

Management's Discussion and Analysis ("MD&A")

The following MD&A of our consolidated operating results and financial position is for the three month periods ended March 31, 2009 and 2008 and should be read in conjunction with the unaudited consolidated interim financial statements for the three month periods ended March 31, 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 650 people in 5 operating facilities servicing 4 OEM plants.

FIRST QUARTER OVERVIEW

First quarter sales of \$13.2 million in 2009 were substantially lower than sales of \$20.8 million in 2008 and resulted in a net loss in 2009 of \$1.0 million or \$0.04 per share compared to a net loss of \$0.2 million or \$0.01 for the same period in 2008. Included as a charge against earnings in the current period is \$1.4 million of severance costs relating to the closure of Automodular's operations that support General Motors of Canada Limited's (GM) Oshawa Truck Plant which is scheduled to close in the second quarter of this 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 first quarter of 2009 included the following:

- As a result of the continued weakness in automotive sales, most of the Company's operations experienced downtime during the first quarter. Oakville operations were shut down for 7 weeks in the quarter. Our Oshawa truck operations were shut down for 4 weeks and our Oshawa car (Impala) plant was shut down for 7 weeks. In Ohio, operations were shut down for 5 weeks in the quarter and production reverted back to a one-shift operation from the previous two-shift operation.
- In Automodular's Oshawa car operations, the Chevrolet Camaro vehicle entered commercial production in March. The vehicle is in high demand and production volumes are expected to ramp-up over the next few months with full production levels to be reached later this summer.
- Subsequent to March 31st, Automodular signed an agreement with the CAW to provide severance benefits to eligible Oshawa workers who have been or will be impacted by permanent layoffs during 2008 and 2009.

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

	2009		2008				2007	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	13,242	16,421	20,691	25,013	20,810	22,901	21,941	27,050
Net Earnings	(972)	(10,348)	2,021	1,639	(177)	380	1,849	2,571
Per share	(0.04)	(0.40)	0.08	0.06	(0.01)	0.01	0.08	0.11

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. Q4 2008 also includes a non-cash \$9.4 million charge for the write-off of the remaining goodwill that was on the balance sheet at that time. 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, traditionally during early July, OEMs typically take a 2-week production shutdown to allow for routine maintenance on all equipment used in the production process. Fourth quarter results are generally weaker due to the additional holidays around Christmas. During the last couple of 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 as well as significant production downtime as a result of lower vehicle demand.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three month periods ended March 31, 2009 and 2008 are as follows:

SALES

Automodular's sales decreased from \$20.8 million during the first quarter of 2008 to \$13.2 million during the first quarter of 2009. Canadian sales were lower as a result of the large number of downweeks experienced across all operations as previously described. Oakville-based sales were less than 50% of the level they were in the first quarter of 2008. Oshawa-based sales were essentially flat year over year as new contracts that contain a fixed portion of revenues helped mitigate the impact of production downweeks. US sales were less than 50% of the level they were in the prior year as result of production downweeks, reduction from a 2-shift to a 1-shift operation and the termination of a Tier 1 contract in 2008.

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 \$0.7 million in the first quarter of 2008 to \$0.1 million in the first quarter of 2009. The reduction in EBITDA is a result of the current quarter charge of \$1.4 million relating to severance costs for the closure of the Company's US truck operations scheduled for May, 2009. The charge includes an estimate of severance costs based on Automodular's legal obligations

to the affected employees. Pre-production costs in 2008 related to the launch of the Ford Flex program and in 2009 to the Lincoln MKT. The total amount spent is lower because the Ford Flex launched in Q2 of 2008 (and expenses ramp-up substantially just prior to launch) whereas the Lincoln MKT is expected to launch in Q3 of 2009. In addition, the Ford Flex was a higher cost launch. The impact of the downweeks experienced in the first quarter of 2009 has been mitigated to some extent by the fixed price contracts in our Oshawa operations.

Reconciliation of EBITDA to earnings before income taxes:

	For the three months ended March 31	
	2009	2008
EBITDA	\$ 81	\$ 650
Amortization	1,302	858
Interest expense (income), net	161	101
Foreign exchange gain	(5)	(30)
Other income (loss)	(3)	(19)
	1,455	910
Earnings (loss) before income taxes	\$ (1,373)	\$ (177)

EARNINGS BEFORE INCOME TAXES

The current period loss before income taxes of \$1.4 million is higher than previous year's \$0.2 million loss. The increase in the loss is a result of lower EBITDA levels and higher amortization levels as the Company's capital asset based has increased year over year.

