

Management's Discussion and Analysis of Operating Results and Financial Position for the Quarter ended September 30, 2009 ("MD&A")

The following MD&A was prepared as of November 10, 2009 and should be read in conjunction with the unaudited consolidated interim financial statements for the three and nine-month periods ended September 30, 2009 and 2008 and the notes thereto as well as the Company's 2008 annual report and audited financial statements. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts in the financial statements and MD&A are shown in Canadian dollars unless otherwise indicated.

Automodular Corporation ("Automodular" or "the Company") is a sequencer and sub-assembler of modules that are installed in cars and trucks assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada and the United States. At present we employ approximately 600 people in four operating facilities servicing three OEM plants.

THIRD QUARTER OVERVIEW

Sales in the current quarter of \$15.1 million compare to sales in the same period in 2008 of \$20.7 million. Automodular reports a net loss of \$(1.1) million or \$(0.04) per share compared to net earnings of \$2.0 million or \$0.08 per share in the same period in 2008.

Subsequent to September 30, 2009 Automodular negotiated a settlement of outstanding commercial issues relating to its Oshawa and Ohio area operations. As a result of these negotiations, the following adjustments have been reflected in these interim statements: a reduction in revenues of \$2.1 million relating primarily to a reduction in the previously recorded early termination fee; an increase in revenues of \$0.3 million relating to capital assets, which as a result of the negotiations, will remain the property of Automodular; and a reduction in future obligations and corresponding exit costs of \$0.4 million. The negotiations will also result in an increase to pricing as a result of changes in scope in our Oshawa business, going forward. As part of these negotiations, Automodular also agreed to extend its existing Ohio contracts to September 30, 2010 (they were previously set to expire December 31, 2009).

On a year-to-date basis, sales of \$52.5 million are lower than the \$66.5 million in 2008 and earnings of \$0.5 million are lower than the \$3.5 million earned in the same period in 2008. Lower sales and earnings year-to-date are primarily a result of downweeks experienced in our Oshawa and Ohio operations in the first two quarters of 2009 combined with the downsizing of our Oshawa operations year over year. Prior year's figures have been re-stated from those previously filed to reflect the change in accounting policy relating to pre-production expenditures, adopted on October 1, 2008.

Significant events during the third quarter of 2009 included the following:

- We saw a reduction in downweeks across our operations in the third quarter. Neither our Oshawa nor our Oakville operations had production downweeks other than scheduled summer shutdowns. Our Ohio operations were shut down for the month of July and resumed production in the month of August.
- As disclosed in our Q2 filings, during the third quarter, Automodular reached agreement with the CAW on a two-year renewal contract for its Oakville-area workers.

- Automodular's Oakville operations reached commercial production levels for the new Lincoln MKT vehicle.
- As noted above, subsequent to September 30, 2009 Automodular reached a settlement on outstanding commercial issues relating to its Oshawa-area and Ohio-area operations.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS
(all numbers in thousands except per share amounts)

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	\$15,112	\$24,103	\$13,242	\$16,421	\$20,691	\$25,013	\$20,810	\$22,901
Net Earnings	\$(1,069)	\$2,576	\$(972)	\$(10,348)	\$2,022	\$1,639	\$(177)	\$380
Per share	\$(0.04)	\$0.10	\$(0.04)	\$(0.40)	\$0.08	\$0.06	\$(0.01)	\$0.01

The decrease in earnings since Q3 2008 is a result of the significant reduction in North American vehicle production volumes due to the drop in consumer demand and the write-off of goodwill in Q4 2008. Current quarter earnings are lower in large part due to the settlement of outstanding commercial issues relating to our Oshawa-area and Ohio operations, as previously described. Q4 2008 includes a non-cash charge of \$9.4 million for the write-off of all remaining goodwill. When programs are operating at full production levels, sales and earnings reported during the third and fourth quarters are generally weaker than the first and second quarters of the year. In the third quarter, OEMs typically take a two-week production shutdown to allow for routine maintenance on all of the equipment used in the production process. Fourth quarter results are generally weaker due to the additional holidays around Christmas. Over the past two years, Automodular's results have not necessarily mirrored this cyclicity because a substantial portion of our operations were in ramp-up mode during the first quarter of both 2008 and 2009 and we also experienced significant production downtime as a result of lower vehicle demand.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three and nine-month periods ended September 30, 2009 and 2008 are as follows:

SALES

Automodular's sales decreased from \$20.7 million during the third quarter of 2008 to \$15.1 million during the third quarter of 2009. As noted previously, a net reduction in revenues of \$1.9 million was recorded relating to the settlement of outstanding commercial issues in our Oshawa and Ohio area operations. In addition, sales were lower across all operations for the third quarter when compared to 2008. Our Oakville operations experienced lower volumes primarily as a result of intermittent downtime created by supplier issues and our US operations experienced lower volumes due to downweeks scheduled to rebalance inventory levels. Our Oshawa area sales were lower as a result of the downsizing of our Oshawa-area operations following contract expiries and plant closures.

