

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

For the Nine-Month Periods Ended September 30, 2014 and 2013

This Management Discussion and Analysis (“MD&A”) is for the three and nine-month periods ended September 30, 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 interim 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.

THIRD QUARTER OVERVIEW

Automodular generated net earnings of \$3.7 million or \$0.19 per share in the third quarter of 2014 compared to net earnings of \$2.5 million or \$0.12 per share in the same quarter of 2013. Automodular’s operations experienced lower operating volumes during both the current quarter and year-to-date periods of 2014 when compared to the same periods in 2013 due to lower daily volumes and certain planned shutdowns. The receipt of certain amounts under the contract extension with Ford has mitigated the effects of the lower production volumes.

Significant events during the third quarter of 2014:

- On August 7, 2014 the Board of Directors declared a regular quarterly dividend of \$0.06 which was paid September 4, 2014 to shareholders of record as at August 21, 2014.
- During the quarter, the Company provided formal termination notice to all non-executive staff who support the Oakville-area operations.

RESULTS OF OPERATIONS

Automodular's comparative consolidated interim operating results for the three and nine-month periods ended September 30, 2014 and 2013 are as follows:

<i>(thousands of Canadian dollars)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Sales	21,294	20,213	59,615	63,960
Cost of sales	13,997	15,782	42,053	47,455
Exit costs	1,139	-	2,418	4,000
Gross margin	6,158	4,431	15,144	12,505
General and administrative expense	1,231	1,084	3,987	3,407
Interest (income)	(106)	(48)	(285)	(147)
Other expense (income)	(6)	13	14	(138)
Earnings before income taxes:	5,039	3,382	11,428	9,383
Current income taxes	1,899	1,273	4,052	3,152
Deferred income taxes	(586)	(360)	(1,081)	(649)
Net earnings attributable to the shareholders	3,726	2,469	8,457	6,880

Sales

Sales of \$21.3 million in the third quarter of 2014 are \$1.1 million higher than the third quarter of 2013. During the third quarter of 2014, Ford scheduled a three-week plant shutdown to prepare for its new program. Any shutdown of operations at Ford results in a shutdown of Automodular's operations. In addition, Ford's daily operating volumes were significantly lower than in the same period of 2013. Year-to-date sales of \$59.6 million are \$4.3 million lower than the same period of 2013. During the first nine months of 2014, Ford experienced a total of seven weeks of planned plant shutdown as well as lower daily operating volumes which resulted in lower combined sales year over year. One down week was experienced in the third quarter and year-to-date periods of 2013. The impact of the plant shutdowns on quarterly and year-to-date sales in 2014 was mitigated by the recognition of certain amounts pursuant to the contract extension with Ford.

Cost of sales

Cost of sales decreased to \$14.0 million in the third quarter of 2014 from \$15.8 million in the third quarter of 2013. Cost of sales of \$42.1 million for the year-to-date period ending September 30, 2014, were \$5.4 million lower than in the same period in 2013. These decreases were largely a result of cost savings associated with the plant shutdowns noted above as well as reduced depreciation due to the Company's lower asset base.

Exit costs

During 2014, the Company recorded net exit costs of \$1,139 and \$2,418 for the three and nine-month periods (2013: \$nil and \$4,000), respectively.

The majority of 2013 net exit costs were related to the Company's severance obligation to its hourly workforce as outlined in its collective agreement, as well as the Company's statutory severance obligation to its salaried workforce. Also included in this amount were smaller amounts for certain facility and other employee-related costs.

Net exit costs recorded in 2014 predominately relate to additional severance costs for salaried employees and lease termination payments made to the Company's Oakville landlords. Salaried employees were provided with formal termination notification during the last two quarters. In the second quarter, the Company also advised its Oakville-area landlords of its intention to exercise the early termination clause in each of the facility leases to align the lease termination date with the Company's anticipated final occupancy date of each location. Also included in the costs booked during the first nine months of the year were additional facility and other employee-related costs.

Gross margin

Gross margin for the third quarter of 2014 was \$6.2 million, compared to \$4.4 million during the same period in 2013. Gross margin for the year to date ending September 30, 2014 was \$15.1 million, compared to \$12.5 million during the same period in 2013. These increases are predominately due to the items noted above.

