

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

For the Three Month Periods Ended March 31, 2011 and 2010

This Management Discussion and Analysis (“MD&A”) is for the three-month periods ended March 31, 2011 and 2010 and should be read in conjunction with the unaudited interim consolidated financial statements for the three-month periods ended March 31, 2011 and 2010 and the notes thereto as well as Automodular Corporation’s 2010 annual report and audited consolidated financial statements. These consolidated financial statements are 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 is a sequencer and sub-assembler of modules that are installed in vehicles assembled by Ford Motor Company (“Ford”). At present, we employ approximately 500 people in two operating facilities servicing Ford’s Oakville Assembly Plant.

FIRST QUARTER OVERVIEW

First quarter sales of \$20.8 million were lower than the first quarter 2010 sales of \$24.8 million. Automodular generated net earnings of \$3.5 million or \$0.18 per share compared to a net loss in 2010 of \$(0.2) million or \$(0.01) per share. Earnings in 2010 were impacted by a \$4.7 million charge related to GM’s (“GM” refers to General Motors Corporation and General Motors of Canada, Limited collectively) decision to terminate our remaining Oshawa-area contracts effective September, 2010. Prior to termination, these contracts were serviced by the Company’s Thornton facility.

Significant events during the first quarter of 2011 included the following:

- Strong daily production volumes carried over from 2010 into the first quarter of 2011; and
- Automodular reached an agreement to settle its remaining lease obligations on its Montecorte facility in Whitby, Ontario. Production ended in 2009 but the lease for the facility was not scheduled to expire until November, 2011. Under the terms of the settlement, Automodular provided total consideration to the landlord of \$1.4 million and restored the facility to the condition required by the lease.

RESULTS OF OPERATIONS

Automodular’s comparative consolidated operating results for the three-month periods ended March 31, 2011 and 2010 are as follows:

Sales

Sales decreased from \$24.8 million in 2010 to \$20.8 million in 2011 predominately as a result of the closure of the Company’s Oshawa-area business in September, 2010 following GM’s termination of Automodular’s contracts.

Cost of sales and other expenses

Cost of goods sold and other expenses decreased from \$17.8 million in the first quarter of 2010 to \$13.7 million in the first quarter of 2011 primarily as a result of the closure of the Company's Oshawa-area operations referred to above.

Preproduction costs

Preproduction costs for the first quarter of 2011 total \$0.2 million compared to \$0.5 million in the first quarter of 2010. Expenditures in the prior year were higher as the Ford 2011 model year change was of a larger scale than the current year (2012 model year change). In addition, preproduction costs in the first quarter of 2011 have been reduced by revenues earned on the building of Ford prototype modules for the 2012 model year.

Exit costs

Exit costs for the first quarter of 2011 total \$1.0 million compared to \$1.8 million in the same quarter in 2010. Costs in the current quarter relate to facility costs incurred for the Company's Montecorte facility up to and including the lease settlement previously mentioned. The first quarter of 2010 included a \$1.5 million charge related to severance costs for salaried and hourly workers in accordance with the Employment Standards Act, following GM's termination of Automodular's remaining Oshawa-area contracts. The balance of the exit costs, in the first quarter of 2010 were composed of facility costs incurred on the Company's Montecorte facility.

Earnings before interest, taxes, depreciation, amortization and other non-cash items ("EBITDA")

EBITDA is used as a key financial measurement when evaluating operating performance and is a measure of cash operating earnings that is widely used in the automotive industry. The Company defines the metric as "*earnings before interest, taxes, depreciation and amortization and non-cash items*". **It is not a defined term under IFRS** and is, therefore, unlikely to be comparable to similar measures presented by other companies.

EBITDA increased from \$4.6 million in 2010 to \$5.9 million in 2011 as a result of stronger results from the Company's Oakville operations and lower preproduction and exit costs quarter over quarter as noted above.

Reconciliation of EBITDA to earnings before impairment and income taxes:

(all numbers in thousands)	For the three months ended March 31	
	2011	2010
EBITDA	\$ 5,910	\$ 4,630
Amortization	1,054	1,483
Interest expense, net	7	208
Other expense (income)	(75)	6
	986	1,697
Earnings before impairment and income taxes	\$ 4,924	\$ 2,933

Amortization

Amortization of \$1.1 million in the first quarter of 2011 is \$0.4 million lower than the first quarter of 2010 as a result of a lower capital asset base following the closure of Automodular's Oshawa-area operations in September, 2010 as previously described.

Interest expense, net

Interest expense, net in the current period is \$0.2 million lower than in 2010 following the repayment of Automodular's two term credit facilities on March 31, 2010.

Other expense (income)

Other income in the first quarter of 2011 of \$0.1 million mainly relates to gains realized on the sale of plant and equipment.

Earnings before impairment and income taxes

Earnings before impairment and income taxes of \$4.9 million in the current quarter compares to \$2.9 million in the same quarter of 2010. The increase is due to the reasons noted above.

