CTS® CORPORATION

Simplify

Focus

Drive Profitable Growth

2014

Annual Report

Letter to our fellow shareholders

Dear Shareholders:

2014 was a transition year for CTS. We are repositioning our company and, despite some softness in sales, have increased our earnings significantly. Our primary goal is to remain a trusted and innovative partner to our customers.

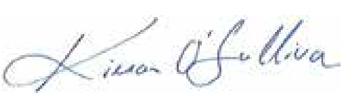
Here are a few of our 2014 highlights:

- Booked $484M in new business wins, building a stronger foundation for future growth
- Increased investment in R&D, Sales and Marketing to support our strategy to simplify, focus and drive profitable growth
- Grew operating earnings from 4.3% to 10.5%
- Increased adjusted diluted EPS by 29%
- Generated $32 million in operating cash flow
- Strengthened our balance sheet - $60 million in net cash
- Returned $13 million to shareholders through dividends and share repurchases

We further refined our strategy to focus our efforts on three pillars - Sense, Connect and Move. Our organic investments will enable growth in sensing and motion devices and connectivity components as we drive efficiency and performance for our customers globally. Acquisitions are a part of our growth strategy, as we strive to grow in these areas. We will also work in the year ahead to further diversify our product portfolio and rebalance our market diversification.

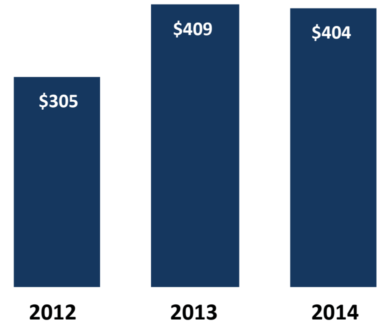
The simplification of our operations is not complete. Managing our operating costs prudently is important as we continue our simplification journey, drive cost reduction and introduce lean initiatives. In addition, we continue to focus on talent and culture to complement our growth strategy and our transformation overall.

In closing, I would like to thank our employees around the world for their continued commitment to the company and our customers. As a shareholder, you can be assured we will remain steadfastly focused on driving growth, while appropriately leveraging our resources. On behalf of our 3,000 employees and our Board, I thank you for your continued confidence in our company.

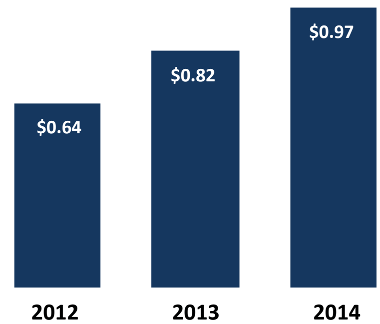


Kieran M. O'Sullivan
Chairman, President and Chief Executive Officer

Sales

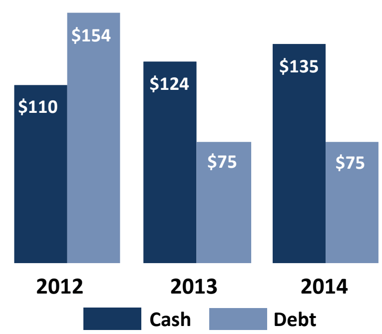


Adjusted Diluted EPS

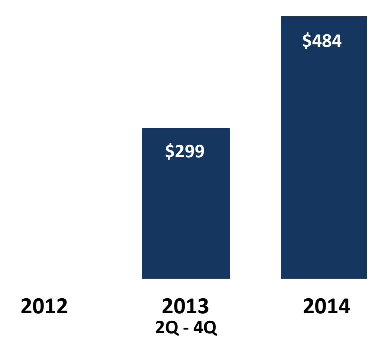


Note: 2013 Adjusted Diluted EPS from Continuing Operations was $0.75

Cash & Debt



New Business Awards



Note: Reporting started in 2Q 2013

All amounts except EPS shown in millions USD

Total Return To Shareholders

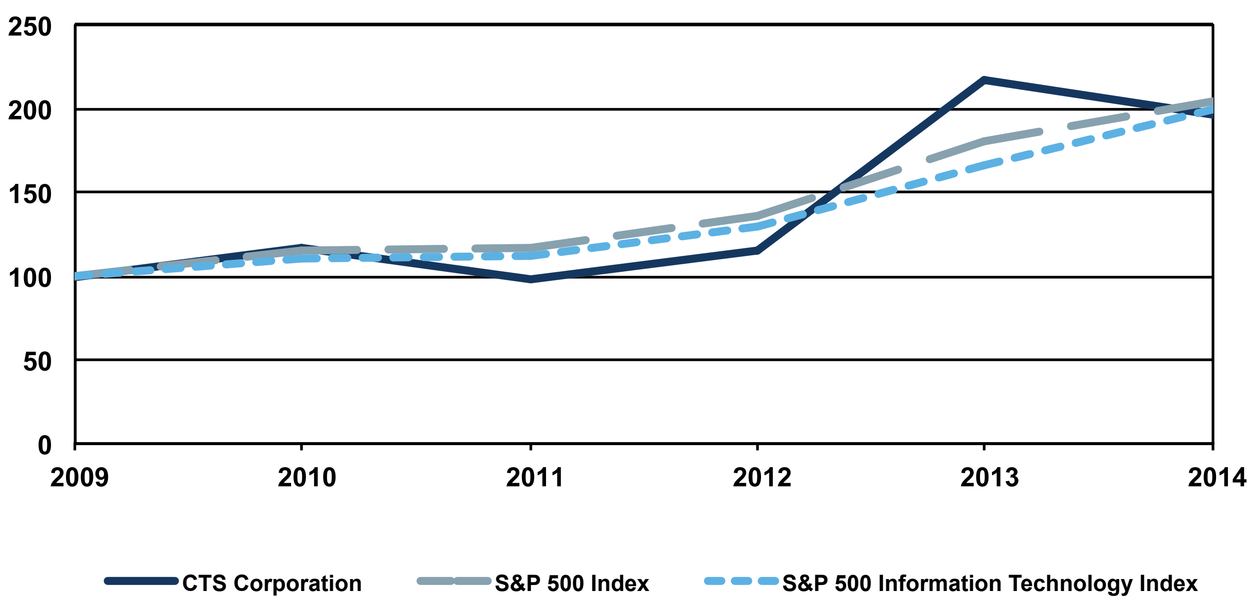
(Includes reinvestment of dividends)

ANNUAL RETURN PERCENTAGE
Years Ending

Company/Index	2010	2011	2012	2013	2014
CTS Corporation	16.39	-15.70	17.15	89.21	-9.65
S&P 500 Index	15.06	2.11	16.00	32.39	13.69
S&P 500 Information Technology Index	10.19	2.41	14.82	28.43	20.12

INDEXED RETURNS
Years Ending

Company/Index	Base Period 2009	2010	2011	2012	2013	2014
CTS Corporation	100	116.39	98.11	114.94	217.47	196.47
S&P 500 Index	100	115.06	117.49	136.30	180.44	205.14
S&P 500 Information Technology Index	100	110.19	112.85	129.57	166.41	199.89



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Fiscal Year Ended December 31, 2014

OR

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

Commission File Number: 1-4639

CTS CORPORATION

(Exact name of registrant as specified in its charter)

Indiana	**35-0225010**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
1142 West Beardsley Avenue, Elkhart, IN	**46514**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 574-523-3800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of ''large accelerated filer'', ''accelerated filer'' and ''smaller reporting company'' in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of CTS Corporation, based upon the closing sales price of CTS common stock on June 27, 2014, was approximately $620,000,000. There were 33,443,286 shares of common stock, without par value, outstanding on February 18, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the 2014 Annual Report to Shareholders are incorporated herein by reference in Part II.
(2) Portions of the Proxy Statement to be filed for the annual meeting of shareholders to be held on or about May 21, 2015 are incorporated by reference in Part III.

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Safe Harbor

Forward-Looking Statements

This document contains statements that are, or may be deemed to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, any financial or other guidance, statements that reflect our current expectations concerning future results and events, and any other statements that are not based solely on historical fact. Forward-looking statements are based on management's expectations, certain assumptions and currently available information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on various assumptions as to future events, the occurrence of which necessarily are subject to uncertainties. These forward-looking statements are made subject to certain risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from those presented in the forward-looking statements. Examples of factors that may affect future operating results and financial condition include, but are not limited to: changes in the economy generally and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions; the results of actions to reposition our business; rapid technological change; general market conditions in the automotive, communications, and computer industries, as well as conditions in the industrial, defense and aerospace, and medical markets; reliance on key customers; unanticipated natural disasters or other events; the ability to protect our intellectual property; pricing pressures and demand for our products; and risks associated with our international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks. Many of these, and other, risks and uncertainties are discussed in further detail in Item 1A. of this Annual Report on Form 10-K. We undertake no obligation to publicly update our forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

PART I

Item 1. Business

CTS Corporation (''CTS'', ''we'', ''our'', ''us'' or ''the Company'') is a global manufacturer of sensors, electronic components and actuators. CTS was established in 1896 as a provider of high-quality telephone products and was incorporated as an Indiana corporation in February 1929. Our principal executive offices are located in Elkhart, Indiana.

We design, manufacture, and sell a broad line of sensors, electronic components and actuators primarily to original equipment manufacturers (''OEMs'') for the automotive, communications, defense and aerospace, medical, industrial and computer markets. We operate manufacturing facilities located throughout North America, Asia and Europe and serve major markets globally. Sales and marketing are accomplished through our sales engineers, independent manufacturers' representatives and distributors.

On October 2, 2013, CTS sold its Electronics Manufacturing Solutions (''EMS'') business to Benchmark Electronics, Inc. (''Benchmark'') for approximately $75,000,000 in cash. The sale of EMS, along with the announcement of a restructuring plan in June 2013 (''June 2013 Plan''), has allowed CTS to sharpen its focus on its remaining businesses. The 2012 and 2013 amounts in the Consolidated Statements of Earnings (Loss) related to EMS have been reported separately as Discontinued operations.

See the Consolidated Financial Statements and Notes thereto included in the 2014 Annual Report to Shareholders, portions of which are filed as Exhibit 13 hereto, for financial information regarding the Company, which is incorporated herein by reference.

PRODUCTS BY MAJOR MARKETS

Our products perform specific electronic functions for a given product family and are intended for use in customer assemblies. Our major markets consist principally of automotive sensors and actuators used in commercial or consumer vehicles; electronic components used in communications infrastructure and computer markets; components used in computer and other high-speed applications, switches, resistor networks, and potentiometers used to serve multiple markets; and fabricated piezoelectric materials and substrates used primarily in medical, industrial defense and aerospace and computer markets.

The following table provides a breakdown of net sales by industry as a percent of consolidated net sales from continuing operations:

	Major Industry		
(As a % of consolidated net sales)	**2014**	2013	2012
Industry			
Automotive	**67%**	66%	59%
Communications	**4%**	6%	10%
Computer	**6%**	6%	6%
Medical	**2%**	2%	3%
Industrial	**14%**	13%	13%
Defense and Aerospace	**4%**	4%	5%
Other	**3%**	3%	4%
% of consolidated net sales	**100%**	100%	100%

The following table identifies major products by industry. Products are sold in several industry OEMs and through distributors.

Product Description	Transportation Industry	Communications Industry	Computer Industry	Medical Industry	Industrial Industry	Defense and Aerospace Industry	Other Industry
Sensors & Switches	●	●	●	●	●	●	●
Mechatronics & Micro-mechatronics	●		●		●		●
Frequency Products & Filters	●	●	●	●	●	●	●
Electro Ceramics		●		●	●	●	●
Electronic Components & Modules		●	●	●	●	●	●

MARKETING AND DISTRIBUTION

Sales and marketing to OEMs, is accomplished through our sales engineers, independent manufacturers' representatives, and distributors. We maintain sales offices in China, Germany, Japan, Scotland, Singapore, India, Taiwan and the United States. Approximately 90% of 2014 net sales from continuing operations were attributable to our sales engineers.

Our sales engineers generally service the largest customers with application-specific products. The sales engineers work closely with major customers in designing and developing products to meet specific customer requirements.

We utilize the services of independent manufacturers' representatives in the United States and other countries for customers not serviced directly by our sales engineers. Independent manufacturers' representatives receive commissions from CTS. During 2014, approximately 5% of net sales from continuing operations were attributable to independent manufacturers' representatives. We also use independent distributors. Independent distributors purchase products from CTS for resale to customers. In 2014, independent distributors accounted for approximately 5% of net sales from continuing operations.

RAW MATERIALS

We utilize a wide variety of raw materials and purchased parts in our manufacturing processes. The following are the most significant raw materials and purchased components:

> Conductive inks and contactors, passive electronic components, integrated circuits and semiconductors, certain rare earth elements ("REEs"), ceramic components, plastic components, molding compounds, printed circuit boards and assemblies, quartz blanks and crystals, wire harness assemblies, copper, brass, gold and steel-based raw materials and components.

These raw materials are purchased from several vendors, and, except for certain semiconductors, REEs, and conductive inks, we do not believe we are dependent upon one or a limited number of vendors. Although we purchase all of our semiconductors, REEs, and conductive inks from a limited number of vendors, alternative sources are available.

We do not currently anticipate any significant raw material shortages that would slow production. However, the lead times between the placement of orders for certain raw materials and purchased parts and actual delivery to us may vary. Occasionally, we may need to order raw materials in greater quantities and at higher-than-optimal prices to compensate for the variability of lead times for delivery.

PATENTS, TRADEMARKS, AND LICENSES

We maintain a program of obtaining and protecting U.S. and non-U.S. patents relating to products that we have designed and manufactured, as well as processes and equipment used in our manufacturing technology. We were issued 10 new U.S. patents and 17 non-U.S. patents in 2014 and currently hold 159 U.S. patents and 153 non-U.S. patents. We have 10 registered U.S. trademarks, 25 foreign trademarks and two international trademark registrations. We have licensed the right to use several of our patents to both U.S. and non-U.S. companies. In 2014, license and royalty income was less than 1% of net sales.

MAJOR CUSTOMERS

Our 15 largest customers as a percentage of total net sales were as follows:

	Year Ended December 31,		
	2014	2013	2012
Total of 15 largest customers / net sales	**60.9%**	59.8%	59.5%

Our net sales to significant customers as a percentage of total net sales were as follows:

	Year Ended December 31,		
	2014	2013	2012
Customer A	**10.8%**	8.4%	10.6%

No other customer accounted for 10% or more of total net sales during these periods.

CTS continues to broaden its customer base. Changes in the level of our customers' orders have, in the past, had a significant impact on our operating results. If a major customer reduces the amount of business it does with us, or substantially changes the terms of that business, there could be an adverse impact on our operating results.

Additionally, we expect to continue to depend on sales to our major customers. Because our customers are under no obligation to continue to do business with us on a long-term basis, there is always the possibility that one or more customers may choose to work with a competitor and reduce their business with us. Customers may also reduce or delay their business with us because of economic or other conditions or decisions that reduce their need for our products or services. Since it is difficult to replace lost business on a timely basis, it is likely that our operating results would be adversely affected if one or more of our major customers were to cancel, delay, or reduce a large amount of business with us in the future. If one or more of our customers were to become insolvent or otherwise unable to pay for our products and/or services, our operating results, financial condition, and cash flows could be adversely affected.

ORDER BACKLOG

Order backlog may not provide an accurate indication of present or future revenue levels for CTS. The period between receipt of orders and expected delivery is relatively short. Additionally, large orders from major customers may include backlog covering an extended period of time. Production scheduling and delivery for these orders could be changed or canceled by the customer on relatively short notice.

The following table shows order backlog of January 25, 2015, and January 26, 2014.

($ in thousands)	**January 25, 2015**	January 26, 2014
Order backlog	**$61,783**	$55,822

Order backlog as of the January month-end will generally be filled during the same fiscal year.

