



Investor Presentation

May 2012

www.ctscorp.com

**Innovation and Quality
Driving Growth**



Safe Harbor Statement

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CTS Corporation - Profile

Components & Sensors



Segments

Sensors & Actuators

33%

Electronic Components

19%

Projected Sales

48%

EMS



- A global designer and manufacturer of highly engineered:
- Sensors & Actuators,
 - Electronic Components,
 - and a provider of Electronics Manufacturing Services
- *Established in 1896 with 4,200 employees worldwide*

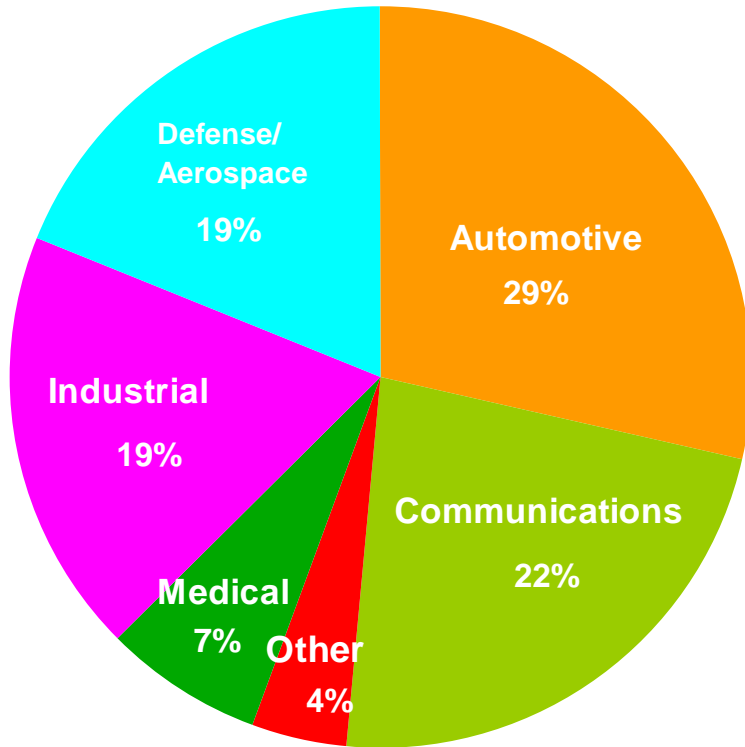
Global Operations



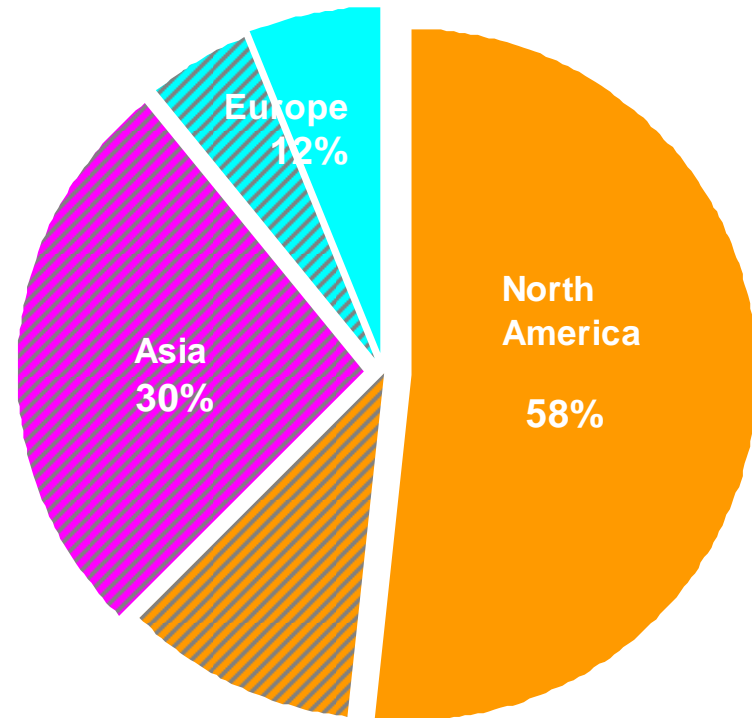
Global footprint and diversified customer base.

Sales By Market and Geographic Regions

Sales by Market



Sales By Region



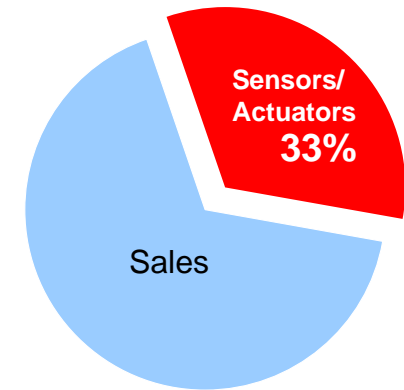
 Low Cost Manufacturing 47%

Diversified markets and a global (lower cost) manufacturing footprint

Sensors and Actuators

Expect double-digit sales growth over the next 3-5 years

- **Macro Trend Driving Growth**
 - Tougher emissions standards
 - Need for increased fuel economy
- **New Products and New Customers**
 - On and off highway diesel engine applications
 - Small turbocharger applications / Active grill shutter actuators



Rotary & Linear
Position Sensors



BLDC High Torque
Actuators



Pedal
Modules



Turbocharger
Sensor



Integrated Sensor
Sub-assemblies



Actuator



Heavy Duty
Hall-effect Sensors

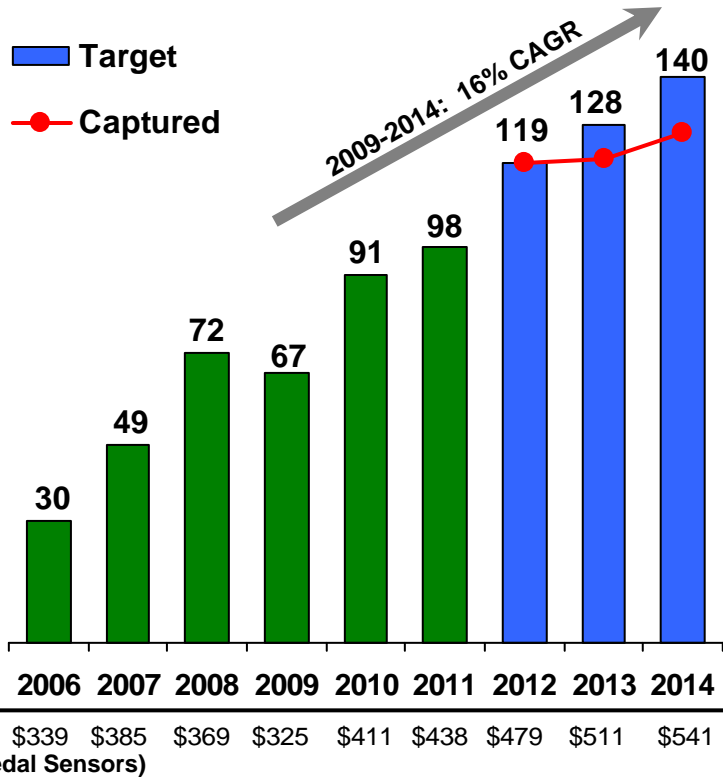


Miniature Rotary
Resistive Sensors

Growth through new technology, customers and penetration of new markets

Growth Drivers - Pedal Modules

CTS Pedal Sales \$M



Major customers in North America, Europe and Asia.

