

# Automodular Corporation

## Interim Consolidated Financial Statements For the six months ended June 30, 2013 and 2012 (Unaudited)

All numbers in thousands, except share and per share data

### \* Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

Pursuant to Ontario Securities Act National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Automodular Corporation "the Company" for the interim periods ended June 30, 2013 and 2012 have been prepared in accordance with IAS 34, *Interim Financial Reporting* and are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers, LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 6, 2013

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(unaudited)*

| <i>(thousands of Canadian dollars)</i>            | <b>Notes</b> | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|---|--------------|----------------------|--------------------------|
| <b>ASSETS</b>                                     |              |                      |                          |
| Cash and cash equivalents                         | 7            | \$ 31,432            | \$ 24,961                |
| Trade and other receivables                       | 3 & 7        | 12,737               | 13,052                   |
| Prepaid expenses                                  |              | 1,443                | 1,028                    |
| <b>Current assets</b>                             |              | <b>45,612</b>        | <b>39,041</b>            |
| Investments                                       | 7            | -                    | 59                       |
| Plant and equipment                               | 5            | 7,234                | 10,322                   |
| <b>Total assets</b>                               |              | <b>\$ 52,846</b>     | <b>\$ 49,422</b>         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |              |                      |                          |
| <b>Liabilities</b>                                |              |                      |                          |
| Trade payables and accrued liabilities            | 7 & 14       | \$ 5,457             | \$ 6,203                 |
| Provisions  | 8 & 14       | 80                   | 100                      |
| Income taxes payable                              | 12           | 100                  | 1,121                    |
| <b>Current liabilities</b>                        |              | <b>5,637</b>         | <b>7,424</b>             |
| Deferred income taxes                             | 12           | 364                  | 653                      |
| Provisions  | 8 & 14       | 4,663                | 463                      |
| Other liabilities                                 | 6            | 84                   | 103                      |
| <b>Total liabilities</b>                          |              | <b>\$ 10,748</b>     | <b>\$ 8,643</b>          |
| <b>Total shareholders' equity</b>                 |              | <b>\$ 42,098</b>     | <b>\$ 40,779</b>         |
| <b>Total liabilities and shareholders' equity</b> |              | <b>\$ 52,846</b>     | <b>\$ 49,422</b>         |

*The accompanying notes are an integral part of these interim consolidated financial statements*

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
*(unaudited)*

| <i>(thousands of Canadian dollars)</i>     | Notes | Capital stock    | Contributed surplus | Accumulated other comprehensive income (loss) <sup>1</sup> | Deficit           | Total            |
|--|-------|------------------|---------------------|--|-------------------|------------------|
| <b>Balance, December 31, 2012</b>          |       | <b>\$ 43,972</b> | <b>\$ 955</b>       | <b>\$ (21)</b>   | <b>\$ (4,127)</b> | <b>\$ 40,779</b> |
| Net earnings for the period                |       | -                | -                   | -  | 4,410             | 4,410            |
| <b>Comprehensive income for the period</b> |       |                  |                     | -  | 4,410             | 4,410            |
| Award of treasury shares                   | 9     | 250              | (250)               | -  | -                 | -                |
| Shares repurchased for cancellation        | 9     | (671)            | -                   | -  | -                 | (671)            |
| Dividends                                  | 9     | -                | -                   | -  | (2,420)           | (2,420)          |
| <b>Balance, June 30, 2013</b>              |       | <b>\$ 43,551</b> | <b>\$ 705</b>       | <b>\$ (21)</b>   | <b>\$ (2,137)</b> | <b>\$ 42,098</b> |

| <i>(thousands of Canadian dollars)</i>     | Notes | Capital stock    | Contributed surplus | Accumulated other comprehensive income (loss) <sup>1</sup> | Deficit            | Total            |
|--|-------|------------------|---------------------|--|--------------------|------------------|
| <b>Balance, December 31, 2011</b>          |       | <b>\$ 44,162</b> | <b>\$ 1,005</b>     | <b>\$ 19</b>   | <b>\$ (11,941)</b> | <b>\$ 33,245</b> |
| Net earnings for the period                |       | -                | -                   | -  | 8,019              | 8,019            |
| Foreign currency translation               |       | -                | -                   | (13)   | -                  | (13)             |
| Unrealized gain on investments             |       | -                | -                   | 360  | -                  | 360              |
| <b>Comprehensive income for the period</b> |       |                  |                     | 347  | 8,019              | 8,366            |
| Award of treasury shares                   | 9     | 158              | (158)               | -  | -                  | -                |
| Dividends                                  | 9     | -                | -                   | -  | (2,431)            | (2,431)          |
| Compensation expense                       | 9     | -                | 53                  | -  | -                  | 53               |
| <b>Balance, June 30, 2012</b>              |       | <b>\$ 44,320</b> | <b>\$ 900</b>       | <b>\$ 366</b>  | <b>\$ (6,353)</b>  | <b>\$ 39,233</b> |