COMPETITION

We compete with many U.S. and non-U.S. manufacturers principally on the basis of product features, price, technology, quality, reliability, delivery, and service. Most of our product lines encounter significant global competition. The number of significant competitors varies from product line to product line. No one competitor competes with us in every product line, but many competitors are larger and more diversified than us.

Some customers have reduced or plan to reduce their number of suppliers, while increasing the volume of their purchases. Most customers are demanding higher quality, reliability, and delivery standards from us as well as our competitors. These trends create opportunities for us, but also increase the risk of loss of business to competitors. We are subject to competitive risks that represent the nature of the electronics industry, including short product life cycles and technical obsolescence.

We believe we compete most successfully in custom engineered products manufactured to meet specific applications of major OEMs.

NON-U.S. REVENUES

Our net sales to external customers originating from non-U.S. operations as a percentage of total net sales were as follows:

	Year Ended December 31,		
	2014	2013	2012
Net sales from non-U.S. operations external customers	**42%**	45%	60%

Our percentages of total assets that are located at non-U.S. operations were as follows:

	Year Ended December 31,		
	2014	**2013**	**2012**
Total assets non-U.S. operations	**54%**	43%	35%

A substantial portion of these assets, other than cash and cash equivalents, cannot readily be liquidated. We believe the business risks to our non-U.S. operations, though substantial, are normal risks for global businesses. These risks include currency controls and changes in currency exchange rates, longer collection cycles, political and transportation risks, economic downturns and inflation, government regulations and expropriation. Our non-U.S. manufacturing facilities are located in Canada, China, Czech Republic, India, Mexico and Taiwan.

See Note 18 "Geographic Data" to the Consolidated Financial Statements, which are included in Exhibit 13 hereto, for further geographic information, which is incorporated herein by reference.

RESEARCH AND DEVELOPMENT ACTIVITIES

A summary of amounts spent for research and development activities is as follows:

	Year Ended December 31,		
($ in thousands)	**2014**	**2013**	**2012**
Research and development	**$22,600**	$23,200	$20,900

Ongoing research and development activity is primarily focused on expanded applications and new product development, as well as current product and process enhancements.

We believe a strong commitment to research and development is required for future growth. Most of our research and development activities relate to developing new, innovative products and technologies, improving product flow, and adding product value to meet the current and future needs of our customers. We provide our customers with full systems support to ensure quality and reliability through all phases of design, launch, and manufacturing to meet or exceed customer requirements. Many such research and development activities benefit one or a limited number of customers or potential customers. All research and development costs are expensed as incurred.

EMPLOYEES

We employed 2,948 people at December 31, 2014, with 76.0% of these employees located outside the United States. We employed 2,918 people at December 31, 2013. Approximately 179 CTS employees at one location in the United States were covered by two collective bargaining agreements as of December 31, 2014. One agreement, which covers 151 employees, is scheduled to expire in 2015 and the other, which covers 28 employees, is scheduled to expire in 2016.

ADDITIONAL INFORMATION

We are incorporated in the State of Indiana. Our principal corporate office is located at 1142 West Beardsley Avenue, Elkhart, Indiana 46514.

Our internet address is http://www.ctscorp.com. We make available free of charge through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (''SEC''). The information contained on or accessible through our internet website is not part of this or any other report we file or furnish to the SEC, other than the documents that we file with the SEC that are incorporated by reference herein.

Further, a copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at http://www.sec.gov.

EXECUTIVE OFFICERS OF THE COMPANY

Executive Officers. The following serve as executive officers of CTS as of February 24, 2015. The executive officers are expected to serve until the next annual meeting of the Board of Directors, scheduled to be held on or about May 21, 2015, at which time the election of officers will be considered again by the Board of Directors.

Name	Age	Positions and Offices
Kieran O'Sullivan	52	President, Chief Executive Officer and Chairman of the Board
Ashish Agrawal	44	Vice President and Chief Financial Officer
Robert J. Patton	49	Vice President, General Counsel and Secretary
Anthony Urban	53	Vice President and General Manager

Kieran O'Sullivan — 52 — President, Chief Executive Officer and Chairman of the Board — joined CTS on January 7, 2013. Before joining CTS, Mr. O'Sullivan served as Executive Vice President of Continental AG's Global Infotainment and Connectivity Business and led the NAFTA Interior Division, having joined Continental AG, a global automotive supplier, in 2006.

Ashish Agrawal — 44 — Vice President and Chief Financial Officer. On November 11, 2013, Mr. Agrawal was elected Vice President and Chief Financial Officer for CTS. Mr. Agrawal joined CTS in June 2011 as Vice President, Treasury and Corporate Development, and was elected as Treasurer on September 1, 2011. Before joining CTS, Mr. Agrawal was with Dometic Corporation, a manufacturer of refrigerators, awnings and air conditioners, as Senior Vice President and Chief Financial Officer since 2007.

Robert J. Patton — 49 — Vice President, General Counsel and Secretary. Mr. Patton joined CTS and was elected Vice President, General Counsel and Secretary on December 5, 2013. Before joining CTS, Mr. Patton served as General Counsel for Commercial Affairs at Continental AG since 2006.

Anthony Urban — 53 — Vice President and General Manager. On November 11, 2013, Mr. Urban was appointed Vice President. Mr. Urban joined CTS through its acquisition of D&R Technology, LLC, a manufacturer of custom design sensors, switches and electromechanical assemblies primarily serving the light-vehicle market, in December 2012, where he was President and co-owner for 14 years.

Information with respect to Directors and Corporate Governance may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Item 1A. Risk Factors

The following are certain risk factors that could affect our business, financial condition and operating results. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause our actual results and financial condition to differ materially from those projected in the forward-looking statements. Before you invest in us, you should know that making such an investment involves some risks, including the risks described below. The risks that are highlighted below are not the only ones that we face. If any of the following risks actually occur, our business, financial condition or operating results could be negatively affected.

Because we currently derive a significant portion of our revenues from a small number of customers, any decrease in orders from these customers could have an adverse effect on our business, financial condition and operating results.

We depend on a small number of customers for a large portion of our business, and changes in the level of our customers' orders have, in the past, had a significant impact on our results of operations. Our 15 largest customers represent a substantial portion of our sales from continuing operations. If a major customer significantly cancels, delays or reduces the amount of business it does with us, there could be an adverse effect on our business, financial condition and operating results. Such an adverse effect would likely be material if one of our largest customers significantly reduces its amount of business. Significant pricing and margin pressures exerted by a key customer could also materially adversely affect our operating results. In addition, we generate significant accounts receivable from sales to our major customers. If one or more of our largest customers were to become insolvent or otherwise unable to pay or were to delay payment for services, our business, financial condition and operating results could be materially adversely affected.

Negative or unexpected tax consequences could adversely affect our results of operations.

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax accruals that could materially and adversely affect our results of operations.

Several countries in which we are located allow for tax incentives to attract and retain business. These tax incentives expire over various periods and are subject to certain conditions with which we expect to comply. Our taxes could increase if certain tax incentives are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. In addition, further acquisitions or divestitures may cause our effective tax rate to increase.

We base our tax accounting positions upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax accounting positions are subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

We may be unable to compete effectively against competitors.

Our industry is highly competitive and characterized by price erosion and rapid technological change. We compete against many domestic and foreign companies, some of which have substantially greater manufacturing, financial, research and development and marketing resources than we do. If any customer becomes dissatisfied with our prices, quality or timeliness of delivery, among other things, it could award future business or even move existing business to our competitors. Moreover, some of our customers could choose to manufacture and develop particular products themselves rather than purchase them from us. Increased competition could result in price reductions, reduced profit margins and loss of market share, each of which could materially adversely affect our business, financial condition and operating results. These developments also may materially adversely affect our ability to compete against these manufacturers going forward. We cannot assure you that our products will continue to compete successfully with our competitors' products, including OEMs, many of which are significantly larger than us and have greater financial and other resources.

We may be unable to keep pace with rapid technological changes that could make some of our products or processes obsolete before we realize a return on our investment.

The technologies relating to some of our products have undergone, and are continuing to undergo, rapid and significant changes. Specifically, end markets for electronic components and assemblies are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements and emerging industry standards. The introduction of products embodying new technologies and the emergence of new industry standards could render our existing products obsolete and unmarketable before we can recover any or all of our research, development and commercialization expenses or capital investments. Furthermore, the life cycles of our products and the products we manufacture for others vary, may change and are difficult to estimate.

We may experience difficulties that could delay or prevent the successful development, introduction and marketing of new products or product enhancements and our new products or product enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. If we are unable, for technological or other reasons, to develop and market new products or product enhancements in a timely and cost-effective manner, our business, financial condition and operating results could be materially adversely affected.

Our customers may cancel their orders, change production quantities or locations or delay production.

We generally do not obtain firm, long-term purchase commitments from our customers, and have often experienced reduced lead times in customer orders. Customers cancel their orders, change production quantities and delay production for a number of reasons. Uncertain economic and geopolitical conditions may result in some of our customers delaying the delivery of some of the products we manufacture for them and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a group of customers may harm our results of operations by reducing the volumes of products we manufacture, as well as by causing a delay in the recovery of our expenditures for inventory in preparation for customer orders and lower asset utilization resulting in lower gross margins.

In addition, customers may require that manufacturing of their products be transitioned from one facility to another to achieve cost and other objectives. Such transfers may result in inefficiencies and costs due to resulting excess capacity and overhead at one facility and capacity constraints and the inability to fulfill all orders at another. In addition, we make significant decisions, including determining the levels of orders that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the changes in demand for their products may reduce our ability to estimate accurately future customer requirements. This may make it difficult to schedule production and maximize utilization of our manufacturing capacity. Anticipated orders may not materialize and delivery schedules may be deferred as a result of changes in demand for our products or our customers' products. We often increase staffing and capacity, and incur other expenses to meet the anticipated demand of our customers, which causes reductions in our gross margins if customer orders are delayed or canceled. On occasion, customers require rapid increases in production, which may stress our resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' demands. In addition, because many of our costs and operating expenses are relatively fixed over the short-term, a reduction in customer demand harms our gross margin and operating income until such time as adjustments can be made to activity or operating levels and structural costs.

We sell products to customers in cyclical industries that are subject to significant downturns that could materially adversely affect our business, financial condition and operating results.

We sell products to customers in cyclical industries that have experienced economic and industry downturns. The markets for our products have softened in the past and may again soften in the future. We may face reduced end-customer demand, underutilization of our manufacturing capacity, changes in our revenue mix and other factors that could adversely affect our results of operations in the near-term. We cannot predict whether we will achieve profitability in future periods.

Because we derive a substantial portion of our revenues from customers in the automotive, computer and communications industries, we are susceptible to trends and factors affecting those industries.

Net sales to the automotive, computer and communications industries represent a substantial portion of our revenues. Factors negatively affecting these industries and the demand for their products also negatively affect our business, financial condition and operating results. Any adverse occurrence, including among others, industry slowdown, recession, political instability, costly or constraining regulations, budget cuts or reduced government spending, armed hostilities, terrorism, excessive inflation, prolonged disruptions in one or more of our customers' production schedules or labor disturbances, that results in significant decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition and operating results. Also, the automotive industry is generally highly unionized and some of our customers have experienced labor disruptions in the past. Furthermore, the automotive industry is highly cyclical in nature and sensitive to changes in general economic conditions, consumer preferences and interest rates. Some of our automotive customers have required government bailouts and/or have filed for bankruptcy reorganization. The failure of one or more automotive manufacturers that we serve may result in the failure to receive payment in full in the past for products sold and an abrupt cancellation in demand for certain products. Weakness in auto demand, the insolvency of automobile manufacturers that we serve or their suppliers, and constriction of credit markets may negatively and materially affect our facility utilization, cost structure, financial condition, and operating results.

Products we manufacture may contain design or manufacturing defects that could result in reduced demand for our products or services and liability claims against us.

Despite our quality control and quality assurance efforts, defects may occur in the products we manufacture due to design or manufacturing errors or component failure. Product defects may result in delayed shipments and reduced demand for our products. We may be subject to increased costs due to warranty claims on defective products. Product defects may result in product liability claims against us where defects cause, or are alleged to cause, property damage, bodily injury or death. As we more deeply penetrate the automotive and medical device manufacturing markets, the risk of exposure to product liability litigation increases. We may be required to participate in a recall involving products which are, or are alleged to be, defective. We carry insurance for certain legal matters involving product liability; however, we do not have coverage for all costs related to product defects and the costs of such claims, including costs of defense and settlement, may exceed our available coverage. Accordingly, our results of operations, cash flow and financial position could be adversely affected.

Toyota's voluntary recall of CTS-manufactured accelerator pedals and associated events has led to claims against CTS and loss of business.

We manufacture accelerator pedal assemblies for a number of automobile manufacturers, including subsidiaries of Toyota Motor Corporation ("Toyota"). We have supplied accelerator pedal assemblies to Toyota since the 2005 model year. We manufacture all pedal assemblies to specifications approved by the customer, including Toyota.

In January 2010, Toyota issued a voluntary recall for approximately 2.3 million vehicles in North America containing CTS-manufactured accelerator pedal assemblies. The recall expanded to include vehicles in Europe and Asia. In addition, Toyota temporarily halted production and sale of eight vehicle models using these pedal assembly designs. The recall was issued due to what Toyota described as "a rare set of conditions which may cause the accelerator pedal to become harder to depress, slower to return or, in the worst case, stuck in a partially depressed position."

No accidents, injuries, or deaths have been proven directly or proximately to result from slow returning or sticking CTS-manufactured pedals. We are aware that we have been named as a defendant in lawsuits filed in the United States and Canada stemming from allegations of problems with Toyota vehicles, and additional lawsuits may follow. CTS is not aware of any legal actions filed in Asia or Europe against CTS at this time.

While Toyota has repeatedly acknowledged that CTS designs products to Toyota's specifications and the recall is Toyota's responsibility, and Toyota has agreed to indemnify us in connection with certain third-party claims and actions, we cannot assure you that Toyota will not seek to recover a portion of their recall-related costs from us, and the insurance we carry may not be sufficient to cover all such costs. Accordingly, our results of operations, cash flow and financial position could be adversely affected.

We are exposed to fluctuations in foreign currency exchange rates that may adversely affect our business, financial condition and operating results.

We transact business in various foreign countries. We present our consolidated financial statements in U.S. dollars, but a portion of our revenues and expenditures are transacted in other currencies. As a result, we are exposed to fluctuations in foreign currencies. We have currency exposure arising from both sales and purchases denominated in currencies other than the U.S. dollar. Volatility in the exchange rates between the foreign currencies and the U.S. dollar could harm our business, financial condition and operating results. Furthermore, to the extent we sell our products in foreign markets, currency fluctuations may result in our products becoming too expensive for foreign customers.

Our operating results vary significantly from period to period.

We experience fluctuations in our operating results. Some of the principal factors that contribute to these fluctuations are: changes in demand for our products; our effectiveness in managing manufacturing processes, costs and timing of our component purchases so that components are available when needed for production, while mitigating the risks of purchasing inventory in excess of immediate production needs; the degree to which we are able to utilize our available manufacturing capacity; changes in the cost and availability of components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules; general economic and served industry conditions; and local conditions and events that may affect our production volumes, such as labor conditions and political instability.

We face risks relating to our international operations.

Because we have significant international operations, our operating results and financial condition could be materially adversely affected by economic, political, health, regulatory and other factors existing in foreign countries in which we operate. Our international operations are subject to inherent risks, which may materially adversely affect us, including: political and economic instability in countries in which our products are manufactured; expropriation or the imposition of government controls; changes in government regulations; export license requirements; trade restrictions; earnings repatriation and expatriation restrictions; exposure to different legal standards; less favorable intellectual property laws; health conditions and standards; currency controls; fluctuations in exchange rates; increases in the duties and taxes we pay; high levels of inflation or deflation; greater difficulty in collecting accounts receivable and longer payment cycles; changes in labor conditions and difficulties in staffing and managing our international operations; limitations on insurance coverage against geopolitical risks, natural disasters and business operations; and communication among and management of international operations. In addition, these same factors may also place us at a competitive disadvantage compared to some of our foreign competitors.