General and administrative expense

Quarterly general and administrative expense at \$1.2 million was higher than the same period in the previous year mainly due to increases in diversification related costs, public company costs and additional legal costs related to the GM litigation. Year-to-date general and administrative expense increased versus the same period in 2013 due to the reasons noted above.

Interest (income)

Interest (income) for the current quarter and year-to-date periods has increased from the same periods in 2013 due to increased interest income generated on excess cash held.

Other expense (income)

Amounts are not significant in 2014. The comparative nine-month period includes a gain on the reversal of a previously recognized loss on the sale of certain investments. There were no similar items in 2014.

Earnings before income taxes

Earnings before income taxes of \$5.0 million for the third quarter were higher than the \$3.4 million earned during the same quarter of 2013 for the reasons discussed above. Similarly, earnings before income taxes of \$11.4 million for the nine months ended September 30, 2014 were \$2.0 million higher than the earnings before income taxes for the nine months ended September 30, 2013 for the reasons previously discussed.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(thousands of Canadian dollars except per share amounts)

	2014				2013				2012
	Q1	Q2	Q3		Q1	Q2	Q3	Q4	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	19,549	18,772	21,294		21,808	21,939	20,213	20,653	27,075
Net earnings	3,160	1,571	3,726		3,637	774	2,469	3,483	4,518
Per share (basic)	0.16	0.09	0.19		0.18	0.04	0.12	0.18	0.22
Per share (diluted)	0.16	0.09	0.19		0.18	0.04	0.12	0.18	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 results in the second and fourth quarters of 2013 and the first three quarters of 2014 were also negatively impacted by the recognition of exit costs related to Ford's announcement to Automodular of its intention to insource the work currently being carried out by Automodular, at the end of 2014. The 2014 results, particularly those in the second quarter, were negatively impacted by the combination of scheduled production downtime and lower daily volumes as previously noted.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Net cash of \$11.1 million provided by operating activities year-to-date is approximately \$3.9 million lower than the same period in 2013. In the year-to-date period ended September 30, 2013, changes in working capital contributed to cash provided by operating activities. In the same period in 2014 the changes in working capital reduced the cash provided by operating activities. Changes in working capital contribution predominately related to increases in the accounts receivable balance for amounts to be recovered from Ford with respect to the closure of the Company's Oakville operations. While operating earnings for the year-to-date period were higher in 2014 than in the same period in 2013, the cash contribution of those earnings was partially offset by higher depreciation amounts included in the 2013 results. Lower income tax instalments in 2014 of \$1.5 million (2013: \$3.8 million) due to the recoverable balance in income taxes at the beginning of the year also led to increased cash provided by operations for the year-to-date period of 2014.

Investing activities

Year-to-date net purchases of plant and equipment (purchases less proceeds on disposals) are \$0.4 million lower than the same period in 2013 largely due to lower capital purchases being required to support Ford-directed changes. The Company also generated additional interest income on higher cash balances held and diversified its cash management portfolio in an effort to secure increased yields. The year-to-date period ended September 30, 2013 also included the proceeds on disposal of certain investments and plant and equipment.

Financing activities

During the year-to-date periods ended September 30, 2014 and 2013, Automodular paid dividends totaling \$0.18 per common share. Dividends for 2013 were paid on a higher number of shares and are shown in the financial statements net of internal dividends. In the three and nine-month periods ended September 30, 2014, no shares were repurchased for cancellation. During the third quarter of 2013, 401,400 shares, with a carrying value of \$1.1 million, were repurchased for cancellation at a total cost of \$0.8 million. During the nine-month period ended September 30, 2013, 813,945 shares with a carrying value of \$1,783 were repurchased for cancellation at a total cost of \$1,464.

Financing resources

Automodular's cash on hand at quarter-end totaled \$43.8 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 \$48.2 million at September 30, 2014, primarily as a result of strong operating results, which were partially offset by the payment of dividends.

OUTSTANDING SHARE DATA

(thousands of Canadian dollars except share amounts)

	September 30, 2014		December 31, 2013	
	Outstanding #	Amount \$	Outstanding #	Amount \$
Common shares	19,378,904	22,969	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.

As mentioned earlier in the document, during the second quarter of 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.

From September 30, 2014 to the date of this filing there has been no change in the number of shares issued and outstanding.

