MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL POSITION

For the Years Ended December 31, 2013 and 2012

This Management Discussion and Analysis ("MD&A") was prepared as of March 6, 2014 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2013 and 2012 together with the notes thereto. The MD&A discusses our performance and financial condition, provides an update on financial and non-financial developments during the past year and addresses future prospects.

BASIS OF PRESENTATION

Automodular Corporation is a Canadian-based company and our accounting policies are in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are shown in Canadian dollars unless otherwise indicated. References to "Automodular" or to "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries, as well as its special purpose entity, unless the content indicates otherwise.

COMPANY AND INDUSTRY OVERVIEW

Automodular's primary business is the sequencing and sub-assembly of modules for installation in final products being assembled by the Original Equipment Manufacturer ("OEM"). This service has been provided within the automotive sector and, in fiscal 2012, the renewable energy sector. The nature of the service does not change significantly depending on the end product or industry to which the service is provided.

With respect to the automotive sector, Automodular uses component parts to sub-assemble complicated modules, such as an instrument panel or a radiator support, for installation in vehicles being assembled by its customer in Ontario. In addition, Automodular provides sequencing services such that the sub-assembled modules arrive at Ford Motor Company's ("Ford") final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they are to be installed.

With respect to the renewable energy sector, Automodular sub-assembled certain components to be used in wind turbine units. This contract was successfully completed in the fourth quarter of 2012 and the Company is actively engaged in efforts to secure additional contracts in this sector.

All of our business is contract business. We are asked to bid on contracts to supply sub-assembled modules by the OEM. In the Automotive sector, these contracts are usually quoted on and awarded prior to the launch of the vehicle and are typically for periods from three to five years, although they are generally terminable by the customer at any time. Our Company ships components for each vehicle being assembled on the assembly line – from the very first vehicle to the last. While operating, we receive orders every forty seconds and ship completed assemblies typically within two hours of receiving the respective orders. Given the tight timeline, each Automodular facility is generally located within twenty kilometers of the final assembly plant which it serves. We are an integral part of the supply chain and fundamental to the cost-efficient final assembly of vehicles.

Our success has historically been based on our ability to deliver defect-free modules to the final assembly plant of the OEM on time, every time, at a cost that makes it more profitable for our customers to use our services rather than doing the work themselves or awarding the business to one of our competitors.

At the date of this MD&A, we employ approximately 525 people at our two operating facilities in Oakville, Ontario. Throughout 2013 we operated approximately 0.5 million (2012 – 0.5 million) square feet of plant space and provided sequencing and sub-assembly services for 0.3 million (2012 – 0.3 million) vehicles to Ford.

The Company's current automotive contracts are for the following Ford vehicle platforms located in Oakville, Ontario:

Ford Edge
Lincoln MKX
Ford Flex
Lincoln MKT

The automotive industry has experienced substantial changes since the economic downturn experienced in 2008. The impact of these changes to the sub-assembly and sequencing work that we perform for OEMs has been considerable. Our success is based on our ability to deliver defect-free modules to the final assembly plant on time, every time, at a cost that makes it more profitable for our customers to use our services rather than doing the work themselves or awarding the business to one of our competitors. Following the economic downturn, concessions were provided by organized labour to the OEMs, which resulted in the OEMs having the ability to hire new workers with total compensation packages that in many cases were lower than what we offer our workforce. As such, the differential between our fully loaded labour rate and that of our customers is smaller than it once was. As a result of the rationalization of costs described above, many OEMs have additional capacity in their existing facilities. We have seen a trend towards OEMs keeping work in house and upon contract expiries seeking to bring outsourced work back into the final assembly plant. This has resulted in a reduction in future opportunities and the volume of new bids that we are being asked to consider is minimal.

On May 14, 2013 Automodular was informed by its only automotive customer Ford that, at the end of 2014, they intend to insource the work currently being performed by Automodular. Ford noted that this decision was a strategic one; they view the modules that Automodular assembles to be "core" to the assembly of a vehicle and their goal is to try to have all core modules assembled in their final assembly plants. As such, the Company expects to wind down its Oakville operations on the expiry of its commercial agreement with Ford.