In addition, we could be adversely affected by violations of the Foreign Corrupt Practices Act (''FCPA'') and similar worldwide anti-bribery laws. The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our Code of Ethics mandates compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal controls and procedures always will protect us from the reckless or criminal acts committed by our employees or agents. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

Furthermore, because a significant portion of our products are manufactured in Asia, including China, and Taiwan, any conflict or uncertainty in these countries, including public health or safety concerns, could have a material adverse effect on our business, financial condition and operating results.

We may restructure our operations, which may materially adversely affect our business, financial condition and operating results.

In 2013, we initiated the June 2013 Plan which is to designed to revise and consolidate certain operations for the purpose of improving our cost structure. The implementation of this plan will result in the elimination of approximately 350 positions within our global operations. During the fourth quarter of 2014, CTS management amended the June 2013 Plan. The amendment added the elimination of approximately 130 additional positions and additional cost to settle CTS' U.K. pension plan. The positions eliminated will be spread globally throughout CTS businesses. The above actions are expected to be substantially complete in 2015.

In 2014, we initiated a restructuring plan to consolidate our Canadian operations into other existing CTS facilities. These restructuring actions will result in the elimination of approximately 120 positions. These actions are expected to be completed in 2015.

We may incur restructuring and impairment charges in the future if circumstances warrant. If we are unsuccessful in implementing restructuring plans, we may experience disruptions in our operations and higher ongoing costs, which may materially adversely affect our business, financial condition and operating results.

Losses in the stock market could negatively impact pension asset returns and ultimately cash flow due to possible required contributions in the future.

We make a number of assumptions relating to our pension plans in order to measure the financial position of the plans and the net periodic benefit cost. The most significant assumptions relate to the discount rate and the expected long-term return on plan assets. If these assumptions prove to be significantly different from actual rates, then we may need to record additional expense relating to the pension plans, which could have a material adverse effect on our results of operations and could require cash contributions to fund future pension obligation payments.

We may explore acquisitions that complement or expand our business as well as divestitures of various business operations. We may not be able to complete these transactions, and these transactions, if executed, may pose significant risks and may materially adversely affect our business, financial condition and operating results.

We intend to explore opportunities to buy other businesses or technologies that could complement, enhance or expand our current business or product lines or that might otherwise offer us growth opportunities. We may have difficulty finding these opportunities or, if we do identify these opportunities, we may not be able to complete the transactions for reasons including a failure to secure financing. In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees. Any transactions that we are able to identify and complete may involve a number of risks, including: the diversion of management's attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture; possible adverse effects on our operating results during the integration process; difficulties managing and integrating operations in geographically dispersed locations; increases in our expenses and working capital requirements, which reduce our return on invested capital; exposure to unanticipated liabilities of acquired companies; and our possible inability to achieve the intended objectives of the transaction. Even if we are initially successful in integrating a new operation, we may not be able to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities or the incurrence of additional debt. These and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business and operating results.

We have in the past, and may in the future, consider divesting certain business operations. Divestitures may involve a number of risks, including the diversion of management's attention, significant costs and expenses, the loss of customer relationships and cash flow, and the disruption of operations in the affected business. Failure to timely complete or consummate a divestiture may negatively affect valuation of the affected business or result in restructuring charges.

If we are unable to protect our intellectual property or we infringe, or are alleged to infringe, on another person's intellectual property, our business, financial condition and operating results could be materially adversely affected.

The success of our business depends, in part, upon our ability to protect trade secrets, copyrights and patents, obtain or license patents and operate without infringing on the intellectual property rights of others. We rely on a combination of trade secrets, copyrights, patents, nondisclosure agreements and technical measures to protect our proprietary rights in our products and technology. The steps we have taken to prevent misappropriation of our technology may be inadequate. In addition, the laws of some foreign countries in which we operate do not protect our proprietary rights to the same extent as do the laws of the United States. Although we continue to evaluate and implement protective measures, there can be no assurance that these efforts will be successful. Our inability to protect our intellectual property rights could diminish or eliminate the competitive advantages that we derive from our technology, cause us to lose sales or otherwise harm our business.

We believe that patents will continue to play an important role in our business. However, there can be no assurance that we will be successful in securing patents for claims in any pending patent application or that any issued patent will provide us with any competitive advantage. We also cannot provide assurance that the patents will not be challenged by third parties or that the patents of others will not materially adversely affect our ability to do business.

We may become involved in litigation in the future to protect our intellectual property or because others may allege that we infringed on their intellectual property. These claims and any resulting lawsuit could subject us to liability for damages and invalidate our intellectual property rights. If an infringement claim is successfully asserted by a holder of intellectual property rights, we may be required to cease marketing or selling certain products, pay a penalty for past infringement and spend significant time and money to develop a non-infringing product or process or to obtain licenses for the technology, process or information from the holder. We may not be successful in the development of a non-infringing alternative, or licenses may not be available on commercially acceptable terms, if at all, in which case we may lose sales and profits. In addition, any litigation could be lengthy and costly and could materially adversely affect us even if we are successful in the litigation.

We may experience shortages and increased costs of raw material and required electronic components.

In the past, from time to time, there have been shortages in certain raw materials used in the manufacture of our components and sensors and certain electronic components purchased by us and incorporated into assemblies and subassemblies. Unanticipated raw material or electronic component shortages may prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments could cause us to experience a shortfall in revenue, increase our costs and adversely affect our relationship with affected customers and our reputation as a reliable supplier. We may be required to pay higher prices for raw materials or electronic components in short supply and order these raw materials or electronic components in greater quantities to compensate for variable delivery times. We may also be required to pay higher prices for raw materials or electronic components due to inflationary trends regardless of supply. As a result, raw material or electronic component shortages and price increases could adversely affect our operating results for a particular period due to the resulting revenue shortfall and increased costs.

Loss of our key management and other personnel, or an inability to attract key management and other personnel, could materially affect our business.

We depend on our senior executive officers and other key personnel to run our business. We do not have long-term retention contracts with our key personnel. The loss of any of these officers or other key personnel could adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is at times intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to conduct research activities successfully and develop marketable products.

We are subject to a variety of environmental laws and regulations that expose us to potential financial liability.

Our operations are regulated by a number of federal, state, local and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. Compliance with environmental laws is a major consideration for us because we use hazardous materials in our manufacturing processes. If we violate environmental laws or regulations, we could be held liable for substantial fines, damages, and costs of remedial actions. Our environmental permits could also be revoked or modified, which could require us to cease or limit production at one or more of our facilities, thereby materially adversely affecting our business, financial condition and operating results. Environmental laws and requirements have generally become more stringent over time and could continue to do so, imposing greater compliance costs and increasing risks and penalties associated with any violation, which also could materially affect our business, financial condition and operating results.

In addition, because we are a generator of hazardous wastes, even if we fully comply with applicable environmental laws and requirements, we may be subject to financial exposure for costs, including costs of investigation and any remediation, associated with contaminated sites at which hazardous substances from our operations have been stored, treated or disposed of. We may also be subject to exposure for such costs at sites that we currently own or operate or formerly owned or operated. Such exposure may be joint and several, so that we may be held responsible for more than our share of the contamination or even for the entire contamination.

We have been notified by the U.S. Environmental Protection Agency, state environmental agencies and, in some cases, generator groups that we are or may be a potentially responsible party regarding hazardous substances at several sites either owned, not owned or operated by CTS. Some sites are Superfund sites such as in Asheville, North Carolina and Mountain View, California. Although we estimate our potential liability with respect to environmental violations or alleged violations and other environmental liabilities and reserves for such matters, we cannot assure you that our reserves will be sufficient to cover the actual costs that we incur as a result of these matters.

Future events, such as the discovery of additional contamination or other information concerning past releases of hazardous substances at our manufacturing sites (or at sites we have sent wastes for disposal), changes in existing environmental laws or their interpretation, and more rigorous efforts by regulatory authorities, may require additional expenditures by us to modify operations, install pollution control equipment, clean contaminated sites or curtail our operations. These expenditures could have a negative impact on our operations.

In addition, we could be affected by future laws or regulations imposed in response to climate change concerns. Such laws or regulations could have a material adverse effect on our business, financial condition, and results of operation.

Our indebtedness may adversely affect our financial health.

Our debt consists of borrowings under our revolving credit facility. The level of our indebtedness could, among other things: increase our vulnerability to general economic and industry conditions, including recessions; require us to use cash flow from operations to service our indebtedness, thereby reducing our ability to fund working capital, capital expenditures, research and development efforts and other expenses; limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; place us at a competitive disadvantage compared to competitors that have less indebtedness; or limit our ability to borrow additional funds that may be needed to operate and expand our business. Moreover, an increase in interest rates could increase our interest expense.

Our credit facility contains provisions that could materially restrict our business.

Our revolving credit facility requires us to deliver quarterly financial statements, annual financial statements, auditors certifications and compliance certificates within a specified number of days after the end of a quarter and year. Additionally, the revolving credit facility contains restrictions limiting our ability to: dispose of assets; incur certain additional debt; repay other debt or amend subordinated debt instruments; create liens on assets; make investments, loans or advances; make acquisitions or engage in mergers or consolidations; engage in certain transactions with our subsidiaries and affiliates; and the amounts allowed for stock repurchases and dividend payments.

The restrictions contained in our credit facility could limit our ability to plan for or react to market conditions or meet capital needs or could otherwise restrict our activities or business plans. These restrictions could adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that could be in our interests.

Further, our ability to comply with our loan covenants may be affected by events beyond our control and if we breach any of these covenants or restrictions, it could result in an event of default under our credit facility, or documents governing any other existing or future indebtedness. A default, if not cured or waived, may permit acceleration of our indebtedness. In addition, our lenders could terminate their commitments to make further extensions of credit under our credit facility. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds to pay the accelerated indebtedness or that we will have the ability to refinance accelerated indebtedness on terms favorable to us or at all.

New regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo ("DRC") and adjoining countries. As a result, in August 2012, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals mined from the DRC and adjoining countries in their products. The requirements of this act required due diligence efforts to be initiated in fiscal 2013, with initial disclosure requirements beginning in May 2014. There have been and will continue to be costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering conflict-free minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

Ineffective internal control over our financial reporting may harm our business in the future.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (''Sarbanes-Oxley''). Our controls necessary for continued compliance with Sarbanes-Oxley may not operate effectively at all times and may result in a material weakness. The identification of material weaknesses in internal control over financial reporting, if any, could indicate a lack of proper controls to generate accurate financial statements. Further, the effectiveness of our internal controls may be impacted if we are unable to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Natural disasters may adversely impact our capability to supply product to our customers.

We operate manufacturing operations in various sites in North America, Asia and Europe. Natural disasters at one of these locations may lead to disruption in our capability to supply product to our customers. In some cases, it may not be possible for us to find an alternate manufacturing location for certain product lines, further impacting our capability to recover from such a disruption.

Increased IT security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks and products.

Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data and communications. While we attempt to mitigate these risks by employing a number of measures — including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems — our systems, networks and products remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to the compromising of confidential information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of February 24, 2015, we had manufacturing facilities, administrative, research and development and sales offices in the following locations:

Manufacturing Facilities	Square Footage	Owned/Leased
Albuquerque, New Mexico	91,000	Leased
Elkhart, Indiana	319,000	Owned
Haryana, India	19,400	Leased
Hopkinton, Massachusetts	32,000	Owned
Juarez, Mexico	44,000	Leased
Kaohsiung, Taiwan	133,000	Owned(1)
Matamoros, Mexico	51,000	Owned
Nogales, Mexico	67,000	Leased
Ostrava, Czech Republic	67,600	Leased
Streetsville, Ontario, Canada	112,000	Owned
Tianjin, China	225,000	Owned(2)
Zhongshan, China	73,200	Leased
Total manufacturing	1,234,200	

(1) Ground lease through 2017; restrictions on use and transfer apply.
(2) Land Use Rights Agreement through 2050 includes transfer, lease and mortgage rights.

Non-Manufacturing Facilities	Square Footage	Owned/Leased	Description
Farmington Hills, Michigan	1,800	Leased	Sales office
Brownsville, Texas		Owned	Land only
Burbank, California	2,900	Leased	Sublet to tenant
El Paso, Texas	22,400	Leased	Office and warehouse
Elkhart, Indiana	93,000	Owned	Idle facility
Glasgow, Scotland	75,000	Owned	Administrative offices and research
Glasgow, Scotland	37,000	Leased	Idle facility
Juarez, Mexico	70,200	Leased	Idle facility
Lisle, Illinois	37,300	Leased	Administrative offices and research
Nagoya, Japan	800	Leased	Sales office
Sandwich, Illinois		Owned	Land only
Singapore	57,600	Leased	
Tucson, Arizona	1,900	Leased	Administrative offices
Tucson, Arizona	48,000	Owned	Idle facility
Yokohama, Japan	1,400	Leased	Sales office
Total non-manufacturing	449,300		

We regularly assess the adequacy of our manufacturing facilities for manufacturing capacity, available labor, and proximity to our markets and major customers. Management believes our manufacturing facilities are suitable and adequate, and have sufficient capacity to meet our current needs. The extent of utilization varies from plant to plant and with general economic conditions. We also review the operating costs of our facilities and may from time-to-time relocate or move a portion of our manufacturing activities in order to reduce operating costs and improve asset utilization and cash flow.

Item 3. Legal Proceedings

We manufacture accelerator pedals for a number of automobile manufacturers, including subsidiaries of Toyota. In January 2010, Toyota initiated a recall of a substantial number of vehicles in North America containing pedals manufactured by CTS. The recall expanded to include vehicles in Europe and Asia. The pedal recall and associated events have led to us being named as a co-defendant with Toyota in certain litigation. CTS is not aware of any legal actions filed in Asia or Europe against CTS at this time.

In February 2010, we entered into an agreement with Toyota whereby Toyota agreed that it will indemnify, defend, and hold us harmless from, and the parties will cooperate in the defense of, certain third-party civil claims and actions that are filed or asserted in the United States or Canada and that arise from or relate to alleged incidents of unintended acceleration of Toyota and Lexus vehicles. If it is determined that CTS acted negligently in selecting materials or processes where we had sole control over the selection process, in failing to meet Toyota's specifications, or in making unapproved changes in component design or materials, and such negligence caused or contributed to a claim, we will be responsible for any judgment that may be rendered against us individually, or any portion of a judgment that may be allocated to us, but limited only to the extent of insurance collected from our insurers. Toyota would remain responsible to defend CTS in these actions and would remain responsible for any balance of the remaining liability over amounts recovered by insurance. The agreement also does not cover costs or liabilities in connection with government investigations, government hearings, or government recalls. CTS cannot assure that Toyota will not seek to recover a portion of its recall-related costs from CTS, or that the insurance CTS carries will be sufficient to cover such costs.

Presently, we have been served process and are a named co-defendant with Toyota in thirty-one lawsuits. The claims generally fall into two categories, those that allege sudden unintended acceleration of Toyota vehicles led to injury or death, and those that allege economic harm to owners of Toyota vehicles related to vehicle defects. Some suits combine elements of both. Claims include demands for compensatory and special damages. To date, the only actions filed where we are aware we have been named as a co-defendant are civil actions filed in the Unites States or Canada. All currently open lawsuits are subject to the indemnification agreement described above. Some of these lawsuits arise out of incidents involving models for which we do not manufacture the pedal, such as all Lexus models, the Toyota Prius, and the Toyota Tacoma, or for which we manufacture only a portion of the pedals, such as the Toyota Camry. Many lawsuits have been consolidated in federal multidistrict litigation in the United States District Court, Southern District of California, though some remain in various other courts.