<sup>1</sup>All items included in Accumulated other comprehensive income (loss) may be subsequently recycled to net earnings.

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

| <i>(thousands of Canadian dollars, except share and per share amounts)</i> | Notes   | For the three months ended<br>June 30, |                 | For the six months ended<br>June 30, |                 |
|--|---------|--|-----------------|--------------------------------------|-----------------|
|  |         | 2013                                   | 2012            | 2013                                 | 2012            |
| Sales  |         | \$ 21,939                              | \$ 29,701       | \$ 43,746                            | \$ 53,519       |
| Cost of sales  | 15      | 15,860                                 | 22,550          | 31,673                               | 40,266          |
| Exit costs   | 8 & 15  | 4,000                                  | -               | 4,000                                | -               |
| <b>Gross margin</b>  |         | <b>2,079</b>                           | <b>7,151</b>    | <b>8,073</b>                         | <b>13,253</b>   |
| General and administrative expense   | 13 & 15 | 1,101                                  | 1,197           | 2,323                                | 2,321           |
| Interest (income), net   | 10      | (52)                                   | (22)            | (99)                                 | (51)            |
| Other expense (income)   | 11      | (29)                                   | 23              | (151)                                | (13)            |
| <b>Earnings before income taxes:</b>                                       |         | <b>1,059</b>                           | <b>5,953</b>    | <b>6,000</b>                         | <b>10,996</b>   |
| Current income taxes   | 12      | 475                                    | 1,804           | 1,879                                | 3,291           |
| Deferred income taxes  | 12      | (190)                                  | (239)           | (289)                                | (314)           |
| <b>Net earnings attributable to the shareholders for the period</b>        |         | <b>\$ 774</b>                          | <b>\$ 4,388</b> | <b>\$ 4,410</b>                      | <b>\$ 8,019</b> |
| <b>Earnings per shares:</b>  |         |  |                 |                                      |                 |
| Basic  | 9       | \$ 0.04                                | \$ 0.22         | \$ 0.22                              | \$ 0.40         |
| Diluted  | 9       | \$ 0.04                                | \$ 0.22         | \$ 0.22                              | \$ 0.39         |
| <b>Weighted average common shares outstanding</b>                          |         |  |                 |                                      |                 |
| Basic  | 9       | 20,048,293                             | 20,259,294      | 20,130,858                           | 20,245,787      |
| Diluted  | 9       | 20,048,293                             | 20,393,679      | 20,130,858                           | 20,380,172      |

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(unaudited)*

| <i>(thousands of Canadian dollars)</i>  | Notes | For the three months ended<br>June 30, |                 | For the six months ended<br>June 30, |                 |
|---|-------|--|-----------------|--------------------------------------|-----------------|
|   |       | 2013                                   | 2012            | 2013                                 | 2012            |
| Net earnings for the period   |       | \$ 774                                 | \$ 4,388        | \$ 4,410                             | \$ 8,019        |
| Foreign currency translation  |       | -                                      | 13              | -                                    | (13)            |
| Unrealized gain on investments  |       | -                                      | 204             | -                                    | 360             |
| <b>Total comprehensive income attributable to the shareholders for the period</b> |       | <b>\$ 774</b>                          | <b>\$ 4,605</b> | <b>\$ 4,410</b>                      | <b>\$ 8,366</b> |

*The accompanying notes are an integral part of these interim consolidated financial statements*