Year-to-date sales of \$52.5 million are \$14.1 million lower than the same period in 2008 mainly as a result of production downweeks concentrated primarily in the first and second quarters of 2009. The expected reduction in sales was mitigated by the impact of the contracted exit revenue associated with the closure of Oshawa contracts, as discussed above.

PRE-PRODUCTION COSTS

Pre-production costs for 2009 year-to-date total \$1.3 million (for the three months ended September 30, 2009: \$0.4 million) compared to \$1.4 million in the nine months ended September 30, 2008 (for the three months ended September 30, 2008: \$0.1 million). Expenditures in the current year relate to the pre-launch costs for the Lincoln MKT which launched in the third quarter and the 2011 Ford Edge model year change. In 2008, costs related primarily to pre-launch costs for the Ford Flex.

EXIT COSTS

Exit costs for 2009 year-to-date total \$2.9 million (for the three months ended September 30, 2009: \$(0.1) million) compared to \$1.2 million (for the three months ended September 30, 2008: \$0.5 million) in 2008. Costs are a result of shift reductions, contract terminations or expiration and the closure of Oshawa-area facilities and relate to severance paid or to be paid to hourly and salaried employees and other expected exit costs for the Montecorte facility including but not limited to estimated facility repair costs and residual equipment leases and lease inducement costs over the balance of the facility lease. The negative amount in the current quarter arose as a result of the finalization of negotiations with respect to Oshawa area contracts, and the resultant decrease in expected closure costs and revision of other estimated closure costs.

EARNINGS BEFORE INTEREST, TAXES, 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 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 Canadian GAAP** and is, therefore, unlikely to be comparable to similar measures presented by other companies.

EBITDA decreased from \$4.2 million in Q3 2008 to \$0.6 million in the current quarter. The decrease is in large part due to the settlement of outstanding commercial issues with our customer, as previously noted. Additionally, EBITDA was down across all operations - in Oakville and Ohio primarily as a result of lower volumes year over year and in Oshawa as a result of the overall downsizing of Automodular’s Oshawa-area operations.

Year-to-date EBITDA of \$7.1 million reflects a \$1.9 million decrease over the same nine-month period during 2008, primarily as a result of the significant number of downweeks experienced in our Oakville and Ohio operations during the first two quarters of 2009, partially offset by increased EBITDA in our Oshawa operations.

Reconciliation of EBITDA to earnings before income taxes:

	For the three months ended Sept 30		For the nine months ended Sept 30	
	2009	2008	2009	2008
EBITDA	\$ 563	\$ 4,186	\$ 7,091	\$ 8,943
Amortization	1,832	1,522	5,505	3,896
Interest expense (income), net	205	178	633	531
Foreign exchange loss (gain)	11	(7)	3	(29)
Other income	(1)	(4)	(4)	(48)
	2,047	1,689	6,137	4,350
Earnings before income taxes	\$ (1,484)	\$ 2,497	\$ 954	\$ 4,593

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes for the third quarter are a loss of \$(1.5) million compared to earnings of \$2.5 million. The decrease in the current period is a result of the previously noted items.

The year-to-date earnings before income taxes decreased from \$4.6 million in 2008 to \$1.0 million in the current year.

AMORTIZATION

Amortization for the current quarter of \$1.8 million is \$0.3 million higher than the third quarter of 2008 and year-to-date of \$5.5 million is \$1.6 million higher than 2009. The increase on a year-to-date basis is primarily a result of the amortization of assets on the Camaro program.

INTEREST

Interest expense for the third quarter of 2009 is consistent with the charge in the third quarter of 2008. Interest for the year to date has nominally increased as a result of lower interest income earned on cash balances due to lower interest rates.

INCOME TAXES

The Company's effective income tax rate on Canadian operations is approximately 32%. Automodular is no longer recording future tax assets on operating losses generated in its US-based operations given the expected closure of Automodular's final US plant which has been re-scheduled to take place in 2010.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash generated by operations of \$2.6 million compares to cash used by operations of \$2.1 million during the three months ended September 30, 2009 and 2008 respectively. In the

current quarter, less cash was utilized in working capital – primarily as a result of the reduction in accounts receivable balances.

Year-to-date cash of \$3.9 million provided by operations compares to \$1.6 million cash used by operations during the same period of 2008. The increase is primarily a result of lower levels of cash tied up in working capital – relating to the timing of payments of accounts payable and receipt of payments from our customers.

Accounts receivables greater than 90 days include non-production amounts due from Ford and GM totaling \$3.4 million. The process for non-production invoicing often extends timing for payments.

Investing activities

Net cash expenditures of \$1.2 million during the third quarter compares to spending of \$2.3 million during the same period of 2008. The current period's expenditures relate primarily to the purchase of marketable securities and capital expenditures incurred for Oakville's Ford MKT program. During the same quarter last year, expenditures related primarily to the Camaro program.

Year-to-date net cash expenditures of \$4.2 million compare to net spending of \$9.2 million during the same period of 2008. The reduction relates to the timing of launches. At the current time, the only major program underway is for the Ford Edge 2011 model year.