Plant and equipment impairment charge

In the first quarter of 2010, Automodular recorded a charge related to the plant and equipment used in its Oshawa-area operations for its GM contracts. As a result of the termination of the contracts effective September, 2010, Automodular performed an analysis which compared the net book value with future earnings expected on the contracts as well as the estimated recovery on the sale or disposition of the assets and concluded that an impairment charge of \$3.2 million was warranted. There were no similar charges in 2011.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(All numbers in thousands except per share amounts, prior period numbers restated under IFRS)

	2011	2010				2009		
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	20,760	24,801	25,540	19,062	18,710	24,103	15,112	22,804
Net earnings (loss)	3,546	(178)	3,185	(997)	2,743	2,481	(1,139)	1,977
Per share (basic & diluted)	0.18	(0.01)	0.13	(0.05)	0.14	0.10	(0.04)	0.08

In our industry, the first and second quarters of the year typically generate higher earnings than the third and fourth quarters because there are a greater number of non-production days (statutory holidays and in the third quarter generally a two-week closure for summer shutdown) in the latter half of the year. However, in the first and third quarters of 2010, substantial exit costs were recorded that related to the termination by GM of our Thornton facility contracts. In 2009, results were impacted by the resolution of certain commercial issues with GM which were reflected in the third quarter.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Net cash provided by operating activities of \$2.2 million in the first quarter of 2011 compares to \$7.5 million in the same period in 2010. While cash provided by operating earnings were comparable period over period, the timing of certain cash flows resulted in a use of cash through increased working capital.

Investing activities

Net purchases of plant and equipment (purchases less proceeds on dispositions) decreased by \$0.7 million compared to 2010. As noted earlier, the Ford 2012 model year change is less capital intensive than the 2011 model year change that Automodular supported.

Financing activities

Repayments of long-term liabilities of \$0.1 million in the current quarter relate to the repayment of capital leases. In the first quarter of 2010, repayments of long-term liabilities totaled \$8.3 million and included the repayment of Automodular's two term credit facilities.

FINANCING RESOURCES

Automodular's cash on hand at quarter end totaled \$12.0 million compared to \$10.3 million at the end of 2010. Automodular expects that its cash on hand and expected cash flows from operations are sufficient to fund the needs of the Company during the 2011 fiscal year.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$32.0 million at December 31, 2010 to \$35.6 million at March 31, 2011 primarily as a result of the earnings generated in the first quarter.

OUTSTANDING SHARE DATA

(All numbers in thousands except share and per share data)

	March 31, 2011		December 31, 2010	
	# Outstanding	Amount	# Outstanding	Amount
Common shares	20,393,679	\$ 44,570	20,393,679	\$ 44,570

From March 31, 2011 to the date of this filing there has been no change in the number of shares issued and outstanding.

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, Automodular determined it was not appropriate to provide outlook guidance. Please review our forward-looking statement disclaimer at the end of this MD&A.

As noted in our annual report for the year ended December 31, 2010, Automodular's multi-year agreement with Ford is set to expire on June 30, 2012. Discussions are currently being held with Ford in respect of a renewal but at the same time Ford is considering other suppliers for the work currently performed by Automodular as well as whether it is more economical for Ford to do the work themselves

in-house. If a renewal is obtained, it will contain price concessions some of which may be retroactive and the amount may be material. There can be no assurance that Automodular will be successful in obtaining a renewal of this agreement.

Automodular continues to look for opportunities that would diversify its operations while utilizing the skill set of its existing management team.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Automodular has adopted IFRS effective January 1, 2011. These changes have been reflected retroactively with prior year information restated accordingly. The notes to the interim consolidated financial statements describe the significant changes between Canadian GAAP and IFRS and provide reconciliations between Automodular's previously filed Canadian GAAP financial statements and revised IFRS financial statements. There were no changes to our critical accounting estimates during the current quarter.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective at March 31, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2011, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements which, to the extent that they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, financial and other projections, as well as statements regarding our future plans, objectives or performance, anticipated business development, anticipated industry developments, our views on the long-term outlook of the automotive 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 cash on hand and expected future cash flows from operations are sufficient to fund the needs of the Company during the 2011 year, the expiry of Automodular's multi-year agreement with Ford on June 30, 2012 and ongoing discussions in respect of a renewal of the contract including the terms of any such renewal and that Automodular will continue to look for opportunities that would diversify its operations.

By its nature, forward-looking information involves certain risks, assumptions, 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 cyclical nature of the automotive industry and its dependence on consumer spending;
- our ability to identify, close and integrate acquisitions;
- our ability to finance new business requirements;
- economic 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;
- customer pricing pressures;
- actual levels of program production volumes differing from original expectations;
- our dependence on certain platforms;
- our relationship with and dependence on Ford;
- new program launch risks and other changes in the business environment in which we operate;
- limited financial resources; and
- 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, can be found on the SEDAR website at www.sedar.com.

May 11, 2011