In 2012, Automodular was also engaged in the sub-assembly in Ontario of certain wind turbine components for the renewable energy industry. The wind turbine units were sub-assembled in compliance with rules under the Province of Ontario's Feed-In Tariff ("FIT") Program. At the peak of the contract, the Company engaged forty personnel at its Brantford facility. The Vestas contract represented approximately 25% of the Company's gross revenues for 2012 and approximately 80% of the Company's revenue under this contract related to the purchase of materials as directed by the customer. The contract represented a step forward into a new industry for Automodular. Automodular's experience in producing high quality products in a prompt and reliable manner was instrumental in obtaining this contract.

2013 OVERVIEW

2013 was a very challenging year for Automodular. The Company's Oakville operations continued to benefit from the strong demand for the vehicles assembled by Automodular for Ford's Oakville assembly plant. However, as previously noted, the Company was advised by Ford that they intended to insource the business at the end of 2014. Our workforce should be commended for their commitment to the Company and their ability to maintain their focus and continue to meet Ford's expectations in spite of the disappointing news from Ford. At the end of 2014, Automodular expects to close its two remaining Oakville, Ontario facilities. The financial impact of the closure is estimated to be a total before tax charge of approximately $8.3 million recognized over 2013 and 2014. Automodular has recorded net exit costs before taxes of $4.3 million in the current year. These costs relate primarily to the Company's contractual and statutory severance obligations to its hourly and salaried work force. Additional information related to this is provided below and in Note 9 to the consolidated financial statements.

Sales decreased from $116.0 million in 2012 to $84.6 million in 2013. Sales in 2012 were bolstered by the inclusion of the renewable energy contract. Overall gross margin decreased to $18.1 million from $26.3 million in 2012. Automodular reports net earnings for the current year of $10.4 million or $0.52 per share compared to $16.8 million or $0.83 per share in 2012.

Other significant events in 2013 included the following:

- In January 2013, following a review of its dividend policy, Automodular's Board of Directors elected to maintain the Company's regular quarterly dividend at $0.06 per share per quarter. Automodular paid a $0.06 per share regular quarterly dividend on March 4th, June 6th, September 3rd and December 5th.
- During the third quarter**,** The Board of Directors approved the renewal of the Company's Normal Course Issuer Bid ("NCIB"). Under the terms of the renewal, Automodular may acquire up to 1,552,790 common shares, which represents 10% of the public float of Automodular's common shares issued and outstanding as of August 12, 2013, as defined by the policies of the Toronto Stock Exchange. During 2013, under the original and renewal NCIB, Automodular purchased for cancellation a total of 833,945 common shares for total consideration of $1.5 million.
- Automodular paid a special dividend of $0.10 in addition to its regular quarterly dividend for the fourth quarter of 2013.
- During the fourth quarter, Automodular signed an extension agreement with Ford that extends Automodular's existing commercial agreement with Ford to December 23, 2014. The general framework of the agreement is in keeping with Automodular's existing multi-year agreement. As part of the agreement, Ford has provided certain production and price-related assurances and will fund Automodular's incremental closure costs related to this extension. In conjunction with the signing of the agreement with Ford, Automodular announced a one-year labour extension agreement for its Oakville area workers with Unifor (formerly the National Automobile, Aerospace, Transportation & General Workers Union of Canada ("CAW")). The existing labour agreement was set to expire on June 30, 2014. The extension provides for a signing bonus and improvements in severance entitlements.
- During the fourth quarter, the Company announced the addition of Parsa Kiai to its Board of Directors. Mr. Kiai resides in New York, USA and is the Managing Partner and Portfolio Manager of Steamboat Capital Partners, LLC ("Steamboat"). Automodular was approached earlier in 2013 by Mr. Kiai and Bo Shan of California, USA, Founder and Portfolio Manager of Gobi Capital, LLC ("Gobi") requesting Board representation. On a combined basis, Steamboat and Gobi hold 1,345,800 shares, representing approximately 6.9% of the outstanding common shares of Automodular. In connection with Mr. Kiai joining the board, he and Mr. Shan as well as Steamboat and Gobi have entered into customary standstill arrangements that will expire at the close of the Company's 2015 annual meeting unless earlier terminated, including in the event that Mr. Kiai resigns from the board. Mr. Kiai brings considerable US investment experience and contacts to the Board of Directors.

