

CORE MOLDING TECHNOLOGIES INC

Form 10-Q

November 09, 2007

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2007**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**for the transition period from \_\_\_\_\_ To \_\_\_\_\_**

**Commission File Number 001-12505  
CORE MOLDING TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
incorporation or organization)

31-1481870  
(I.R.S. Employer Identification No.)

800 Manor Park Drive, P.O. Box 28183 Columbus,  
Ohio

43228-0183

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code (614) 870-5000

N/A

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of November 9, 2007 the latest practicable date, 6,727,871 shares of the registrant's common shares were issued and outstanding.

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**Part 1 Financial Information**  
**Core Molding Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

|                                                                                                                          | <b>September 30,<br/>2007<br/>(Unaudited)</b> | <b>December 31,<br/>2006</b> |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------|
| <b>Assets</b>                                                                                                            |                                               |                              |
| Current Assets:                                                                                                          |                                               |                              |
| Cash                                                                                                                     | \$                                            | \$ 16,096,223                |
| Accounts receivable (less allowance for doubtful accounts:<br>September 30, 2007 \$276,000; December 31, 2006 \$262,000) | 19,905,696                                    | 22,456,177                   |
| Inventories:                                                                                                             |                                               |                              |
| Finished and work in process goods                                                                                       | 2,951,800                                     | 2,793,993                    |
| Stores                                                                                                                   | 5,154,665                                     | 4,598,983                    |
| Total inventories                                                                                                        | 8,106,465                                     | 7,392,976                    |
| Deferred tax asset                                                                                                       | 1,469,756                                     | 1,529,592                    |
| Foreign sales tax receivable                                                                                             | 1,029,531                                     | 1,032,058                    |
| Income tax receivable                                                                                                    |                                               | 1,432,324                    |
| Tooling in progress                                                                                                      | 544,489                                       |                              |
| Prepaid expenses and other current assets                                                                                | 802,642                                       | 730,109                      |
| Total current assets                                                                                                     | 31,858,579                                    | 50,669,459                   |
| Property, plant and equipment                                                                                            | 59,504,089                                    | 56,927,053                   |
| Accumulated depreciation                                                                                                 | (28,922,660)                                  | (26,389,062)                 |
| Property, plant and equipment net                                                                                        | 30,581,429                                    | 30,537,991                   |
| Deferred tax asset                                                                                                       | 6,887,064                                     | 6,916,348                    |
| Goodwill                                                                                                                 | 1,097,433                                     | 1,097,433                    |
| Customer list / non-compete, net                                                                                         | 100,425                                       | 138,814                      |
| Other assets                                                                                                             | 95,061                                        | 145,668                      |
| <b>Total</b>                                                                                                             | <b>\$ 70,619,991</b>                          | <b>\$ 89,505,713</b>         |

**Liabilities and Stockholders Equity****Liabilities:**

|                                                      |              |              |
|------------------------------------------------------|--------------|--------------|
| Current liabilities                                  |              |              |
| Current portion of long-term debt                    | \$ 1,850,716 | \$ 1,815,716 |
| Notes payable line of credit                         | 5,757,035    |              |
| Current portion of postretirement benefits liability | 247,000      | 247,000      |
| Accounts payable                                     | 12,562,426   | 10,735,295   |
| Tooling in progress                                  |              | 1,179,684    |
| Accrued liabilities:                                 |              |              |

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|                                                                       |                      |                      |
|-----------------------------------------------------------------------|----------------------|----------------------|
| Compensation and related benefits                                     | 4,193,381            | 7,111,475            |
| Accrued taxes                                                         | 664,337              |                      |
| Other                                                                 | 1,150,232            | 2,005,408            |
| Total current liabilities                                             | 26,425,127           | 23,094,578           |
| Long-term debt                                                        | 6,384,992            | 7,779,279            |
| Interest rate swap                                                    | 111,857              | 35,848               |
| Graduated lease payments                                              |                      | 41,050               |
| Postretirement benefits liability                                     | 17,205,578           | 15,860,558           |
| <b>Commitments and Contingencies</b>                                  |                      |                      |
| <b>Stockholders' Equity:</b>                                          |                      |                      |
| Preferred stock \$0.01 par value, authorized shares 10,000,000;       |                      |                      |
| Outstanding shares September 30, 2007 and December 31, 2006-0         |                      |                      |
| Common stock \$0.01 par value, authorized shares 20,000,000;          |                      |                      |
| Outstanding shares: 6,721,871 at September 30, 2007 and 10,204,607 at |                      |                      |
| December 31, 2006                                                     | 67,218               | 102,046              |
| Paid-in capital                                                       | 22,531,765           | 21,872,723           |
| Retained earnings                                                     | 27,003,484           | 23,738,946           |
| Accumulated other comprehensive loss, net of income tax               | (2,930,976)          | (3,019,315)          |
| Treasury stock                                                        | (26,179,054)         |                      |
| Total stockholders' equity                                            | 20,492,437           | 42,694,400           |
| <b>Total</b>                                                          | <b>\$ 70,619,991</b> | <b>\$ 89,505,713</b> |

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

|                                                          | <b>Three Months Ended<br/>September 30,</b> |                     | <b>Nine Months Ended<br/>September 30,</b> |                     |
|----------------------------------------------------------|---------------------------------------------|---------------------|--------------------------------------------|---------------------|
|                                                          | <b>2007</b>                                 | <b>2006</b>         | <b>2007</b>                                | <b>2006</b>         |
| <b>Net Sales:</b>                                        |                                             |                     |                                            |                     |
| Products                                                 | \$ 23,744,611                               | \$ 38,854,393       | \$ 79,080,653                              | \$ 112,635,012      |
| Tooling                                                  | 6,175,333                                   | 9,223,766           | 20,363,658                                 | 11,456,118          |
| <b>Total Sales</b>                                       | <b>29,919,944</b>                           | <b>48,078,159</b>   | <b>99,444,311</b>                          | <b>124,091,130</b>  |
| <br>                                                     |                                             |                     |                                            |                     |
| Cost of sales                                            | 25,214,124                                  | 39,335,068          | 84,106,093                                 | 99,360,624          |
| Postretirement benefits expense                          | 626,753                                     | 450,417             | 1,828,391                                  | 1,762,362           |
| <b>Total cost of sales</b>                               | <b>25,840,877</b>                           | <b>39,785,485</b>   | <b>85,934,484</b>                          | <b>101,122,986</b>  |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Gross Margin</b>                                      | <b>4,079,067</b>                            | <b>8,292,674</b>    | <b>13,509,827</b>                          | <b>22,968,144</b>   |
| <br>                                                     |                                             |                     |                                            |                     |
| Selling, general and administrative expense              | 2,667,215                                   | 3,659,729           | 8,273,378                                  | 10,458,861          |
| Postretirement benefits expense                          | 119,381                                     | 85,794              | 391,963                                    | 364,002             |
| <b>Total selling, general and administrative expense</b> | <b>2,786,596</b>                            | <b>3,745,523</b>    | <b>8,665,341</b>                           | <b>10,822,863</b>   |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Income before interest and taxes</b>                  | <b>1,292,471</b>                            | <b>4,547,151</b>    | <b>4,844,486</b>                           | <b>12,145,281</b>   |
| <br>                                                     |                                             |                     |                                            |                     |
| Interest income                                          | 49,103                                      | 211,707             | 542,166                                    | 465,885             |
| Interest expense                                         | (228,696)                                   | (176,293)           | (491,409)                                  | (496,390)           |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Income before income taxes</b>                        | <b>1,112,878</b>                            | <b>4,582,565</b>    | <b>4,895,243</b>                           | <b>12,114,776</b>   |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Income tax expense</b>                                | <b>395,696</b>                              | <b>1,644,790</b>    | <b>1,699,158</b>                           | <b>4,392,067</b>    |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Net Income</b>                                        | <b>717,182</b>                              | <b>\$ 2,937,775</b> | <b>3,196,085</b>                           | <b>\$ 7,722,709</b> |
| <br>                                                     |                                             |                     |                                            |                     |
| <b>Net income per common share:</b>                      |                                             |                     |                                            |                     |
| Basic                                                    | \$ 0.10                                     | \$ 0.29             | \$ 0.34                                    | \$ 0.77             |
| Diluted                                                  | \$ 0.09                                     | \$ 0.28             | \$ 0.33                                    | \$ 0.74             |

