AND UNCERTAINTIES

Due to the international nature of our business, we are exposed to political, economic, and regulatory changes that could impact our future revenue, costs, expenses, and overall financial condition. Our performance is highly sensitive to global economic conditions and the demand for technology hardware and software, along with continued access to the markets in which we operate. Adverse macroeconomic conditions—such as changing tariff structures, interest rates, or recessionary concerns —could negatively affect our financial performance.

Investors should carefully analyze the following risk factors in addition to the other information contained in our Annual Information Form. These risks and uncertainties are not the only ones that could affect the Corporation. Further risks and uncertainties that are currently unknown or that the Corporation deems immaterial could potentially have an impact on the commercial activities of the Corporation and lower the price of its shares. The materialization of any of the following risks may have an impact on the activities of the Corporation and a negative impact on its financial position and operating results. In that event, the price of the Corporation's shares may decrease.

1. Dependence on Suppliers
2. Political, social, and economic conditions including new tariff barriers
3. Concentration of Clients
4. Performance of Content
5. Access to Content
6. Credit Risk
7. Strategic Alliances
8. Competition
9. Technology Standardization
10. Future Funding Requirements

11. Indebtedness
12. Global Health Crises
13. Distribution Network
14. Exchange Rate between the Canadian Dollar and U.S. Dollar
15. Warranty, Recalls and Claims
16. Dependence on Key Personnel and Labour Relations
17. Legal, Regulatory and Litigation
18. Intellectual Property
19. Security and Management of Information
20. Reputational Risk through Social Media

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's Annual Information Form (the "AIF") dated May 30, 2024, which is available on www.sedarplus.ca. This document should be read together with such risk factors described in the 2024 AIF, which are hereby incorporated by reference.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

During the three month period ended December 31, 2024, there were no changes in the Company's internal control over financial reporting that materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

13. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at February 12, 2025. Additional information can be found on the SEDAR website at www.sedarplus.ca.

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, whether in text or graphical form, are owned by the Company and in most cases are registered or in the process of being registered in Canada and in the countries or territories in which these trademarks are used.

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