

To the Shareholders

Automodular Corporation (“Automodular”) reports net earnings of \$1,057,000 or \$0.06 per share for the quarter ended March 31, 2004, up from \$987,000 or \$0.05 per share in the same period last year. 2004 Sales were \$28.6 million, an increase of 16% from \$24.7 million in 2003. Last year’s results included only 2 months of sales of Tec-Mar Distribution Services Inc., acquired January 31st.

As previously announced, during the first quarter:

- Automodular received notice that General Motors of Canada did not intend to renew Automodular’s contract to supply certain sequenced automotive parts from Automodular’s facility in Pickering, Ontario. As a result, in the absence of new orders, the Automodular Pickering facility will be closed later this year;
- Automodular received notice that Saturn production in Delaware will end later this year, to be replaced by a new vehicle in 2005 for which Automodular hopes to win sequencing orders, absent which the plant will be closed;
- Automodular won orders to supply sequenced automotive parts to General Motors Corporation’s Lordstown, Ohio assembly plant. Automodular will open a 70,000 square foot facility in the vicinity of the Lordstown assembly plant to service this order later this year; and,
- Employees of Automodular’s Oshawa area facilities voted recently to be represented by the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada). Automodular expects contract negotiations to take place later this year.

In addition, Automodular is actively bidding a large number of sub-assembly and sequencing projects in Canada and the United States, success on one or more of which could have a material impact on Automodular sales and profits. Automodular cannot predict the outcome of its bidding activity.

The outlook for the remainder of the year is mixed and difficult to predict. Automodular management expects the year as a whole to be profitable with sales and net earnings somewhat similar to 2003, but the final results will depend on numerous factors including but not limited to the outcome of labor negotiations with CAW-Canada, the final resolution of the Pickering and Delaware lease facilities which depend on outstanding bidding activities, and the costs of starting up the new facility in Ohio.

The directors have decided to defer dividends for the time being, and will reconsider dividend policy when projected earnings and cash flows have greater visibility.

On behalf of the directors.

Michael F. Blair
Chief Executive Officer