Certain other claims are pending against us with respect to matters arising out of the ordinary conduct of our business. For all other claims, in the opinion of management, based upon presently available information, either adequate provision for anticipated costs have been accrued or the ultimate anticipated costs will not materially affect our consolidated financial position, results of operations, or cash flows.

See NOTE 9 "Contingencies" in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

CTS common stock is listed on the New York Stock Exchange under the symbol "CTS." On February 18, 2015, there were approximately 1,233 common shareholders of record.

CTS increased its quarterly dividend to $0.04 per share, or an annual rate of $0.16 per share, in the fourth quarter of 2013. The quarterly dividend was previously $0.035 per share or an annual rate of $0.14. The declaration of a dividend and the amount of any such dividend is subject to earnings, anticipated working capital, capital expenditures, other investment requirements, the financial condition of CTS, and any other factors considered relevant by the Board of Directors.

Per Share Data
(Unaudited)

				Net Earnings Continuing Operations		Net Earnings Discontinued Operations		Net Earnings Total	
	High(1)	**Low(1)**	**Dividends Declared**	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
2014									
4th quarter	**$19.15**	**$15.58**	**$0.040**	**$ 0.21**	**$ 0.21**	**$ —**	**$ —**	**$ 0.21**	**$ 0.21**
3rd quarter	**19.27**	**16.18**	**0.040**	**0.24**	**0.24**	**—**	**—**	**0.24**	**0.24**
2nd quarter	**21.65**	**16.29**	**0.040**	**0.19**	**0.19**	**—**	**—**	**0.19**	**0.19**
1st quarter	**21.35**	**17.45**	**0.040**	**0.15**	**0.15**	**—**	**—**	**0.15**	**0.15**
2013									
4th quarter	$20.10	$15.36	$0.040	$ 0.12	$ 0.12	$(0.21)	$(0.21)	$(0.09)	$(0.09)
3rd quarter	15.74	13.55	0.035	0.16	0.16	0.04	0.05	0.20	0.21
2nd quarter	14.22	9.46	0.035	(0.31)	(0.31)	(0.03)	(0.03)	(0.34)	(0.34)
1st quarter	11.30	9.33	0.035	0.09	0.09	0.02	0.01	0.11	0.10

(1) The market prices of CTS common stock presented reflect the highest and lowest sales prices on The New York Stock Exchange for each quarter of the last two years.

As shown in the following table, there were CTS common stock repurchases made by CTS during the three months ended December 31, 2014:

	(a) Total Number of Shares Purchased	**(b)** Average Price Paid per Share	**(c)** Total Number of Shares Purchased as Part of Plans or Program	**(d)** Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(1)
Balance at September 28, 2014				760,733
September 29, 2014 – October 26, 2014	98,000	$16.18	98,000	662,733
October 27, 2014 – November 23, 2014	74,114	$17.98	74,114	588,619
November 24, 2014 – December 31, 2014	—	$ —	—	588,619

(1) In June 2013, CTS' Board of Directors authorized another program to repurchase up to one million shares of its common stock in the open market. The authorization has no expiration.

Item 6. Selected Financial Data

Five-Year Summary

(Amounts in thousands, except percentages and per share amounts)

	2014	% of Sales	2013	% of Sales	2012	% of Sales	2011	% of Sales	2010	% of Sales
Summary of Operations										
Net sales from continuing operations	**$ 404,021**	100.0	$ 409,461	100.0	$ 304,481	100.0	$ 279,857	100.0	$ 282,860	100.0
Cost of goods sold	**274,058**	67.8	288,108	70.4	212,965	70.0	190,634	68.1	185,605	65.6
Insurance recovery for business interruption	**—**	—	—	—	(637)	(0.2)	—	—	—	—
Selling, general and administrative expenses[1]	**54,946**	13.6	64,987	15.9	60,953	20.0	52,446	18.7	53,068	18.8
Research and development expenses	**22,563**	5.6	23,222	5.7	20,918	6.9	19,990	7.2	18,313	6.5
Amortization of intangible assets	**4,190**	1.0	5,002	1.2	2,118	0.7	1,690	0.6	1,563	0.5
Restructuring and goodwill impairment charges	**5,941**	1.5	10,455	2.5	3,437	1.1	2,389	0.9	1,010	0.4
Gain on sale-leaseback	**—**	—	—	—	(10,334)	(3.4)	—	—	—	—
Operating earnings from continuing operations	**42,323**	10.5	17,687	4.3	15,061	4.9	12,708	4.5	23,301	8.2
Other (expense) income — net	**(2,975)**	(0.7)	376	0.1	(617)	(0.2)	(392)	(0.1)	(1,410)	(0.5)
Earnings before income taxes from continuing operations	**39,348**	9.7	18,063	4.4	14,444	4.7	12,316	4.4	21,891	7.7
Income tax expense from continuing operations	**12,826**	3.2	16,066	3.9	952	0.3	1,053	0.4	4,207	1.5
Earnings from continuing operations	**26,522**	6.6	1,997	0.5	13,492	4.4	11,263	4.0	17,684	6.2
(Loss)/earnings from discontinued Operations, net of tax	**—**		(5,926)		6,841		9,704		4,354	
Net earnings (loss)	**$ 26,522**		$ (3,929)		$ 20,333		$ 20,967		$ 22,038	
Retained earnings — beginning of year	**358,997**		367,800		352,205		335,524		317,582	
Dividends declared	**(5,374)**		(4,874)		(4,738)		(4,286)		(4,096)	
Retained earnings — end of year	**$ 380,145**		$ 358,997		$ 367,800		$ 352,205		$ 335,524	
Net earnings (loss) per share:										
Basic:										
Continuing operations	**$ 0.79**		$ 0.06		$ 0.40		$ 0.33		$ 0.52	
Discontinued operations	**—**		(0.18)		0.20		0.28		0.13	
Net earnings loss attributable to CTS Corporation	**$ 0.79**		$ (0.12)		$ 0.60		$ 0.61		$ 0.65	
Diluted:										
Continuing operations	**$ 0.78**		$ 0.06		$ 0.39		$ 0.32		$ 0.51	
Discontinued operations	**—**		(0.18)		0.20		0.28		0.12	
Net earnings (loss) attributable to CTS Corporation	**$ 0.78**		$ (0.12)		$ 0.59		$ 0.60		$ 0.63	
Average basic shares outstanding	**33,618**		33,601		33,922		34,321		34,090	
Average diluted shares outstanding	**34,130**		34,249		34,523		35,006		34,849	
Cash dividends per share (annualized)	**$ 0.160**		$ 0.145		$ 0.14		$ 0.125		$ 0.12	
Capital expenditures[2]	**12,949**		13,982		16,323		20,307		13,271	
Depreciation and amortization	**16,971**		21,169		19,615		17,548		17,565	
Financial Position at Year End										
Current assets	**$ 240,401**		$ 236,269		$ 309,558		$ 283,386		$ 266,655	
Current liabilities	**79,982**		95,120		115,040		124,237		120,100	
Current ratio	**3.0 to 1**		2.5 to 1		2.7 to 1		2.3 to 1		2.2 to 1	
Working capital	**$ 160,419**		$ 141,149		$ 194,518		$ 159,149		$ 146,555	
Inventories	**27,887**		32,226		81,752		92,540		76,885	
Net property, plant and equipment	**71,414**		74,869		93,725		84,860		78,213	
Total assets	**456,926**		480,265		561,190		480,815		482,584	
Long-term debt	**75,000**		75,000		153,500		74,400		70,000	
Long-term obligations, including long-term debt	**87,155**		88,416		178,392		93,281		88,234	
Shareholders' equity	**289,789**		296,729		267,758		263,297		274,250	
Common shares outstanding (000s)	**33,392**		33,559		33,433		34,066		34,197	
Equity (book value) per share	**$ 8.68**		$ 8.84		$ 8.01		$ 7.73		$ 8.02	
Stock price range	**$21.65-15.58**		$20.10-9.33		$11.22-7.06		$12.39-7.14		$11.84-6.81	

(1) Excludes amortization of intangible asset.

(2) Includes capital expenditures to replace property, plant and equipment damaged in casualties of $2,859 and $4,733 in 2012 and 2011.

Certain acquisitions, divestitures, closures of operations or product lines, and certain accounting reclassifications affect the comparability of information contained in the "Five-Year Summary."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Management's Discussion and Analysis of Financial Condition and Results of Operations (2012-2014)" included in the 2014 Annual Report to Shareholders portions of which are filed as Exhibit 13 hereto, and incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policies do not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and we are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

Interest Rate Risk

We are exposed to the changes in interest rates on our revolving credit facility. There was $75,000,000 outstanding under our revolving credit facility at both December 31, 2014 and 2013. As of December 31, 2014, we had $75,000,000 in interest rate swaps that fix our interest cost. Based on our long-term debt balance of $75,000,000 at December 31, 2014, a one percentage point increase in interest rates would not increase interest expense since the interest rate swaps match the outstanding debt.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risks. Our significant foreign subsidiaries are located in Canada, China, Czech Republic, Mexico, Scotland, Singapore and Taiwan. As of December 31, 2014, we did not have any outstanding foreign currency forward exchange contracts.

In the normal course of business, our financial position is routinely subjected to a variety of risks, including market risks associated with interest rate movements, currency rate movements on non-U.S. dollar denominated assets and liabilities.

Commodity Price Risk

Many of our products require the use of raw materials that are produced in only a limited number of regions around the world or are available from only a limited number of suppliers. Our results of operations may be materially and adversely affected if we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price increases for these raw materials. For periods in which the prices of these raw materials are rising, we may be unable to pass on the increased cost to our customers which would result in decreased margins for the products in which they are used. For periods in which the prices are declining, we may be required to write down our inventory carrying cost of these raw materials, since we record our inventory at the lower of cost or market.

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements meeting the requirements of Regulation S-X, and the "Report of our Independent Registered Public Accounting Firm," appear in the financial statements and supplementary financial data as noted in the Index appearing under Item 15(a)(1) and (2), and are included in the 2014 Annual Report to Shareholders portions of which are filed as Exhibit 13 hereto, and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated our disclosure controls and procedures as of the end of the period covered by this annual report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

The report from Grant Thornton LLP on its audit of the effectiveness of CTS' internal control over financial reporting as of December 31, 2014, is included on page 12 of Exhibit 13 of this Annual Report on Form 10-K under the heading ''Report of Independent Registered Public Accounting Firm'' and is incorporated herein by reference. The Report of Management on Internal Control over Financial Reporting, which can be found following the signature page of this Annual Report on Form 10-K, is incorporated herein by reference.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting for the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Please see Part I, Item 1 of this Annual Report on Form 10-K for information about our executive officers, which is incorporated by reference herein. Information with respect to Directors and Corporate Governance may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Item 11. Executive Compensation

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about shares of CTS common stock that could be issued under all of CTS' equity compensation plans as of December 31, 2014:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights[(1)]	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity compensation plans approved by security holders	1,308,905	$12.35	1,457,700
Equity compensation plans not approved by security holders[(2)]	33,974	—	—
Total	1,342,879	—	1,457,700

(1) The first and total rows of this column include 1,303,705 restricted stock units representing service-based and performance-based awards, which are settled in CTS common stock. These 1,303,705 units have no bearing on the weighted-average exercise price in column (b).

(2) In 1990, CTS adopted the Stock Retirement Plan for Non-Employee Directors. Prior to December 1, 2004, CTS annually credited an account for each non-employee director with 800 CTS common stock units. CTS also annually credited each deferred stock account with an additional number of CTS common stock units representing the amount of dividends which would have been paid on an equivalent number of shares of CTS common stock for each quarter during the preceding calendar year. As of December 1, 2004, this plan was amended to preclude crediting any additional CTS common stock units under the plan. Upon retirement, a participating non-employee director is entitled to receive one share of CTS common stock for each CTS common stock unit in his deferred stock account. On December 31, 2014, the deferred stock accounts contained a total of 33,974 CTS common stock units.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statements Schedules

The list of financial statements and schedules required by Item 15 (a) (1) and (2) is contained on page S-1 herein.

(a) (3) Exhibits

All references to documents filed pursuant to the Securities Exchange Act of 1934, including Forms 10-K, 10-Q and 8-K, were filed by CTS, File No. 1-4639.

(2)(ii)	Stock Purchase Agreement, dated October 2, 2013, between CTS Corporation and Benchmark Electronics, Inc. (incorporated by reference to Exhibit 2 (a) to the Quarterly Report on Form 10-Q for the quarter ended September 29, 2013, filed with the SEC on October 29, 2013.**
(3)(i)	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 5 to the Current Report on Form 8-K, filed with the SEC on September 1, 1998).
(3)(ii)	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3 to the Current Report on Form 8-K, filed with the SEC on February 8, 2010).
(10)(a)	Form of Director and Officer Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on November 12, 2008).
(10)(b)	CTS Corporation Stock Retirement Plan for Non-Employee Directors, effective April 30, 1990, as amended (incorporated by reference to Exhibit (10)(a) to the Quarterly Report on Form 10-Q for the quarter ended March 30, 2003, filed with the SEC on April 23, 2003).*
(10)(c)	Amendment to the CTS Corporation Stock Retirement Plan for Non-Employee Directors, dated as of December 1, 2004 (incorporated by reference to Exhibit (10)(j) to the Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC on March 4, 2005).
(10)(d)	CTS Corporation Pension Plan (formerly known as the CTS Corporation Salaried Employees' Pension Plan) (incorporated by reference to Exhibit (10)(t) to the Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on February 14, 2003).*
(10)(e)	Amendments to the CTS Corporation Pension Plan (formerly known as the CTS Corporation Salaried Employees' Pension Plan) (incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, filed with the SEC on July 25, 2003).*
(10)(f)	CTS Corporation 2004 Omnibus Long-term Incentive Plan and Incentive Stock Option Agreement (incorporated by reference to the Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended September 26, 2004, filed with the SEC on October 19, 2004).*
(10)(g)	Amendments to the CTS Corporation Pension Plan (incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on February 27, 2006).*
(10)(h)	Amendments to the CTS Corporation Pension Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended April 2, 2006, filed with the SEC on April 26, 2006).*
(10)(i)	Credit Agreement, dated as of November 18, 2010, by and among CTS Corporation, the Lenders named therein and Harris N.A. as L/C Issuer, and Administrative Agent (incorporated by reference to Exhibit 10(a) to the Current Report on Form 8-K, filed with the SEC on November 22, 2010).
(10)(j)	First amendment to Credit Agreements dated as of January 10, 2012, by and among CTS Corporation, the lenders name therein and Harris N.A. as L/C issuer and administrative agent (incorporated by reference to Exhibit 10(a) to the Current Report on Form 8-K filed with the SEC on January 11, 2012).