RISK FACTORS

Following are some of the more significant risks that could impact the Company and its future results:

Dependence upon key customers and contract expiries

At the date of this MD&A, all of the Company's sales are from its contracts with Ford. As noted earlier, these contracts are scheduled to terminate in December of 2014. If Automodular does not secure new business either organically or through acquisition in 2014, the Company will cease to have active operations when it closes its Oakville facilities.

Industry risk
The automotive industry is cyclical and influenced by various economic and political factors that include interest rates, consumer demand and international conflicts. OEMs are susceptible to declines in production volumes as a result of rising interest rates, general economic downturns, rising fuel prices, legislative changes, environmental concerns, emissions and safety issues, labour and/or trade disruptions and other variables.

As a result of Ford's decision to insource the work currently being performed by Automodular, the Company's exposure is limited to the impact of the above factors on production volumes in the 2014 year alone. The commercial extension previously referenced includes certain terms and conditions to help mitigate certain risks.

The renewable energy industry is similarly competitive and is impacted by factors such as changes in political parties and existing incentive programs and pricing for conventional sources of energy. The Canadian wind energy industry consists of retailers, distributors, wind turbine component manufacturers and developers backed by large energy firms, industrial companies and income funds that bring with them financial resources and commercial credibility. The rapid growth of Canada's wind energy industry has resulted in a growing number of manufacturing firms entering the market. However, the fact that Automodular's Vestas contract was for the sub-assembly of components for wind turbines whose purchase had already been committed to under the existing FIT program helped mitigate the risk to Automodular.

For further discussion relating to changes in the automotive industry over the past three years, please refer to the "*Company and Industry Overview*" above.

Inventory risk
In respect of its automotive sequencing and sub-assembly business, Automodular does not take title to any materials incorporated into its assemblies; the Company has responsibility for process but not parts design. On the other hand, pursuant to its 2012 contract with Vestas to provide sub-assembly services in the renewable energy sector, Automodular did purchase and take title to materials as directed by Vestas and bore the risk of loss thereof. Such materials were purchased from a list of approved suppliers and were incorporated in the wind turbine components sold to Vestas or to persons approved by Vestas.

Program delays
From time to time, the Company may expand its production capacity by leasing new premises and/or contracting for the construction of new facilities to accommodate the award of new business from the Company's customers. There can be no assurance that the Company will be able to lease new facilities on reasonable terms, if at all. Furthermore, the construction of new facilities also involves a number of areas of operational and financial risk such as construction delays and delays associated with the installation, testing and start-up of new production equipment or manufacturing processes. Since many new facilities are leased and/or constructed to accommodate the launch of new customer production programs, the Company risks delays in program launches if it is unable to lease and/or construct new facilities as required.

Product warranty, recall and liability risk
OEM manufacturers are asking more and more that each of their suppliers bears the costs of the repair and replacement of defective products which are either covered under a manufacturer's warranty or are the subject of a recall by the manufacturer. The obligation to repair or replace such parts, or a requirement to participate in a product recall, could have an adverse effect on the Company's operations and financial condition. Historically, Automodular has not been exposed to any significant costs in this regard.

Labour relations matters

All of the Company's hourly employees working in its automotive operations are subject to collective bargaining agreements and Automodular has not experienced any material labour relations disputes to date. Production may be affected by work stoppages and labour-related disputes, which may not be resolved in the Company`s favour and which may have a material adverse effect on the Company`s operations.

Dependence upon key personnel

The success of the Company is dependent on the services of its senior management team which includes the Chief Executive Officer, the Vice-Presidents and the Operations Managers. The experience and talents of these individuals will be a significant factor in the Company's continued success and growth. Although the Company engages in succession planning, the loss of one or more of these individuals without adequate replacement measures could have a material adverse effect on the Company's operations and business prospects. The Company maintains key man life insurance on the current CEO and all of its Vice-Presidents in the amount of $2.0 million.

Limited financial resources/uncertainty of future financing/banking

The Company is engaged in a capital-intensive business and its financial resources are less than the financial resources of some of its competitors. There can be no assurance that, if, as and when the Company seeks additional equity or debt financing, the Company will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all. Additional equity financings may result in substantial dilution to existing shareholders.

Potential litigation

Although the Company is unaware of any material claims against it, there can be no assurance that third parties will not assert claims against the Company in the future or that any such assertion will not result in costly litigation, or a requirement that the Company enter into costly settlement arrangements.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the years ended December 31, 2013 and 2012 are as follows:

(thousands of Canadian dollars)	**2013 $**	**% of sales**	**2012 $**	**% of sales**
Sales	84,613	100.0%	115,953	100.0%
Cost of sales	62,282	73.6%	89,703	77.4%
Exit costs	4,272	5.1%	-	0.0%
Gross margin	18,059	21.3%	26,250	22.6%
General and administrative expense	4,775	5.6%	4,380	3.7%
Interest (income), net	(219)	(0.3)%	(100)	(0.1)%
Other expense (income)	(150)	(0.1)%	(488)	(0.4)%
Earnings before income taxes:	13,653	16.1%	22,458	19.4%
Income taxes	3,290	3.9%	5,678	4.9%
Net earnings attributable to the shareholders	**10,363**	**12.2%**	**16,780**	**14.5%**

SALES

Automodular's sales decreased from $116.0 million in 2012 to $84.6 million in 2013. The Company's renewable energy contract contributed significantly to sales in 2012. Sales during 2013 did not include any amounts under this contract, as the contract was successfully completed during the fourth quarter of 2012.

COST OF SALES

Labour and related costs, materials, transportation and facility-related costs and depreciation comprise the majority of these costs.

Cost of sales decreased by $27.4 million from $89.7 million in 2012 to $62.3 million in 2013 primarily due to the 2012 inclusion of the Company's renewable energy contract which required Automodular to purchase materials as directed by the customer.

Depreciation decreased from $7.1 million in 2012 to $6.4 million in 2013 following a change in the estimated useful lives of the equipment during the current year.

EXIT COSTS

Exit costs in the current year, recognized net of the anticipated recoveries from Ford, totalled $4.3 million and primarily reflect the Company's severance obligation to its hourly and salaried workforce, as outlined in the Collective Agreement and the Company's statutory severance obligation, respectively. These obligations relate to the anticipated closure of the Company's two remaining Oakville facilities. There were no exit costs recognized during 2012.

GROSS MARGIN

Gross margin decreased from $26.3 million in 2012 to $18.1 million in 2013. On a percentage basis, the gross margin is only slightly lower than in 2012. The lower margin resulting from the recognition of exit costs in 2013 was largely offset by the 2012 inclusion of customer directed material purchases that had nominal markups under the renewable energy contract.

GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses were $0.4 million higher in 2013 compared to 2012 predominately due to increased costs related to the GM litigation and expenditures relating to diversification initiatives.

INTEREST (INCOME), NET

During 2013, the Company realized net interest income of $0.2 million, compared to having earned $0.1 million of interest income during 2012. The Company generated additional interest income on higher cash balances held and diversified its cash management portfolio in an effort to secure increased yields.

OTHER (INCOME)

In 2012, the amount of $0.5 million relates mainly to a realized gain recorded on the sale of certain investments as well as foreign exchange gains realized on U.S. denominated transactions. The income earned during 2013 predominately relates to a realized gain on the disposal of the Company's remaining investments.