**Weighted average shares outstanding:**

|         |           |            |           |            |
|---------|-----------|------------|-----------|------------|
| Basic   | 7,441,871 | 10,083,320 | 9,339,984 | 10,067,409 |
| Diluted | 7,727,088 | 10,428,583 | 9,658,583 | 10,422,526 |

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statement of Stockholders' Equity**  
**(Unaudited)**

|                                                                                                                                          | <b>Common Stock<br/>Outstanding</b> |               | <b>Paid-in</b> | <b>Retained</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income<br/>(Loss)</b> | <b>Treasury<br/>Stock</b> | <b>Total<br/>Stockholders'<br/>Equity</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------|----------------|-----------------|----------------------------------------------------------------------|---------------------------|-------------------------------------------|
|                                                                                                                                          | <b>Shares</b>                       | <b>Amount</b> | <b>Capital</b> | <b>Earnings</b> |                                                                      |                           |                                           |
| <b>Balance at<br/>January 1,<br/>2007</b>                                                                                                | 10,204,607                          | \$ 102,046    | \$ 21,872,723  | \$ 23,738,946   | \$ (3,019,315)                                                       | \$                        | \$ 42,694,400                             |
| Cumulative<br>impact of<br>change in<br>accounting for<br>uncertainties in<br>income taxes<br>(FIN 48 - see<br>Note 7)                   |                                     |               |                | 68,453          |                                                                      |                           | 68,453                                    |
| Net income                                                                                                                               |                                     |               |                | 3,196,085       |                                                                      |                           | 3,196,085                                 |
| Common<br>shares issued<br>from exercise<br>of stock options                                                                             | 109,256                             | 1,092         | 340,640        |                 |                                                                      |                           | 341,732                                   |
| Tax benefit<br>from exercise<br>of options                                                                                               |                                     |               | 112,217        |                 |                                                                      |                           | 112,217                                   |
| Restricted stock<br>issued                                                                                                               | 8,008                               | 80            | 56,697         |                 |                                                                      |                           | 56,777                                    |
| Share based<br>compensation                                                                                                              |                                     |               | 149,488        |                 |                                                                      |                           | 149,488                                   |
| Amortization of<br>previously<br>unrecognized<br>postretirement<br>plan loss, net of<br>deferred<br>income tax<br>expense of<br>\$74,630 |                                     |               |                |                 | 128,725                                                              |                           | 128,725                                   |

|                                                                                                                         |  |  |  |  |  |          |  |          |
|-------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|----------|--|----------|
| Hedge accounting effect of the interest rate swaps at September 30, 2007 net of deferred income tax benefit of \$25,843 |  |  |  |  |  | (40,386) |  | (40,386) |
|-------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|----------|--|----------|

|                            |             |          |  |  |  |  |              |              |
|----------------------------|-------------|----------|--|--|--|--|--------------|--------------|
| Purchase of treasury stock | (3,600,000) | (36,000) |  |  |  |  | (26,179,054) | (26,215,054) |
|----------------------------|-------------|----------|--|--|--|--|--------------|--------------|

|                                      |           |           |              |              |               |                |               |
|--------------------------------------|-----------|-----------|--------------|--------------|---------------|----------------|---------------|
| <b>Balance at September 30, 2007</b> | 6,721,871 | \$ 67,218 | \$22,531,765 | \$27,003,484 | (\$2,930,976) | (\$26,179,054) | \$ 20,492,437 |
|--------------------------------------|-----------|-----------|--------------|--------------|---------------|----------------|---------------|

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

|                                                                                   | <b>Nine Months Ended<br/>September 30,</b> |                    |
|-----------------------------------------------------------------------------------|--------------------------------------------|--------------------|
|                                                                                   | <b>2007</b>                                | <b>2006</b>        |
| <b>Cash flows from operating activities:</b>                                      |                                            |                    |
| Net income                                                                        | \$ 3,196,085                               | \$ 7,722,709       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                            |                    |
| Depreciation and amortization                                                     | 2,622,594                                  | 2,020,871          |
| Deferred income taxes                                                             | (19,504)                                   | (5,985)            |
| Share based compensation                                                          | 206,265                                    | 284,263            |
| Interest income related to ineffectiveness of swap                                | 9,780                                      | 640                |
| (Gain) loss on disposal of assets                                                 | (1,039)                                    | 10,363             |
| Amortization of gain on sale/leaseback transactions                               |                                            | (425,536)          |
| Loss on translation of foreign currency financial statements                      | 7,826                                      | 56,156             |
| Change in assets and liabilities:                                                 |                                            |                    |
| Accounts receivable                                                               | 2,550,481                                  | (8,401,342)        |
| Inventories                                                                       | (713,489)                                  | (478,874)          |
| Prepaid and other assets                                                          | (70,005)                                   | 35,960             |
| Accounts payable                                                                  | 1,749,603                                  | 2,682,513          |
| Accrued and other liabilities                                                     | (3,313,544)                                | 3,455,675          |
| Postretirement benefits liability                                                 | 1,548,375                                  | 1,437,750          |
| <b>Net cash provided by operating activities</b>                                  | <b>7,773,428</b>                           | <b>8,395,163</b>   |
| <b>Cash flows from investing activities:</b>                                      |                                            |                    |
| Purchase of property, plant and equipment                                         | (2,507,335)                                | (4,909,705)        |
| Proceeds from sale of property and equipment                                      | 1,039                                      | 5,200              |
| <b>Net cash used in investing activities</b>                                      | <b>(2,506,296)</b>                         | <b>(4,904,505)</b> |
| <b>Cash flows from financing activities:</b>                                      |                                            |                    |
| Proceeds from issuance of common stock                                            | 341,732                                    | 101,447            |
| Tax effect from exercise of stock options                                         | 112,217                                    |                    |
| Purchase of treasury stock                                                        | (26,215,054)                               |                    |
| Net borrowing on revolving line of credit                                         | 5,757,035                                  |                    |
| Payments of principal on secured note payable                                     | (964,285)                                  | (964,287)          |
| Payment of principal on industrial revenue bond                                   | (395,000)                                  | (365,000)          |

|                                                             |              |               |
|-------------------------------------------------------------|--------------|---------------|
| <b>Net cash used in financing activities</b>                | (21,363,355) | (1,227,840)   |
| <b>Net (decrease) increase in cash and cash equivalents</b> | (16,096,223) | 2,262,818     |
| <b>Cash and cash equivalents at beginning of period</b>     | 16,096,223   | 9,413,994     |
| <b>Cash and cash equivalents at end of period</b>           | \$           | \$ 11,676,812 |
| Cash paid for:                                              |              |               |
| Interest (net of income and capitalized interest)           | \$ (128,812) | \$ 4,975      |
| Income taxes (net of refunds)                               | \$ (412,264) | \$ 3,224,133  |

See notes to condensed consolidated financial statements.