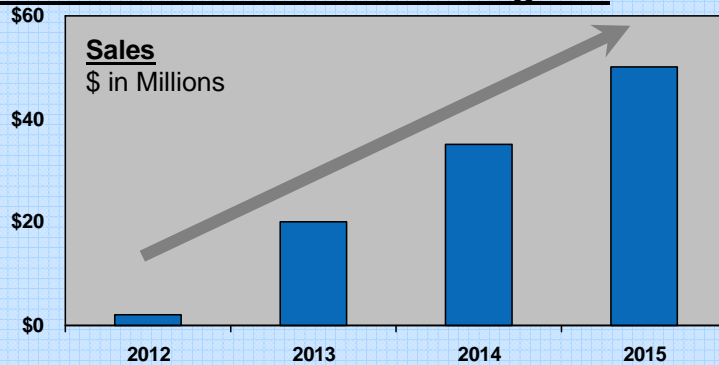


CTS Pedal Modules offer performance, quality and cost advantages

New Growth Drivers – Sensors and Actuators

- Organic growth driven by strong research and development
- Highly engineered products improve fuel economy and reduce emissions
- Serves light vehicles and commercial markets

Smart Actuators for Diesel Engines

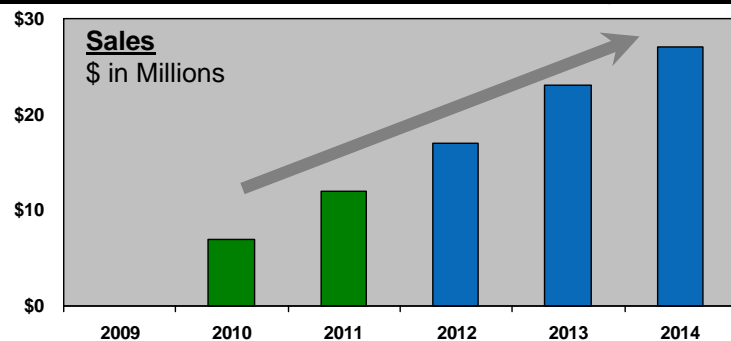


Total Commercial Market \$750M to \$1B
Target Market Share 10%



➤ Penetrated two of the largest diesel manufacturers with smart actuators for trucks and industrial engines to meet new emissions standards

Grill Shutter Actuators / Turbocharger Sensors



Products



Applications



➤ Designed new products to improve fuel economy for lighter vehicles

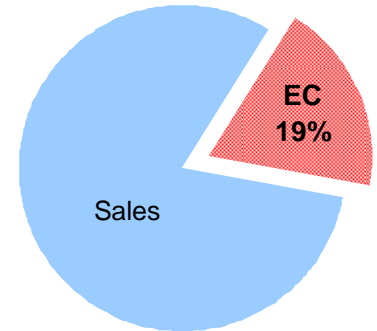
New products, new customers and new applications

Electronic Components

Double-digit sales growth over the next 3-5 years

- **Macro Trends Driving Growth**

- Strong wireless communication growth in emerging markets
- Global markets driving higher data traffic
 - ❖ Smart phones, Social networking; YouTube, Facebook



- **New Growth Drivers:**

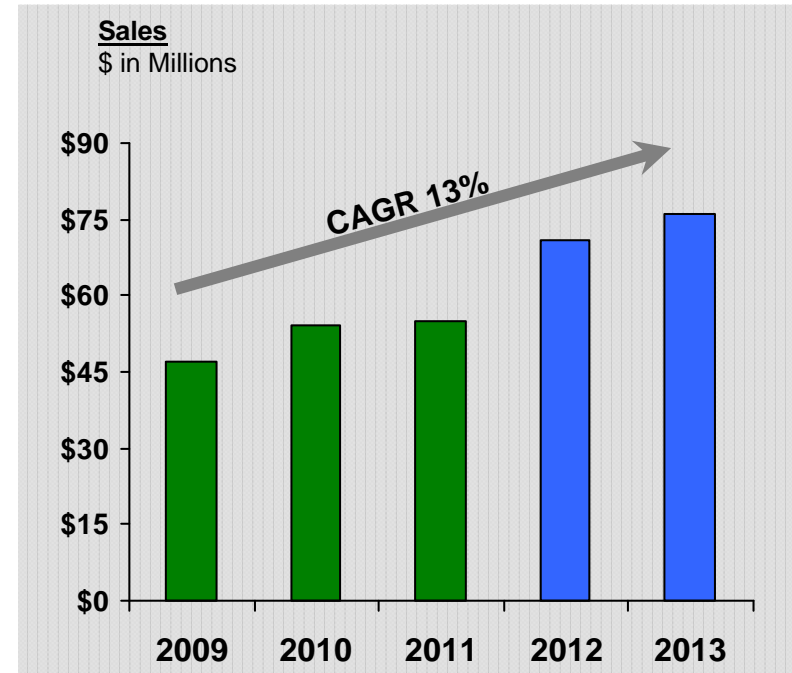
- ✓ **New Piezo Application for Hard Disk Drives**
- ✓ **New Electrocomponent – Product Applications**
 - Mobility scooters, portable medical devices, industrial joysticks
- ✓ **Acquisitions – Precision Frequency Products (Fordahl / Valpey Fisher)**

Launching innovative new products
Expanding into new customers and applications

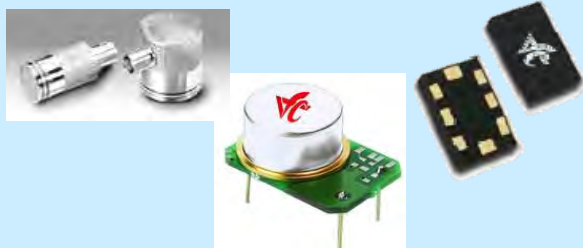
Electronic Components – Communications Infrastructure



Applications



Key Customers: Alcatel–Lucent, Cisco, Nokia Siemens Networks, Juniper, Tellabs, Emerson, Ciena, Rockwell Collins



ACQUISITION UPDATE

- Valpey Fisher – (\$15M annual sales)
 - ✓ Specializes in low-noise solutions for portable military equipment / guidance systems

