

**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - UNAUDITED**

(In thousands, except per share amounts)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2006	2005 (as restated)	2006	2005 (as restated)
<b>Net sales</b>	\$ 173,520	\$ 154,598	\$ 655,614	\$ 617,484
Costs and expenses:				
Cost of goods sold	143,604	123,144	534,784	497,270
Selling, general and administrative expenses	16,857	16,482	70,913	68,255
Research and development expenses	3,936	3,762	15,873	17,092
Gain on sale of assets	(18)	(2,259)	(2,142) <sup>(1)</sup>	(3,065)
Restructuring charges	-	-	3,368	-
<b>Operating earnings</b>	<u>9,141</u>	<u>13,469</u>	<u>32,818</u>	<u>37,932</u>
Other expenses (income):				
Interest expense	706	1,349	3,654	5,902
Other	(687)	(179)	(1,502)	(966)
Total other expenses	<u>19</u>	<u>1,170</u>	<u>2,152</u>	<u>4,936</u>
Earnings before income taxes	9,122	12,299	30,666	32,996
Income tax expense	<u>1,471</u> <sup>(2)</sup>	<u>4,804</u> <sup>(3)</sup>	<u>6,469</u> <sup>(2)</sup>	<u>12,240</u> <sup>(4)</sup>
<b>Net earnings</b>	<u>\$ 7,651</u>	<u>\$ 7,495</u>	<u>\$ 24,197</u>	<u>\$ 20,756</u>
<b>Net earnings per share:</b>				
Basic	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.68</u>	<u>\$ 0.57</u>
Diluted	<u>\$ 0.20</u> <sup>(2)</sup>	<u>\$ 0.19</u> <sup>(3)</sup>	<u>\$ 0.63</u> <sup>(2)</sup>	<u>\$ 0.53</u> <sup>(4)</sup>
<b>Cash dividends declared per share</b>	\$ 0.03	\$ 0.03	\$ 0.12	\$ 0.12
<b>Average common shares outstanding:</b>				
Basic	35,781	35,919	35,826	36,307
Diluted	40,266	40,633	40,228	40,960

(1) The 2006 gain on sale of assets includes \$0.7 million pre-tax, or \$0.6 million after-tax and \$0.01 per diluted share, relating to the sale / leaseback of the Albuquerque building.

(2) During the fourth quarter of 2006, CTS reduced its full-year effective tax rate from 24.1% to 21.1% primarily due to an increased percentage of profits reported in lower-tax foreign jurisdictions.

(3) Income tax expense and diluted earnings per share for the quarter ending December 31, 2005 include expense of \$1.5 million, or \$0.03 per diluted share, respectively, relating to the repatriation of foreign cash to the United States under the provisions of the American Jobs Creation Act of 2004 and \$0.7 million, or \$0.02 per diluted share, respectively, relating to an increase in the overall adjusted effective tax rate from 23% to 24.1%.

(4) Income tax expense and diluted earnings per share include a net impact of \$4.3 million, \$0.10 per diluted share, respectively, consisting of \$6.0 million of expense relating to the repatriation of foreign cash to the United States under the provisions of the American Jobs Creation Act of 2004 and a \$1.7 million benefit relating to the reversal of income tax reserves due to the successful resolution of tax issues in certain foreign jurisdictions.