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**Core Molding Technologies, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States of America for interim reporting, which are less than those required for annual reporting. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Core Molding Technologies, Inc. and its subsidiaries ( Core Molding Technologies or the Company ) at September 30, 2007, and the results of their operations and cash flows for the three and nine months ended September 30, 2007. The Consolidated Notes to Financial Statements, which are contained in the 2006 Annual Report to Shareholders, should be read in conjunction with these condensed consolidated financial statements.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as reinforced plastics . Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies operates production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico. The Columbus and Gaffney facilities produce reinforced plastics by compression molding sheet molding compound ( SMC ) in a closed mold process. The Batavia facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding ( RTM ) closed mold process utilizing multiple insert tooling ( MIT ). The Matamoros facility utilizes spray-up and hand lay-up open mold processes and RTM closed mold process to produce reinforced plastic products.

**2. Earnings Per Common Share**

Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed similarly but include the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted earnings per common share is as follows:

|                                                                            | <b>Three Months Ended<br/>September 30,<br/>2007</b> |              | <b>Nine Months Ended<br/>September 30,<br/>2007</b> |              |
|----------------------------------------------------------------------------|------------------------------------------------------|--------------|-----------------------------------------------------|--------------|
|                                                                            | <b>2007</b>                                          | <b>2006</b>  | <b>2007</b>                                         | <b>2006</b>  |
| Net income                                                                 | \$ 717,182                                           | \$ 2,937,775 | \$ 3,196,085                                        | \$ 7,722,709 |
| Weighted average common shares outstanding                                 | 7,441,871                                            | 10,083,320   | 9,339,984                                           | 10,067,409   |
| Plus: dilutive options assumed exercised                                   | 593,700                                              | 925,450      | 593,700                                             | 925,450      |
| Less: shares assumed repurchased with proceeds from exercise               | (324,299)                                            | (581,281)    | (304,545)                                           | (571,395)    |
| Plus: dilutive effect of nonvested restricted stock grants                 | 15,816                                               | 1,094        | 29,444                                              | 1,062        |
| Weighted average common and potentially issuable common shares outstanding | 7,727,088                                            | 10,428,583   | 9,658,583                                           | 10,422,526   |
| Basic earnings per common share                                            | \$ 0.10                                              | \$ 0.29      | \$ 0.34                                             | \$ 0.77      |
| Diluted earnings per common share                                          | \$ 0.09                                              | \$ 0.28      | \$ 0.33                                             | \$ 0.74      |

At September 30, 2007 and 2006 there were 33,000 and 55,500 antidilutive options, respectively.



**Table of Contents****3. Sales Revenue**

Core Molding Technologies currently has two major customers, International Truck & Engine Corporation ( International ) and PACCAR, Inc. ( PACCAR ). Major customers are defined as customers whose current year sales individually consist of more than ten percent of total sales. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2007 and 2006:

|                             | <b>Three Months Ended<br/>September 30,</b> |               | <b>Nine Months Ended<br/>September 30,</b> |                |
|-----------------------------|---------------------------------------------|---------------|--------------------------------------------|----------------|
|                             | <b>2007</b>                                 | <b>2006</b>   | <b>2007</b>                                | <b>2006</b>    |
| International product sales | \$ 11,175,119                               | \$ 19,027,492 | \$ 34,894,733                              | \$ 54,089,321  |
| International tooling sales | 36,603                                      | 8,833,868     | 8,179,984                                  | 10,088,678     |
| Total International sales   | 11,211,722                                  | 27,861,360    | 43,074,717                                 | 64,177,999     |
| PACCAR product sales        | 7,318,936                                   | 9,425,451     | 21,529,607                                 | 26,007,059     |
| PACCAR tooling sales        | 6,007,125                                   | 322,626       | 11,521,919                                 | 1,031,136      |
| Total PACCAR sales          | 13,326,061                                  | 9,748,077     | 33,051,526                                 | 27,038,195     |
| Other product sales         | 5,250,556                                   | 10,401,449    | 22,656,313                                 | 32,538,632     |
| Other tooling sales         | 131,605                                     | 67,273        | 661,755                                    | 336,304        |
| Total other sales           | 5,382,161                                   | 10,468,722    | 23,318,068                                 | 32,874,936     |
| Total product sales         | 23,744,611                                  | 38,854,392    | 79,080,653                                 | 112,635,012    |
| Total tooling sales         | 6,175,333                                   | 9,223,767     | 20,363,658                                 | 11,456,118     |
| Total sales                 | \$ 29,919,944                               | \$ 48,078,159 | \$ 99,444,311                              | \$ 124,091,130 |

**4. Comprehensive Income**

Comprehensive income represents net income plus the results of certain equity changes not reflected in the Condensed Consolidated Statements of Income. The components of comprehensive income, net of tax, are as follows:

|                                                                                                                                                                                                  | <b>Three Months Ended<br/>September 30,</b> |              | <b>Nine Months Ended<br/>September 30,</b> |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------|--------------------------------------------|--------------|
|                                                                                                                                                                                                  | <b>2007</b>                                 | <b>2006</b>  | <b>2007</b>                                | <b>2006</b>  |
| Net income                                                                                                                                                                                       | \$ 717,182                                  | \$ 2,937,775 | \$ 3,196,085                               | \$ 7,722,709 |
| Amortization of previously unrecognized postretirement plan loss, net of deferred tax expense of \$24,877 and \$74,630 for the three and nine months ending September 30, 2007.                  | 42,908                                      |              | 128,725                                    |              |
| Hedge accounting effect of interest rate swaps, net of deferred income tax benefit of \$38,860 and \$25,843 for the three and nine months ending September 30, 2007, and deferred tax benefit of | (61,309)                                    | (82,098)     | (40,386)                                   | 41,440       |

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\$42,622 and deferred tax expense of \$21,018 for the three and nine months ending September 30, 2006, respectively.

|                      |            |              |              |              |
|----------------------|------------|--------------|--------------|--------------|
| Comprehensive income | \$ 698,781 | \$ 2,855,677 | \$ 3,284,424 | \$ 7,764,149 |
|----------------------|------------|--------------|--------------|--------------|

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**Table of Contents****5. Postretirement Benefits**

