

Consolidated Financial Statements -Second Quarter 2002 Management's Discussion and Analysis

Sales and Net Income

Automodular Corporation ("Automodular") had sales of \$27.9 million for the 6 months ended June 30, 2002, compared to sales of \$26.5 million for the similar period in 2001. Net income was \$2.9 million versus \$1.7 million last year. Earnings per share were \$0.15 in 2002 compared to \$0.16 in 2001.

Interest (Income) Expense

Interest expense of \$115,490 compares to \$290,408 for the 6 months ending June 30, 2001. All bank debt has been repaid as of March 31, 2002.

Liquidity and Capital Resources

Cash provided from operating activities of \$4.1 million for the current fiscal period compared to \$3.6 million in the previous year, excluding changes in non-cash working capital.

Capital Expansion

Total expenditures in this fiscal period amounted to \$1.7 million compared with \$0.3 million in the same period in 2001. Most of the capital was expended to fund the move to Automodular's new Whitby, Ontario plant from vacated facilities in Pickering, Ontario.

Cash

At June 30, 2002, Automodular's net cash position (cash and equivalents less bank debt) was \$16.3 million compared to \$14.4 million at December 31, 2001. Automodular repaid all short and long term debt outstanding in the previous period.

Dividends

Automodular paid a dividend of \$0.07 on June 27, 2002. At the Board Meeting of October 26, 2001 the Directors approved a policy of paying regular quarterly dividends and set the rate at \$0.07 per quarter. The Directors declared a regular quarterly dividend of \$0.07 payable September 26, 2002, to shareholders of record September 12, 2002.

Equity

Shareholders' equity totaled \$39.4 million at June 30, 2002, versus \$38.7 million at December 31, 2001.

Outlook

Automodular expects the balance of the year to be profitable.

The Company and its representatives periodically make written and oral statements, included those contained in the Annual Report, which may pertain to the Company or the environment in which Automodular operates. By their nature, forward-looking statements are subject to risks and uncertainties, which could result in actual performance or conditions being materially different from anticipated results.

Readers should not place undue reliance on these forward-looking statements when making decisions and should consider the date to which the statements were made. Except as required by applicable security law, management disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise