

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

For the Three-Month Periods Ended March 31, 2014 and 2013

This Management Discussion and Analysis (“MD&A”) is for the three-month periods ended March 31, 2014 and 2013 and should be read in conjunction with Automodular Corporation’s 2013 annual report and audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts in the consolidated financial statements and MD&A 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 unless the content indicates otherwise.

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 is currently being provided within 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, Ford Motor Company (“Ford”), in Ontario. In addition, Automodular provides sequencing services such that the sub-assembled modules arrive at Ford’s final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they are to be installed.

During 2013, Automodular was informed by Ford, its only customer, that they intend to insource the work currently being performed by Automodular at the end of 2014. 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.

FIRST QUARTER OVERVIEW

Automodular generated net earnings of \$3.2 million or \$0.16 per share in the first quarter of 2014 compared to net earnings of \$3.6 million or \$0.18 per share in the same quarter of 2013. Automodular’s operations experienced slightly lower operating volumes and the resultant earnings reduction, combined with exit costs and higher general and administrative expenses, resulted in lower net earnings when compared to the same quarter of 2013.

Significant events during the first quarter of 2014:

- On January 16, 2014 the Board of Directors declared a regular quarterly dividend of \$0.06 which was paid March 3, 2014 to shareholders of record as at February 3, 2014.
- At the Annual and Special Meeting of Shareholders held on May 8, 2014, the shareholders approved the special resolution reducing the stated capital account maintained for the Company’s common shares by the sum of \$19.4 million.

RESULTS OF OPERATIONS

Automodular's comparative consolidated interim operating results for the three-month periods ended March 31, 2014 and 2013 are as follows:

<i>(thousands of Canadian dollars)</i>	For the three months ended March 31,	
	2014	2013
	\$	\$
Sales	19,549	21,808
Cost of sales	13,714	15,813
Exit costs	147	-
Gross margin	5,688	5,995
General and administrative expense	1,494	1,222
Interest (income)	(84)	(47)
Other expense (income)	11	(122)
Earnings before income taxes:	4,267	4,942
Current income taxes	1,042	1,404
Deferred income taxes	65	(99)
Net earnings attributable to the shareholders	3,160	3,637

Sales

Sales of \$19.5 million in the first quarter of 2014 are \$2.3 million lower than in the first quarter of 2013. During the first quarter of 2014, Ford experienced a planned three-week plant shutdown. Sales for the current quarter were improved by the inclusion of certain amounts in respect of the shutdown period, as required under the contract extension with Ford.

Cost of sales

Cost of sales decreased to \$13.7 million in the first quarter of 2014 from \$15.8 million in the first quarter of 2013. The decrease is largely due to the plant shutdown noted above and reduced depreciation period over period due to the reduced asset base.

Exit costs

During the first quarter of 2014, net exit costs of \$147 were recognized (2013: nil). These costs relate to adjustments in severance costs for hourly and salaried employees, facility costs and certain other employee-related costs. All exit costs relate to the anticipated closure of the Company's Oakville facilities upon the expiration of the contract extension with Ford.

Gross margin

Gross margin for the first quarter of 2014 was \$5.7 million, compared to \$6.0 million during the same period in 2013. This decrease is predominately due to the items noted above and the recognition of \$0.1 million in exit costs during the current quarter.

General and administrative expense

Quarterly general and administrative expense was slightly higher than the previous year at \$1.5 million mainly due to an increase in public company costs and additional legal costs related to the GM litigation entering the discovery phase.

Interest (income)

Interest (income) has increased from the same period in 2013 due to increased interest income generated on excess cash held.

Other expense (income)

The Company earned other (income) of \$0.1 million in the three-month period ended March 31, 2013 compared to a nominal expense during the same period of 2014.

Earnings before income taxes

Earnings before income taxes of \$4.3 million for the first quarter was lower than the \$4.9 million earned during the same quarter of 2013 for the reasons discussed above.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(thousands of Canadian dollars except per share amounts)

	2014	2013				2012		
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	19,549	21,808	21,939	20,213	20,653	29,701	35,359	27,075
Net earnings	3,160	3,637	774	2,469	3,483	4,388	4,243	4,518
Per share (basic)	0.16	0.18	0.04	0.12	0.18	0.22	0.21	0.22
Per share (diluted)	0.16	0.18	0.04	0.12	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 throughout and the third quarter generally has 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 a 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.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Net cash of \$4.9 million provided by operating activities year-to-date is approximately \$1.0 million higher than the same period in 2013. No income tax instalments have been made to date in 2014 (2013: \$2,000) due to a recoverable balance in income taxes at the beginning of the year. The contribution from paying lower instalments was partially offset by lower cash generated from earnings in the current period.

Investing activities

Year-to-date net purchases of plant and equipment (purchases less proceeds on disposals) are \$0.2 million lower than the same period in 2013 largely due to the lower capital purchases to support Ford-directed changes.

Financing activities

During the first quarters of 2014 and 2013, Automodular paid dividends totaling \$0.06 per common share. Dividends for 2013 are shown in the financial statements net of internal dividends.

Financing resources

Automodular's cash on hand at quarter-end totaled \$39.8 million compared to \$35.9 million at the end of 2013. Automodular has 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 remainder of the 2014 fiscal year, at the same time, providing flexibility to fund potential new diversification initiatives.

Shareholders' equity

Shareholders' equity increased from \$43.2 million at December 31, 2013 to \$45.2 million at March 31, 2014, primarily as a result of strong operating results, partially offset by the payment of dividends.

OUTSTANDING SHARE DATA

(thousands of Canadian dollars except share amounts)

	March 31, 2014		December 31, 2013	
	Outstanding #	Amount \$	Outstanding #	Amount \$
Common shares	19,378,904	42,348	19,378,904	42,348

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

From March 31, 2014 to the date of this filing there has been no change in the number of shares issued and outstanding.

FIRST QUARTER 2014 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.

Operational results for the first quarter of 2014 remained strong however they were slightly behind the same period in 2013. Lower results were due to reduced production volumes, the recognition of exit costs and higher legal costs incurred in respect of our outstanding GM litigation. Automodular expects its operational results for the second quarter of 2014 to be negatively impacted by the recognition of certain exit costs and by weaker operating volumes due to significant operational issues experienced by our customer at their operating facility in April.

Automodular initiatives on the diversification front are ongoing. 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 continue to work with a Canadian-based investment banker to assist us in uncovering and evaluating opportunities. Our focus is on those 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.

The Board of Directors has declared a regular quarterly dividend of \$0.06 per common share payable on June 5, 2014 to shareholders of record as at May 22, 2014.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There were no changes to our significant accounting policies or critical accounting estimates during the current quarter.

DISCLOSURE CONTROLS AND PROCEDURES

Automodular's management has designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under Multilateral 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 March 31, 2014.

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 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting, during the quarter ended March 31, 2014.

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 its cash on hand and its expected future cash flows from operations are sufficient to fund the needs of the Company during the remainder of the 2014 financial year, at the same time, providing flexibility to fund potential new diversification initiatives, that Automodular expects its operational results for the second quarter of 2014 to be negatively impacted by the recognition of certain exit costs and by

weaker operating volumes, and that Automodular is continuing to actively seek out additional new diversification initiatives.

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 customer spending;
- 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.

May 8, 2014