(10)(k) Amendment No. 1 to the CTS Corporation 2004 Omnibus Long-term Incentive Plan (incorporated by reference to Exhibit 10(aa) to the Annual Report on Form 10-K filed with the SEC on May 15, 2007).*

(10)(l) CTS Corporation Management Incentive Plan, approved by the shareholders on June 28, 2007 (incorporated by reference to Appendix A to the Proxy Statement for the 2007 Annual Meeting of Shareholders, filed with the SEC on May 24, 2007).*

(10)(m) Performance Share Agreement between CTS Corporation and Vinod M. Khilnani, dated August 1, 2007 (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed with the SEC on October 24, 2007).*

(10)(n) Prototype Individual Excess Benefit Retirement Plan (incorporated by reference to Exhibit 10(d) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed with the SEC on October 24, 2007).*

(10)(o) Amendments to the CTS Corporation Pension Plan (formerly known as the CTS Corporation Salaried Employees' Pension Plan) (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on February 23, 2009).*

(10)(p) 2009-2010 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended March 29, 2009, filed with the SEC on April 29, 2009).*

(10)(q) CTS Corporation 2009 Omnibus Equity and Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on May 28, 2009).*

(10)(r) 2010 - 2011 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended April 4, 2010, filed with the SEC on April 28, 2010).*

(10)(s) Form Restricted Stock Unit Agreement (Shares) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the SEC on May 28, 2009).*

(10)(t) Form Restricted Stock Unit Agreement (Cash) (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the SEC on May 28, 2009).*

(10)(u) CTS Corporation Executive Severance Policy, effective as of September 10, 2009 (incorporated by reference to Exhibit 10 to the Quarterly Report on Form 10-Q for the quarter ended September 27, 2009, filed with the SEC on October 28, 2009).*

(10)(v) Amendments to the CTS Corporation Pension Plan (formerly known as the CTS Corporation Salaried Employees' Pension Plan) (incorporated by reference to Exhibit 10(w) to the Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 24, 2011).*

(10)(w) Letter Agreement dated February 19, 2010 by and among CTS Corporation, Toyota Motor Sales, U.S.A. Inc., Toyota Canada Inc. and Toyota Motor Engineering & Manufacturing North America, Inc. (incorporated by reference to Exhibit 10(a) to the Quarterly Report on form 10-Q for the quarter ended October 3, 2010, filed with the SEC October 27, 2010).

(10)(x) Prototype Change in Control Agreement (incorporated by reference to Exhibit 10(x) to the Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 23, 2012).*

(10)(y) 2011– 2012 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended April 3, 2011, filed with the SEC on April 27, 2011).*

(10)(z) CTS Corporation Management Incentive Plan, approved by the shareholders on May 23, 2012 (incorporated by reference to Appendix A to the Proxy Statement for the 2012 Annual Meeting of Shareholders, filed with the SEC on April 17, 2012).*

(10)(aa) 2012-2013 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014).*

(10)(bb) CTS Corporation 2013-2015 CEO Performance Restricted Stock Unit Plan dated February 8, 2013 (incorporated by reference to Exhibit 10(cc) to the Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 3, 2014).*

(10)(cc) CTS Corporation 2014 - 2016 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended March 30, 2014, filed with the SEC on April 29, 2014).*

(10)(dd) CTS Corporation 2013 - 2015 Performance Restricted Stock Unit Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on April 25, 2013).*

(10)(ee) First Amendment to the CTS Corporation Executive Severance Policy (incorporated by reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on April 25, 2013).*

(10)(ff) Separation Agreement for Thomas Kroll (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on January 7, 2014).*

(10)(gg) CTS Corporation 2014 Performance and Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on May 22, 2014).*

(10)(hh) Separation Agreement for Lawrence J. Lyng, dated September 4, 2014 (summarized in the Form 8-K, filed with the SEC on October 21, 2014).*

(13) Portions of the 2013 Annual Report to shareholders incorporated herein.

(21) Subsidiaries.

(23) Consent of Grant Thornton LLP.

(31)(a) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31)(b) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32)(a) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32)(b) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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* *Management contract or compensatory plan or arrangement.*

** *Pursuant to Item 601(b) (2) of Regulation S-K, certain exhibits and schedules have been omitted and CTS agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits upon request.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CTS Corporation

Date: February 24, 2015	By: /s/ *Ashish Agrawal* Ashish Agrawal Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 24, 2015	By: /s/ *Kieran O'Sullivan* Kieran O'Sullivan Chairman, President, and Chief Executive Officer (Principal Executive Officer)
Date: February 24, 2015	By: /s/ *Thomas G. Cody* Thomas G. Cody Lead Director
Date: February 24, 2015	By: /s/ *Walter S. Catlow* Walter S. Catlow Director
Date: February 24, 2015	By: /s/ *Lawrence J. Ciancia* Lawrence J. Ciancia Director
Date: February 24, 2015	By: /s/ *Patricia K. Collawn* Patricia K. Collawn Director
Date: February 24, 2015	By: /s/ *Michael A. Henning* Michael A. Henning Director
Date: February 24, 2015	By: /s/ *Gordon Hunter* Gordon Hunter Director
Date: February 24, 2015	By: /s/ *William S. Johnson* William S. Johnson Director

Date: February 24, 2015	By: /s/ *Diana M. Murphy* Diana M. Murphy Director
Date: February 24, 2015	By: /s/ *Robert A. Profusek* Robert A. Profusek Director
Date: February 24, 2015	By: /s/ *Ashish Agrawal* Ashish Agrawal Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

FORM 10-K — ITEM 15 (a) (1) AND (2) AND ITEM 15 (c)

CTS CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of CTS Corporation and subsidiaries included in the 2014 Annual Report are referenced in Part II, Item 8, filed herewith as Exhibit (13) and incorporated herein by reference:

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted because they are not applicable, not required or the information is included in the consolidated financial statements or notes thereto.

Management's Report on Internal Control Over Financial Reporting

CTS' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including CTS' Chief Executive Officer and Chief Financial Officer, CTS conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, management determined that its internal control over financial reporting were effective as of December 31, 2014. Grant Thornton LLP, an independent registered public accounting firm, has audited CTS' internal control over financial reporting as of December 31, 2014, as stated in their report which is included herein.

CTS Corporation
Elkhart, Indiana
February 24, 2015

/s/ Kieran O'Sullivan

Kieran O'Sullivan
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Ashish Agrawal

Ashish Agrawal
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT (13)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (''MD&A'')

Overview

CTS Corporation (''CTS'', ''we'', ''our'' or ''us'') is a global manufacturer of electronic components and sensors used primarily in the automotive, communications, defense and aerospace, medical, industrial and computer markets.

Results of Operations: Fourth Quarter 2014 versus Fourth Quarter 2013

The following table highlights changes in significant components of the Consolidated Statements of Earnings (Loss) for the quarters ended December 31, 2014 and December 31, 2013:

(Amounts in thousands, except percentages and per share amounts)	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Percent Change	Percent of Net Sales – 2014	Percent of Net Sales – 2013
Net sales	$100,378	$102,386	(2.0)	100.0	100.0
Cost of goods sold(1)	67,352	72,220	(6.7)	67.1	70.5
Gross margin	33,026	30,166	9.5	32.9	29.5
Selling, general and administrative expenses	15,7839	17,327	(8.9)	15.7	16.9
Research and development expenses	5,798	5,481	5.8	5.8	5.4
Restructuring and impairment charges	1,135	2,348	(51.7)	1.1	2.3
Total operating expenses	22,716	25,156	(9.7)	22.6	24.6
Operating earnings	10,310	5,010	105.8	10.3	4.9
Other (expense) income	(1,553)	1,477	(205.2)	(1.6)	1.4
Earnings from continuing operations before income taxes	8,757	6,487	35.0	8.7	6.3
Income tax expense	1,793	2,339	(23.3)	1.8	2.3
Earnings from continuing operations	6,964	4,148	67.9	6.9	4.0
Earnings from discontinued operations, net of taxes	—	(7,129)	N/M	—	(6.9)
Net earnings	$ 6,964	$ (2,981)	N/M	6.9	(2.9)
Diluted earnings per share:					
Diluted earnings per share from continuing operations	$ 0.21	$ 0.12			
Diluted earnings per share from discontinued operations	—	(0.21)			
Diluted net earnings per share	$ 0.21	$ (0.09)			

(1) Cost of goods sold includes restructuring related charges of $531 in 2014 and $602 in 2013.
N/M = not meaningful

Sales of $100,378,000 in the fourth quarter of 2014 decreased $2,008,000 or 2.0% from the fourth quarter of 2013. Sales to automotive markets decreased $1,424,000 related primarily to sensors. Other sales were $584,000 lower in the fourth quarter of 2014 driven by lower shipments of electronic components, mainly frequency and filter products, which were partially offset by higher shipments of piezo products.

Gross margin as a percent of sales was 32.9% in the fourth quarter of 2014 compared to 29.5% in the fourth quarter of 2013. The increase in gross margin resulted from continued efficiency gains, material and labor productivity projects and savings from restructuring projects implemented over the past several quarters.

Selling, general and administrative expenses were $15,783,000 or 15.7% of sales in the fourth quarter of 2014 versus $17,327,000 or 16.9% of sales in the comparable quarter of 2013. The decrease is attributable to cost reductions in 2014 related to restructuring and other cost containment efforts, lower pension expense in 2014 and costs for CTS' CEO transition in 2013. These reductions were partially offset by an increase in in selling and marketing expenses to drive growth initiatives.

Research and development expenses were $5,798,000 or 5.8% of sales in the fourth quarter of 2014 compared to $5,481,000 or 5.4% of sales in the comparable quarter of 2013. The increase was driven by an increase in research and development expenses to drive growth initiatives as well as the timing of certain projects. Research and development expenses are focused on expanded applications of existing products and new product development as well as current product and process enhancements.

Restructuring and impairment charges in the fourth quarter totaled $1,135,000 and consist primarily of accruals for severance costs related to the consolidation of CTS' Canadian operation in Streetsville, Ontario into other CTS facilities, severance costs in China, Mexico and the U.K. and at CTS' corporate office as well as a lease impairment charge in the U.K. The fourth quarter 2013 restructuring charges totaled $2,348,000 and consist primarily of severance accruals related to the consolidation of CTS' U.K. manufacturing facility into the Czech Republic facility, consolidation of CTS' Carol Stream, Illinois manufacturing facility into the Juarez, Mexico facility and corporate office restructuring.

Operating earnings were $10,310,000 or 10.3% of sales in the fourth quarter of 2014 compared to $5,010,000 or 4.9% of sales in the comparable quarter of 2013 as a result of the items discussed above.

Other income and expense items are summarized in the following table:

	Three Months Ended	
(in thousands)	**December 31, 2014**	December 31, 2013
Interest expense	**$ (563)**	$ (482)
Interest income	**827**	601
Other (expense) income, net	**(1,817)**	1,358
Total other (expense) income	**$(1,553)**	$1,477

Interest expense increased slightly in the fourth quarter of 2014 versus 2013 as a result of borrowings during the fourth quarter of 2014 which were reduced primarily from the proceeds from the sale of the Carol Stream facility. In 2013, the proceeds from the sale of the EMS operations were primarily utilized to reduce outstanding debt. Interest income increased primarily due to higher cash balances. Other expense in the fourth quarter of 2014 was driven by foreign currency translation losses as the U.S. Dollar appreciated during the quarter compared to the Chinese Renminbi. In the fourth quarter of 2013, other income resulted from foreign exchange gains as the U.S. Dollar depreciated compared to the Chinese Renminbi.

	Three Months Ended	
	December 31, 2014	December 31, 2013
Effective tax rate	**20.5%**	36.1%

The effective income tax rate for the fourth quarter of 2014 was 20.5% which includes the impact of restructuring charges and one-time items. Tax adjustments related to restructuring, decreased the rate by 1.3% in the fourth quarter of 2014. Discrete tax items reduced the rate by 8.4%. The 2014 effective rate reflects a change in the mix of earnings by jurisdiction.

Net earnings from continuing operations were $6,964,000 or $0.21 per diluted share in the fourth quarter of 2014 compared to net earnings from continuing operations of $4,148,000 or $0.12 per diluted share in the comparable quarter of 2013.

The loss from discontinued operations in the fourth quarter of 2013 represents the results from Electronics Manufacturing Solutions (''EMS'') business which was divested in the fourth quarter of 2013.

Results of Operations: Year Ended December 31, 2014 versus Year Ended December 31, 2013

The following table highlights changes in significant components of the Consolidated Statements of Earnings (Loss) for the Year Ended December 31, 2014 and December 31, 2013:

	Year Ended				
(Amounts in thousands, except percentages and per share amounts)	**December 31, 2014**	**December 31, 2013**	**Percent Change**	**Percent of Net Sales – 2014**	**Percent of Net Sales – 2013**
Net sales	**$404,021**	$409,461	(1.3)	**100.0**	100.0
Cost of goods sold[(1)]	**274,058**	288,108	(4.9)	**67.8**	70.4
Gross margin	**129,963**	121,353	7.1	**32.2**	29.6
Selling and general and administrative expenses	**59,136**	69,989	(15.5)	**14.6**	17.1
Research and development expenses	**22,563**	23,222	(2.8)	**5.6**	5.7
Restructuring and impairment charges	**5,941**	10,455	(43.1)	**1.5**	2.5
Operating expenses	**87,640**	103,666	(15.5)	**21.7**	25.3
Operating earnings	**42,323**	17,687	139.3	**10.5**	4.3
Other (expense) income	**(2,975)**	376	N/M	**(0.7)**	0.1
Earnings from continuing operations before income taxes	**39,348**	18,063	117.8	**9.8**	4.4
Income tax expense	**12,826**	16,066	(20.2)	**3.2**	3.9
Earnings (loss) from continuing operations	**26,522**	1,997	N/M	**6.6**	0.5
Loss from discontinued operations, net of taxes	**—**	(5,926)	N/M	**—**	(1.5)
Net earnings (loss)	**$ 26,522**	$ (3,929)	N/M	**6.6**	(1.0)
Diluted earnings per share:					
Diluted earnings per share from continuing operations	**$ 0.78**	$ 0.06			
Diluted loss per share from discontinued operations	**—**	(0.18)			
Diluted net earnings (loss) per share	**$ 0.78**	$ (0.12)			

(1) Cost of goods sold includes restructuring related charges of $1,935 in 2014 and $1,317 in 2013.

N/M = not meaningful

Sales of $404,021,000 for the year ended December 31, 2014 decreased $5,440,000 or 1.3% from 2013. Sales to automotive markets increased $2,783,000. Other sales were $8,223,000 lower driven by lower shipments of electronic components, mainly frequency, filter and HDD products, which were partially offset by higher shipments of piezo products. Sales in 2013 included a special order of $5,491,000 to an automotive customer. Excluding this special order, sales in 2014 were flat compared to sales in 2013.

Gross margin as a percent of sales was 32.2% in 2014 versus 29.6% in 2013. The increase in gross margin resulted from cost savings from restructuring actions, productivity improvements, product mix and favorable foreign exchange impact.

Selling, general and administrative expenses were $59,136,000 or 14.6% of sales for the year ended December 31, 2014 versus $69,989,000 or 17.1% of sales in the comparable period of 2013. The decrease is attributable to restructuring actions, cost containment efforts in 2014, costs for CTS' CEO transition of $4,138,000 in 2013 and lower pension expense in 2014 compared to 2013. These reductions were partially offset by an increase in selling and marketing expenses to drive growth initiatives.

Research and development expenses were $22,563,000 or 5.6% of sales in 2014 compared to $23,222,000 or 5.7% of sales in 2013. The decrease was driven by higher non-recurring engineering funding from customers, timing of projects, cost reductions related to restructuring actions, and a repositioning of CTS' spending. Research and development expenses are primarily focused on expanded applications of existing products and new product development as well as current product and process enhancements.

Restructuring and impairment charges declined in the year ended December 31, 2014 versus 2013. Charges for the year ended December 31, 2014 totaled $5,941,000 and consist primarily of severance costs related to the consolidation of CTS' Canadian operation in Streetsville, Ontario into other CTS facilities, severance costs in China, Mexico and the U.K. and at CTS' corporate office, lease impairment costs in the U.K. as well as asset impairment costs related to the sale of the Carol Stream facility. Restructuring charges for the year ended December 31, 2013 totaled $10,455,000 and consist primarily of severance, asset impairments, legal and administrative costs related to the June 2013 Restructuring Plan ("June 2013 Plan"). The June 2013 Restructuring Plan consolidated our U.K. manufacturing facility into the Czech Republic facility, consolidated our Carol Stream, Illinois manufacturing facility into the Juarez, Mexico facility, discontinued manufacturing at our Singapore facility and restructured our corporate office.