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
*(unaudited)*

| <i>(thousands of Canadian dollars)</i>                | Notes  | For the six months ended June 30, |                  |
|---|--------|-----------------------------------|------------------|
|   |        | 2013                              | 2012             |
| <b>CASH PROVIDED BY (USED IN)</b>                     |        |                                   |                  |
| <b>OPERATING ACTIVITIES</b>                           |        |                                   |                  |
| Net earnings for the period                           |        | \$ 4,410                          | \$ 8,019         |
| Income taxes (paid)                                   | 12     | (2,900)                           | (6,200)          |
| Pension contribution                                  | 6      | (54)                              | (54)             |
| <b>Items not involving current cash flows:</b>        |        |                                   |                  |
| Depreciation  | 5      | 3,519                             | 3,315            |
| Deferred income taxes                                 | 12     | (289)                             | (314)            |
| Compensation expense                                  | 9      | -                                 | 53               |
| Interest (income), net                                | 10     | (99)                              | (51)             |
| Gain on sale of investments                           | 11     | (110)                             | -                |
| Gain on foreign exchange                              | 11     | (41)                              | (42)             |
| Pension expense                                       | 6      | 35                                | 28               |
| Provisions  | 8 & 14 | 4,000                             | -                |
| Unrealized loss on investments                        | 11     | -                                 | 29               |
|   |        | 8,471                             | 4,783            |
| <b>Net change in non-cash working capital:</b>        |        |                                   |                  |
| Trade and other receivables                           | 3      | 315                               | (6,024)          |
| Inventory   |        | -                                 | (2,249)          |
| Income taxes  | 12     | 1,879                             | 3,292            |
| Prepaid expenses                                      |        | (415)                             | (324)            |
| Trade payables and accrued liabilities                | 7 & 14 | (747)                             | 4,389            |
| Provisions  | 8 & 14 | 181                               | 42               |
| <b>Net cash provided by operating activities</b>      |        | <b>9,684</b>                      | <b>3,909</b>     |
| <b>INVESTING ACTIVITIES</b>                           |        |                                   |                  |
| Proceeds on disposal of investments                   |        | 168                               | -                |
| Interest received on short-term investments           | 10     | 99                                | 62               |
| Purchase of plant and equipment                       | 5      | (431)                             | (1,131)          |
| <b>Net cash used by investing activities</b>          |        | <b>(164)</b>                      | <b>(1,069)</b>   |
| <b>FINANCING ACTIVITIES</b>                           |        |                                   |                  |
| Dividends paid  | 9      | (2,420)                           | (2,431)          |
| Repurchase of shares in normal course issuer bid      | 9      | (671)                             | -                |
| Interest (paid)                                       | 10     | -                                 | (11)             |
| Repayment of long-term liabilities                    |        | -                                 | (199)            |
| <b>Net cash used by financing activities</b>          |        | <b>(3,091)</b>                    | <b>(2,641)</b>   |
| <b>Effect of exchange rate changes on cash</b>        |        | <b>42</b>                         | <b>40</b>        |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>            |        | <b>\$ 6,471</b>                   | <b>\$ 239</b>    |
| <b>Cash and cash equivalents, beginning of period</b> |        | <b>\$ 24,961</b>                  | <b>\$ 14,776</b> |
| <b>Cash and cash equivalents, end of period</b>       |        | <b>\$ 31,432</b>                  | <b>\$ 15,015</b> |

*The accompanying notes are an integral part of these interim consolidated financial statements*

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AS AT JUNE 30, 2013 and 2012  
(unaudited)**

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

**1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**General business description**

Automodular Corporation is a Canadian-based company which is listed on the Toronto Stock Exchange (the "TSX") under the symbol "AM". References to "Automodular" or "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries unless the content indicates otherwise. Automodular was incorporated under the laws of the Province of Ontario and its registered address is 235 Salem Road South, Unit 6, Ajax, Ontario. Automodular is domiciled in Canada.

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 provided within the automotive and renewable energy sectors. 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. Also, Automodular provides sequencing services such that the sub-assembled modules arrive at the customer'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.

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

**Basis of preparation**

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year, except as described in Note 2. The interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), has been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2012. These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012, which are included in the Company's 2012 annual report.

The accompanying interim financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or the full year.

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. References to "\$" are to Canadian dollars.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AS AT JUNE 30, 2013 and 2012  
(unaudited)**

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year, except as described below.

**Changes in accounting policies**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IAS 1, Presentation of Financial Statements

The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IFRS 10, Consolidated Financial Statements

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and its special purpose entity.

IAS 19, Employee Benefits

The Company's amended policy requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to the consolidated statement of operations. Past-service cost (which will now include curtailment gains and losses) are no longer recognized over a service period but instead are recognized immediately in the period of a plan amendment. Pension benefit cost is split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component is calculated based on the net defined benefit asset or liability. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the interest component) and any changes in the asset ceiling are recognized in other comprehensive income. The Company continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income.