The components of expense for all of Core Molding Technologies' postretirement benefit plans for the three and nine months ended September 30, 2007 and 2006 are as follows:

|                                         | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |              |
|-----------------------------------------|---------------------------------------------|-------------|--------------------------------------------|--------------|
|                                         | <b>2007</b>                                 | <b>2006</b> | <b>2007</b>                                | <b>2006</b>  |
| Pension expense:                        |                                             |             |                                            |              |
| Defined contribution plan contributions | \$ 127,000                                  | \$ 130,000  | \$ 354,000                                 | \$ 384,000   |
| Multi-employer plan contributions       | 103,000                                     | 95,000      | 318,000                                    | 305,000      |
| Total pension expense                   | 230,000                                     | 225,000     | 672,000                                    | 689,000      |
| Health and life insurance:              |                                             |             |                                            |              |
| Service cost                            | 199,000                                     | 25,000      | 598,000                                    | 566,000      |
| Interest cost                           | 249,000                                     | 205,000     | 747,000                                    | 647,000      |
| Amortization of net loss                | 68,000                                      | 82,000      | 203,000                                    | 225,000      |
| Net periodic benefit cost               | 516,000                                     | 312,000     | 1,548,000                                  | 1,438,000    |
| Total postretirement benefits expense   | \$ 746,000                                  | \$ 537,000  | \$ 2,220,000                               | \$ 2,127,000 |

Core Molding Technologies has made approximately \$872,000 of post retirement benefit payments through September 30, 2007, of which \$521,000 was accrued at December 31, 2006, and expects to make approximately \$105,000 of postretirement benefit payments through the remainder of 2007.

**6. Debt****Interest Rate Swaps**

In conjunction with its variable rate Industrial Revenue Bond ( IRB ) the Company entered into an interest rate swap agreement, which is designated as a cash flow hedging instrument. Under this agreement, the Company pays a fixed rate of 4.89% to the bank and receives 76% of the 30-day commercial paper rate. The swap term and notional amount matches the payment schedule on the IRB with final maturity in April 2013. The difference paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. While the Company is exposed to credit loss on its interest rate swap in the event of non-performance by the counterparty to the swap, management believes such non-performance is unlikely to occur given the financial resources of the counterparty. The effectiveness of the swap is assessed at each financial reporting date by comparing the commercial paper rate of the swap to the benchmark rate underlying the variable rate of the Industrial Revenue Bond. In all periods presented this cash flow hedge was highly effective; any ineffectiveness was not material. None of the changes in fair value of the interest rate swap have been excluded from the assessment of hedge effectiveness.

Effective January 1, 2004, the Company entered into an interest rate swap agreement, which is designated as a cash flow hedge of its bank note payable. Under this agreement, the Company pays a fixed rate of 5.75% to the bank and receives LIBOR plus 200 basis points. The swap term and notional amount match the payment schedule on the secured note payable with final maturity in January 2011. The interest rate swap is a highly effective hedge because the amount, benchmark interest rate index, term, and repricing dates of both the interest rate swap and the hedged variable interest cash flows are exactly the same. While the Company is exposed to credit loss on its interest rate swap in the event of non-performance by the counterparty to the swap, management believes that such non-performance is unlikely to occur given the financial resources of the counterparty.



**Table of Contents****Line of Credit**

Previously, the Company had available a \$7,500,000 variable rate bank revolving line of credit that was scheduled to mature on April 30, 2008. On July 18, 2007 in connection with the repurchase of treasury stock, (see note 9), the Company increased its bank line of credit to \$15,000,000. The line of credit bears interest at LIBOR plus two percent. The line of credit is collateralized by all the Company's assets. At September 30, 2007 there was an outstanding balance of \$5,757,035. There was no outstanding balance as of September 30, 2006. The outstanding balance on the line of credit is not due until April 2009; however the Company expects to pay off the balance within the next 12 months and therefore has classified the outstanding balance as a current liability on the Condensed Consolidated Balance Sheet.

**7. Income Taxes**

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority based solely on the technical merits of the position. An uncertain tax position will not be recognized if it has less than a fifty percent likelihood of being sustained. FIN 48 also provides guidance on derecognition of tax benefits, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

The Company recognized a \$68,453 increase to retained earnings upon the adoption of FIN 48. This increase is represented by the recognition of state tax benefits of \$212,054 and related accrued interest receivable of \$15,706. These benefits generate a federal tax liability of \$59,833. The Company also recorded a liability for unrecognized tax benefits of \$51,775 and \$47,699 related to uncertain state and foreign tax positions, respectively and the amounts are recorded in accrued taxes in the Condensed Consolidated Balance Sheet. The unrecognized tax liability at January 1, 2007 of \$99,474 was unchanged as of September 30, 2007. There are no federal or state income tax audits in process. During the year ended December 31, 2006, the Company recorded no interest expense or penalties related to unrecognized tax benefit and no interest and penalties were accrued on the consolidated balance sheet at December 31, 2006.

The Company files income tax returns in the U.S. federal jurisdiction, Mexico and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2003 due to the expiration of the statute of limitations and is subject to income tax examinations by Mexican authorities since the Company began business in Mexico in 2001. The Company does not anticipate that the unrecognized tax benefits will significantly change within the next twelve months.

**8. Stock Based Compensation**

The Company has a Long Term Equity Incentive Plan (the 2006 Plan), as approved by the shareholders in May 2006. This 2006 Plan replaced the Long Term Equity Incentive Plan (the Original Plan) as originally approved by the shareholders in May 1997 and as amended in May 2000. The 2006 Plan allows for grants to directors and key employees of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards (Stock Awards) up to an aggregate of 3,000,000 awards, each representing a right to buy a share of Core Molding Technologies common stock. Stock Awards can be granted under the 2006 Plan through the earlier of December 31, 2015, or the date the maximum number of available awards under the 2006 Plan have been granted.

**Table of Contents***Stock Options*

The following summarizes the activity relating to stock options under the plans mentioned above for the nine months ended September 30, 2007:

|                                   | Number<br>of<br>Shares | Weighted<br>Average<br>Exercise<br>Price |
|-----------------------------------|------------------------|------------------------------------------|
| Outstanding at December 31, 2006  | 799,956                | \$ 3.35                                  |
| Exercised                         | (109,256)              | 3.13                                     |
| Granted                           |                        |                                          |
| Forfeited                         | (64,000)               | 3.96                                     |
| Outstanding at September 30, 2007 | 626,700                | 3.32                                     |
| Exercisable at September 30, 2007 | 436,490                | 3.25                                     |

The following summarizes the status of, and changes to, unvested options during the nine months ended September 30, 2007:

|                                | Number<br>Of<br>Shares | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|------------------------|------------------------------------------|
| Unvested at December 31, 2006  | 306,780                | \$ 3.54                                  |
| Granted                        |                        |                                          |
| Vested                         | (56,070)               | 3.17                                     |
| Forfeited                      | (60,500)               | 4.01                                     |
| Unvested at September 30, 2007 | 190,210                | 3.50                                     |

At September 30, 2007, there was \$315,282 of total unrecognized compensation cost, related to unvested stock options granted under the plans. Total compensation cost related to incentive stock options for the three and nine months ended September 30, 2007 was \$26,786 and \$96,773, respectively. Year to date compensation expense is allocated such that \$70,375 is included in selling, general and administrative expenses and \$26,398 is recorded in cost of sales.