Increasing market share and winning new customers

Electronic Components – Piezoceramic Products

Products

New Product



Soft And Hard Piezo Ceramic Materials

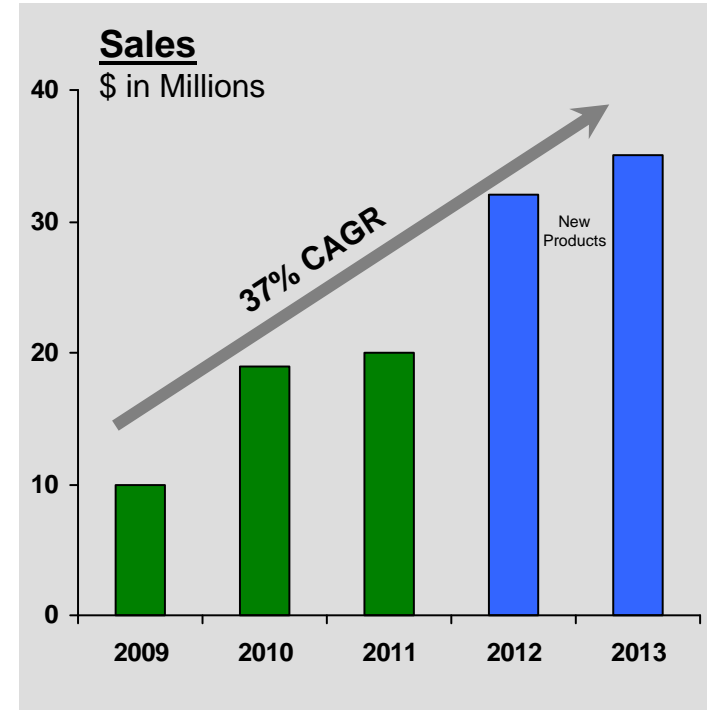
Applications

New Hard Disk Drive Actuation

- New generation of HDD actuation for computer market
- Supports the explosive growth in video streaming and cloud computing





Piezo ceramic components for hard disk drive application launched – New Product / New Customer

- Signed a four-year agreement providing \$50-\$60 million of future estimated revenue

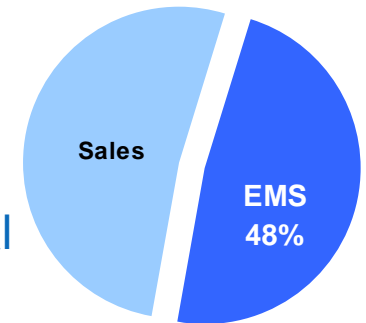
Innovation driving new applications and profitable growth

Electronics Manufacturing Solutions

Mid single-digit sales growth business over the next 3-5 years

- **Strategic Focus**

- Target customers with complex needs
- Target niche sectors – defense & aerospace, medical, industrial
- Provide turnkey services, design to direct ship



- **Specialized Tier 2 Global EMS Provider**

Medical Insulin Pump



Industrial Security Systems



Defense / Aerospace

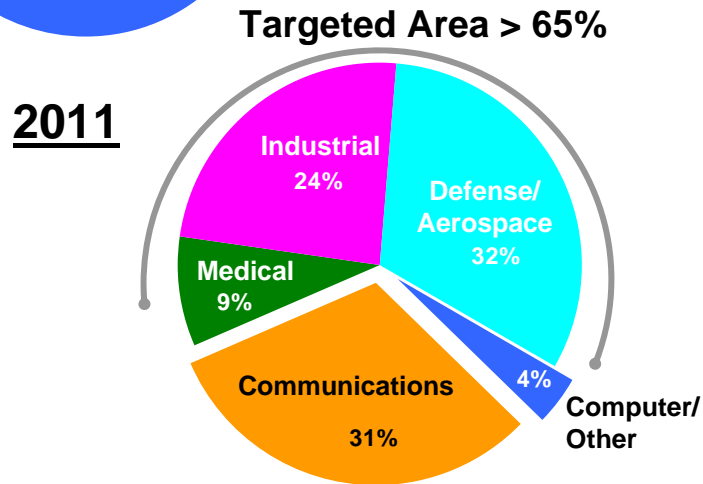
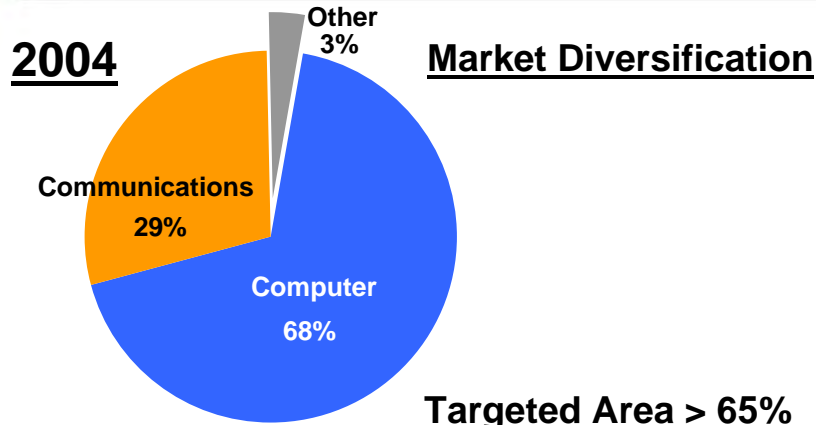


Electric Vehicle Chargers

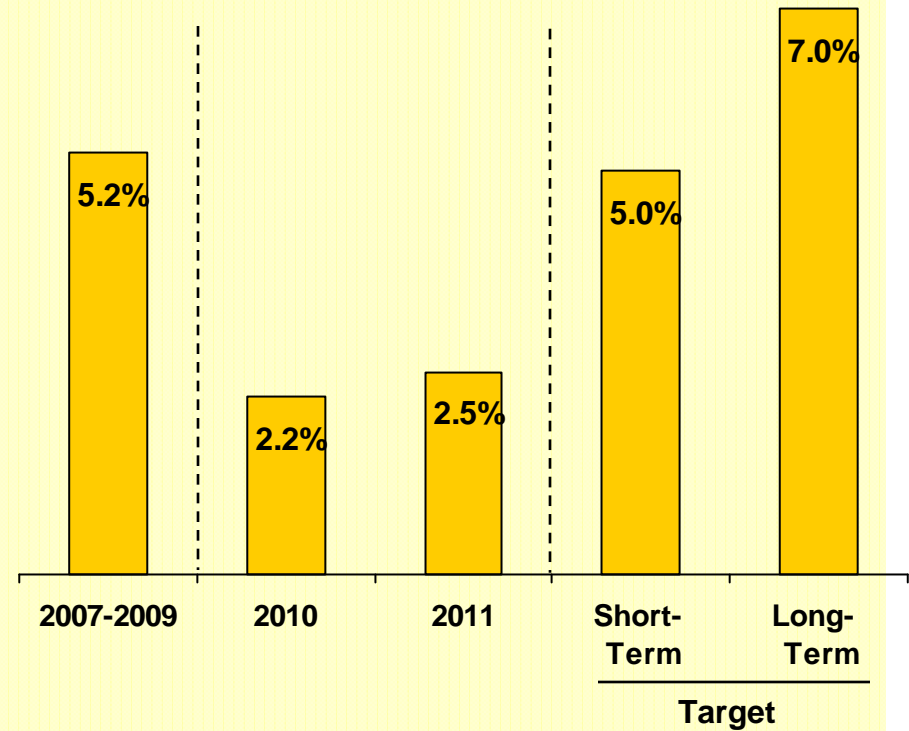


Diversified business, improved cost structure and global capabilities are improving EMS performance

