

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

For the Three and Six Month Periods Ended June 30, 2011 and 2010

This Management Discussion and Analysis (“MD&A”) is for the three and six month periods ended June 30, 2011 and 2010 and should be read in conjunction with the unaudited interim consolidated financial statements for the periods ended March 31 and June 30, 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.

SECOND QUARTER OVERVIEW

Automodular generated net earnings of \$2.6 million or \$0.13 per share in the second quarter of 2011 compared to net earnings of \$3.2 million or \$0.13 per share in the same quarter in 2010.

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

- Automodular signed a multi-year agreement (“MYA”) with Ford for an extension of services at its Oakville operations. The MYA provides for certain price reductions over the course of the agreement - some of which are retroactive to January 1, 2011 – and will end in June, 2014. The total impact of the retroactive price reductions on previously reported results is a reduction in sales of \$0.6 million.
- Automodular reached agreement on a renewal contract for its Oakville-area workers with the National Automobile, Aerospace, Transportation and General Workers Union of Canada (“CAW”). The contract provides improvements in wages and benefits and will have a 3-year term.

RESULTS OF OPERATIONS

Automodular’s comparative consolidated operating results for the three and six month periods ended June 30, 2011 and 2010 are as follows:

Sales

Sales decreased from \$25.5 million in the second quarter of 2010 to \$18.5 million in the second quarter of 2011. This reduction in sales period-over-period is primarily due to 2010’s results including sales from our Oshawa-area operations and the price adjustment referred to above. The Oshawa-area operations ceased production in Q3 2010 following GM’s (“GM” refers to General Motors Corporation and General Motors of Canada, Limited collectively) termination of our remaining GM contracts. Q2 2010 figures also included US\$0.6 million in revenues relating to our Ohio-area operations. Ohio operations closed at the end of June, 2010.

Year-to-date sales of \$39.3 million are \$11.0 million lower than the same period in 2010 for the reasons noted above.

Cost of sales and other expenses

Cost of sales and other expenses decreased from \$18.0 million in the second quarter of 2010 to \$13.1 million in the second quarter of 2011. Year-to-date costs of goods sold of \$26.8 million are \$9.1 million lower than the same period in 2010. The reductions are mainly the result of the closure of our Oshawa-area operations in the third quarter of 2010.

Preproduction costs

Preproduction costs for the second quarter of 2011 total \$0.2 million and are slightly lower than the second quarter of 2010. Year-to-date preproduction costs of \$0.4 million are \$0.4 million lower than the same period in 2010. Expenditures in the prior year were higher as the Ford 2011 model year change was of a larger scale than the current (2012) model year change. In addition, preproduction costs in the first half 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 second quarter of 2011 are \$0.4 million lower than the same period in 2010. Exit costs for the year to date are \$1.0 million compared to \$2.3 million in 2010. The current year-to-date period includes costs incurred for the Company's last remaining Oshawa facility up to and including the lease settlement payment. Included in the 2010 figure were costs relating to the severance of employees following GM's termination of our Oshawa-area contracts, severance costs for Ohio-area employees resulting from the expiry of our Ohio-area contracts and facility costs incurred on the Company's redundant Montecorte facility.

Earnings before interest, taxes, depreciation, amortization and other noncash 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 decreased from \$6.8 million in the second quarter of 2010 to \$5.2 million in the second quarter of 2011. The reduction is predominately due to the lower sales as previously noted.

Year-to-date EBITDA decreased from \$11.4 million in 2010 to \$11.1 million in 2011 for the reasons noted above, partially offset by higher exit costs in 2010 relating to the termination of the Company's remaining GM contracts.

Reconciliation of EBITDA to earnings before impairment and income taxes:

(all numbers in thousands)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
EBITDA	\$ 5,210	\$ 6,812	\$ 11,120	\$ 11,442
Amortization	1,342	2,129	2,396	3,612
Interest expense, net	(20)	31	(13)	239
Other expense (income)	224	23	149	29
	1,546	2,183	2,532	3,880
Earnings before impairment and income taxes	\$ 3,664	\$ 4,629	\$ 8,588	\$ 7,562

Amortization

Amortization of \$1.3 million in the second quarter of 2011 is \$0.8 million lower than the second quarter of 2010. Year-to-date amortization decreased from \$3.6 million in 2010 to \$2.4 million in 2011. These decreases are the 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 quarter and year-to-date periods is negligible and is lower than the same periods in 2010 due to the repayment of Automodular's two term credit facilities on March 31, 2010.