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes of $13.7 million compares to $22.5 million in 2012. The reasons for the change year-over-year have been previously discussed.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(All numbers in thousands except per share amounts)

	2013					**2012**			
	Q1	**Q2**	**Q3**	**Q4**		**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$		$	$	$	$
Sales	21,808	21,939	20,213	20,653		23,818	29,701	35,359	27,075
Net earnings	3,637	774	2,469	3,483		3,631	4,388	4,243	4,518
Per share (basic)	0.18	0.04	0.12	0.18		0.18	0.22	0.21	0.22
Per share (diluted)	0.18	0.04	0.12	0.18		0.18	0.21	0.21	0.22

In the automotive industry, the first and second quarters of the year typically generate higher earnings than the third and fourth quarters because there are a greater number of non-production days (statutory holidays and in the third quarter generally a two-week closure for summer shutdown) in the latter half of the year. However, our results over the last couple of years have not necessarily reflected this trend as a result of increased vehicle demand and resultant higher volumes and in 2012 as a result of the Vestas wind energy contract which entered full production during the first quarter and carried through to the beginning of the fourth quarter of 2012. The Q2 2013 results were also negatively impacted by the recognition of exit costs following Ford's announcement to Automodular of its intention to insource the work currently being carried out by Automodular at the end of 2014.

FOURTH QUARTER

(thousands of Canadian dollars)	**2013 $**	**% of sales**	**2012 $**	**% of sales**
Sales	20,653	100.0%	27,075	100.0%
Cost of sales	14,827	71.8%	20,213	74.7%
Exit costs	272	1.3%	-	0.0%
Gross margin	5,554	26.9%	6,862	25.3%
General and administrative expense	1,368	6.6%	1,303	4.7%
Interest (income), net	(72)	(0.3)%	(7)	0.0%
Other (income)	(12)	(0.1)%	(126)	(0.4)%
Earnings before income taxes:	4,270	20.7%	5,692	21.0%
Income taxes	787	3.8%	1,174	4.3%
Net earnings for the period, attributable to the shareholders	**3,483**	**16.9%**	**4,518**	**16.7%**

Sales of $20.7 million in the fourth quarter of 2013 were lower than the $27.1 million generated in the fourth quarter of 2012 primarily as a result of the 2012 inclusion of the renewable energy contract as previously described as well as lower production volumes in the Company's automotive operations in the fourth quarter of 2013.

The gross margin percentage is higher in 2013 due to the inclusion of the renewable energy contract in 2012. As previously discussed, this contract included the purchase of materials as directed by the customer.

Fourth quarter earnings before income taxes of $4.3 million in 2013 compare to $5.7 million in the same period of 2012. Fourth quarter 2013 results were impacted by the recording of exit costs relating to the expected Oakville closure. Earnings before income taxes were also impacted by lower automotive production volumes in 2013 compared to 2012 and the contribution from the renewable energy contract in 2012.

Net earnings for the fourth quarter of 2013 were $3.5 million compared to $4.5 million in the same quarter of 2012 for the reason discussed above.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

(thousands of Canadian dollars)	**2013** **$**	**2012** **$**
Operating Activities		
Net earnings	10,363	16,780
Income taxes (paid)	(7,028)	(8,600)
Pension contribution	(54)	(54)
Items not involving current cash flows	13,185	6,151
Non-cash working capital	2,733	6,844
Net cash provided by operating activities	**19,199**	**21,121**

Net cash provided by operating activities has decreased predominately due to the timing of working capital related cash flows, particularly those relating to trade and other receivables. This was partially offset by lower income tax payments made during the year.

Investing activities

(thousands of Canadian dollars)	**2013** **$**	**2012** **$**
Investing Activities		
Purchase of plant and equipment, net	(479)	(2,012)
Proceeds on disposal of investments	169	540
Interest received on cash and cash equivalents	229	113
Net cash used in investing activities	**(81)**	**(1,359)**

Net purchases of plant and equipment (purchases less proceeds on dispositions) decreased by $1.5 million as capital purchases to support Ford directed changes were significantly lower in 2013 than in 2012.

Automodular sold its remaining investment portfolio in 2013.

Financing activities

(thousands of Canadian dollars)	2013 $	2012 $
Financing Activities		
Repurchase of shares under normal course issuer bid	(1,506)	(348)
Dividends paid	(6,712)	(8,880)
Repayment of long-term liabilities	-	(340)
Interest paid	(10)	(13)
Net cash used in financing activities	**(8,228)**	**(9,581)**

Automodular repurchased and cancelled 833,945 shares under the normal course issuer bid during 2013 compared to 180,830 shares repurchased and cancelled during 2012.