Electronics Manufacturing Solutions



Improving Performance
Operating Margin Before Corporate Charges



- Diversified business
- Focus on segments requiring design capabilities and special certification

- Improving capacity utilization
 - Repositioning capacity
 - Thailand / Mexico expansion

Improved customer / market mix



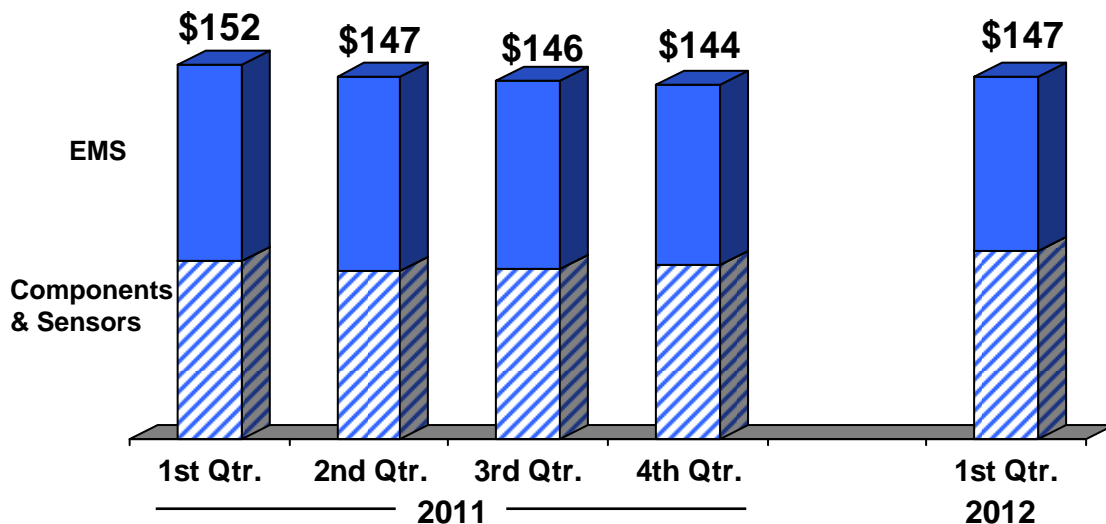
Financial Summary

*Definitions and reconciliation of non-GAAP financial terms are included on
CTS' Web site at www.ctscorp.com*



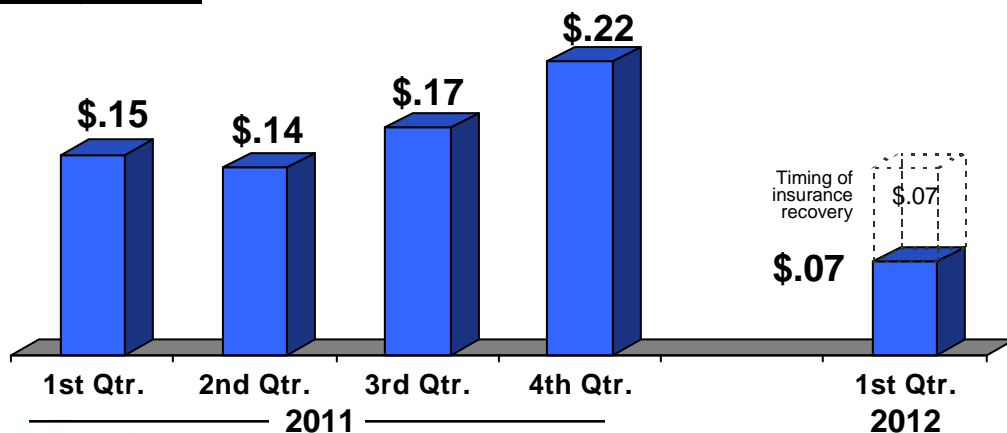
First Quarter 2012 Update

Sales (\$M)



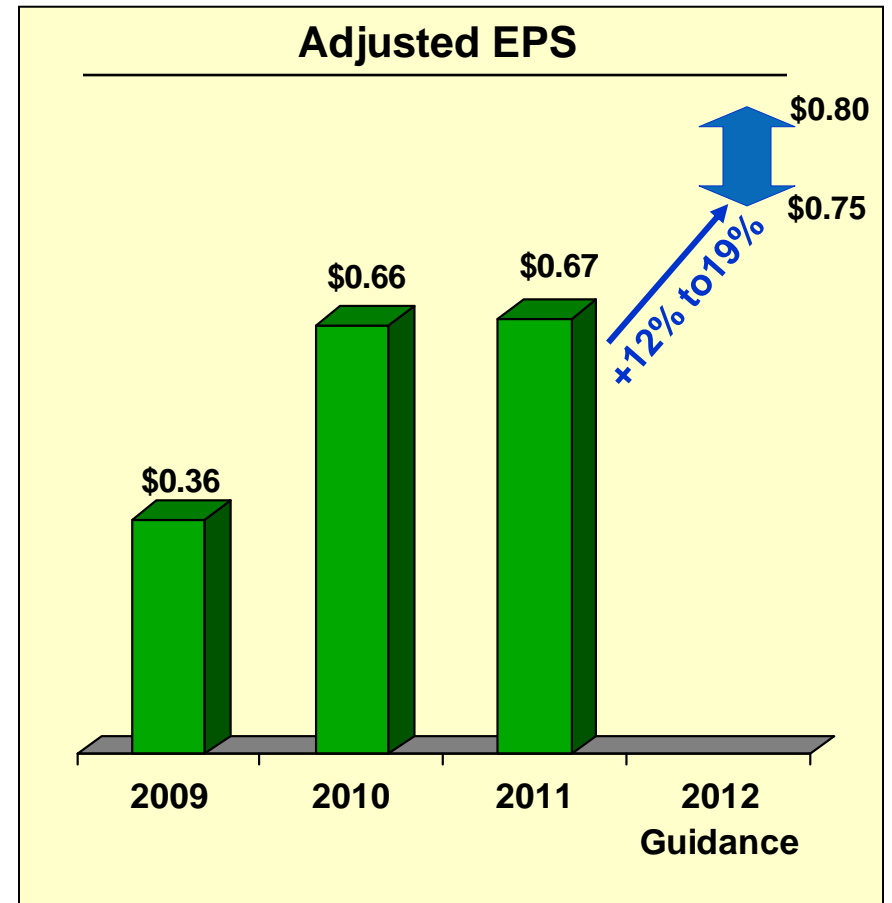
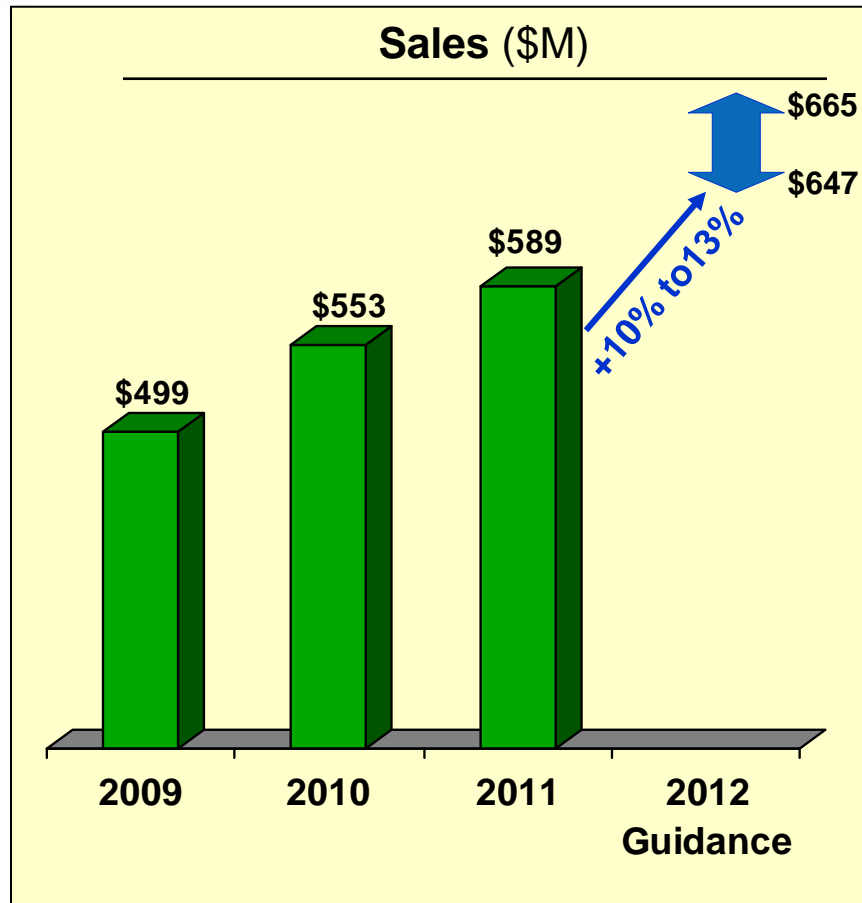
- Q1 2012 sales at \$147M, down 3% year over year
 - Components and Sensors up 6%
 - EMS down 11% (Thailand flood)

