

May 8, 2008

Management's Discussion and Analysis of Operating Results and Financial Position ("MD&A")

The following MD&A of our consolidated operating results and financial position is for the three-month periods ended March 31, 2008 and 2007 and should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended March 31, 2008 and 2007 and the notes thereto as well as the Company's 2007 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 900 people in 7 operating facilities servicing 4 OEM plants.

FIRST QUARTER OVERVIEW

First quarter sales declined from \$27.7 million in 2007 to \$20.8 million in 2008 and net earnings decreased from \$1.5 million or \$0.07 per share in 2007 to \$0.7 million or \$0.03 per share in 2008.

Significant events in the first quarter of 2008 included the following:

- As disclosed in the Annual Report, Automodular was informed by General Motors Corporation that certain contracts to sub-assemble components for the Oshawa Truck and Oshawa Car plants will end June, 2008 and not be renewed. These operations reported revenues totaling approximately \$35 million in 2007 and employed approximately 275 people. The Company is currently working through the transition plans for the impacted components and does not expect to be materially affected by the non-renewal of these contracts.
- Automodular brought its second Oakville-area facility on line in the first week of January. The Company's two Oakville-area facilities total approximately 0.4 million square feet and will employ approximately 700 people following the implementation of the recently announced third shift of production which is scheduled to begin later this year.
- The Company's operations were negatively impacted by a strike at one of our customer's suppliers, American Axle & Manufacturing, Inc. As a result of the strike, two of the Company's Oshawa-area operations were closed down for most of the month of March and remain closed at the date of this filing.
- The Company successfully negotiated a renewal contract with the United Automobile Workers Union for its Ohio workers. The contract provides improvements in wages and benefits and will have term ending December 31, 2009. The new contract came with no labour disruption and was seamless to our customer. The new contract provides the Company with greater cost certainty when bidding on potential new business.

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

	2008	2007				2006		
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Sales	\$20,810	\$27,721	\$27,050	\$21,941	\$22,901	\$17,133	\$10,206	\$12,656
Net earnings	\$ 671	\$ 1,477	\$ 2,222	\$ 1,546	\$ 2,276	\$591	\$199	\$160
Per share	\$ 0.03	\$ 0.07	\$ 0.10	\$ 0.07	\$ 0.09	\$0.03	\$0.01	\$0.00

Although economic conditions have weakened and North American automotive sales are down over the last several months, the Company's results improved from 2006 to 2007. 2006 was a year of transition for Automodular. In the second half of the year the majority of our operations were in the pre-production phase and earnings were not generated during that phase. All of these operations were at full commercial production levels from Q1 2007 forward. As well, our results are stronger because the vehicle platforms for which we provide services are generally among the top performing platforms for the OEMs we service. Results in Q1 2008 were lower as a result of diminished operating performance from the Company's Oshawa-area operations as described in more detail below.

Sales and earnings reported during the third and fourth quarter of any given year are generally weaker than the first and second quarters of the year 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 2007 Q1 results were relatively similar to Q3 as a result of our Oakville operations still ramping up to full production levels in Q1 2007. Q4 2007 earnings were inflated as a result of a reduction in the income tax provision relating to reductions in future year's statutory tax rates

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three months ended March 31, 2008 and 2007 are as follows:

SALES

Automodular's sales decreased from \$27.7 million during the first quarter of 2007 to \$20.8 million during the first quarter of 2008. Both Canadian and US-based sales decreased during the quarter. Canadian sales were down significantly as a result of the reduction to two shifts (from three shifts) in the Oshawa Truck operations effective January, 2008, the elimination of certain car platforms and consolidation of the two Oshawa car plants into one at the end of 2007 and the American Axle strike referred to previously. Oakville-area sales are essentially flat year over year. US sales declined as a result of the closure of the Company's last Lansing facility mid-2007.

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

EBITDA decreased \$2.0 million from \$4.3 million in the first quarter of 2007 to \$2.3 million during the first quarter of 2008.

The decrease in EBITDA year over year relates to the Company's Canadian operations. In Oshawa, the contribution from the Truck program was lower as a result of the change from a 3-shift to a 2-shift operation effective January, 2008 and the American Axle strike which shut down production for the month of March. Car operations EBITDA contribution is lower year over year as a result of the elimination of programs and consolidation of the final assembly plants. The consolidated car assembly plant also had to undergo a rampup in January, 2008 that resulted in lower volumes without the benefit of lower costs. US based EBITDA is flat year over year.