Automodular paid total dividends of $0.34 per share during the current year. In 2012, dividends of $0.44 per share were paid.

During 2012, the Company repaid its remaining capital leases. As at December 31, 2012, the Company no longer had any long-term indebtedness. The Bank of Nova Scotia continues to hold a first charge on the Company's assets, properties and undertakings. This was kept in place to facilitate any future funding requirements in an expedient fashion.

FINANCING RESOURCES

Automodular's cash and cash equivalents on hand at year-end totaled $35.9 million compared to $25.0 million at the end of 2012. Automodular enters 2014 with a strong statement of financial position and expects that its cash on hand and expected cash flows from operations are sufficient to fund the operating needs of the Company during the 2014 fiscal year while, at the same time, providing flexibility to fund potential new diversification initiatives.

OFF BALANCE SHEET FINANCING

The Company's off balance sheet financing includes operating lease commitments. Total commitments are set out in the chart below under *"Contractual Obligations Due by Year"* and total $7.5 million.

DERIVATIVE FINANCIAL INSTRUMENTS

Automodular does not have any derivative financial instruments outstanding. The Company does not enter into foreign exchange contracts for speculative purposes.

CONTRACTUAL OBLIGATIONS DUE BY YEAR

(thousands of Canadian dollars)	2014 $	2015 $	2016 $	2017 $	Thereafter $
Operating leases	3,014	2,665	1,193	666	-

Certain of the operating leases referred to above contain exit clauses where, if exercised, the Company's future contractual obligations may be reduced.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from $40.8 million to $43.2 million at December 31, 2013. The increase is primarily a result of strong operating results offset by the payment of dividends and the repurchase of the Company's shares.

OUTSTANDING SHARE DATA

(All numbers in thousands except share amounts)

	December 31, 2013		**December 31, 2012**	
	Outstanding	**Amount**	**Outstanding**	**Amount**
	#	**$**	**#**	**$**
Common shares	19,378,904	42,348	20,212,849	44,174

The above figures represent the gross shares outstanding inclusive of the one treasury share held in the long-term incentive plan.

From December 31, 2013 to the date of this filing, there has been no change in the number of shares issued and outstanding.

RELATED PARTY TRANSACTIONS

In January, 2012, Automodular entered into a consulting contract with a company controlled by a former director of the Company. The contract was for a fixed rate of $15 thousand per month and could be terminated by either party with 30 days advanced written notice. The contract was terminated by the related party during the third quarter of 2012.

GM LITIGATION UPDATE

Automodular has commenced a claim in the Ontario Superior Court of Justice (the "Claim") against General Motors Company and General Motors of Canada Ltd. (collectively, "GM"), and Inteva Products, LLC and Inteva Products Canada ULC (collectively, "Inteva"). The Claim relates to a contract (the "Contract") between GM and Automodular for the sequencing and sub-assembly of components and modules for the Chevrolet Camaro. By letter dated April 13, 2010, GM terminated the Contract effective September 20, 2010. GM then entered into a contract with Inteva for the same work that Automodular was performing under the Contract. Automodular alleges that GM's termination of the Contract was wrongful and in breach of the Contract. Automodular is claiming $20 million against GM for breach of contract and against Inteva for inducing breach of contract. Automodular is also seeking punitive damages in the amount of $5 million. The statement of claim was issued on May 13, 2011 and served upon GM and Inteva; the defendants have subsequently delivered statements of defence contesting the claims. The parties have exchanged documentary productions and have conducted initial oral examinations for discovery. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM or Inteva.

U.S. SHAREHOLDER INFORMATION UPDATE

Based on results of its analysis, Automodular has concluded, for the year ended December 31, 2013, that it meets the definition of a Passive Foreign Investment Corporation ("PFIC") as defined in the Internal Revenue Code. The U.S. tax laws regarding PFICs are extremely complex and shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their respective investment in, and ownership of shares of Automodular under United States federal, state, local and foreign law.

2013 RECAP AND OUTLOOK

The forward-looking statements below are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements. Automodular has from time to time provided a financial outlook in its filings but effective the third quarter of 2008, determined it was not appropriate to provide outlook guidance. Please review our forward-looking statement disclaimer at the end of this MD&A which includes a list of material factors and assumptions applied in providing these forward-looking statements.