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2013, and have not been applied in preparing these interim financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2014, unless otherwise noted:

- *IFRS 9, Financial instruments* (effective for annual periods beginning on or after January 1, 2015)
- *IAS 32, Financial instruments – presentation – amendments* relating to the offsetting of financial assets and financial liabilities.

The Company is reviewing these new standards and amendments to determine the potential impact on the Company's consolidated financial statements once they are adopted. No significant impact is expected.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2013 and 2012**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

**3. TRADE AND OTHER RECEIVABLES**

The Company adjusts receivable balances, through an allowance for doubtful accounts, to expected realizable value. The allowance for doubtful accounts, as at June 30, 2013, was \$nil (December 31, 2012: \$nil).

The aging of trade and other receivables (net of allowance for doubtful accounts) was as follows:

|                              | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|------------------------------|----------------------|--------------------------|
|                              | \$                   | \$                       |
| Current                      | 12,511               | 12,852                   |
| Past due zero to thirty days | 19                   | 16                       |
| Over thirty days past due    | 207                  | 184                      |
| <b>Total</b>                 | <b>12,737</b>        | <b>13,052</b>            |

**4. SEGMENT INFORMATION**

The Chief Executive Officer ("CEO") is the Company's chief operating decision-maker. The Company has determined the operating segments based on the information reviewed by the CEO for the purposes of allocating resources and assessing performance. Two identified operating segments have been aggregated into one reportable segment.

The CEO considers the business from a products serviced perspective to include all sub-assembly services and other services. A geographic perspective is not considered as currently all operations reside in southern Ontario.

The CEO assesses the performance of the operating segments based on net earnings and non-GAAP measures such as EBITDA. The measure of EBITDA has been defined as earnings from operations before interest, tax expense and depreciation. The measure also excludes the effects of gains, losses or impairments on investments, foreign exchange and plant and equipment.

**Sales and net earnings**

|                    | <b>Six months ended June 30, 2013</b> |                     |                          |                     |
|--------------------|---------------------------------------|---------------------|--------------------------|---------------------|
|                    | <b>Sales</b>                          | <b>Depreciation</b> | <b>Income tax</b>        | <b>Net earnings</b> |
|                    | \$                                    | \$                  | expense (recovery)<br>\$ | \$                  |
| Sub-assembly       | 43,746                                | 3,481               | 1,619                    | 4,433               |
| All other segments | -                                     | 38                  | (29)                     | (23)                |
| <b>Total</b>       | <b>43,746</b>                         | <b>3,519</b>        | <b>1,590</b>             | <b>4,410</b>        |



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2013 and 2012**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

|                    | <b>Six months ended June 30, 2012</b> |                     |                   |                     |
|--------------------|---------------------------------------|---------------------|-------------------|---------------------|
|                    | <b>Sales</b>                          | <b>Depreciation</b> | <b>Income tax</b> | <b>Net earnings</b> |
|                    | \$                                    | \$                  | expense           | \$                  |
|                    |                                       |                     | \$                | \$                  |
| Sub-assembly       | 53,519                                | 3,287               | 3,026             | 8,105               |
| All other segments | -                                     | 28                  | (49)              | (86)                |
| <b>Total</b>       | <b>53,519</b>                         | <b>3,315</b>        | <b>2,977</b>      | <b>8,019</b>        |

There are no sales between segments. All sales disclosed are generated by services performed for external parties and are reported to the CEO in a manner consistent with that in the statement of operations.

**Major customers**

The sub-assembly segment above includes one customer (2012: two customers) whose sales exceed 10% of Automodular's total sales. Sales under the Company's largest contract for the three and six-month periods ended June 30, 2013, were \$21,939 and \$43,746, respectively (2012: \$23,058 and \$43,569, respectively). Sales from the Company's other major customer for the three and six-month periods ended June 30, 2012, were \$6,643 and \$9,950 respectively. This contract was completed within 2012.