Reconciliation of EBITDA to earnings before income taxes:

	For the three months ended March 31	
	2008	2007
EBITDA	\$ 2,343	\$ 4,307
Amortization	1,458	1,714
Interest expense (net)	101	278
Foreign exchange (gain) loss	(30)	3
Other (income) expense	(19)	2
	<u>1,510</u>	<u>1,997</u>
Earnings before income taxes	<u>\$ 833</u>	<u>\$ 2,310</u>

INTEREST

Interest expense is \$0.2 million lower in the first quarter of 2008 than in the first quarter of 2007 in part as a result of the equity financing that was completed in the fourth quarter of 2007. In 2007, the expense resulted from the draw on the Company's available credit facilities following the launch of its Oakville and new Oshawa truck operations. In the current quarter, certain interest costs relating to the new Ford Flex program were capitalized.

INCOME TAXES

The Company's effective income tax rate has declined as result of the reduction in statutory rates coupled with the recent elimination of the Ontario capital tax retroactive to January, 2007 which resulted in a recovery of previously expensed amounts.

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes decreased from \$2.3 million to \$0.8 million. As previously noted in the EBITDA section, the reduction in earnings was primarily driven by weaker operating results from the Company's Oshawa-area operations.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash of \$1.5 million used in operations in the first quarter of 2008 compares to cash provided by operations of \$1.2 million in the same period of 2007 as a result of lower earnings generated in the quarter year over year and the timing of payments on certain capital expenditures relating to the Ford Flex program.

Investing activities

Net cash expenditures of \$5.2 million during the first quarter compares to spending of \$1.6 million during the same period of 2007. Current year expenditures relate to the Ford Flex program which launched in April, 2008 and the Chevrolet Camaro program in Oshawa. In the prior year, the majority of expenditures relating to the Ford Edge/Lincoln MKX programs had been previously made.

Financing activities

Repayment of long-term liabilities in the first quarter includes \$0.3 million relating to an equipment financing facility with the balance relating to capital leases.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular has cash on hand at quarter end of \$8.5 million compared to bank indebtedness of \$6.5 million on a book basis at the end of the first quarter of 2007. The Company has available to it a \$10 million operating line.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$49.6 million at December 31, 2007 to \$50.5 million at March 31, 2008 primarily as a result of the earnings in the first quarter. There are 25,949,233 shares issued and outstanding as at the date of this filing.

OUTLOOK

While first quarter 2008 results are weaker than those in 2007 they were in-line with our expectations. In Oakville, we have started up our second facility and the new Ford Flex vehicle came into production in April, 2008. Ford Motor Company of Canada Limited recently announced the addition of a third shift of production for its Oakville facilities which is expected to come on line later this year. Automodular continues to expect that earnings will improve over the balance of the year as the Ford Flex reaches full production levels and the third shift of production is added.

In Oshawa, the main area focus is on the preparations for the planned launch in early 2009 of the Chevrolet Camaro and future vehicles to be built on the same platform. At the same time, resources are being allocated to facilitate the transition of previously disclosed expiring contracts in June, 2008. Automodular expects continued weaker operating performance from its Oshawa-area operations with results improving in 2009 as new programs are launched.

On balance, Automodular remains cautiously optimistic that 2008 results from ongoing operations will be comparable with 2007.

Automodular is actively looking to quote additional complex sub-assembly work in Canada and the United States. The Company is also looking to diversify its operations and is examining potential acquisitions in complementary industries where the existing management has skills which would be transferable.

ACCOUNTING AND CONTROL MATTERS

Changes in Accounting Policies and New Accounting Pronouncements

The unaudited interim consolidated financial statements of the Company and notes thereto for the three month period ended March 31, 2008 have been prepared using the same accounting principles and methods as were used for the consolidated financial statements for the years ended December 31, 2007 and 2006, except for the following new accounting pronouncements which have been adopted effective January 1, 2008:

As required by the Canadian Institute of Chartered Accountants, on January 1, 2008, Automodular adopted three new accounting standards: CICA Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments-Disclosures, and Section 3863, Financial Instruments-Presentation. Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. Sections 3862 and 3863 will replace section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in fiscal years beginning on or after October 1, 2007.

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, 2008.

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, 2008, 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.

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