2013 was a very challenging year for Automodular. During the second quarter of 2013, the Company was informed by Ford that it had elected to insource, at the end of 2014, the work currently being carried out by Automodular. Despite this unfortunate news, 2013 operating performance was robust and Automodular's consolidated statement of financial position remains strong. Net earnings of $10.4 million in 2013 compared to 2012 net earnings of $16.8 million. Operating results in 2012 benefited from the inclusion of earnings under the renewable energy contract. Operating results for 2013 were reduced by the recognition of a pre-tax $4.3 million charge for exit costs relating to the expected closure of Automodular's Oakville facilities.

In the fourth quarter, the Company announced the signing of an extension agreement with Ford. This agreement would have Automodular continue to provide its existing services to Ford until December 23, 2014. The agreement contains certain production and price-related assurances and results in Ford funding Automodular's incremental closure costs relating to the extension. In conjunction with the signing of the commercial extension, Automodular finalized a one-year extension of its existing labour agreement with Unifor for its Oakville-area employees. The agreement provided for a signing bonus and certain enhancements in severance entitlements for its hourly workforce.

Following the expiry of the commercial extension, Automodular expects to close its two Oakville automotive facilities and sever its related workforce. The financial impact of the closure is estimated to be an after tax loss of approximately $6.3 million. Automodular has recorded net exit costs before tax of $4.3 million in the current year. Automodular expects to recognize the remaining exit costs in 2014 as our communication plan is finalized and shared with our salaried employees and as facility and other related closure costs are incurred. Given the long lead time before the insourcing of the work by Ford, it is expected that the total closure cost figure will fluctuate. The Company will continue to re-examine its cost estimates on a quarterly basis and will revise these estimates as circumstances change or additional information comes available.

Automodular continues its initiatives on the diversification front. Both management and the Board of Directors are actively engaged in finding ways in which we can leverage our expertise to enhance shareholder value. We are looking at opportunities to secure new contracts organically primarily in the renewable energy sector through discussions with two significant wind manufacturers with respect to opportunities in Quebec, Ontario and South Africa. On a standalone basis, those opportunities do not appear to be of a size to support a public company structure and as such, it is likely that we will need to consummate an acquisition transaction. In the fourth quarter of 2013 we formally engaged a Canadian based investment banker to assist us in identifying opportunities in which we can leverage our core skills and to provide support services to consummate a transaction. Our focus is on opportunities in which we can utilize our complex manufacturing and program management expertise. Automodular will communicate with its stakeholders when it has something material to share.

As announced on January 16, 2014, the Board of Directors has declared a cash dividend of $0.06, payable March 3, 2014 to shareholders of record February 3, 2014.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are more fully described in Note 1 *"Basis of Presentation"* to our consolidated financial statements for the year ended December 31, 2013.

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the results of operations and the carrying values of assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately.

The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements.

Depreciation of plant and equipment and impairment of long-lived assets

Due to the significance of plant and equipment on Automodular's consolidated statements of financial position, the Company considers the depreciation policy relating to plant and equipment to be a *"critical accounting estimate"*. Automodular considers the expected life of the assets, expected residual value, and contract length when setting the depreciation rates of its assets. Judgment is involved when establishing these estimates and if circumstances impacting these assumptions and estimates change, there may be a material impact on the consolidated financial statements. The carrying amount of plant and equipment as at December 31, 2013 is $4.4 million. See Note 6 for additional information.

Management assesses long-lived assets for impairment when events and changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company believes that the estimate of impairment for long-lived assets is a *"critical accounting estimate"* because management is required to make significant forward-looking assumptions when events or circumstances indicating impairment arise. In addition, different estimates that could have been used or changes in estimates from period to period may have a material impact on the Company's consolidated financial statements.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. To the extent that management does not consider it to be probable that a deferred tax asset will be realized, the deferred tax asset will be de-recognized. The Company considers the amount to recognize and de-recognition to be a *"critical accounting estimate"* as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period which may have a material impact on the Company's consolidated financial statements. Factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant changes in events, tax law, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

The net deferred income tax balance on the consolidate statements of financial position is an asset of $1.1 million. See Note 13 for additional information.