Operating earnings were $42,323,000 or 10.5% of sales in 2014 compared to $17,687,000 or 4.3% of sales in 2013 as a result of the items discussed above.

Other income and expense items are summarized in the following table:

	Year Ended	
(in thousands)	**December 31, 2014**	December 31, 2013
Interest expense	**$(2,326)**	$(3,264)
Interest income	**2,786**	1,901
Other (expense) income, net	**(3,435)**	1,739
Total other (expense) income	**$(2,975)**	$ 376

Interest expense decreased in the year ended December 31, 2014 versus the comparable period in 2013 as a result of lower borrowings enabled by the proceeds from the EMS divestiture in the fourth quarter of 2013. Interest income increased primarily due to higher cash balances. Other expense in the year ended December 31, 2014 is primarily due to the unfavorable foreign exchange impact related to the appreciation of the U.S. Dollar compared to the Chinese Renminbi and the Euro. In 2013, the U.S. Dollar depreciated compared to these currencies, driving a considerable foreign exchange gain.

	Year Ended	
	December 31, 2014	December 31, 2013
Effective tax rate	**32.6%**	88.9%

The effective income tax rate in 2014 was 32.6%, which includes the impact of restructuring charges and one-time items. Tax adjustments related to restructuring increased the rate by 2.9% in 2014. Discrete tax items reduced the rate by 1.6%. The 2014 effective rate reflects higher profits, primarily from a change in the mix of earnings by jurisdiction. The 2013 effective tax rate was 88.9% and reflects $10,800,000 of tax expense related to a $30,000,000 cash repatriation from Singapore to the U.S. as a result of the Singapore restructuring and tax expense of $1,000,000 for the write-off of deferred tax assets in the U.K. related to the June 2013 Restructuring Plan. A $1,632,000 discrete tax benefit is also included in 2013 associated with the retroactive application of the U.S. research tax credit signed into law during January 2013 and granting of the China high technology incentive tax credit in the first quarter of 2013. In 2014, CTS recognized a $594,000 tax benefit in its 2014 tax provision due to U.S. tax extender legislation.

Net earnings from continuing operations were $26,522,000 or $0.78 per diluted share for the year ended December 31, 2014 compared to earnings from continuing operations of $1,997,000 or $0.06 per diluted share in the comparable period of 2013.

The loss from discontinued operations in 2013 represents the results from the CTS EMS business, which was divested in the fourth quarter of 2013.

Results of Operations: Year Ended December 31, 2013 versus Year Ended December 31, 2012

The following table highlights changes in significant components of the Consolidated Statements of Earnings (Loss) for the Year Ended December 31, 2013 and December 31, 2012:

(Amounts in thousands, except percentages and per share amounts)	Year Ended December 31, 2013	Year Ended December 31, 2012	Percent Change	Percent of Net Sales – 2013	Percent of Net Sales – 2012
Net sales	**$409,461**	$304,481	34.5	**100.0**	100.0
Cost of goods sold(1)	**288,108**	212,965	35.3	**70.4**	69.9
Gross margin	**121,353**	91,516	32.6	**29.6**	30.1
Selling and general and administrative expenses	**69,989**	63,071	11.0	**17.1**	20.7
Research and development expenses	**23,222**	20,918	11.0	**5.7**	6.9
Restructuring and impairment charges	**10,455**	3,437	204.2	**2.5**	1.1
Gain on sale-leaseback and insurance recovery	**—**	(10,971)	(100.0)	**—**	(3.6)
Operating expenses	**103,666**	76,455	35.6	**25.3**	25.1
Operating earnings	**17,687**	15,061	17.4	**4.3**	5.0
Other income (expense)	**376**	(617)	(160.9)	**0.1**	(0.2)
Earnings from continuing operations before income taxes	**18,063**	14,444	25.1	**4.4**	4.8
Income tax expense	**16,066**	952	N/M	**3.9**	(0.4)
Earnings (loss) from continuing operations	**1,997**	13,492	N/M	**0.5**	4.4
(Loss) earnings from discontinued operations, net of taxes	**(5,926)**	6,841	N/M	**(1.5)**	2.3
Net (loss) earnings	**$ (3,929)**	$ 20,333	N/M	**(1.0)**	6.7
Diluted earnings per share:					
Diluted earnings (loss) per share from continuing operations	**$ 0.06**	$ 0.39			
Diluted earnings per share from discontinued operations	**(0.18)**	0.20			
Diluted net (loss) earnings per share	**$ (0.12)**	$ 0.59			

(1) Cost of goods sold includes restructuring related charges of $1,317 in 2013 and $1,067 in 2012.
N/M = not meaningful

Sales of $409,461,000 for the year ended December 31, 2013 increased $104,980,000 or 34.5% from 2012. Sales increased primarily from our acquisitions in 2012 which contributed $66,228,000 to net sales in 2013. In addition, the impact of new product introductions and new customers also impacted the increased sales in 2013.

Gross margin as a percent of sales was 29.6% in 2013 versus 30.1% in 2012. The slight decrease in gross margin resulted from product mix changes year over year.

Selling, general and administrative expenses were $69,989,000 or 17.1% of sales for the year ended December 31, 2013 versus $63,071,000 or 20.7% of sales in 2012. The increase is primarily attributable to the acquisition of D&R Technologies, LLC ("D&R") and approximately $4,138,000 of CEO transition expenses.

Research and development expenses were $23,222,000 or 5.7% of sales in 2013 compared to $20,918,000 or 6.9% of sales in 2012. R&D expenses were primarily focused on expanded applications of existing products and new product development.

Restructuring and impairment charges increased in the year ended December 31, 2013 versus the comparable period of 2012. Charges for the year ended December 31, 2013 totaled $10,455,000 and consist primarily of severance, asset impairments and inventory write-downs related to the June 2013 Restructuring Plan. The June 2013 Restructuring Plan consolidated our U.K. manufacturing facility into the Czech Republic facility, consolidated our Carol Stream, Illinois manufacturing facility into the Juarez, Mexico facility, discontinued manufacturing at our Singapore facility and restructured our corporate office. Restructuring costs for the year ended December 31, 2012 totaled $3,437,000 which consist primarily of severance costs related to both the June 2012 and December 2012 realignment of operations to improve operational effectiveness and to further improve CTS' cost structure.

A $10,334,000 gain was recorded in 2012 as the result of a sale leaseback transaction of our Singapore manufacturing facility.

Operating earnings were $17,687,000 or 4.3% of sales in 2013 compared to $15,061,000 or 5.0% of sales in 2012 related to the items discussed above.

Other income and expense items are summarized in the following table:

(in thousands)	Year Ended December 31, 2013	Year Ended December 31, 2012
Interest expense	**$(3,264)**	$(2,569)
Interest income	**1,901**	1,720
Other income, net	**1,739**	232
Total other income (expense)	**$ 376**	$ (617)

Interest expense increased in 2013 versus 2012 as a result of higher average borrowings. Interest income increased primarily due to higher cash balances. Other income for the year ended December 31, 2013 is primarily driven by foreign exchange gains realized as the U.S. Dollar depreciated compared to the Chinese Renminbi and the Euro.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Effective tax rate	**88.9%**	6.6%

The effective income tax rate in 2013 was 88.9%. The 2013 effective rate increase reflects $10,800,000 of non-cash tax expenses related to a $30,000,000 cash repatriation from Singapore to the U.S. as a result of the Singapore restructuring and tax expense of $1,000,000 for the write-off of deferred tax assets in the U.K. related to the June 2013 Restructuring Plan. A $1,632,000 discrete tax benefit is also included in 2013 associated with the retroactive application of the U.S. research tax credit signed into law during January 2013 and granting of the China high technology incentive tax credit in the first quarter of 2013. The effective income tax rate in 2012 was 6.6%. This low rate was attributable to a non-taxable gain as a result of the sale-leaseback transaction of our Singapore manufacturing facility, favorable adjustments to foreign tax reserves and the mix of earnings by jurisdiction.

Net earnings from continuing operations were $1,997,000 or $0.06 per diluted share for the year ended December 31, 2013 compared to net income from continuing operations of $13,492,000 or $0.39 per diluted share in the comparable period of 2012. The increase in gross margin in 2013 was reduced by higher operating, restructuring and income tax expense. Results for 2012 included a gain of $10,334,000 from the sale leaseback transaction noted above.

The loss from discontinued operations in 2013 and earnings in 2012 represent the results from the CTS EMS business which was divested in the fourth quarter of 2013.

Liquidity and Capital Resources

Cash and cash equivalents were $134,508,000 at December 31, 2014 and $124,368,000 at December 31, 2013. The increase in cash and cash equivalents was driven by cash generated from operations which exceeded the cash used for investing and financing activities. Total debt as of December 31, 2014 and December 31, 2013 was $75,000,000. Total debt as a percentage of total capitalization was 20.6% at December 31, 2014 compared to 20.2% at December 31, 2013. Total debt as a percentage of total capitalization is defined as the sum of notes payable and long-term debt as a percentage of total debt and shareholders' equity.

Working capital increased by $19,270,000 from December 31, 2013 to December 31, 2014, primarily due to a $10,140,000 increase in cash and cash equivalents and a $9,539,000 decrease in accrued payroll and benefits.

Cash Flows from Operating Activities

Net cash provided by operating activities was $32,423,000 during the year ended December 31, 2014. Components of net cash provided by operating activities included net earnings of $26,522,000, depreciation and amortization expense of $16,971,000 and net changes of other non-cash items such as the prepaid pension asset, equity-based compensation, restructuring-related charges, amortization of retirement benefits and deferred income taxes totaling $10,885,000; which were offset by net changes in current assets and current liabilities of $21,955,000. The net changes in assets and liabilities were primarily due to a decrease in accrued liabilities, driven primarily by restructuring payments, SERP payments, U.K. pension funding, bonus payments, equity-based compensation vesting, and timing of payroll-related accruals.

Cash Flows from Investing Activities

Net cash used in investing activities for year ended December 31, 2014 was $7,998,000; which consisted of $12,949,000 of capital expenditures and $4,951,000 in proceeds from the sale of fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended December 31, 2014 2014 was $15,007,000. The primary drivers for the cash outflow from financing activities were $8,002,000 paid to purchase shares of CTS common stock and $5,374,000 of dividend payments.

Capital Resources

CTS has an unsecured revolving credit facility; which has an extended term through January 10, 2017.

Long-term debt was comprised of the following:

($ in thousands)	**December 31, 2014**	December 31, 2013
Revolving credit facility due in 2017	**$ 75,000**	$ 75,000
Weighted average interest rate	**1.5%**	1.9%
Amount available	**$122,535**	$122,400
Total credit facility	**$200,000**	$200,000
Standby letters of credit	**$ 2,465**	$ 2,600
Commitment fee percentage per annum	**0.25**	0.30

The revolving credit facility requires, among other things, that CTS comply with a maximum total leverage ratio and a minimum fixed charge coverage ratio. Failure of CTS to comply with these covenants could reduce the borrowing availability under the revolving credit facility. CTS was in compliance with all debt covenants at December 31, 2014.

CTS uses interest rate swaps to convert the line of credit's variable rate of interest into a fixed rate. In the second quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $50,000,000 of long-term debt for the periods January 2013 to January 2017. In the third quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $25,000,000 of long-term debt for the periods January 2013 to January 2017. The difference to be paid or received under the terms of the swap agreements will be recognized as an adjustment to interest expense for the related line of credit when settled.

During the year ended December 31, 2014, we repurchased 460,496 shares of CTS common stock at a total cost of $8,002,000 or an average price of $17.38 per share.

As of December 31, 2014, CTS' intent is to permanently reinvest funds outside the U.S. Any repatriation may not result in significant cash income tax payments as the taxable event would likely be offset by the utilization of the then available net operating losses and tax credits. CTS does not provide for U.S. income taxes on undistributed earnings of its foreign subsidiaries that are intended to be permanently reinvested.

We have historically funded our capital and operating needs primarily through cash flows from operating activities, supported by available credit under our credit agreements. We believe that cash flows from operating activities and available borrowings under our current credit agreements will be adequate to fund our working capital, capital expenditures and debt service requirements for at least the next twelve months. However, we may choose to pursue additional equity and debt financing to provide additional liquidity or to fund acquisitions.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements of CTS under accounting principles generally accepted in the United States of America. These principles require the use of estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we used are reasonable, based upon the information available.

Our estimates and assumptions affect the reported amounts in our financial statements. The following accounting policies comprise those that we believe are the most critical in understanding and evaluating CTS' reported financial results.

Revenue Recognition

Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement exists; (2) delivery has occurred and title has passed to the customer, which generally happens at the point of shipment provided that no significant obligations remain; (3) the price is fixed and determinable; and (4) collectability is reasonably assured.

Accounts Receivable

We have standardized credit granting and review policies and procedures for all customer accounts, including:

- Credit reviews of all new customer accounts,
- Ongoing credit evaluations of current customers,
- Credit limits and payment terms based on available credit information,
- Adjustments to credit limits based upon payment history and the customer's current credit worthiness,
- An active collection effort by regional credit functions, reporting directly to the corporate financial officers, and
- Limited credit insurance on the majority of our international receivables.

We reserve for estimated credit losses based upon historical experience and specific customer collection issues. Over the last three years, accounts receivable reserves varied from 0.2% to 1.4% of total accounts receivable. We believe our reserve level is appropriate considering the quality of the portfolio. While credit losses have historically been within expectations and the provisions established, we cannot guarantee that our credit loss experience will continue to be consistent with historical experience.

Inventories

We value our inventories at the lower of the actual cost to purchase or manufacture using the first-in, first-out (''FIFO'') method, or the current estimated market value. We review inventory quantities on hand and record a provision for excess and obsolete inventory based on forecasts of product demand and production requirements.

Over the last three years, our reserves for excess and obsolete inventories have ranged from 8.1% to 15.6% of gross inventory. We believe our reserve level is appropriate considering the quantities and quality of the inventories.

Retirement Plans

Actuarial assumptions are used in determining pension income and expense and our pension benefit obligation. We utilize actuaries from consulting companies in each country to develop our discount rates that match high-quality bonds currently available and expected to be available during the period to maturity of the pension benefit in order to provide the necessary future cash flows to pay the accumulated benefits when due. After considering the recommendations of our actuaries, we have assumed a discount rate, expected rate of return on plan assets and a rate of compensation increase in determining our annual pension income and expense and the projected benefit obligation. During the fourth quarter of each year, we review our actuarial assumptions in light of current economic factors to determine if the assumptions need to be adjusted. Changes in the actuarial assumptions could have a material effect on our results of operations.

Valuation of Goodwill

Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

- Significant adverse change in legal factors or in the business climate,
- Adverse action or assessment by a regulator,
- Unanticipated competition,
- Loss of key personnel,
- More-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of,
- Testing for recoverability of a significant asset group within a reporting unit, and
- Allocation of a portion of goodwill to a business to be disposed of.

If CTS believes that one or more of the above indicators of impairment have occurred, it performs an impairment test. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using two valuation methods: Income Approach — Discounted Cash Flow Method and Market Approach — Guideline Public Company Method. The approach defined below is based upon our last impairment test conducted as of December 31, 2014.

Under the ''Income Approach — Discounted Cash Flow Method'', the key assumptions consider sales, cost of sales and operating expenses projected through the year 2018. These assumptions were determined by management utilizing our internal operating plan and assuming growth rates for revenues and operating expenses, and margin assumptions. The fourth key assumption under this approach is the discount rate which is determined by looking at current risk-free rates of capital, current market interest rates and the evaluation of risk premium relevant to the business segment. If our assumptions relative to growth rates were to change or were incorrect, our fair value calculation may change which could result in impairment.