GM LITIGATION UPDATE

As previously disclosed, Automodular has commenced a claim in the Ontario Superior Court of Justice (the "Claim") against General Motors Company and General Motors of Canada Ltd. (collectively, "GM"), and Inteva Products, LLC and Inteva Products Canada ULC (collectively, "Inteva"). The Claim relates to a contract (the "Contract") between GM and Automodular for the sequencing and sub-assembly of components and modules for the Chevrolet Camaro. By letter dated April 13, 2010, GM terminated the Contract effective September 20, 2010. GM then entered into a contract with Inteva for the same work that Automodular was performing under the Contract. Automodular alleges that GM's termination of the Contract was wrongful and in breach of the Contract. Automodular is claiming \$20.0 million against GM for breach of contract and against Inteva for inducing breach of contract. Automodular is also seeking punitive damages in the amount of \$5.0 million.

The statement of Claim was issued on May 13, 2011 and served upon GM and Inteva. The defendants subsequently delivered statements of defence contesting the Claim. The parties have exchanged documentary productions and have conducted initial oral examinations for discovery. Automodular has provided responses to undertakings given during its examination for discovery by the defendants and is awaiting responses to undertakings and further documentary productions from the defendants. A motion before the court has been scheduled for December 2014 to deal with issues arising from Automodular's examinations for discovery of the defendants. The current schedule agreed to by the parties calls for the discovery process to be completed, expert reports to be exchanged, a mandatory mediation to be scheduled and the matter to be set down for trial by October 31, 2015 at which point the court will schedule a trial date. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM or Inteva.

US SHAREHOLDER INFORMATION UPDATE

For the year ending December 31, 2014, Automodular expects to be classified as a Passive Foreign Investment Corporation ("PFIC") as defined in the Internal Revenue Code. The U.S. tax laws regarding PFICs are extremely complex and shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their respective investment in, and

ownership of, shares of Automodular under United States federal, state, local and foreign law. It is Automodular's intention to prepare and make available to U.S. shareholders a PFIC Annual Information Statement in order to allow U.S. shareholders to make certain tax elections. We expect that the information will be available on or about March 31, 2015 and that the information will be filed on SEDAR and posted on our website at www.automodular.com.

THIRD 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.

Financial results for the third quarter of 2014 were an improvement over the same period in 2013, despite additional scheduled production downtime and lower operating volumes than in 2013, due to new commercial terms that came into effect in July.

Our operations continue to run well. Despite the fact that the contract is ending, our customer's expectations remain unchanged – they expect to receive a defect-free module on time every time. At this time, approximately 35% of our hourly workforce has provided notice and left the Company; of those, approximately 100 will be joining Ford. Our operations team is doing an excellent job handling this turnover while remaining focused on health and safety, quality and productivity.

With respect to preparing for the wind-down of operations, the most significant event that occurred in the third quarter was the provision of formal termination notice to the non-executive corporate staff who support our Oakville operations. Automodular's total estimate of approximately \$8.0 million net exit costs to be recorded as a result of the closure of the Oakville operations remains unchanged. We continue to re-examine our estimates on a quarterly basis and will update them where necessary.

In spite of the fact that Automodular's Oakville operations are nearing their close, the Company's initiatives on the diversification front continue unabated. Both management and the Board of Directors are actively engaged in finding ways to 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. We have examined many different opportunities to date and continue to be focused on finding the right opportunity at a fair price. Automodular will communicate with its stakeholders when it has something material to share.

In light of the closure of the Oakville operations and ongoing diversification efforts, the Board of Directors has elected not to declare a dividend in the fourth quarter of 2014. The Company will revisit its dividend policy in conjunction with its go forward plans in the first quarter of 2015 and will communicate with its stakeholders at that time.

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 September 30, 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 September 30, 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 fiscal year, at the same time, providing flexibility to fund potential new diversification initiatives; that the Company's Oakville operations are nearing their close; that, with respect to the GM litigation, the discovery process will be completed, expert reports will be exchanged, the mandatory mediation will be scheduled and the matter will be set down for trial by October 31, 2015; that Automodular's total estimate of net exit costs to be recorded as a result of the closure of the Oakville operations is approximately \$8.0 million; that Automodular expects to be classified as a PFIC for the year ended December 31, 2014; that

Automodular's initiatives on the diversification front continue unabated; and, that the Company will revisit its dividend policy in conjunction with its go forward plans in the first quarter of 2015 and will communicate with its stakeholders at that time.

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.

November 6, 2014