*Restricted Stock*

In May of 2006, Core Molding Technologies began granting shares of its common stock to certain directors, officers, and key employees in the form of unvested stock ( Restricted Stock ). These awards are recorded at the market value of Core Molding Technologies common stock on the date of issuance and amortized ratably as compensation expense over the applicable vesting period.

The following summarizes the status of Restricted Stock grants as of September 30, 2007 and changes during the nine months ended September 30, 2007:

|                                       | Number<br>Of<br>Shares | Weighted<br>Average<br>Grant Date<br>Fair Value |
|---------------------------------------|------------------------|-------------------------------------------------|
| Unvested balance at December 31, 2006 | 22,972                 | \$ 6.70                                         |

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|                                |         |      |
|--------------------------------|---------|------|
| Granted                        | 47,498  | 7.14 |
| Vested                         | (8,008) | 7.09 |
| Forfeited                      | (4,653) | 6.70 |
| Unvested at September 30, 2007 | 57,809  | 7.01 |

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As of September 30, 2007, there was \$309,976 of total unrecognized compensation cost related to Restricted Stock granted under the 2006 Plan. The total compensation costs related to restricted stock grants for the three and nine months ended September 30, 2007 was \$34,194 and \$109,492, respectively.

### **9. Common Stock**

On July 18, 2007, the Company entered into a stock repurchase agreement with International, pursuant to which the Company repurchased 3,600,000 shares of the Company's common stock, par value \$0.01 per share, from International in a privately negotiated transaction at \$7.25 per share, for a total purchase price of \$26,100,000. International continues to be a significant stockholder of the Company's common stock with 664,000 shares, or approximately 9.9% of the shares outstanding after the repurchase. International is also the Company's largest customer, accounting for approximately 43% of the Company's 2007 year-to-date sales. The Company used approximately \$19 million of existing cash and \$7.1 million from its revolving line of credit to fund the repurchase. The Company also incurred approximately \$115,000 in costs related to the stock repurchase agreement, which is recorded on the balance sheet in Treasury Stock.

On July 16, 2007, the Board of Directors approved a Shareholders Rights Plan (the "Plan") in conjunction with the approval of the repurchase of shares of stock from International. The Plan was implemented to protect the interests of the Company's stockholders by encouraging potential buyers to negotiate directly with the Board prior to attempting a takeover. Under the Plan, each shareholder will receive a dividend of one right per share of common stock of the Company owned on the record date, July 18, 2007. The rights will not initially be exercisable until, subject to action by the Board of Directors, a person acquires 15% or more of the voting stock without approval of the Board. If the rights become exercisable, all holders except the party triggering the rights shall be entitled to purchase shares of the Company at a discount. Each right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share. In connection with the adoption of the Rights Agreement, on July 18, 2007, the Company filed a Certificate of Designations of Series A Junior Participating Preferred Stock with the Secretary of State of the State of Delaware.

### **10. Recently Issued and Adopted Accounting Pronouncements**

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, and was effective for the Company on January 1, 2007. The impact of adopting FIN 48 is discussed in Note 7.

In September 2006, the FASB issued SFAS No. 157 *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *Establishing the Fair Value Option for Financial Assets and Liabilities*, to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157, *Fair Value Measurements*. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. Management is currently evaluating the impact of SFAS No. 159 on the consolidated financial statements.

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**Part I Financial Information**

**Item 2**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.*

*Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this quarterly report: business conditions in the plastics, transportation, watercraft and commercial product industries; general economic conditions in the markets in which Core Molding Technologies operates; dependence upon two major customers as the primary source of Core Molding Technologies' sales revenues; efforts of Core Molding Technologies to expand its customer base; failure of Core Molding Technologies' suppliers to perform their contractual obligations; the availability of raw materials; inflationary pressures; new technologies; competitive and regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract key personnel; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management's decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time-to-time in Core Molding Technologies other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of the 2006 Annual Report to Shareholders on Form 10-K.*

**OVERVIEW**

Core Molding Technologies is a compounder of sheet molding composite ( SMC ) and molder of fiberglass reinforced plastics. Core Molding Technologies produces high quality fiberglass reinforced molded products and SMC materials for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarkets, personal watercraft, and other commercial products. The demand for Core Molding Technologies products is affected by economic conditions in the United States, Canada and Mexico, the cyclicity of markets we serve, regulatory requirements, interest rates and other factors. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations.

On December 31, 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of International's truck manufacturing division since its formation in late 1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998 Core Molding Technologies began compression molding operations at its second facility in Gaffney, South Carolina, and in October 2001, Core Molding Technologies acquired certain assets of Airshield Corporation. As a result of this acquisition, Core Molding Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and resin transfer ( RTM ) closed mold process. In September 2004, Core Molding Technologies acquired substantially all the operating assets of Keystone Restyling Products, Inc., a privately held manufacturer and distributor of fiberglass reinforced products for the automotive-aftermarket industry. In August 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc. a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. The Batavia, Ohio facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding ( RTM ) utilizing multiple insert tooling ( MIT ) closed mold process.

Core Molding Technologies recorded net income through the nine months ended September 30, 2007 of \$3,196,000 or \$.34 per basic and \$.33 per diluted share, compared with \$7,723,000, or \$.77 per basic and \$.74 per diluted share, for the nine months ended September 30, 2006. Net income was negatively impacted by decreased sales volumes due to lower demand resulting from an industry wide decline in truck orders. Stricter federal

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emission standards for 2007 increased demand throughout 2006 for heavy and medium-duty trucks as customers purchased vehicles in advance of the new 2007 emission standards. Demand in 2007 has declined as anticipated by industry analysts who estimated a twenty to forty percent decrease in new orders for heavy and medium-duty trucks for some portion of 2007 as compared to 2006 demand. Also negatively impacting net income were production inefficiencies and lower fixed cost absorption as a result of lower sales volumes.

### **Results of Operations**

#### **Three Months Ended September 30, 2007, As Compared To Three Months Ended September 30, 2006**

Net sales for the three months ended September 30, 2007, totaled \$29,920,000, representing an approximate 38% decrease from the \$48,078,000 reported for the three months ended September 30, 2006. Included in total sales are tooling project sales of \$6,175,000 and \$9,224,000 for the three months ended September 30, 2007 and September 30, 2006, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature. Total product sales, excluding tooling project sales, were lower by approximately 39% for the three months ended September 30, 2007, as compared to the same period a year ago. The primary reason for this decrease in product sales is lower demand resulting from an industry wide general decline in truck orders due to the new federal emissions standards that went into effect on January 1, 2007.

Sales to International totaled \$11,212,000 for the three months ended September 30, 2007, as compared to the three months ended September 30, 2006 amount of \$27,861,000. The decrease in total sales is related to a decline in both product sales and tooling sales during the period. Product sales to International decreased by 41% for the three months ended September 30, 2007 compared to the three months ending September 30, 2006 due to the industry wide decline in truck orders as noted above. Partially offsetting the impact of the industry wide decline is the successful launch of new programs for International.