**Assets**

|   | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|---|----------------------|--------------------------|
|   | \$                   | \$                       |
| Sub-assembly  | 47,629               | 45,473                   |
| All other segments                                      | 5,217                | 3,890                    |
| <b>Total segment assets</b>                             | <b>52,846</b>        | <b>49,363</b>            |
| <b>Other:</b>   |                      |                          |
| Investments   | -                    | 59                       |
| <b>Total assets per statement of financial position</b> | <b>52,846</b>        | <b>49,422</b>            |

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit and loss) held by the group are not considered to be segment assets but rather are managed by the CEO and finance department.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2013 and 2012**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

**Liabilities**

|  | <b>March 31, 2013</b> | <b>December 31, 2012</b> |
|--|-----------------------|--------------------------|
|  | \$                    | \$                       |
| Sub-assembly   | 9,692                 | 5,483                    |
| All other segments   | 508                   | 1,283                    |
| <b>Total segment liabilities</b>                             | <b>10,200</b>         | <b>6,766</b>             |
| <b>Other:</b>  |                       |                          |
| Income taxes payable   | 100                   | 1,121                    |
| Deferred income taxes  | 364                   | 653                      |
| Other liabilities  | 84                    | 103                      |
| <b>Total liabilities per statement of financial position</b> | <b>10,748</b>         | <b>8,643</b>             |

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2013 and 2012**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)*

**5. PLANT AND EQUIPMENT**

Plant and equipment consists of the following:

|                                  | Leasehold<br>improvements | Manufacturing<br>equipment | Automotive<br>equipment | Other equipment<br>& furniture | Open capital<br>projects | Total         |
|----------------------------------|---------------------------|----------------------------|-------------------------|--------------------------------|--------------------------|---------------|
|                                  | \$                        | \$                         | \$                      | \$                             | \$                       | \$            |
| <b>Cost:</b>                     |                           |                            |                         |                                |                          |               |
| <b>January 1, 2012</b>           | <b>2,012</b>              | <b>29,467</b>              | <b>225</b>              | <b>5,509</b>                   | <b>1,053</b>             | <b>38,266</b> |
| Additions                        | 178                       | 2,089                      | 37                      | 640                            | (931)                    | 2,013         |
| Disposals                        | (134)                     | (1,612)                    | -                       | (1,099)                        | -                        | (2,845)       |
| <b>December 31, 2012</b>         | <b>2,056</b>              | <b>29,944</b>              | <b>262</b>              | <b>5,050</b>                   | <b>122</b>               | <b>37,434</b> |
| Additions                        | 9                         | 198                        | -                       | 303                            | (79)                     | 431           |
| <b>June 30, 2013</b>             | <b>2,065</b>              | <b>30,142</b>              | <b>262</b>              | <b>5,353</b>                   | <b>43</b>                | <b>37,865</b> |
| <b>Accumulated depreciation:</b> |                           |                            |                         |                                |                          |               |
| <b>January 1, 2012</b>           | <b>1,206</b>              | <b>18,344</b>              | <b>131</b>              | <b>3,217</b>                   | -                        | <b>22,898</b> |
| Depreciation                     | 467                       | 5,249                      | 62                      | 1,281                          | -                        | 7,059         |
| Disposals                        | (134)                     | (1,612)                    | -                       | (1,099)                        | -                        | (2,845)       |
| <b>December 31, 2012</b>         | <b>1,539</b>              | <b>21,981</b>              | <b>193</b>              | <b>3,399</b>                   | -                        | <b>27,112</b> |
| Depreciation                     | 104                       | 2,975                      | 15                      | 425                            | -                        | 3,519         |
| <b>June 30, 2013</b>             | <b>1,643</b>              | <b>24,956</b>              | <b>208</b>              | <b>3,824</b>                   | -                        | <b>30,631</b> |
| <b>Carrying amount:</b>          |                           |                            |                         |                                |                          |               |
| <b>December 31, 2012</b>         | <b>517</b>                | <b>7,963</b>               | <b>69</b>               | <b>1,651</b>                   | <b>122</b>               | <b>10,322</b> |
| <b>June 30, 2013</b>             | <b>422</b>                | <b>5,186</b>               | <b>54</b>               | <b>1,529</b>                   | <b>43</b>                | <b>7,234</b>  |

Proceeds from disposals are netted against the related asset's cost and accumulated depreciation and included in other expense (income) on the statement of operations.

**6. OTHER LIABILITIES**

The Company has a defined benefit pension plan for a former Chief Executive Officer. The expense for the three and six-month periods ended June 30, 2013 was \$18 and \$35, respectively (2012: \$20 and \$28, respectively).