Under the ''Market Approach — Guideline Public Company Method'', we identified eight publicly traded companies, including CTS, which we believe have significant relevant similarities. For these eight companies, we calculated the mean ratio of invested capital to revenues and invested capital to EBITDA. Similar to the Income approach discussed above, sales, cost of sales, operating expenses and their respective growth rates were the key assumptions utilized. The market prices of CTS and other guideline company shares are key assumptions. If these market prices increase, the estimated market value would increase. If the market prices decrease, the estimated market value would decrease.

The results of these two methods are weighted based upon management's determination. The Market approaches are based upon historical and current economic conditions, which might not reflect the long-term prospects or opportunities for CTS' business being evaluated.

If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

There have not been any significant changes to our impairment testing methodology other than updating the assumptions to reflect the current market environment. As discussed above, key assumptions used in the first step of the goodwill impairment test were determined by management utilizing the internal operating plan. The key assumptions utilized include forecasted growth rates for revenues and operating expenses as well as a discount rate which is determined by looking at current risk-free rates of capital, current market interest rates and the evaluation of a risk premium relevant to the business segment. CTS will monitor future results and will perform a test if indicators trigger an impairment review.

We test the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Based upon our latest assessment, we determined that our goodwill was not impaired as of the end of December 2014.

Valuation of Long-Lived and Other Intangible Assets

We evaluate the impairment of identifiable intangibles and other long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered that may trigger an impairment review consist of:

- Significant underperformance relative to expected historical or projected future operating results,
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business,
- Significant negative industry or economic trends,
- Significant decline in CTS' stock price for a sustained period, and
- Significant decline in market capitalization relative to net book value.

If CTS believes that one or more of the above indicators of impairment have occurred and the undiscounted cash flow test has failed in the case of amortizable assets, it measures impairment based on projected discounted cash flows using a discount rate that incorporates the risk inherent in the cash flows.

Income Taxes

CTS has identified, evaluated, and measured the amount of income tax benefits to be recognized for all of our income tax positions. Included in deferred tax assets are amounts related to federal, state and foreign net operating losses. CTS intends to utilize these net operating loss carryforwards to offset future income taxes.

CTS' practice is to recognize interest and penalties related to income tax matters as part of income tax expense.

CTS earns a significant amount of its operating income outside of the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. CTS does not intend to repatriate funds, however, should CTS require more capital in the U.S. than is generated by our operations locally, CTS could elect to repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or equity issuances. Repatriation would result in higher effective tax rates. Borrowing in the U.S. would result in increased interest expense.

Contractual Obligations

CTS's contractual obligations as of December 31, 2014 were:

	Payments due by period				
($ in thousands)	Total	2015	2016-2017	2018-2019	2020-beyond
Long-term debt, including interest	$ 78,202	$ 1,709	$76,493	$ —	$ —
Operating lease payments	16,900	4,700	7,000	4,200	1,000
Obligations related to uncertain tax positions	3,900	—	—	1,000	2,900
Retirement obligations	11,200	5,000	1,600	1,400	3,200
Total	$110,202	$11,409	$85,093	$6,600	$7,100

Purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We purchase direct materials, generally related to customer orders, for production occurring at our manufacturing facilities around the world. These goods are secured using purchase orders, either blanket or discrete. Purchase orders commit us to take delivery of the quantities ordered generally over a specified delivery schedule. Our standard purchase order terms and conditions state that, should we cancel an order, we will reimburse our supplier only for the costs already incurred at the time of cancellation. Our purchase order cancellations generally occur due to order cancellation by a customer. If a customer cancels its order, our standard terms of sale provide for reimbursement of costs, including those related to our purchase orders. Therefore, these commitments are not included in purchase obligations.

We have no off-balance sheet arrangements, except for operating leases, that have a material current effect or are reasonably likely to have a material future effect on our financial condition or changes in our financial condition.

Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

Forward-Looking Statements

This document contains statements that are, or may be deemed to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, any financial or other guidance, statements that reflect our current expectations concerning future results and events, and any other statements that are not based solely on historical fact. Forward-looking statements are based on management's expectations, certain assumptions and currently available information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on various assumptions as to future events, the occurrence of which necessarily are subject to uncertainties. These forward-looking statements are made subject to certain risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from those presented in the forward-looking statements. Examples of factors that may affect future operating results and financial condition include, but are not limited to: changes in the economy generally and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions; the results of actions to reposition our business; rapid technological change; general market conditions in the automotive, communications, and computer industries, as well as conditions in the industrial, defense and aerospace, and medical markets; reliance on key customers; unanticipated natural disasters or other events; the ability to protect our intellectual property; pricing pressures and demand for our products; and risks associated with our international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks. Many of these and other risks and uncertainties are discussed in further detail in Item 1A. of this Annual Report on Form 10-K for the fiscal year ended December 31, 2014. We undertake no obligation to publicly update our forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
CTS Corporation

We have audited the internal control over financial reporting of CTS Corporation (an Indiana corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting" (Management's Report). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control — Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 24, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Southfield, Michigan
February 24, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
CTS Corporation

We have audited the accompanying consolidated balance sheets of CTS Corporation (an Indiana corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of earnings (loss), comprehensive earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CTS Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Southfield, Michigan
February 24, 2015

CTS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings (Loss)

(In thousands of dollars, except per share amounts)

	Year Ended December 31, 2014	2013	2012
Net sales	**$404,021**	$409,461	$304,481
Costs and expenses:			
Cost of goods sold	**274,058**	288,108	212,965
Insurance recovery for business interruption	**—**	—	(637)
Selling, general and administrative expenses	**59,136**	69,989	63,071
Research and development expenses	**22,563**	23,222	20,918
Restructuring and impairment charges	**5,941**	10,455	3,437
Gain on sale-leaseback transaction	**—**	—	(10,334)
Operating earnings	**42,323**	17,687	15,061
Other (expense) income:			
Interest expense	**(2,326)**	(3,264)	(2,569)
Interest income	**2,786**	1,901	1,720
Other	**(3,435)**	1,739	232
Total other (expense) income	**(2,975)**	376	(617)
Earnings from continuing operations before taxes	**39,348**	18,063	14,444
Income tax expense	**12,826**	16,066	952
Earnings from continuing operations	**26,522**	1,997	13,492
Discontinued operations			
(Loss) earnings from discontinued operations, net of tax	**—**	(5,926)	6,841
Net earnings (loss)	**$ 26,522**	$ (3,929)	$ 20,333
Net earnings (loss) per share:			
Basic:			
Continuing operations	**$ 0.79**	$ 0.06	$ 0.40
Discontinued operations	**—**	(0.18)	0.20
Net earnings (loss) per share	**$ 0.79**	$ (0.12)	$ 0.60
Diluted:			
Continuing operations	**$ 0.78**	$ 0.06	$ 0.39
Discontinued operations	**—**	(0.18)	0.20
Diluted net earnings (loss) per share	**$ 0.78**	$ (0.12)	$ 0.59
Basic weighted-average common shares outstanding:	**33,618**	33,601	33,922
Effect of dilutive securities	**512**	648	601
Diluted weighted-average common shares outstanding	**34,130**	34,249	34,523
Cash dividends declared per share	**$ 0.160**	$ 0.145	$ 0.140

The accompanying notes are an integral part of the consolidated financ ial statements.

CTS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
(In thousands of dollars)

	Year Ended December 31, 2014	2013	2012
Net earnings (loss)	**$ 26,522**	$ (3,929)	$20,333
Other comprehensive (loss) earnings:			
Changes in fair market value of hedges, net of tax	**(40)**	384	(980)
Changes in unrealized pension cost, net of tax	**(21,062)**	37,738	(5,787)
Cumulative translation adjustment, net of tax	**(1,234)**	585	1,309
Other comprehensive (loss) earnings	**$(22,336)**	$38,707	$ (5,458)
Comprehensive earnings	**$ 4,186**	$34,778	$14,875

The accompanying notes are an integral part of the consolidated financial statements.

CTS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

(In thousands of dollars)

	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 134,508**	$ 124,368
Accounts receivable, net	**56,894**	62,667
Inventories, net	**27,887**	32,226
Other current assets	**21,112**	17,008
Total current assets	**240,401**	236,269
Property, plant and equipment, net	**71,414**	74,869
Other Assets		
Prepaid pension asset	**32,099**	56,396
Goodwill	**32,047**	32,047
Indefinite-lived intangible asset	**690**	690
Other intangible assets, net	**35,902**	40,092
Deferred income taxes	**43,120**	38,620
Other	**1,253**	1,282
Total other assets	**145,111**	169,127
Total Assets	**$ 456,926**	$ 480,265
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 43,343**	$ 47,052
Accrued payroll and benefits	**11,283**	20,822
Accrued liabilities	**25,356**	27,246
Total current liabilities	**79,982**	95,120
Long-term debt	**75,000**	75,000
Long-term portion of interest rate swap	**380**	604
Post retirement obligations	**3,049**	7,935
Other long-term obligations	**8,726**	4,877
Shareholders' Equity		
Preferred stock	**—**	—
Common stock	**299,892**	297,164
Additional contributed capital	**39,153**	39,631
Retained earnings	**380,145**	358,997
Accumulated other comprehensive loss	**(104,233)**	(81,897)
Total shareholders' equity before treasury stock	**614,957**	613,895
Treasury stock	**(325,168)**	(317,166)
Total shareholders' equity	**289,789**	296,729
Total Liabilities and Shareholders' Equity	**$ 456,926**	$ 480,265

The accompanying notes are an integral part of the consolidated financial statements.

CTS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year Ended December 31, 2014	2013	2012
Cash flows from operating activities:			
Net earnings (loss)	**$ 26,522**	$ (3,929)	$ 20,333
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**16,971**	21,169	19,615
Prepaid pension asset	**(8,426)**	(5,744)	(7,432)
Equity-based compensation	**2,660**	4,219	4,099
Restructuring charges	**5,508**	8,129	3,844
Restructuring impairment charges	**433**	3,770	2,542
Pension liability	**—**	(8,332)	(1,597)
Amortization of retirement benefit adjustments	**5,722**	8,138	6,918
Deferred income taxes	**4,900**	12,568	(201)
Loss on sale of EMS business	**—**	1,229	—
Gain on sale-leaseback transaction	**—**	—	(10,334)
Insurance recovery for business interruption and property damage — casualties	**—**	—	(22,662)
Insurance proceeds for business interruption and property damage other than property, plant and equipment — casualty	**—**	—	23,353
Changes in assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	**4,356**	(6,075)	9,500
Inventories	**3,437**	(2,511)	18,832
Accounts payable	**(2,692)**	4,716	(17,519)
Accrued liabilities	**(18,922)**	733	(8,958)
Income taxes payable	**262**	(15)	(7)
Other	**(8,308)**	(494)	1,328
Total adjustments	**5,901**	41,500	21,321
Net cash provided by operating activities	**32,423**	37,571	41,654
Cash flows from investing activities:			
Capital expenditures	**(12,949)**	(13,982)	(13,464)
Proceeds from sale of assets	**4,951**	1,768	499
Proceeds from sale of EMS business	**—**	75,000	—
Payment for acquisitions, net of cash acquired	**—**	—	(78,189)
Proceeds from sale-leaseback transaction	**—**	—	17,678
Capital expenditures to replace property, plant and equipment damaged in casualties, net of insurance proceeds	**—**	—	(609)
Net cash (used in) provided by investing activities	**(7,998)**	62,786	(74,085)
Cash flows from financing activities:			
Payments of long-term debt	**(1,030,200)**	(3,864,500)	(5,461,600)
Proceeds from borrowings of long-term debt	**1,030,200**	3,786,000	5,540,700
Payments of short-term notes payable	**(810)**	(2,218)	(2,271)
Proceeds from borrowings of short-term notes payable	**810**	2,218	2,271
Purchase of treasury stock	**(8,002)**	(6,208)	(10,374)
Dividends paid	**(5,374)**	(4,874)	(4,759)
Exercise of stock options	**1,204**	2,722	1,679
Other	**(2,835)**	294	160
Net cash (used in) provided by financing activities	**(15,007)**	(86,566)	65,806
Effect of exchange rate on cash and cash equivalents	**722**	1,006	(216)
Net increase in cash and cash equivalents	**10,140**	14,797	33,159
Cash and cash equivalents at beginning of year	**124,368**	109,571	76,412
Cash and cash equivalents at end of year	**$ 134,508**	$ 124,368	$ 109,571
Supplemental cash flow information:			
Cash paid for Interest	**$ 2,113**	$ 3,104	$ 2,258
Cash paid for Income taxes, net	**$ 7,994**	$ 6,431	$ 6,786

The accompanying notes are an integral part of the consolidated financial statements.

CTS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity

(In thousands of dollars)

	Common Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Earnings/(Loss)	Treasury Stock	Total
Balances at January 1, 2012	$287,661	$39,161	$352,205	$(115,146)	$(300,584)	$263,297
Net earnings			20,333			20,333
Changes in fair market value of hedges, net of tax				(980)		(980)
Changes in unrealized pension cost, net of tax				(5,787)		(5,787)
Cumulative translation adjustment, net of tax				1,309		1,309
Cash dividends of $0.14 per share			(4,738)			(4,738)
Acquired 1,105,848 shares for treasury stock					(10,374)	(10,374)
Issued shares on exercise of options — net	1,679	(6)				1,673
Issued shares on vesting of restricted stock units	2,172	(3,430)				(1,258)
Tax benefit on vesting of restricted stock units		184				184
Stock compensation		4,099				4,099
Balances at December 31, 2012	$291,512	$40,008	$367,800	$(120,604)	$(310,958)	$267,758
Net loss			(3,929)			(3,929)
Changes in fair market value of hedges, net of tax				384		384
Changes in unrealized pension cost, net of tax				37,738		37,738
Cumulative translation adjustment, net of tax				585		585
Cash dividends of $0.145 per share			(4,874)			(4,874)
Acquired 419,190 shares for treasury stock					(6,208)	(6,208)
Issued shares on exercise of options — net	2,722	31				2,753
Issued shares on vesting of restricted stock units	2,930	(4,744)				(1,814)
Tax benefit on vesting of restricted stock units		117				117
Stock compensation		4,219				4,219
Balances at December 31, 2013	$297,164	$39,631	$358,997	$ (81,897)	$(317,166)	$296,729
Net earnings			**26,522**			**26,522**
Changes in fair market value of hedges, net of tax				**(40)**		**(40)**
Changes in unrealized pension cost, net of tax				**(21,062)**		**(21,062)**
Cumulative translation adjustment, net of tax				**(1,234)**		**(1,234)**
Cash dividends of **$0.16** per share			**(5,374)**			**(5,374)**
Acquired **460,496** shares for treasury stock					**(8,002)**	**(8,002)**
Issued shares on exercise of options — net	**1,328**	**(124)**				**1,204**
Issued shares on vesting of restricted stock units	**1,400**	**(3,311)**				**(1,911)**
Tax benefit on vesting of restricted stock units		**297**				**297**
Stock compensation		**2,660**				**2,660**
Balances at December 31, 2014	**$299,892**	**$39,153**	**$380,145**	**$(104,233)**	**$(325,168)**	**$289,789**

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of Significant Accounting Policies

Description of Business: CTS Corporation (''CTS'' or ''the Company'') is a global manufacturer of electronic components and sensors. CTS designs, manufactures, assembles, and sells a broad line of electronic components and sensors. CTS operates manufacturing facilities located throughout North America, Asia and Europe and services major markets globally.

On October 2, 2013, CTS sold its Electronics Manufacturing Solutions (''EMS'') business to Benchmark Electronics, Inc. (''Benchmark'') for approximately $75,000,000 in cash. The sale of EMS, along with the announcement of the June 2013 Restructuring Plan (''June 2013 Plan'') has allowed CTS to sharpen its focus on its Components and Sensors business. Due to the sale, the 2012 and 2013 amounts in the Consolidated Statements of Earnings (Loss) related to EMS have been reported separately as Discontinued operations. Refer to NOTE 17, ''Discontinued Operations.''