Other expense (income)

Other expense in the quarter and year-to-date periods is higher than the same quarter in 2010 as a result of the recognition of an impairment charge being recorded on one of the Company's investments in the current quarter.

Earnings before impairment and income taxes

Earnings before impairment and income taxes for the quarter of \$3.7 million compares to \$4.6 million in the same quarter of 2010. Year-to-date earnings before impairment and income taxes of \$8.6 million compare to \$7.6 million in 2010. Reasons for the change year-over-year have been previously noted.

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	Q2	Q1	Q2	Q3	Q4	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	20,760	18,537	24,801	25,540	19,062	18,710	15,112	22,804
Net earnings (loss)	3,546	2,550	(178)	3,185	(997)	2,743	(1,139)	1,977
Per share (basic)	0.18	0.13	(0.01)	0.13	(0.05)	0.14	(0.04)	0.08
Per share (diluted)	0.18	0.13	(0.01)	0.12	(0.05)	0.14	(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 relating 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 of \$5.4 million provided by operating activities in the second quarter of 2011 is comparable to the prior year figure. Net cash of \$7.6 million generated by operating activities year-to-date is approximately \$6.0 million lower than the same period in 2010. While cash provided by operating earnings was comparable period-over-period, the timing of cash flows particularly those relating to severance and other exit costs in 2010 resulted in additional net cash available from operations in the first half of 2010.

Investing activities

Net purchases of plant and equipment (purchases less proceeds on dispositions) for the second quarter decreased by \$0.1 million compared to 2010. Year-to-date net purchases of \$0.7 million compare to \$1.5 million for the same period in 2010. As previously noted, the Ford 2012 model year change, supported by purchases made in the first half of 2011, has been less capital intensive than the 2011 model year change that Automodular supported through purchases in the first half of 2010.

Financing activities

Repayments of \$0.1 million of long-term liabilities in the current quarter are comparable to the same period in 2010. Year-to-date payments of \$0.2 million are significantly lower than the \$8.4 million in payments made in the first half of 2010 when Automodular repaid its two term credit facilities. During the second quarter of 2011, Automodular paid a special dividend of \$0.25 per common share, shown net of \$0.1 million in internal dividends paid to the long term incentive plan. There were no dividends paid in the first half of 2010.

FINANCING RESOURCES

Automodular's cash on hand at quarter-end totaled \$12.1 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 \$33.4 million at June 30, 2011 primarily as a result of year-to-date earnings of \$6.1 million exceeding the \$5.0 million paid out in dividends.

OUTSTANDING SHARE DATA

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

	June 30, 2011		December 31, 2010	
	# Outstanding	Amount	# Outstanding	Amount
Common shares	20,393,679	\$ 44,570	20,393,679	\$ 44,570

From June 30, 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.

In the second quarter of 2011, Automodular successfully negotiated a renewal labour agreement with the CAW for its Oakville workers and also finalized an extension of its commercial agreements with Ford. Coupled with a strong balance sheet, these renewals will provide a steady source of cash flows and allow Automodular to actively seek out and execute diversification opportunities.

Following a review of its Dividend Policy, Automodular will be resuming the payment of regular quarterly dividends at a rate of \$0.05 per share. Automodular will also pay special dividends from time to time if cash surpluses grow beyond reasonably forecast needs.

The Board of Directors has declared a total dividend of \$0.20, comprising a special dividend of \$0.15 and a regular quarterly dividend of \$0.05 payable September 7, 2011 to shareholders of record August 24, 2011.

The Board has appointed Christopher Nutt as President of the Company effective immediately. Michael Blair will retain the position of Chief Executive Officer until his retirement in December, 2011. Automodular will announce a new Chief Financial Officer in due course.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Automodular adopted IFRS effective January 1, 2011. These changes have been reflected retroactively with prior year information restated accordingly. The notes to the June 30, 2011 and March 31, 2011 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 June 30, 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 June 30, 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 fiscal year, that the renewal of commercial and labour agreements coupled with a strong balance sheet will provide a steady source of cash flows and allow Automodular to seek out and execute diversification opportunities, that Automodular will resume the payment of regular quarterly dividends and pay special dividends from time to time if cash surpluses grow beyond reasonably forecast needs, that Michael Blair will retire in December, 2011 and that Automodular will announce a new CFO in due course.

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 for the year ended December 31, 2010, can be found on the SEDAR website at www.sedar.com.

August 10, 2011