AMORTIZATION

Amortization for the current quarter of \$1.3 million is \$0.4 million higher than 2008. The increase is due to amortization on assets relating to the Ford Flex program which launched in Q2 2008 and the Chevrolet Camaro program which launched in Q1 2009.

INCOME TAXES

The Company's effective income tax rate is lower than the statutory rate as the Company 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 at the end of 2009.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash provided by operations of \$1.6 million in the first quarter compares to cash used in operations of \$3.2 million in the same quarter in 2008. The increase is a result of lower working capital levels needed to run the operations brought about by production downweeks taken by the OEMs.

Investing activities

Net cash expenditures of \$1.5 million during the first quarter compares to spending of \$3.9 million during the same period of 2008. The current period's expenditures relate primarily to capital expenditures incurred for Oakville's Lincoln MKT program and capital expenditures for GM Oshawa's Camaro program. During the same quarter last year, expenditures related primarily to the Ford Flex program and the Camaro program. Overall capital expenditures were higher on the Ford Flex program than the Lincoln MKT program.

Financing activities

Repayment of long-term liabilities in the first quarter of \$0.5 million includes payments on the term credit and equipment financing facilities and capital leases.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular has cash on hand of \$5.7 million. The Company has available to it a \$10 million operating line.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased from \$34.5 million at December 31, 2008 to \$33.7 million at March 31, 2009 primarily as a result of the loss in the current quarter. 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.

Automodular continues to be impacted by lower production volumes. While there has been some slight improvement in key economic metrics, consumer confidence levels remain low and vehicle sales have not increased materially year over year. In our Oakville operations servicing the Ford assembly plant we are paid on a fully variable basis so the Company earns no revenues when the plant is shut down but still incurs fixed costs, including facility costs, and certain other overheads. The situation is mitigated to some extent in our GM Oshawa and Ohio operations where our contracts with GM contain both a fixed and variable component of revenues. As a result, the fixed component of revenues helps offset fixed costs during production downweeks.

Automodular is obviously very interested in and may be impacted by the outcome of the funding requests that the North American OEMs have made of the US and Canadian governments. While Automodular does not have any business with Chrysler, any decisions that impact Chrysler adversely may impact the supplier base. The majority of suppliers provide goods and services to more than one OEM, so the automotive supply chain as a whole could be impacted if individual suppliers become insolvent.

Based on the most recent viability plan update provided by GM it appears that without key concessions from labour and bondholders in the near term, GM will enter into some form of restructuring. It is not clear whether a filing via Chapter 11 in the US would result in a CCAA filing

in Canada also. Automodular would be impacted if GM files for creditor protection in both the Canada and the US. Any amounts owed by GM to Automodular at the time of the filing would be tied up in the restructuring process which would impact short term cash flows. To help offset this exposure, Automodular has purchased approximately \$3.5 million in insurance (the maximum amount we have been able to purchase) for a period of 6 months. Factoring in the \$5.7 million in cash on hand and \$10 million available credit line, Automodular expects that it will continue to be able to discharge all its liabilities as they come due even if GM files for creditor protection.

Ford Motor Company has not to date requested bailout money from the US and Canadian governments. However, an extended downturn in vehicle sales may at some point result in financial difficulties for Ford. To be conservative, Automodular has purchased approximately \$6.7 million in insurance for a period of 6 months.

Automodular continues to take a conservative and cautious approach to expansion, declining to quote customers for programs where there are high capital requirements or significant volume risks associated with the proposed vehicle(s). Additionally, given weaker operating results and the difficulty in obtaining credit for automotive initiatives in the credit markets, Automodular is reviewing all substantial scope changes tabled by its customers and is looking for them to provide up front financing or direct payment of capital costs.

ACCOUNTING AND CONTROL MATTERS

Changes in Accounting Policies

The unaudited interim consolidated financial statements of the Company and notes thereto for the three month period ended March 31, 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 accounting policies during the quarter ended March 31, 2009.

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 March 31, 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 first quarter ended March 31, 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 outcome of North American OEMs funding requests, the impact of financial restructurings on the supplier base, the impact of a GM financial restructuring on Automodular, our ability to pay liabilities should GM financially restructure and the impact on Ford should automotive volumes continue at historically low levels.

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 of Canada, 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

May 7, 2009