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**7. FINANCIAL INSTRUMENTS BY CATEGORY**

The following table summarized the Company's recurring measurement for financial instruments by category:

**At June 30, 2013:**

|  | Loans and receivables<br>\$                   | Available for sale<br>\$ | Total<br>\$   |
|--|---|--------------------------|---------------|
| <b>Assets</b>                          |   |                          |               |
| Cash and cash equivalents              | 31,432  | -                        | 31,432        |
| Trade and other receivables            | 12,737  | -                        | 12,737        |
| <b>Total</b>                           | <b>44,169</b>                                 | <b>-</b>                 | <b>44,169</b> |
|  | Financial liabilities at amortized cost<br>\$ |                          | Total<br>\$   |
| <b>Liabilities</b>                     |   |                          |               |
| Trade payables and accrued liabilities |   | 5,457                    | 5,457         |
| <b>Total</b>                           |   | <b>5,457</b>             | <b>5,457</b>  |

**At December 31, 2012:**

|  | Loans and receivables<br>\$                   | Available for sale<br>\$ | Total<br>\$   |
|--|---|--------------------------|---------------|
| <b>Assets</b>                          |   |                          |               |
| Cash and cash equivalents              | 24,961  | -                        | 24,961        |
| Trade and other receivables            | 13,052  | -                        | 13,052        |
| Investments                            | -   | 59                       | 59            |
| <b>Total</b>                           | <b>38,013</b>                                 | <b>59</b>                | <b>38,072</b> |
|  | Financial liabilities at amortized cost<br>\$ |                          | Total<br>\$   |
| <b>Liabilities</b>                     |   |                          |               |
| Trade payables and accrued liabilities |   | 6,203                    | 6,203         |
| <b>Total</b>                           |   | <b>6,203</b>             | <b>6,203</b>  |

The following table presents the Company's assets and liabilities that are measured at fair value:

|                                      | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--------------------------------------|---------------|---------------|---------------|-------------|
| <b>Assets</b>                        |               |               |               |             |
| Available-for-sale financial assets: |               |               |               |             |
| Investments at December 31, 2012     | 59            | -             | -             | 59          |

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The carrying value of cash and cash equivalents, trade and other receivables and trade payables and accrued liabilities approximate their fair values due to the short term nature of their maturities.

**8. PROVISIONS AND EXIT COSTS**

|                            | <b>June 30, 2013</b> | <b>December 31, 2012</b> |
|----------------------------|----------------------|--------------------------|
|                            | \$                   | \$                       |
| Exit costs                 | 4,079                | 100                      |
| Decommissioning provisions | 549                  | 463                      |
| Other                      | 115                  | -                        |
| <b>Total</b>               | <b>4,743</b>         | <b>563</b>               |

Exit costs include severance/termination costs incurred following the expiration or termination of customer contracts.

During the second quarter, Ford Motor Company (“Ford”) informed Automodular that it intends to insource the work currently performed by the Company during the fourth quarter of 2014. Automodular’s existing multi-year contract is set to expire on June 30, 2014.

During the current period, Automodular recorded exit costs of \$4,000. This amount reflects the Company’s severance obligation to its hourly workforce as outlined in the Collective Agreement and the Company’s statutory severance obligation to its salaried workforce.

Automodular expects to record additional severance costs relating to the closure when it formalizes its communication plan to its affected salaried employees – which is currently expected to occur in 2014. The Company expects to record facility and other related closure costs at the time they are incurred or at the time the facility is closed depending on their nature. It is expected that the majority of these costs will be recorded in 2014. Automodular reviewed the carrying value of its capital assets taking into account expected future cash flows and expected proceeds on sale or alternate use upon contract termination. The Company concluded that no impairment needs to be recorded at this time.

Given the long lead time between the Ford announcement and the insourcing of the work, it is expected that the provision for exit costs will fluctuate as a result of factors including but not limited to employees voluntarily leaving the Company and Ford’s request for a contract extension. 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.

Decommissioning provisions are accrued in recognition of the Company’s obligations to restore its facilities as required under existing lease agreements.

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**9. CAPITAL STOCK**

|  | <b>Outstanding<br/>#</b> | <b>Amount<br/>\$</b> |
|--|--------------------------|----------------------|
| <b>Issued and outstanding common shares December 31, 2012, net</b> | <b>20,078,464</b>        | <b>43,972</b>        |
| Award of treasury shares   | 134,384                  | 250                  |
| Shares cancelled through Normal Course issuer bid                  | (412,545)                | (671)                |
| <b>Issued and outstanding common shares June 30, 2013, net</b>     | <b>19,800,303</b>        | <b>43,551</b>        |

Issued and outstanding common shares are shown net of undistributed shares held under the long-term incentive plan. At June 30, 2013, 1 share (December 31, 2012: 134,385 shares) was held under this plan.