EPS - Adjusted



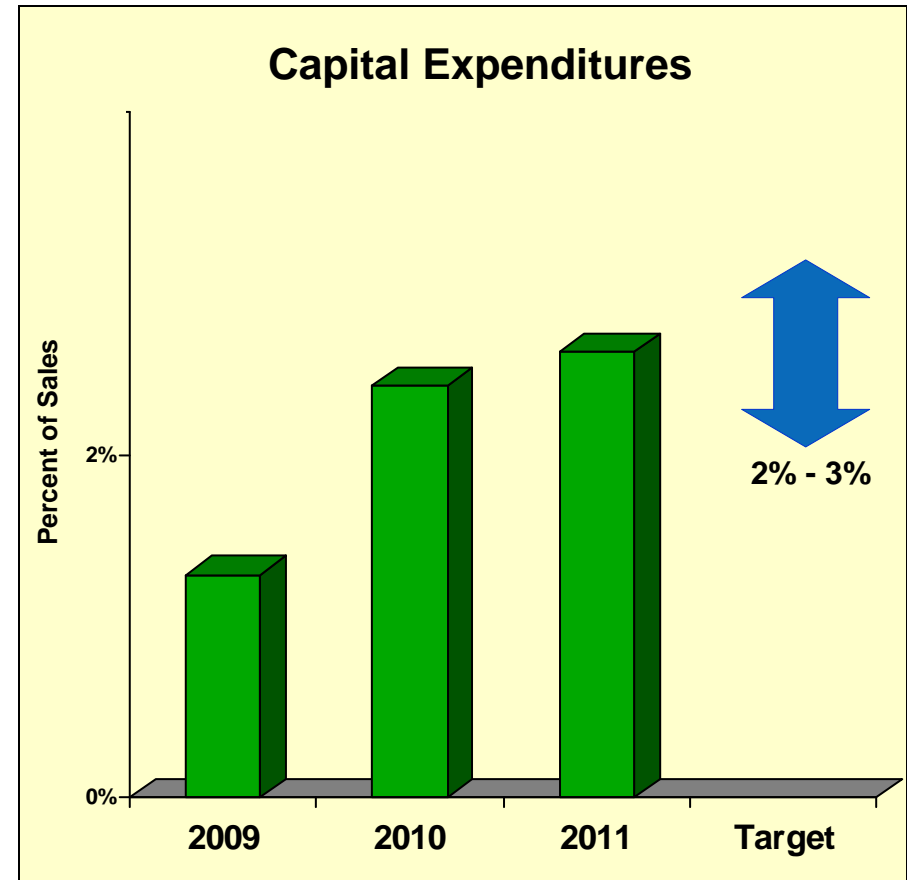
- Q1 2012 EPS at \$.07 per share, impacted by timing of Thailand flood related insurance and customer recoveries
 - Timing of insurance recoveries, now expected in Q2 / Q3

Annual Financial Performance Trend



- 2011 growth tempered by impact of Japan earthquake / tsunami and Thailand floods
- 2012 growth driven by new products, new programs, and new customers