Exit costs

Automodular considers exit costs to be a *"critical accounting estimate"* due to the material nature of amounts generally involved and their inherent uncertainty at the time estimates are made. Provisions have been recorded in conjunction with the expiry or termination of production contracts and include estimates primarily related to severance and facility-related costs.

Severance related amounts include severance and benefits payable to hourly and salaried employees. Hourly employee amounts were computed based on the terms of the collective bargaining agreement. Estimates for salaried employees were calculated based on the statutory obligation under the Ontario Employment Standards Act.

Facility costs projections are based on the terms of the relevant lease agreements.

Within the consolidated statements of operations, exit costs are shown net of expected reimbursements from Ford for certain incremental closure costs. These reimbursements have been calculated based on the specific terms of the commercial extension agreement with Ford.

As actual costs may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required. See Note 9 for additional information.

DISCLOSURE CONTROLS AND PROCEDURES

Automodular's management has designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under National Instrument 52-109 of the Canadian Securities Administrators.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management, which includes the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud.

Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective at December 31, 2013.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Automodular's management has designed internal controls over financial reporting, as defined under Multilateral Instrument 52-109 of the Canadian Securities Administrators.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting, in accordance with IFRS, focusing in particular on controls over information contained in the annual and interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2013, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements which, to the extent that they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, financial and other projections, as well as statements regarding our future plans, objectives or performance, anticipated business development, anticipated industry developments, our views on the long-term outlook of the automotive or renewable energy industry, our views on the future of outsourcing versus insourcing, or our underlying assumptions. Words such as "*may*", "*would*", "*could*", "*will*", "*likely*", "*estimate*", "*anticipate*", "*believe*", "*expect*", "*intend*" or other similar expressions are intended to identify forward-looking statements. Such forward-looking statements, or forward-looking information, reflect management's beliefs, estimates and opinions regarding Automodular's future growth, results of operations, performance and business prospects and opportunities and are not guarantees of future results. Specific forward-looking information in this document includes that Automodular's consolidated statement of financial position remains strong and expects that its cash on hand and expected cash flows from operations are sufficient to fund the operating needs of the Company during the 2014 fiscal year while, at the same time, providing flexibility to fund potential new diversification initiatives, that Automodular expects to close its two Oakville automotive facilities and sever its related workforce upon the expiry of the Ford extension, that Automodular expects to recognize the remaining exit costs in 2014 as its communication plan is finalized and shared with its salaried employees and as facility and other related closure costs are incurred, that Automodular may reduce its contractual obligations by exercising certain exit clauses, that Automodular continues its initiatives on the diversification front and that it is likely Automodular will need to consummate an acquisition transaction.

By its nature, forward-looking information involves certain risks, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements and include but are not limited to the following:

- our relationship with and dependence on Ford Motor Company;
- our ability to secure ongoing operations through diversification, either organically or through acquisition;
- the cyclical nature of the automotive industry and its dependence on consumer spending;
- in respect of the renewable energy sector – the impact of changes in political parties and existing incentive programs and pricing for conventional sources of energy;
- our ability to identify, close and integrate acquisitions;
- our ability to finance new business requirements;
- North American and global economic and political conditions;
- fluctuations in interest and exchange rates;
- our ability to meet customer needs relating to cost and quality;
- labour issues or disruptions;
- our dependence on key personnel;
- our dependence on certain platforms;
- limited financial resources;
- the effect of new accounting standards on our financial results.

Persons reading this MD&A should not place undue reliance on forward-looking statements and are cautioned that forward-looking statements are only estimates and that our actual future results or performance may be materially different due to inherent risks and uncertainties surrounding future expectations, assumptions not being realized, changes in facts or other unforeseen circumstances. Except as required by continuous disclosure obligations, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results, circumstances or otherwise.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Annual Information Form for the year ended December 31, 2013, can be found on the SEDAR website at www.sedar.com.

March 6, 2014