Financing activities

Repayment of long-term liabilities in the third quarter includes \$0.4 million relating to the term credit and equipment financing facilities with the balance relating to capital leases. Repayments are consistent from Q3 2008 to Q3 2009. On a year-to-date basis, total repayment of long-term liabilities is \$1.7 million compared to \$1.6 million in 2008. In 2008, dividends of \$0.8 million were paid out in the third quarter. No dividends have been paid in 2009.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular has cash on-hand of \$4.1 million compared to cash on hand of \$6.1 million at December 31, 2008 and \$2.5 million at September 30, 2008. The Company has available to it a \$10 million operating line. The Company has not drawn on the operating line in 2009.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$34.5 million at December 31, 2008 to \$34.8 million at September 30, 2009. There are 25,949,233 shares issued and outstanding as at the date of this filing.

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 no longer provides a financial outlook. See our forward-looking statement disclaimer at the end of the MD&A.

During the second quarter of 2009, General Motors Corporation filed for chapter 11 protection in the United States. The chapter 11 filings by GM and Chrysler have allowed those companies to restructure. They have discarded unprofitable brands and vehicles, substantially reduced labour and other operating costs and reduced or eliminated many financial obligations. In the case of GM specifically, it is expected that they will emerge from this process as a much leaner and more focused company – one that will be able to earn profits in the normal course. Ford Motor Company did not request bailout money from the US and Canadian governments. However, they have already reached agreement with the CAW to obtain similar wage and benefit concessions, and are in negotiations with UAW to achieve similar results.

We noted in our second quarter filings *“that the impact of these monumental changes to the automotive industry is not clear at this point in time”*. Automodular’s success has been based on our ability to deliver defect-free modules to the final assembly plant on time, every time, at a cost that makes it more profitable for our customers to use our services rather than doing the work themselves or awarding the business to one of our competitors. The differential between our fully loaded labour rate and our customers is substantially smaller than it was six months ago. In addition, it is possible that recent UAW and CAW concessions were linked to continued levels of employment and/or limitations on outsourcing. The landscape for the outsourcing of complex subassembly has changed substantially and will likely reduce future opportunities and may impact existing contracts in the longer-term. Three months later, the situation has not changed appreciably. We have been asked to bid on a program in Oshawa that will incorporate our existing program as well as two new vehicles that are scheduled for production in the next two to three years. Aside from that request, the volume of new bids that we are being asked to consider is substantially lower than in previous years.

In Automodular’s Oakville operations, we continue to see the elimination of previously announced downweeks. However, this has not resulted in significantly higher revenues and earnings as a result of intermittent downtime resulting from disruptions in the supply chain.

In Automodular’s Oshawa operations, we continue to see a high level of demand for the Chevrolet Camaro vehicle and expect that to continue for the balance of the year.

Our Ohio operations were expected to close at the end of this year. However, at GM’s request, Automodular has agreed to extend the existing program to September 30, 2010.

Automodular seeks opportunities to diversify its operations while still utilizing the skill set of its existing management team. During the current year, Automodular has purchased shares and units in three publicly traded companies. The total invested to date is approximately \$1.5 million.

ACCOUNTING AND CONTROL MATTERS

Changes in Accounting Policies

The unaudited interim consolidated financial statements of the Company and notes thereto for the three and nine-month periods ended September 30, 2009 have been prepared using the same accounting principles and methods as were used for the audited consolidated financial statements for the years ended December 31, 2008 and 2007.

There were no changes in existing accounting policies during the quarter ended September 30, 2009.

Marketable securities purchased by the Company this year have been classified as available for sale in accordance with the *CICA Handbook* section 3855, "Financial Instruments" and recorded at fair value, with unrealized gains and losses recorded in other comprehensive income.

Disclosure Controls and Procedures

Automodular's Management has designed and evaluated the effectiveness and operations 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, including 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, 2009.

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 GAAP, focusing in particular on controls over information contained in the annual and interim 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 third quarter ended September 30, 2009, 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". Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or performance, or our underlying assumptions. The words "*estimate, anticipate, believe, expect, intend*" or other similar expressions are intended to identify forward-looking statements. Persons reading this MD&A are cautioned that such statements are only estimates, and that our actual future results or performance may be materially different. Specific forward-looking statements in

this document include those relating to the status of GM and Chrysler following their Chapter 11 filings, Ford's negotiations with the CAW and UAW, the impact of financial restructurings on Automodular, future costs to be incurred relating to Automodular's Oshawa-area facility closure and volume levels in our Oakville and Oshawa operations.

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.

In Automodular's case, these factors principally relate to the risk with the automotive industry and include, but are not limited to:

- the effect of new accounting standards on our financial results;
- our ability to identify, close and integrate acquisitions;
- the ability to finance new business requirements;
- global 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 General Motors Corporation, General Motors of Canada Limited and Ford Motor Company, Limited;
- new program launch risks and other changes in the business environment in which we operate.

Persons reading this MD&A 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 or the Company's website at www.automodular.com.