Sales to PACCAR totaled \$13,326,000 for the three months ended September 30, 2007, as compared to \$9,748,000 reported for the three months ended September 30, 2006. The increase in total sales is due to a \$5,684,000 increase in tooling sales totaling \$6,007,000 for the three months ended September 30, 2007, compared to \$323,000 for the three months ended September 30, 2006. Total product sales to PACCAR decreased by 22% for the three months ending September 30, 2007 compared to the three months ending September 30, 2006. Partially offsetting the impact of the industry wide decline is the successful launch of new programs for PACCAR.

Sales to other customers for the three months ended September 30, 2007, decreased 49% to \$5,382,000 compared to \$10,469,000 for the three months ended September 30, 2006. This decrease is primarily related to the general decline in orders from other truck manufacturing customers Core Molding Technologies serves, as well as lower sales to a specific automotive supplier.

Gross margin was approximately 14% of sales for the three months ended September 30, 2007, compared with 17% for the three months ended September 30, 2006. The decrease in gross margin was due to a combination of factors including production inefficiencies and lower fixed cost absorption due to lower product sales volumes. Our manufacturing operations have significant fixed costs such as salary labor, energy, depreciation, lease expense and post retirement healthcare costs that do not change proportionately with sales. Partially offsetting the decrease in gross margin was lower profit sharing expense due to lower earnings.

Selling, general and administrative expenses ( SG&A ) totaled \$2,787,000 for the three months ended September 30, 2007, decreasing from \$3,746,000 for the three months ended September 30, 2006. The primary reasons for this decrease is lower profit sharing expense due to lower earnings, lower wage and benefit costs as a result of reductions in personnel, as well as decreases in insurance premiums. Partially offsetting the decrease were higher professional fees and outside services primarily related to Sarbanes Oxley compliance costs.

Net interest expense totaled \$180,000 for the three months ended September 30, 2007, compared to net interest income of \$35,000 for the three months ended September 30, 2006. Interest income decreased to \$49,000 for the three months ended September 30, 2007 from \$212,000 for the three months ended September 30, 2006 due to cash previously used for investing being used to repurchase Core Molding Technologies stock from International on July 18, 2007. Interest expense increased to \$229,000 compared to \$176,000 for the three months ended September 30, 2006. The increase in interest expense is primarily a result of new borrowings against the line of credit which was used to finance a portion of the stock repurchase from International. Variable interest rates experienced by

Core Molding Technologies with respect to its two long-term borrowing facilities have increased; however, due to the

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interest rate swaps Core Molding Technologies has previously entered, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the three months ended September 30, 2007, are estimated to be approximately 36% of total earnings before taxes or \$396,000. In the three months ended September 30, 2006 income taxes were also estimated to be 36% of total earnings before taxes or \$1,645,000.

Net income for the three months ended September 30, 2007, was \$717,000 or \$.10 per basic share and \$.09 per diluted share, representing a decrease of \$2,221,000 over the net income for the three months ended September 30, 2006, of \$2,938,000, or \$.29 per basic share and \$.28 per diluted share. Weighted average shares outstanding decreased from 10,083,320 in the third quarter 2006, to 7,441,871 in the same period in 2007 primarily due to the 3,600,000 stock repurchase from International on July 18, 2007.

### **Nine Months Ended September 30, 2007, As Compared To Nine Months Ended September 30, 2006**

Net sales for the nine months ended September 30, 2007, totaled \$99,444,000 representing an approximate 20% decrease from the \$124,091,000 reported for the nine months ended September 30, 2006. Included in total sales are tooling project sales of \$20,364,000 and \$11,456,000 for the nine months ended September 30, 2007 and September 30, 2006, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature and do not represent a recurring trend. Total product sales, excluding tooling project sales, were lower by approximately 30% for the nine months ended September 30, 2007, as compared to September 30, 2006. The primary reason for the decrease in product sales is lower demand resulting from an industry wide general decline in truck orders due to the new federal emissions standards that went into effect on January 1, 2007.

Sales to International for the nine months ended September 30, 2007 were \$43,075,000, as compared to the nine months ended September 30, 2006 of \$64,178,000. Included in total sales is \$8,180,000 of tooling sales for the nine months ended September 30, 2007 compared to \$10,089,000 for the nine months ended September 30, 2006. Total product sales to International have decreased by 35% for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. The decrease in product sales to International is due to lower demand resulting from the industry wide decline in truck orders as noted above. Partially offsetting the impact of the industry wide decline is the successful launch of new programs for International.

Sales to PACCAR totaled \$33,052,000 for the nine months ended September 30, 2007, as compared to \$27,038,000 reported for the nine months ended September 30, 2006. The increase in sales to PACCAR was the result of tooling sales which totaled \$11,522,000, for the nine months ended September 30, 2007 compared to \$1,031,000 for the nine months ended September 30, 2006. Total product sales to PACCAR decreased by 17% for the nine months ending September 30, 2007 compared to the nine months ending September 30, 2006 as a result of the industry wide decline in truck orders as noted above, which was partially offset by new business with PACCAR.

Sales to other customers for the nine months ended September 30, 2007, decreased approximately 29% to \$23,318,000 from \$32,875,000 for the nine months ended September 30, 2006. This decrease is primarily related to the general decline in truck orders from other truck manufacturers Core Molding Technologies serves and reduced sales to a specific automotive supplier. These decreases were partially offset by increased sales of sheet molding compound ( SMC ) product.

Gross margin was approximately 14% of sales for the nine months ended September 30, 2007, compared with 19% for the nine months ended September 30, 2006. The decrease in gross margin was due to a combination of factors including production inefficiencies and lower fixed cost absorption due to lower product sales volumes. Our manufacturing operations have significant fixed costs such as salary labor, energy, depreciation, lease expense and post retirement healthcare costs that do not change proportionately with sales. Partially offsetting the decrease in gross margin was lower profit sharing expense due to lower earnings.

Selling, general and administrative expenses ( SG&A ) totaled \$8,665,000 for the nine months ended September 30, 2007, decreasing from \$10,823,000 for the nine months ended September 30, 2006. The primary reasons for this decrease are lower profit sharing expense due to lower earnings, as well as lower wage and benefit costs related to reductions in personnel. Partially offsetting the decrease were higher professional fees and outside services primarily related to Sarbanes Oxley compliance costs.



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Net interest income totaled \$51,000 for the nine months ended September 30, 2007, compared to net interest expense of \$31,000 for the nine months ended September 30, 2006. Interest income increased to \$542,000 for the nine months ended September 30, 2007 compared to \$466,000 for the nine months ended September 30, 2006 due to larger investable cash balances in the first half of 2007. On July 18, 2007, \$19,000,000 of cash balances were used to help finance the repurchase of Core Molding Technologies stock from International. Interest expense was reduced to \$491,000 compared to \$496,000 for the nine months ended September 30, 2006. The decline in interest expense is a result of the reduction in long-term debt due to regularly scheduled payments partially offset by borrowings against the line of credit used to finance a portion of the stock repurchase from International. Variable interest rates experienced by Core Molding Technologies with respect to its two long-term borrowing facilities have increased; however, due to the interest rate swaps Core Molding Technologies has entered into, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the nine months ended September 30, 2007, are estimated to be approximately 35% of total earnings before taxes or \$1,699,000. In the nine months ended September 30, 2006 income taxes were estimated to be 36% of total earnings before taxes. The decrease in effective rate is due to the effect of increased foreign income which is taxed at a lower rate. Also contributing to the reduced effective rate is a reduction in the Ohio franchise tax which is being phased out over a five year period.

