

CTS Corporation
Definition of Financial Term -
Adjusted Return on Invested Capital

	Full Year						
	2011	2010	2009	2008	2007	2006	2005
Operating earnings	\$ 25.2	\$ 27.8	\$ (17.8)	\$ 30.9	\$ 32.3	\$ 32.8	\$ 37.9
Charges (credits) to reported operating earnings:							
Restructuring and asset impairment charges	3.1	1.7	2.2	6.1	2.6	4.3	
Additional Legal Costs	0.3						
Gain on sale of excess equipment less LTCC severance							(1.2)
Goodwill Impairment			33.2				
Total adjustments to reported operating earnings	<u>3.5</u>	<u>1.7</u>	<u>35.4</u>	<u>6.1</u>	<u>2.6</u>	<u>4.3</u>	<u>(1.2)</u>
Adjusted operating earnings	<u>\$ 28.7</u>	<u>\$ 29.5</u>	<u>\$ 17.6</u>	<u>\$ 37.0</u>	<u>\$ 34.9</u>	<u>\$ 37.1</u>	<u>\$ 36.7</u>
* Tax rate	21%	22% *	20% *	12% *	20%	20%	37%
Tax effected adjusted operating earnings	<u>\$ 22.6</u>	<u>\$ 23.0</u>	<u>\$ 14.1</u>	<u>\$ 32.6</u>	<u>\$ 27.9</u>	<u>\$ 29.7</u>	<u>\$ 23.1</u>
Invested Capital:							
Current Year:							
Shareholders' equity	\$ 263.3	\$ 274.3	\$ 247.5	\$ 277.5	\$ 326.4	\$ 322.6	\$ 333.0
Long-term debt	74.4	70.0	50.4	80.0	68.3	54.6	59.9
Notes payable and current portion of LT debt	-	-	-	-	1.0	5.6	13.5
Less: Cash	<u>(76.4)</u>	<u>(73.3)</u>	<u>(51.2)</u>	<u>(44.6)</u>	<u>(52.9)</u>	<u>(38.6)</u>	<u>(12.0)</u>
Invested capital	<u>261.3</u>	<u>270.9</u>	<u>246.7</u>	<u>312.9</u>	<u>\$ 342.8</u>	<u>\$ 344.2</u>	<u>394.4</u>
Prior Year:							
Shareholders' equity	\$ 274.3	\$ 247.5	\$ 277.5	\$ 326.4	322.6	333.0	316.9
Long-term debt	70.0	50.4	80.0	68.3	54.6	59.9	83.4
Notes payable and current portion of LT debt	-	-	-	1.0	5.6	13.5	3.3
Less: Cash	<u>(73.3)</u>	<u>(51.2)</u>	<u>(44.6)</u>	<u>(52.9)</u>	<u>(38.6)</u>	<u>(12.0)</u>	<u>(61.0)</u>
Invested capital	<u>270.9</u>	<u>246.7</u>	<u>312.9</u>	<u>342.8</u>	<u>344.2</u>	<u>394.4</u>	<u>342.6</u>
Adjusted invested capital	<u>\$ 266.1</u>	<u>\$ 258.8</u>	<u>\$ 279.8</u>	<u>\$ 327.9</u>	<u>\$ 345.5</u>	<u>\$ 372.3</u>	<u>\$ 372.6</u>
Adjusted return on invested capital	<u>8.5%</u>	<u>8.9%</u>	<u>5.0%</u>	<u>9.9%</u>	<u>8.1%</u>	<u>8.0%</u>	<u>6.2%</u>
Sales	\$ 588.5	\$ 552.6	\$ 499.0	\$ 691.7	\$ 685.9	\$ 655.6	\$ 617.5
Tax effected adjusted operating earnings	22.6	23.0	14.1	32.6	27.9	29.7	23.1
Tax effected adjusted operating margin as a percentage of sales (a)	<u>3.8%</u>	<u>4.2%</u>	<u>2.8%</u>	<u>4.7%</u>	<u>4.1%</u>	<u>4.5%</u>	<u>3.7%</u>
Sales	\$ 588.5	\$ 552.6	\$ 499.0	\$ 691.7	\$ 685.9	\$ 655.6	\$ 617.5
Adjusted invested capital	<u>266.1</u>	<u>258.8</u>	<u>279.8</u>	<u>327.9</u>	<u>345.5</u>	<u>372.3</u>	<u>372.6</u>
Invested capital turns (b)	<u>2.21</u>	<u>2.14</u>	<u>1.78</u>	<u>2.11</u>	<u>1.99</u>	<u>1.76</u>	<u>1.66</u>
Adjusted return on invested capital (a) x (b)	<u>8.5%</u>	<u>8.9%</u>	<u>5.0%</u>	<u>9.9%</u>	<u>8.1%</u>	<u>8.0%</u>	<u>6.2%</u>

* For 2011, 2010, 2009 & 2008, Tax rates are Adjusted Effective Tax Rates