MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION
For the Nine-Month Periods Ended September 30, 2013 and 2012

This Management Discussion and Analysis ("MD&A") is for the nine-month periods ended September 30, 2013 and 2012 and should be read in conjunction with Automodular Corporation's 2012 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 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, Ford Motor Company ("Ford") in Ontario. In addition, 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 actively engaged in efforts to secure additional contracts in this sector.

THIRD QUARTER OVERVIEW

Automodular generated net earnings of $2.5 million or $0.12 per share in the third quarter of 2013 compared to net earnings of $4.2 million or $0.21 per share in the same quarter of 2012. Automodular's automotive operations experienced nominally higher operating volumes which led to a quarterly earnings contribution that was essentially flat year over year. Results in the third quarter of 2012 were bolstered by the earnings contribution from the Vestas contract which was successfully completed in the fourth quarter of 2012, as previously mentioned.

Significant events during the third quarter of 2013:

- On August 6, 2013 the Board of Directors declared a $0.06 regular quarterly dividend which was paid September 3, 2013 to shareholders of record on August 20, 2013.
- On August 7, 2013, Automodular completed the initial term of its Normal Course issuer bid ("NCIB") through which it purchased for cancellation a total of 593,375 common shares at a volume weighted average price of $1.72 per share during the preceding twelve-month period.
- On August 6, Automodular's Board of Directors approved the renewal of the NCIB. Under the terms of the renewal, Automodular may acquire up to 1,552,790 common shares, representing 10% of the public float of Automodular's common shares issues and outstanding as of August 12, 2013, as defined by the policies of the TSX. The renewal will terminate on August 18, 2014 or on such earlier date as Automodular completes its purchases. During the current quarter, Automodular repurchased for cancellation 401,400 shares at a total cost of approximately $0.8 million, at a volume weighted average price of $1.97 per share.
- Subsequent to quarter end, 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 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.

RESULTS OF OPERATIONS

Automodular's comparative consolidated interim operating results for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
(thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Sales	20,213	35,359	63,960	88,878
Cost of sales	15,782	28,912	47,455	69,178
Exit costs	-	-	4,000	-
Gross margin	4,431	6,447	12,505	19,700
General and administrative expense	1,084	1,068	3,407	3,389
Interest (income), net	(48)	(42)	(147)	(93)
Other expense (income)	13	(349)	(138)	(362)
Earnings before income taxes:	3,382	5,770	9,383	16,766
Current income taxes	1,273	1,527	3,152	4,818
Deferred income taxes	(360)	-	(649)	(314)
Net earnings attributable to the shareholders for the period	**2,469**	**4,243**	**6,880**	**12,262**

Sales

Sales in the third quarter of 2013 were $15.1 million lower than the same quarter in 2012. Year-to-date sales were $24.9 million lower than the same period in 2012. These changes were predominately due to the inclusion of sales related to the Company's renewable energy contract in the 2012 results. Sales in 2013 did not include any amounts under this contract, as the contract was successfully completed during the final quarter of 2012. A large portion of the total sales and related net income under the renewable energy contract was recognized during the third quarter of 2012.

Cost of sales

Cost of sales decreased to $15.8 million in the third quarter of 2013 from $28.9 million in the third quarter of 2012. Cost of sales of $47.5 million for the year-to-date period ending September 30, 2013, were $21.7 million lower than the same period in 2012. These decreases are largely due to the 2012 inclusion of the renewable energy contract, which included the purchase of materials as directed by our customer.

Depreciation

Quarterly and year-to-date depreciation in 2013 are comparable to the same periods in 2012.

Exit costs

Exit costs of $4.0 million in the year-to-date period reflects the Company's severance obligation to its hourly workforce as outlined in the Collective Agreement as well as the Company's estimated statutory severance obligation to its salaried workforce. These obligations relate to the anticipated closure of the Company's two remaining Oakville operations in 2014. No exit costs were recorded in the same period in 2012.

Gross margin

Gross margin for the third quarter of 2013 was $4.4 million, compared to $6.4 million during the same period in 2012. Gross margin for the year-to-date ending September 2013 of $12.5 million is $7.2 million lower than the same period in 2012. These decreases are predominately due the 2012 contribution of the Company's renewable energy contract and the 2013 exit costs provided for with respect to the anticipated closure of the Company's Oakville-area operations.

General and administrative expense

Quarterly and year-to-date amounts in general and administrative expense for the periods ending September 30, 2013 were comparable to the same balances within the same periods in 2012.

Interest (income), net

Interest (income), net for the quarter and year-to-date periods ending September 30, 2013 have increased over the same periods in 2012 due to decreased interest expense on long-term liabilities and increased interest income generated on excess cash held.

Other expense (income)

The Company recognized a nominal amount of other expense (income) in the three-month period ended September 30, 2013 compared to $0.3 million earned during the same period of 2012. This difference is due to foreign exchange losses recognized during the current period and realized gains on investments in the same period of 2012. The other expense (income) for the year-to-date period ending September 30, 2013 was a net gain of $0.1 million versus a gain of $0.4 million realized in the same period in 2012. This change is largely due to the prior year inclusion of a gain on the disposal of certain investments.