Net income for the nine months ended September 30, 2007, was \$3,196,000 or \$.34 per basic share and \$.33 per diluted share, representing a decrease of \$4,527,000 from net income for the nine months ended September 30, 2006, of \$7,723,000, or \$.77 per basic and \$.74 per diluted share. Weighted average shares outstanding decreased from 10,067,409 in the third quarter 2006, to 9,339,984 in the same period in 2007 primarily due to the International stock repurchase.

## **Liquidity and Capital Resources**

Core Molding Technologies' primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses, capital expenditures, and acquisitions.

Cash provided by operating activities for the nine months ended September 30, 2007 totaled \$7,773,000. Net income contributed \$3,196,000 to operating cash flows. Non-cash deductions of depreciation and amortization contributed \$2,623,000 to operating cash flow. In addition, the increase in the postretirement healthcare benefits liability of \$1,548,000 is primarily not a current cash obligation, and this item will not be a cash obligation until retirees begin to utilize their retirement medical benefits. Changes in working capital increased cash provided by operating activities by \$203,000. Changes in working capital primarily relate to an increase in accounts payable due to payment timing differences.

Cash used in investing activities for the nine months ended September 30, 2007 was \$2,506,000, primarily representing modifications of facilities and purchases of machinery and equipment to support new programs for existing customers, as well as equipment lease buyouts. Core Molding Technologies anticipates spending an additional \$872,000 for the remainder of the year for capital projects. These capital projects primarily relate to purchases of machinery and equipment. These capital additions will be funded by cash from operations and borrowings on the Company's line of credit.

Financing activities reduced cash by \$21,363,000. The primary activity was the buy back of \$26,215,000 of Core Molding Technologies stock on July 18, 2007 from International Truck and Engine Corporation. Additionally the Company has made principal repayments on its secured note payable of \$964,000 and its industrial revenue bond of \$395,000. Partially offsetting these payments were net borrowings on the line of credit of \$5,757,000 and proceeds of \$342,000 from the issuance of common stock from the exercise of 109,256 stock options and the related tax benefit of \$112,000.

At September 30, 2007, Core Molding Technologies had no cash on hand and a line of credit of \$15,000,000, with a scheduled maturity of April 30, 2009. At September 30, 2007, Core Molding Technologies had outstanding borrowings of \$5,757,000 on the line of credit.

As of September 30, 2007, Core Molding Technologies was in compliance with its financial debt covenants for the secured note payable, the line of credit and letter of credit securing the industrial revenue bond and certain equipment

leases. The covenants relate to maintaining certain financial ratios. Management expects Core Molding Technologies to meet these covenants for the year 2007. However, if a material adverse change in

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the financial position of Core Molding Technologies should occur, Core Molding Technologies' liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

### **Recently Issued Accounting Standards**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 157 on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *Establishing the Fair Value Option for Financial Assets and Liabilities*, to permit all entities to choose to elect to measure eligible financial instruments at fair value. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157, *Fair Value Measurements*. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. Management is currently evaluating the impact of SFAS No. 159 on the consolidated financial statements.

### **Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss Core Molding Technologies' condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

#### *Accounts receivable allowances:*

Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Core Molding Technologies' customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Core Molding Technologies recorded an allowance for doubtful accounts of \$276,000 at September 30, 2007 and \$262,000 at December 31, 2006. Management also records estimates for customer returns, deductions, discounts offered to customers, and for price adjustments. Should customer returns, deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. Core Molding Technologies has reduced accounts receivable by \$1,063,000 and \$1,426,000 for the estimated amount of customer returns, deductions, discounts and price adjustments as of September 30, 2007 and December 31, 2006, respectfully.

#### *Inventories:*

Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage.

#### *Goodwill and Long-Lived Assets:*

Long-lived assets consist primarily of property and equipment, goodwill, and a customer list. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates whether impairment exists for property and equipment and the customer list on the basis of undiscounted expected future cash flows from operations before interest. For

goodwill, the Company evaluates annually on December 31<sup>st</sup> whether impairment exists on the basis of estimated fair value of the associated reporting unit. If impairment exists, the carrying amount

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of the long-lived assets is reduced to its estimated fair value, less any costs associated with the final settlement. Core Molding Technologies has determined there are not any indicators of impairment to goodwill or long-lived assets for the nine months ended September 30, 2007 or the year ended December 31, 2006.

### *Self-Insurance:*

The Company is self-insured with respect to most of its Columbus and Batavia, Ohio and Gaffney, South Carolina medical, dental and vision claims and Columbus and Batavia, Ohio workers' compensation claims. The Company has recorded an estimated liability for self-insured medical, dental and vision claims incurred but not reported and workers' compensation claims incurred but not reported at September 30, 2007 and December 31, 2006 of \$1,085,000 and \$1,036,000, respectively.

### *Post retirement benefits:*

Management records an accrual for post retirement medical benefits associated with a plan sponsored by the Company for certain employees at the Columbus, Ohio location. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on Core Molding Technologies' operations. The effect of a change in healthcare costs is described in Note 11 of the Consolidated Notes to Financial Statements, which are contained in the 2006 Annual Report to Shareholders. Core Molding Technologies recorded a liability for post retirement medical benefits based on actuarially computed estimates of \$17,453,000 at September 30, 2007 and \$16,107,000 at December 31, 2006.

### *Revenue Recognition:*

Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company's balance sheet. Tooling in progress can fluctuate significantly from period to period. It is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At September 30, 2007 the Company has recorded a net asset related to tooling in progress of \$544,000 which represents approximately \$5,212,000 of progress tooling billings and \$5,756,000 of progress tooling expenses. At December 31, 2006 the Company had recorded a net liability related to tooling in progress of \$1,180,000, which represents approximately \$15,881,000 of progress tooling billings and \$14,701,000 of progress tooling expenses.

### *Income taxes:*

The Condensed Consolidated Balance Sheet at September 30, 2007 and December 31, 2006 includes a deferred tax asset of \$8,357,000 and \$8,446,000, respectively. Core Molding Technologies performs analyses to evaluate the balance of deferred tax assets that will be realized. Such analyses are based on the premise that the Company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income.

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**Part I Financial Information**  
**Item 3**

**Quantitative and Qualitative Disclosures About Market Risk**

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following five items that are sensitive to market risks: (1) Industrial Revenue Bond ( IRB ) with a variable interest rate. The Company has an interest rate swap to fix the interest rate at 4.89%; (2) revolving line of credit, which bears a variable interest rate; (3) bank note payable with a variable interest rate. The Company entered into a swap agreement effective January 1, 2004, to fix the interest rate at 5.75%; (4) foreign currency purchases in which the Company purchases Mexican pesos with United States dollars to meet certain obligations that arise due to the facility located in Mexico; and (5) raw material purchases in which Core Molding Technologies purchases various resins for use in production. The prices of these resins are affected by the prices of crude oil and natural gas as well as processing capacity versus demand.