There were no new common shares issued in the periods ended June 30, 2013 and 2012.

**Normal course issuer bid**

In July 2012, Automodular's Board of Directors approved a Normal Course Issuer Bid (the "Bid"). Under the terms of the Bid, Automodular may acquire up to 1,317,000 common shares, which represents 10% of the public float of Automodular's common shares issued and outstanding as of August 1, 2012, as defined by the policies of the TSX. The Bid period runs from August 8, 2012 until August 7, 2013.

During the second half of 2012, the Company repurchased for cancellation 180,830 shares for a total cost of \$348.

During the second quarter of 2013, the Company repurchased for cancellation 412,545 shares for a total cost of \$671.

No shares were repurchased for cancellation during the first quarter of 2013.

**Options**

Under the Company's stock purchase plan, the Board of Directors is entitled to grant to designated directors, officers and employees of the Company or any subsidiary thereof, the right to purchase unissued common shares of the Company. The options are granted at a price not less than the fair value of the shares on the date of the grant.

No options were granted or outstanding during 2012 or the six-month period ended June 30, 2013.

**Long-term incentive plan**

The Company has a long-term incentive plan (the "Plan") for designated participants of Automodular Corporation and its subsidiaries.

On December 31, 2012, 134,384 shares vested and were subsequently distributed at year-end to participants of the Plan. Subsequent to these distributions, the Plan holds 1 share.

In the three and six-month periods ended June 30, 2013 and 2012, compensation expense of \$nil and \$nil, respectively (2012: \$24 and \$53, respectively) was recognized in contributed surplus for awards under this plan.

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**Dividends**

In the three and six-month periods ended June 30, 2013, dividends totalling \$1,213 and \$2,426, respectively (2012: \$1,223 and \$2,447, respectively) were declared and paid. Dividends have been reflected net of internal dividends of \$2 and \$6, respectively (2012: \$8 and \$16, respectively).

On August 6, 2013 the Company declared a regular quarterly dividend of \$0.06 per common share payable on September 3, 2013 to shareholders of record on August 20, 2013.

**Weighted average common shares outstanding**

|   | Three months ended |                   | Six months ended  |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | June 30            |                   | June 30           |                   |
|   | 2013               | 2012              | 2013              | 2012              |
|   | #                  | #                 | #                 | #                 |
| Issued common shares  | 20,212,849         | 20,393,679        | 20,212,849        | 20,393,679        |
| Less: weighted average shares cancelled under NCIB                | (106,962)          | -                 | (53,776)          | -                 |
| Less: weighted average LTIP treasury shares                       | (57,594)           | (134,385)         | (28,215)          | (147,892)         |
| <b>Weighted average common shares outstanding – basic</b>         | <b>20,048,293</b>  | <b>20,259,294</b> | <b>20,130,858</b> | <b>20,245,787</b> |
| Effect of dilutive securities:                                    |                    |                   |                   |                   |
| LTIP performance metrics met; not vested                          | -                  | 134,385           | -                 | 134,385           |
| <b>Weighted average common shares outstanding – fully diluted</b> | <b>20,048,293</b>  | <b>20,393,679</b> | <b>20,130,858</b> | <b>20,380,172</b> |

**10. INTEREST (INCOME), NET**

The components of interest (income), net, include interest income and expense as follows:

|  | Three months ended |             | Six months ended |             |
|--|--------------------|-------------|------------------|-------------|
|  | June 30,           |             | June 30,         |             |
|  | 2013               | 2012        | 2013             | 2012        |
|  | \$                 | \$          | \$               | \$          |
| Interest expense on long-term liabilities        | -                  | 5           | -                | 11          |
| Less: interest income on cash & cash equivalents | (52)               | (27)        | (99)             | (62)        |
| <b>Total</b>                                     | <b>(52)</b>        | <b>(22)</b> | <b>(99)</b>      | <b>(51)</b> |

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**11. OTHER EXPENSE (INCOME)**