Earnings before income taxes

Earnings before income taxes of $3.4 million for the third quarter ($9.4 million year-to-date) was significantly lower than the $5.8 million ($16.8 million year-to-date) earned during the same periods of 2012 for the reasons discussed above.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(thousands of Canadian dollars except per share amounts)

	2013			2012				2011
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q4
	$	$	$	$	$	$	$	$
Sales	21,808	21,939	20,213	23,818	29,701	35,359	27,075	22,134
Net earnings	3,637	774	2,469	3,631	4,388	4,243	4,518	3,806
Per share (basic)	0.18	0.04	0.12	0.18	0.22	0.21	0.22	0.18
Per share (diluted)	0.18	0.04	0.12	0.18	0.21	0.21	0.22	0.18

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. Our results in the second through the fourth quarters of 2012 were bolstered by the renewable energy contract with Vestas. In addition, during the fourth quarter of 2011, higher incremental daily production volumes resulted in higher net earnings.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Net cash of $15.1 million provided by operating activities year-to-date is approximately $1.1 million higher than the same period in 2012. The timing of cash flows related to income tax installments and other working capital items more than offset the impact of lower operating earnings.

Investing activities

Year-to-date net purchases of investments and plant and equipment (purchases less proceeds on disposals) are $0.8 million lower than the same period in 2012 largely due to the inclusion of proceeds on disposal of investments sold in 2013 and lower purchases of plant and equipment during the current period. Lower purchases of plant and equipment in 2013 are due to a marked decrease in customer-driven capital requirements (through changes in scope) and Automodular's focus on minimizing capital expenditures over the remaining contract given Ford's decision to insource our work in 2014.

Interest received on cash and cash equivalents was higher than in the same period in 2012 due to higher cash balances and improved interest rates.

Financing activities

During the first three quarters of 2013 and 2012, Automodular paid dividends totaling $0.18 per common share. Dividends for both periods are shown in the consolidated financial statements net of internal dividends. During 2012, the Company also repaid its remaining capital leases. During the third quarter of 2013, Automodular repurchased 401,400 common shares as part of its NCIB. The NCIB's initial term ran from August 8, 2012 to August 7, 2013. As previously mentioned, the Company's Board of Directors approved the renewal of the NCIB until August 18, 2014.

Financing resources

Automodular's cash on hand at quarter-end totaled $34.8 million compared to $25.0 million at the end of 2012. Automodular expects that its cash on hand and expected cash flows from operations are sufficient to fund the needs of the Company during the remainder of the 2013 fiscal year.

Shareholders' equity

Shareholders' equity increased from $40.8 million at December 31, 2012 to $42.6 million at September 30, 2013, primarily as a result of strong operating results, partially offset by the payment of dividends and shares repurchased for cancellation under the NCIB.

OUTSTANDING SHARE DATA

(thousands of Canadian dollars except share amounts)

	September 30, 2013		December 31, 2012	
	Outstanding #	Amount $	Outstanding #	Amount $
Common shares outstanding	19,398,904	42,758	20,212,849	44,222

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

From September 30, 2013 to the date of this filing there has been no change in the number of shares issued and outstanding.

THIRD QUARTER 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.

Automodular had a strong third quarter. Operating earnings from its automotive operations are up period over period. Our reported earnings as a whole are significantly lower period over period due to the fact that the 2012 results included a substantial earnings contribution from our Vestas contract and due to the inclusion of exit costs in 2013 earnings.

Subsequent to quarter end, 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 follows the framework of our existing multi-year agreement with Ford. It also contains certain production and price related assurances and will have Ford fund Automodular's incremental closure costs relating to the extension. The agreement is a mutually beneficial one in that it ensures the supply of modules to Ford until the transition date and is expected to provide the Company with two additional quarters of earnings and cash flows at a reasonable return.

In conjunction with the signing of the commercial extension, Automodular announced a one year extension of its existing labour agreement with Unifor (formerly the CAW) 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 workforce. With respect to the recording of closure costs, Automodular had previously disclosed that it expected to record a pre-tax charge of $8.0 million. Of this amount, $4.0 million was recorded in Q2 2013. The additional $4.0 million charge is still expected to be recorded in 2014 as our communication plan is formalized 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. We are in discussions with two significant wind manufacturers with respect to opportunities in Quebec, Ontario and South Africa. We have also recently engaged a Canadian based investment banker to assist us identify opportunities in which we can leverage our core skills and also provide support services to consummate a transaction. Automodular will communicate with its stakeholders when it has something material to share.

Automodular's statement of financial position remains strong and operating volumes and cash flows continue to be robust. Automodular continues to carry excess cash on hand in order to help fund diversification initiatives once they are identified by the Company.

The Board of Directors declared a regular quarterly dividend of $0.06 per common share and a special dividend of $0.10 per common share payable on December 5, 2013 to shareholders of record on November 21, 2013. Automodular has declared a lower special dividend than in the fourth quarter of 2012 to give the Company additional flexibility in its diversification.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

There were no changes to our significant accounting policies or critical accounting estimates during the current quarter, other than the provision for exit costs as previously discussed. 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.

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 September 30, 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 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting, during the quarter ended September 30, 2013.

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 expected future cash flows from operations are sufficient to fund the needs of the Company during the remainder of the 2013 fiscal year, that Automodular's statement of financial position remains strong and operating volumes and cash flows continue to be robust, that the extension of Ford's contract is expected to provide the Company with two additional quarters of earnings and cash flows at a reasonable return, that Automodular expects to close its two Oakville automotive facilities and sever its workforce following the expiry of the commercial extension, that Automodular expects the total incremental cost of closing its facilities and severing its workforce to be pre-tax $8.0 million 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:

- the cyclical nature of the automotive industry and its dependence on consumer spending;
- our relationship with and dependence on Ford Motor Company;
- 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;
- the continuation and extent of outsourcing by automotive manufacturers;
- our ability to meet customer needs relating to cost and quality;
- labour issues or disruptions;
- our dependence on key personnel;
- customer pricing pressures;
- actual levels of program production volumes differing from original expectations;
- our dependence on certain platforms;
- new program launch risks, including program delays and other changes in the business environments in which we operate;
- 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, 2012, can be found on the SEDAR website at www.sedar.com.

November 7, 2013