Assuming a hypothetical 10% increase in commodity prices, Core Molding Technologies would be impacted by an increase in raw material costs, which would have an adverse affect on operating margins.

Assuming a hypothetical 10% change in short-term interest rates in both the three and nine month periods ended September 30, 2007 and 2006, interest expense would not change significantly, as the interest rate swap agreements would generally offset the impact.

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**Part I Financial Information**  
**Item 4**

**Controls and Procedures**

As of the end of the period covered by this report, the Company has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures were (i) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act was accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and (ii) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

There were no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****Part II Other Information****Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

There have been no material changes in Core Molding Technologies' risk factors from those previously disclosed in Core Molding Technologies 2006 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

This table provides information with respect to purchases by the Company of shares of common stock during the quarter ended September 30, 2007:

**Issuer Purchases of Equity Securities <sup>(1)</sup>**

| Fiscal Month/Year                     | Total Number<br>of<br>Shares<br>Purchased | Average<br>Price<br>Paid per<br>Share | Total Number<br>of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value of<br>Shares That May<br>Yet Be<br>Purchased Under<br>The<br>Program |
|---------------------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| July 2007<br>(07/01/07-07/31/07)      | 3,600,000                                 | \$ 7.25                               |                                                                                                       |                                                                                                  |
| August 2007<br>(08/01/07-08/31/07)    |                                           |                                       |                                                                                                       |                                                                                                  |
| September 2007<br>(09/01/07-09/30/07) |                                           |                                       |                                                                                                       |                                                                                                  |
| Total                                 | 3,600,000                                 | \$ 7.25                               |                                                                                                       |                                                                                                  |

(1) This table reflects the repurchase of shares of common stock from International, pursuant to the terms of a Stock Repurchase Agreement dated July 18, 2007, by and between the Company and International for a total aggregate purchase price

of \$26,100,000  
in cash. The  
repurchased  
shares of  
common stock  
represented  
approximately  
35% of the  
Company's then  
outstanding  
shares.

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Submission of Matters to a Vote of Security Holders**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

See Index to Exhibits

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORE MOLDING TECHNOLOGIES, INC.

Date: November 9, 2007

By: /s/ Kevin L. Barnett  
Kevin L. Barnett  
President, Chief Executive Officer, and  
Director

Date: November 9, 2007

By: /s/ Herman F. Dick, Jr.  
Herman F. Dick, Jr.  
Vice President, Secretary, Treasurer, and  
Chief Financial Officer

**Table of Contents****INDEX TO EXHIBITS**

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                       | <b>Location</b>                                                                                                        |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| 2(a)(1)            | Asset Purchase Agreement Dated as of September 12, 1996, As amended October 31, 1996, between Navistar International Transportation Corporation and RYMAC Mortgage Investment Corporation <sup>1</sup>   | Incorporated by reference to Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809)            |
| 2(a)(2)            | Second Amendment to Asset Purchase Agreement dated December 16, 1996 <sup>1</sup>                                                                                                                        | Incorporated by reference to Exhibit 2(a)(2) to Annual Report on Form 10-K for the year-ended December 31, 2001        |
| 2(b)(1)            | Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation                                                             | Incorporated by reference to Exhibit 2-B to Registration Statement on Form S-4 (Registration No. 333-15809)            |
| 2(b)(2)            | First Amendment to Agreement and Plan of Merger dated as of December 27, 1996 Between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation                                          | Incorporated by reference to Exhibit 2(b)(2) to Annual Report on Form 10-K for the year ended December 31, 2002        |
| 2(c)(1)            | Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation                                                                                 | Incorporated by reference to Exhibit 1 to Form 8-K filed October 31, 2001                                              |
| 3(a)(1)            | Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996                                                                      | Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 3(a)(2)            | Certificate of Amendment of Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on November 6, 1996                                         | Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 3(a)(3)            | Certificate of Incorporation of Core Materials Corporation, reflecting Amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only] | Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 3(a)(4)            | Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002                                                                             | Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 |

3(a)(5)

Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007

Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007

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| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                               | <b>Location</b>                                                                                                        |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| 3(b)               | By-Laws of Core Molding Technologies, Inc.                                                                                                                                                                       | Incorporated by reference to Exhibit 3-C to Registration Statement on Form S-4 (Registration No. 333-15809)            |
| 4(a)(1)            | Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996                                                                              | Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 4(a)(2)            | Certificate of Amendment of Certificate of Incorporation of Core Materials Corporation as filed with the Secretary of State of Delaware on November 6, 1996                                                      | Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 4(a)(3)            | Certificate of Incorporation of Core Materials Corporation, reflecting amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only]         | Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)           |
| 4(a)(4)            | Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002                                                                                     | Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 |
| 4(a)(5)            | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007                                            | Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007                                               |
| 4(b)               | By-Laws of Core Molding Technologies, Inc.                                                                                                                                                                       | Incorporated by reference to Exhibit 3-C to Registration Statement on Form S-4 (Registration No. 333-15809)            |
| 4(c)               | Stockholder Rights Agreement dated as of July 18, 2007, between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company                                                                      | Incorporated by reference to Exhibit 4.1 to Form 8-K filed July 19, 2007                                               |
| 10(a)              | Second Amendment to Loan Agreement Revolving Variable Rate Cognovit Promissory Note and Security Agreement, dated as of July 17, 2007, between Core Molding Technologies, Inc. and Key Bank National Association | Incorporated by reference to Exhibit 10.1 to Form 8-K filed July 19, 2007                                              |

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|       |                                                                                                                                                                       |                                                                                                       |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 10(b) | Stock repurchase agreement dated July 17, 2007<br>between International Truck and Engine Corporation<br>and Core Molding Technologies Inc.                            | Filed Herein                                                                                          |
| 11    | Computation of Net Income per Share                                                                                                                                   | Exhibit 11 omitted because the<br>required information is Included in<br>Notes to Financial Statement |
| 31(a) | Section 302 Certification by Kevin L. Barnett,<br>President and Chief Executive Officer                                                                               | Filed Herein                                                                                          |
| 31(b) | Section 302 Certification by Herman F. Dick, Jr.,<br>Vice President, Treasurer and Chief Financial<br>Officer                                                         | Filed Herein                                                                                          |
| 32(a) | Certification of Kevin L. Barnett, Chief Executive<br>Officer of Core Molding Technologies, Inc., dated<br>November 9, 2007, pursuant to 18 U.S.C.<br>Section 1350    | Filed Herein                                                                                          |
| 32(b) | Certification of Herman F. Dick, Jr., Chief Financial<br>Officer of Core Molding Technologies, Inc., dated<br>November 9, 2007, pursuant to 18 U.S.C.<br>Section 1350 | Filed Herein                                                                                          |

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|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The Asset Purchase Agreement, as filed with the Securities and Exchange Commission at Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including, the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement, identified in the Asset Purchase Agreement) and schedules (including, those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement. Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission upon request. |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|