

OTHER SUPPLEMENTAL INFORMATION **(continued)**

Non-GAAP Financial Measures

Adjusted gross margin and adjusted gross margin as a percentage of sales are non-GAAP financial measures. The most directly comparable GAAP financial measures are gross margin and gross margin as a percentage of sales. CTS calculates adjusted gross margin and adjusted gross margin as a percentage of sales by excluding the impact of restructuring related charges and including the impact of insurance recovery for business interruption.

Adjusted earnings per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is diluted earnings per share. CTS calculates adjusted earnings per share to exclude the per share impact of (a) restructuring and restructuring-related charges, and (2) additional legal costs.

CTS adjusts for these items because they are discrete events which have a significant impact on comparable GAAP financial measures and could distort an evaluation of our normal operating performance.

CTS uses adjusted gross margin, adjusted gross margin as a percentage of sale and adjusted earnings per share measures to evaluate overall performance, establish plans and perform strategic analysis. Using these measures avoids distortion in the evaluation of operating results by eliminating the impact of events which are not related to normal operating performance. Because these measures are based on the exclusion or inclusion of specific items, they may not be comparable to measures used by other companies which have similar titles. CTS' management compensates for this limitation when performing peer comparisons by evaluating both GAAP and non-GAAP financial measures reported by peer companies. CTS believes that these measures are useful to its management, investors and stakeholders in that they:

- provide a truer measure of CTS' operating performance,
- reflect the results used by management in making decisions about the business, and
- help review and project CTS' performance over time.

We recommend that investors consider both actual and adjusted measures in evaluating the performance of CTS with peer companies.

Segment Operating Earnings

Segment operating earnings is a non-GAAP financial measure outside the context of the Accounting Standards Codification ("ASC") 280 required reconciliation in the notes to the Company's financial statements. The most comparable GAAP term is operating earnings. Segment operating earnings always exclude the effects of restructuring and restructuring related charges when they are incurred by the Company. Segment operating earnings exclude interest expense, and other non-operating income and income taxes according to how a particular segment is measured. CTS' management provides the segment operating earnings measure to provide consistency between segment information in its earnings release and the business segment discussion in the notes to its financial statements.