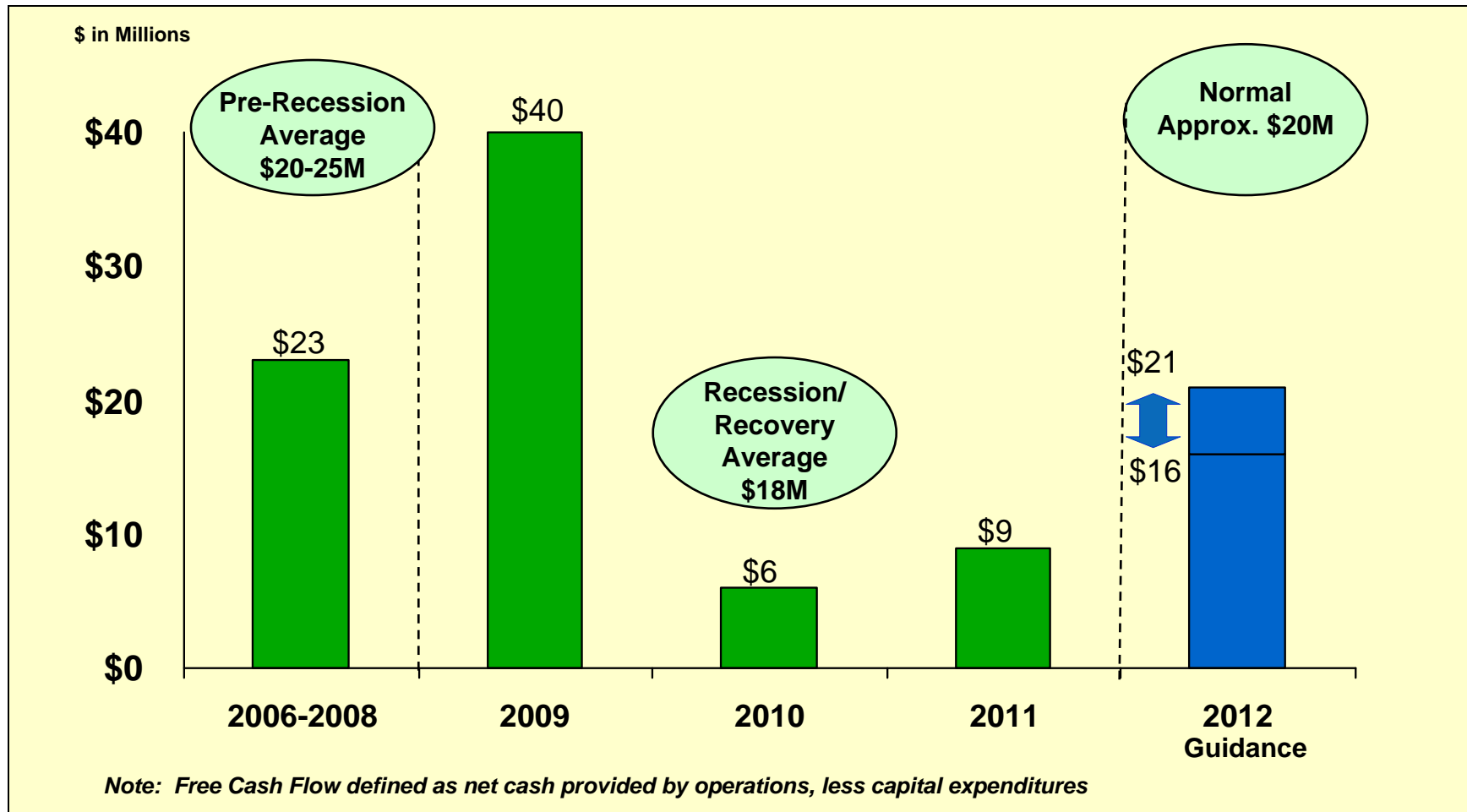
Balance Sheet Trends



* Controllable Working Capital Defined as Accounts Receivable + Inventories - Accounts Payable.

- Higher working capital in 2010-2011 due to product launch and transfer
- Capital expenditure remains on target despite new products and growth initiative

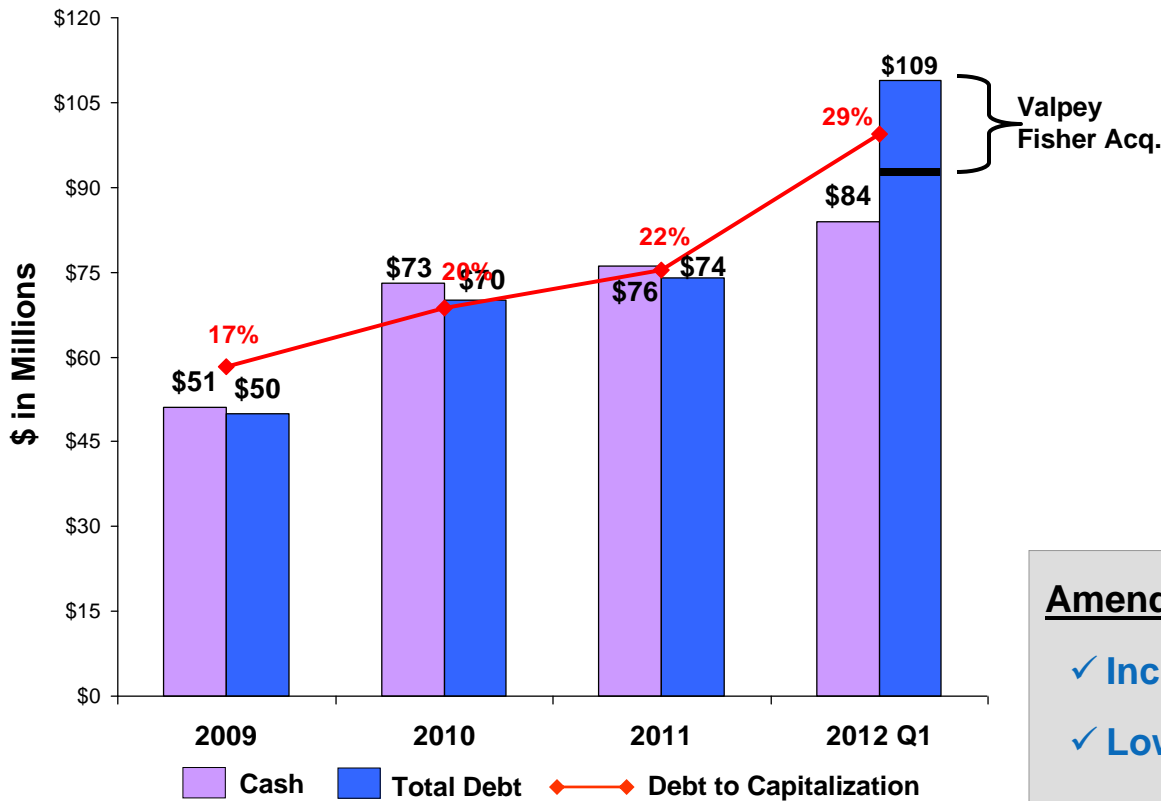
Free Cash Flow



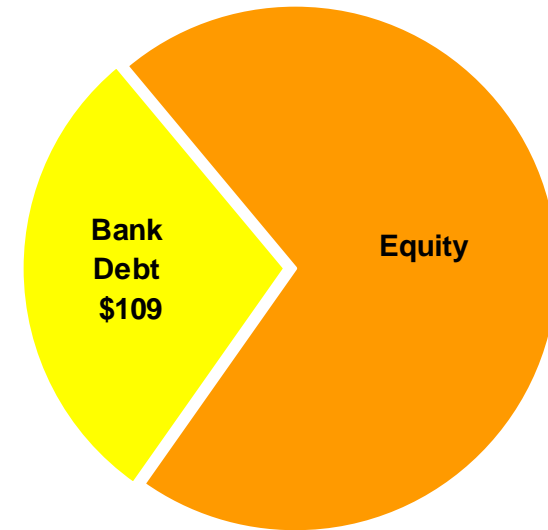
- Free cash flow returns to pre-recession levels in 2012
- Cash flow utilized for organic growth, acquisitions, stock buyback & dividend increases