The components of other expense (income) include the following:

|                                   | Three months ended |           | Six months ended |             |
|-----------------------------------|--------------------|-----------|------------------|-------------|
|                                   | June 30,           |           | June 30,         |             |
|                                   | 2013               | 2012      | 2013             | 2012        |
|                                   | \$                 | \$        | \$               | \$          |
| (Gain) on disposal of investments | -                  | -         | (110)            | -           |
| Unrealized loss on investments    | -                  | 29        | -                | 29          |
| (Gain) on foreign exchange        | (29)               | (6)       | (41)             | (42)        |
| <b>Total</b>                      | <b>(29)</b>        | <b>23</b> | <b>(151)</b>     | <b>(13)</b> |

**12. TAXATION**

The consolidated effective tax rate in respect of the operations for the three and six-month periods ended June 30, 2013 was 27% (2012: 26% and 27%, respectively) and is based on management's best estimate of the annual income tax rate expected for the full financial year.

**13. RELATED PARTY TRANSACTIONS**

In January, 2012, the Corporation entered into a consulting contract with a company controlled by a former member of the Board of Directors. The contract was for a fixed rate of \$15 per month and could be terminated by either party with thirty days' advanced written notice.

During the third quarter of 2012, the related party advised the Company of its decision to terminate the agreement by unilaterally enacting the contract's thirty-day termination clause.



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**Compensation of key management personnel**

Key management personnel compensation and benefits, including the Company's directors and members of its executive management team, is as follows:

|   | Three months ended |            | Six months ended |              |
|---|--------------------|------------|------------------|--------------|
|   | June 30,           |            | June 30,         |              |
|   | 2013               | 2012       | 2013             | 2012         |
|   | \$                 | \$         | \$               | \$           |
| Salaries, fees and short-term employee benefits | 443                | 456        | 886              | 912          |
| Consulting fees                                 | -                  | 45         | -                | 90           |
| Post-employment benefits                        | -                  | 15         | 15               | 30           |
| Share-based payments                            | -                  | 24         | -                | 53           |
| <b>Total</b>                                    | <b>443</b>         | <b>540</b> | <b>901</b>       | <b>1,085</b> |

**14. CONTINGENCIES AND COMMITMENTS**

**General**

In the ordinary course of business activities, the Company is a party to certain claims. Management believes that the resolution of such claims will not have a material adverse effect on the consolidated financial position of the Company.

**Trade payables and accrued liabilities, provisions and long-term liabilities**

The following are the undiscounted contractual maturities of trade payables and accrued liabilities, provisions and long-term liabilities as at June 30, 2013:

|  | Total         | Less than 1 year | 1 to 2 years | After 2 years |
|--|---------------|------------------|--------------|---------------|
|  | \$            | \$               | \$           | \$            |
| Trade payables and accrued liabilities | 5,457         | 5,457            | -            | -             |
| Provisions                             | 4,743         | 80               | 4,663        | -             |
| <b>Total</b>                           | <b>10,200</b> | <b>5,537</b>     | <b>4,663</b> | <b>-</b>      |

**Operating leases**

All of the Company's facilities are subject to operating leases and the Company also has certain operating lease commitments for equipment. Future operating lease commitments are shown below. Substantially all of the operating lease commitments relate to facility rentals. Commitments include US and CDN amounts and are denominated in the table below in Canadian dollars.

|                 | \$           |
|-----------------|--------------|
| Balance of 2013 | 1,632        |
| 2014 to 2017    | 7,489        |
| <b>Total</b>    | <b>9,121</b> |

Payments on current operating leases over the next 12 months total \$3,218.

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**15. EXPENSES BY NATURE**

|  | Three months ended |               | Six months ended |               |
|--|--------------------|---------------|------------------|---------------|
|  | June 30,           |               | June 30,         |               |
|  | 2013               | 2012          | 2013             | 2012          |
|  | \$                 | \$            | \$               | \$            |
| Wages and employee benefits  | 11,143             | 12,220        | 22,239           | 22,602        |
| Transportation and facility-related costs                                      | 2,315              | 2,716         | 4,719            | 5,293         |
| Materials  | -                  | 5,139         | -                | 7,318         |
| Other  | 1,746              | 1,801         | 3,519            | 3,560         |
| Depreciation   | 1,757              | 1,707         | 3,519            | 3,315         |
| Launch and preproduction costs   | -                  | 164           | -                | 499           |
| Exit costs   | 4,000              | -             | 4,000            | -             |
| <b>Total cost of sales, exit costs and general and administrative expenses</b> | <b>20,961</b>      | <b>23,747</b> | <b>37,996</b>    | <b>42,587</b> |