Capital Structure

Total Debt to Capitalization



Current Capital Structure

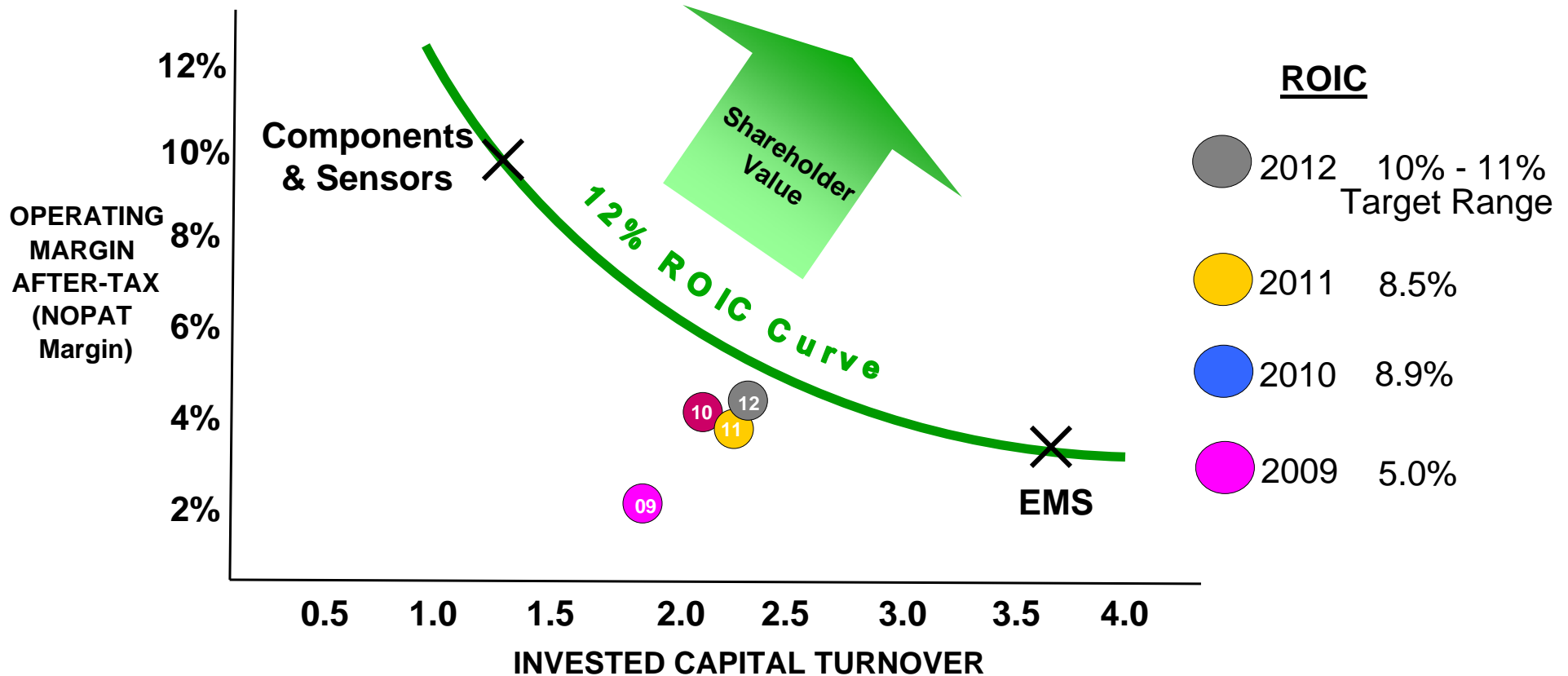


Amended Bank Agreement in January 2012

- ✓ Increased our facility from \$150M to \$200M
- ✓ Lowered pricing by 25 bps

Strong balance sheet and conservative capital structure

Target Adjusted Return on Invested Capital (ROIC)



- 2011 ROIC impacted by Japan earthquake / tsunami and Thailand floods
- 2012 ROIC benefiting from new product launches, new programs, acquisitions

Overall ROIC improvement on track

Positioned For Profitable Growth

- **Winning new business and new customers with innovative products and technology**
 - ▶ Smart actuators, turbocharger sensors, grill shutter actuators, transmission sensors, hard piezo micro actuators, piezo ceramic sonar rings, digital encoders, industrial joysticks, frequency products
 - ▶ Penetrated new global customers: Honda, Honeywell, Western Digital, Caterpillar, etc.
- **Effectively managing costs and reinvesting for future growth**
- **Research and development focus and strong intellectual property portfolio**
- **Global footprint and diversified business model**
- **Conservative balance sheet and positive cash flow**
 - ▶ Recent dividend increase and continued stock buyback
- **Pursuing accretive, bolt-on acquisitions**

Focused on enhancing shareholder value



Appendix

Sensors and Actuators

Technologies:

- Thick Film Resistive Ink Systems
- Hall-effect Non-contacting Systems
- BLDC High-Torque Electromagnetics

Capabilities:

- Research, Design & Engineering
- Custom Molding
- Highly Automated Manufacturing
- Global Footprint: N. America, Asia, Europe

Products:



Rotary & Linear
Position Sensors



BLDC High Torque
Actuators



Heavy Duty Hall-effect Sensors



Pedal
Modules



Integrated Sensor
Sub-assemblies



Miniature Rotary
Resistive Sensors

Sample Applications:



Passenger Vehicles



Light-Duty Delivery
Vehicles



On-Road Commercial
Vehicles



Off-Road Commercial Vehicles &
Industrial Equipment



Small Engine
Vehicles & Machinery



Electronic Components

- Technologies:
- Thick Film Resistive Ink Systems
 - Quartz, Hard & Soft Piezoceramics
 - Electronic-grade Ceramics
 - Precision Coatings

- Capabilities:
- Research, Design & Engineering
 - Custom Packaging
 - ISO 13485, 9001, 14001 Certifications
 - North America and Asia Footprint

Products:



Frequency Modules



Ceramic RF Filters



Piezoceramic Components



EMI/RFI Filter Components



Thermal Management Components



Resistive/Capacitive Networks



Switches & Variable Resistors

Sample Applications:



Wireless Broadband and HDD Actuation



Industrial Instrumentation



Defense and Aerospace Communication & Guidance Systems



Medical Diagnostics & Instrumentation



Electronic Manufacturing Solutions

Quality / Regulatory:	<ul style="list-style-type: none"> • ISO 13485, 9001 • CFR 820 • FDA Class I to III • IPC Class III 	<ul style="list-style-type: none"> • AS9100 • ITAR / NISP • Mil Spec • List X 	Capabilities: <ul style="list-style-type: none"> • Complex PCB's and Boxbuilds • Custom Design & Engineering • Secure Manufacturing • Turnkey Services – Design thru Direct Ship • High Technology Environment • Global Footprint: N. America, Asia, Europe
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Products:

 BoxBuilds	 Complex PCB's	 Backplanes
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Major Markets:

 Communication Infrastructure	 Industrial Equipment	 Defense and Aerospace	 Medical Devices and Equipment
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Sample Applications:

 Insulin Pumps & Glucose Monitoring	 Aircraft Collision Avoidance Systems	 Enterprise IP Video on Demand	 WiFi Arrays	 Building & HVAC Control Systems	 Identity Recognition Systems
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Major CTS Competitors

PRODUCTS

COMPETITION

Sensors and Actuators

AB Electronics, Alps, Bosch, Bourns, Delphi, Denso, Continental, CST, Hella, Mikuni

Electronic Components

Frequency Products - Infrastructure

Mini-circuits, Mtron, Morion, NDK, Rakon, RFMD, Vectron

Piezo electronics

APC, Edo, Morgan ElectroCeramics, Sumitomo, TRS

Ceramic Filters

Murata, Partron, TDK, UBE

EMI / RFI Filters

AVX, Corrymicro, Ferroperm, API Technologies, Stelco

Resistor Networks

BI Tech, Bourns, Grayhill, KOA

Electronics Manufacturing Services

Axiom, Celestica, DuCommun, Flextronics, Jabil, Keytronic, Plexus, Sanmina-SCI, Sparton, STI Ltd., Sypris Solutions, TT EMS

Supplying the 'Green' Energy Market



All-Electric Vehicles

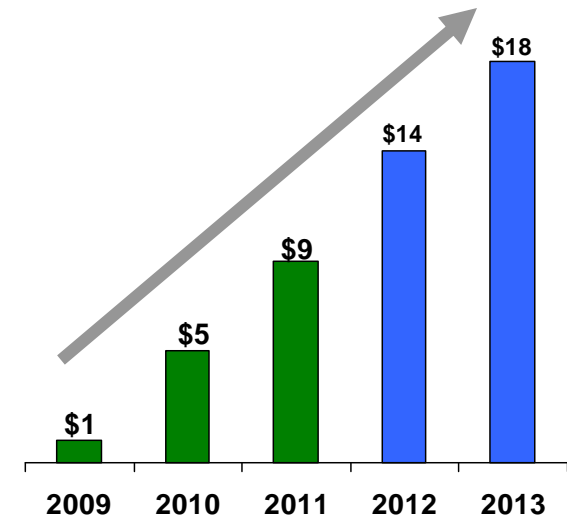


Hybrid Gas/Electric Vehicles



'Green' Energy Sales

\$ in Millions



New Electric Vehicle Market Strengthening; Providing Opportunities in Fast Growing Market

Financial Summary

<u>\$ in Millions</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Sales	\$588.5	\$552.6	\$499.0	\$691.7	\$685.9
Adjusted Operating Earnings	\$28.7	\$29.5	\$17.6	\$37.0	\$34.9
Adjusted Operating Earnings % of Sales	4.9%	5.3%	3.5%	5.3%	5.1%
Adjusted Net Earnings	\$23.4	\$23.1	\$12.0	\$26.5	\$26.0
Adjusted Net Earnings % of Sales	4.0%	4.2%	2.4%	3.8%	3.8%
Adjusted EPS, Diluted	\$0.67	\$0.66	\$0.36	\$0.77	\$0.71
Free Cash Flow	\$8.7	\$6.1	\$40.1	\$16.5	\$32.5
Total Debt / Capitalization	22.0%	20.3%	16.9%	22.4%	17.5%
Depreciation and Amortization	\$17.5	\$17.6	\$19.5	\$24.2	\$22.8
Adjusted EBITDA	\$49.5	\$48.4	\$36.4	\$62.8	\$60.9
Adjusted EBITDA % of Sales	8.4%	8.8%	7.3%	9.1%	8.9%
Controllable Working Capital - % of Sales	17.4%	16.8%	13.8%	14.4%	12.7%
Capex	\$15.6	\$13.3	\$6.5	\$17.6	\$16.1
Capex - % of Sales	2.6%	2.4%	1.3%	2.6%	2.3%

Note: Adjusted data excludes restructuring and related charges, asset impairments and income tax adjustments.

Other Financial Data – Income Statement

<u>\$ in Millions</u>	<u>2012</u>	<u>2011</u>				<u>2010</u>			
	<u>Q1 GAAP</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>
Net Sales	\$147.0	\$144.0	\$146.1	\$146.9	\$151.5	\$145.0	\$139.4	\$138.9	\$129.4
Adjusted Gross Margin Percentage	15.0%	19.6%	19.4%	19.4%	19.2%	20.3%	21.5%	21.9%	23.6%
Adjusted Operating Earnings	\$1.9	\$9.6	\$7.8	\$5.5	\$5.8	\$7.7	\$7.8	\$7.7	\$6.3
Adjusted Operating Earnings % of Sales	1.3%	6.7%	5.3%	3.8%	3.8%	5.3%	5.6%	5.6%	4.9%
Adjusted Net Earnings	\$2.3	\$7.7	\$5.9	\$4.8	\$5.1	\$5.9	\$6.9	\$5.9	\$4.4
Adjusted Net Earnings % of Sales	1.6%	5.3%	4.0%	3.3%	3.4%	4.1%	4.9%	4.2%	3.4%
Adjusted EPS, Diluted	\$0.07	\$0.22	\$0.17	\$0.14	\$0.15	\$0.17	\$0.20	\$0.17	\$0.13
Depreciation and Amortization	\$4.8	\$4.4	\$4.4	\$4.4	\$4.4	\$4.3	\$4.4	\$4.5	\$4.4
Adjusted EBITDA	\$7.7	\$14.6	\$12.5	\$10.9	\$11.5	\$12.1	\$13.9	\$12.0	\$10.3
Adjusted EBITDA % of Sales	5.3%	10.1%	8.5%	7.4%	7.6%	8.3%	10.0%	8.6%	8.0%

Note: Adjusted data excludes restructuring and related charges, asset impairments and income tax adjustments.

Other Financial Data – Balance Sheet Metrics

\$ in Millions

	<u>2012</u>	<u>2011</u>				<u>2010</u>			
	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>
Accounts Receivable, net	\$89.9	\$88.3	\$90.3	\$87.8	\$96.4	\$95.9	\$90.1	\$84.6	\$74.1
Inventories, net	\$92.1	\$92.5	\$91.4	\$88.6	\$87.9	\$76.9	\$76.6	\$68.8	\$60.0
Accounts Payable	\$74.6	\$80.5	\$78.9	\$77.1	\$79.4	\$75.4	\$70.5	\$68.2	\$59.5
Free Cash Flow	(\$8.0)	\$5.4	\$0.9	\$8.0	(\$5.7)	\$8.5	(\$2.5)	(\$3.7)	\$3.8
Total Debt	\$108.7	\$74.4	\$89.7	\$74.7	\$80.3	\$70.0	\$77.1	\$65.9	\$56.0
Equity	\$264.9	\$263.3	\$291.1	\$285.7	\$281.5	\$274.3	\$265.1	\$256.9	\$251.2
Total Debt / Capitalization	29%	22%	24%	21%	22%	20%	23%	20%	18%