CTS consists of one reportable business segment. Prior to the sale of the EMS segment, CTS had two reportable segments: 1) Components and Sensors and 2) EMS. The prior year's segment reporting has been updated to conform to the current period's presentation of one reportable business segment.

Principles of Consolidation: The consolidated financial statements include the accounts of CTS and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Reclassifications: Certain reclassifications have been made for the prior periods presented in the consolidated financial statements for discontinued operations resulting from the 2013 sale of the EMS business.

Fiscal Calendar: CTS operates on a 4 week/4 week/5 week fiscal quarter, and each fiscal quarter ends on a Sunday. The fiscal year always begins on January 1 and ends on December 31. CTS' fiscal calendar results in some fiscal quarters being either greater than or less than 13 weeks, depending on the days of the week those dates fall. During the 2014 fiscal year, CTS' quarter end dates were as follows:

- March 30
- June 29
- September 28
- December 31.

Use of Estimates: The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America (''U.S. GAAP'') requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: All highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable consists primarily of amounts due to CTS from normal business activities. CTS maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. CTS reserves for estimated credit losses based upon historical experience and specific customer collection issues. Accounts are written off against the allowance account when they are determined to be no longer collectible.

Concentration of Credit Risk: Financial instruments that potentially subject CTS to concentrations of credit risk consist of cash and cash equivalents. CTS' cash and cash equivalents, at times, may exceed federally insured limits. Cash and cash equivalents are deposited primarily in banking institutions with global operations. CTS has not experienced any losses in such accounts. CTS believes it is not exposed to any significant credit risk on cash and cash equivalents.

Trade receivables subject CTS to the potential for credit risk with major customers. CTS sells its products to customers principally in the automotive, communications, computer, medical, industrial, and defense and aerospace markets, primarily in North America, Europe, and Asia. CTS performs ongoing credit evaluations of its customers to minimize credit risk. CTS does not require collateral. The allowance for doubtful accounts is based on management's estimates of the collectability of its accounts receivable after analyzing historical bad debts, customer concentrations, customer credit worthiness, and current economic trends. Uncollectible trade receivables are charged against the allowance for doubtful accounts when all reasonable efforts to collect the amounts due have been exhausted.

Our net sales to significant customers as a percentage of total net sales were as follows:

	Year Ended December 31,		
	2014	2013	2012
Customer A	**10.8%**	8.4%	10.6%

No other customer accounted for 10% or more of total net sales during these periods.

Inventories: CTS values its inventories at the lower of the actual cost to purchase or manufacture using the first-in, first-out ("FIFO") method, or the current estimated market value. CTS reviews inventory quantities on hand and records a provision for excess and obsolete inventory based on forecasts of product demand and production requirements.

Retirement Plans: CTS has various defined benefit and defined contribution retirement plans. CTS' policy is to annually fund the defined benefit pension plans at or above the minimum required by law. CTS: 1 Recognizes the funded status of a benefit plan (measured as the difference between plan assets at fair value and the benefit obligation) in CTS' Consolidated Balance Sheets; 2 Recognizes the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit/cost as a component of Other comprehensive income; and 3 Measures defined benefit plan assets and obligations as of the date of the employer's fiscal year-end Consolidated Balance Sheets. See NOTE 5, "Retirement Plans" for further information.

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Depreciation and amortization is computed primarily over the estimated useful lives of the various classes of assets using the straight-line method. Useful lives for buildings and improvements range from 10 to 45 years. Machinery and equipment useful lives range from 3 to 8 years. Depreciation on leasehold improvements is computed over the lease term or estimated useful lives of the assets. Amounts expended for maintenance and repairs are charged to expense as incurred. Upon disposition, any related gains or losses are included in operating earnings.

Income Taxes: Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting based on enacted tax laws and rates. CTS maintains valuation allowances to reduce deferred tax assets if it is more-likely-than-not that some position or all of the deferred tax asset will not be realized. CTS recognizes the benefit of tax positions when a benefit is more likely than not (i.e., greater than 50% likely) to be sustained on its technical merits. Recognized tax benefits are measured at the largest amount that is more-likely-than-not to be sustained, based on cumulative probability, in final settlement of the position . CTS recognizes interest and penalties related to income tax matters as part of income tax expense. See NOTE 16, "Income Taxes" for further information.

Goodwill and Other Intangible Assets: Goodwill represents the unamortized excess of the cost of acquiring a business over the fair values of the net assets received at the date of acquisition.

We test the impairment of goodwill each year as of the end of December or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We completed our annual impairment test during January 2015 and determined that our goodwill was not impaired as of December 31, 2014.

Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

- Significant adverse change in legal factors or in the business climate,
- Adverse action or assessment by a regulator,
- Unanticipated competition,
- Loss of key personnel,
- More-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of,
- Testing for recoverability of a significant asset group within a reporting unit, and
- Allocation of a portion of goodwill to a business to be disposed of.

There have not been any significant changes to our impairment testing methodology other than updating the assumptions to reflect the current market environment. CTS will monitor future results and will perform a test if indicators trigger an impairment review.

Other intangible assets capitalized consist primarily of customer lists and relationships, patents and other intangibles. These assets are recorded at cost and amortized on a straight-line basis over a weighted-average life. The weighted-average remaining amortization period for the amortizable intangible assets is 10.9 years. The weighted-average remaining amortization period for customer lists and relationships is 11.9 years and for the other intangibles is 7.6 years.

Revenue Recognition: Product revenue is recognized once four criteria are met: 1. CTS has persuasive evidence that an arrangement exists; 2. delivery has occurred and title has passed to the customer, which generally happens at the point of shipment provided that no significant obligations remain; 3. the price is fixed and determinable; and 4. collectability is reasonably assured.

Research and Development: Research and development (''R&D'') costs include expenditures for planned search and investigation aimed at discovery of new knowledge to be used to develop new products or processes or to significantly enhance existing products or production processes. Research and development costs also include the implementation of the new knowledge through design, testing of product alternatives or construction of prototypes. CTS expenses all research and development costs as incurred, net of customer reimbursements for sales of prototype and non-recurring engineering charges.

CTS creates prototypes and tools related to R&D projects. A prototype is defined as a non-production intent constructed product. CTS also incurs engineering costs related to R&D activities. Such costs are incurred to support such activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. Furthermore, CTS may engage in activities that develop tooling machinery and equipment for its customers.

Costs of molds, dies and other tools used to make products sold for which CTS has a contractual guarantee for lump sum reimbursement from the customer are capitalized in Other current assets. Cost recorded for costs of molds, dies, and other tools for which customer reimbursement is assured consist of the following in the consolidated balance sheet:

	As of December 31,	
($ in thousands)	**2014**	2013
Cost of molds, dies and other tools included in Other current assets	**$2,991**	$3,059

CTS may, from time to time, partially recover costs related to these activities from the customer. Any reimbursements received from customers are netted against such costs. A summary of amounts received from customers is as follows:

	Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Reimbursement received from customers	**$1,400**	$2,087	$3,186

Financial Instruments: CTS uses interest rate swaps to convert a portion of the line of credit's variable rate of interest into a fixed rate. As a result of the use of these derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors. CTS' established policies and procedures for mitigating credit risk on principal transactions include reviewing and establishing limits for credit exposure and continually assessing the creditworthiness of counterparties.

CTS estimates the fair value of its financial instruments as follows:

Instrument	Method for determining fair value
Cash, cash equivalents, accounts receivable and accounts payable	Cost, approximates fair value due to the short-term nature of these instruments.
Revolving credit facility	The fair value of long-term debt was measured using a market approach which uses current industry information and approximates carrying value.
Interest rate swaps	The fair value of CTS' interest rate swaps are measured using a market approach which uses current industry information.

CTS uses interest rate swaps to convert a portion of the line of credit's variable rate of interest into a fixed rate. As a result of the use of these derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors. CTS' established policies and procedures for mitigating credit risk on principal transactions include reviewing and establishing limits for credit exposure and continually assessing the creditworthiness of counterparties.

Debt Issuance Costs: CTS has debt issuance costs related to its long-term debt that are being amortized using the straight-line method over the life of the debt.

Equity-Based Compensation: CTS recognizes expense related to the fair value of equity-based compensation awards in the Consolidated Statements of Earnings (Loss). CTS had stock options and restricted stock units (''RSUs'') outstanding at December 31, 2014.

CTS estimates the fair value of stock option awards on the date of grant using the Black-Scholes option-pricing model. A number of assumptions are used by the Black-Scholes option-pricing model to compute the grant date fair value, including expected price volatility, option term, risk-free interest rate, and dividend yield. These assumptions are established at each grant date based upon current information at that time. Expected volatilities are based on historical volatilities of CTS' common stock. The expected option term is derived from historical data on exercise behavior. Different expected option terms result from different groups of employees exhibiting different behavior. The dividend yield is based on historical dividend payments. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant. The fair value of awards that are ultimately expected to vest is recognized as expense over the requisite service periods in the Consolidated Statements of Earnings (Loss).

The grant date fair values of our service-based and our performance-based RSUs are the closing price of our common stock on the date of grant. The grant date fair value of our market-based RSUs is determined by using a simulation, or Monte Carlo, approach. Under this approach, stock returns from comparative group companies are simulated over the performance period, considering both stock returns volatility and the correlation of returns. The simulated results are then used to estimate the future payout based on the performance and payout relationship established by the conditions of the award. The future payout is discounted to the measurement date using the risk-free interest rate.

Both CTS' stock options and RSUs primarily have a graded-vesting schedule. CTS recognizes expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. See NOTE 14, ''Equity-Based Compensation'' for further information.

Earnings Per Share: Basic earnings per share excludes any dilution and is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock resulted in the issuance of common stock that shared in CTS' earnings. Diluted earnings per share is calculated by adding all potentially dilutive shares to the weighted average number of common shares outstanding for the numerator. If the common stock equivalents have an anti-dilutive effect, they are excluded from the computation of diluted earnings per share.

CTS' antidilutive stock options and units consist of the following:

	Year Ended December 31,		
(units)	**2014**	2013	2012
Antidilutive stock options and units	**—**	—	346

Foreign Currencies: The financial statements of CTS' non-U.S. subsidiaries, except the United Kingdom (''U.K.'') subsidiary, are remeasured into U.S. dollars using the U.S. dollar as the functional currency with all remeasurement adjustments included in the determination of net earnings.

Foreign currency (loss) gain recorded in the statement of operations includes the following:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Foreign currency (loss) gain — continuing operations	**$(4,130)**	$1,625	$113
Foreign currency (loss) gain — discontinued operations	**$ —**	$ (290)	$700

The assets and liabilities of CTS' U.K. subsidiary are translated into U.S. dollars at the current exchange rate at period end, with resulting translation adjustments made directly to the ''Accumulated other comprehensive loss'' component of shareholders' equity. Consolidated Statement of Earnings (Loss) accounts are translated at the average rates during the period.

Shipping and Handling: All fees billed to the customer for shipping and handling is classified as a component of net sales. All costs associated with shipping and handling is classified as a component of cost of sales.

Sales Taxes: CTS classifies sales taxes on a net basis in its consolidated financial statements.

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of: CTS accounts for long-lived assets in accordance with the provisions of ASC 360. The statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of the undiscounted cash flows expected to result from the use and the eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. See NOTE 6, ''Goodwill and Other Intangible Assets,'' for further information.

CTS tests Goodwill for impairment annually and when an impairment triggering event occurs using a fair value approach at the reporting unit level. No goodwill impairment was recorded for the years ended December 31, 2014, 2013 and 2012.

CTS tests indefinite-lived intangibles for impairment annually and when an impairment triggering event occurs using a fair value approach at the reporting unit level. No impairment was recorded for the years ended December 31, 2014 and December 31, 2013. The impairment recognized for the year ending December 31, 2012 was immaterial.

Generally, CTS amortizes the cost of other finite-lived intangibles over a straight-line basis using their estimated useful lives except for the cost of customer list intangibles acquired in the Tusonix, Inc. (''Tusonix''), Fordahl S.A. (''Fordahl''), Valpey-Fisher Corporation (''Valpey-Fisher'') and D&R Technologies, LLC (''D&R'') acquisitions, which are amortized using a 150% double-declining balance method over their estimated useful lives. CTS assesses useful lives based on the period over which the asset is expected to contribute to CTS' cash flows. CTS reviews the carrying value of its intangible assets whenever events or changes in circumstances indicate an impairment may have occurred. If impaired, the asset is written down to fair value based on either discounted cash flows or appraised values.

Recently Issued Accounting Pronouncements

ASU 2014-12, *''Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period''*

In June 2014, the Financial Accounting Standards Board (''FASB'') issued ASU 2014-12, *Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The amended guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition.

Current U.S. GAAP does not contain explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The amendments in this update provide explicit guidance for those awards.

The amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Entities may apply the amendments either prospectively to all awards granted or modified after the effective date, or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. These provisions will not have a material impact on our financial statements.

ASU 2014-09, *''Revenue from Contracts with Customers (Topic 606)''*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The new revenue recognition guidance more closely aligns U.S. GAAP with International Financial Reporting Standards (''IFRS''). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The guidance is effective for annual periods beginning on or after December 15, 2016 and interim periods within that reporting period. Early adoption is not permitted. These provisions of this guidance are still being evaluated. The impact on CTS' financial statements has not yet been determined.

ASU 2014-08, *''Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity''*

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The ASU is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or will have a major effect on an entity's operations and financial results. In another change from current U.S. GAAP, the guidance permits companies to have continuing cash flows and significant continuing involvement with the disposed component. The new definition of a discontinued operation more closely aligns U.S. GAAP with IFRS.

The ASU requires the reclassification of assets and liabilities of a discontinued operation in the statement of financial position for all prior periods presented. The standard expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not meet the definition of a discontinued operation, an entity's continuing involvement with a discontinued operation following the disposal date and retained equity method investments in a discontinued operation.

The guidance is effective for annual periods beginning on or after December 15, 2014 and interim periods within that year. The ASU is applied prospectively. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue. These provisions will not have a material impact on our financial statements.

ASU 2014-06, *''Technical Corrections and Improvements Related to Glossary Terms''*

In March 2014, the FASB issued ASU 2014-06, *Technical Corrections and Improvements Related to Glossary Terms*. The new guidance is designed to clarify the Master Glossary of the Codification, consolidate multiple instances of the same into a single definition and make minor improvements to the Master Glossary. The FASB said the amendments are not expected to result in substantial changes to the application of existing guidance. These provisions are effective upon issuance. These provisions will not have a material impact on our financial statements.

Subsequent Events: CTS has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements are issued.

NOTE 2 — Accounts Receivable

The components of accounts receivable are as follows:

($ in thousands)	As of December 31, 2014	December 31, 2013
Accounts receivable, gross	**$56,994**	$62,797
Less: Allowance for doubtful accounts	**(100)**	(130)
Accounts receivable, net	**$56,894**	$62,667

NOTE 3 — Inventories

Inventories consist of the following:

($ in thousands)	As of December 31, 2014	December 31, 2013
Finished goods	**$11,728**	$10,310
Work-in-process	**7,297**	7,492
Raw materials	**15,562**	19,021
Less: Inventory reserves	**(6,700)**	(4,597)
Inventories, net	**$27,887**	$32,226

NOTE 4 — Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

($ in thousands)	As of December 31, 2014	December 31, 2013
Land	**$ 3,044**	$ 3,938
Buildings and improvements	**67,269**	69,740
Machinery and equipment	**185,999**	193,179
Less: Accumulated depreciation	**(184,898)**	(191,988)
Property, plant and equipment, net	**$ 71,414**	$ 74,869

Depreciation expense recorded in the statement of operations includes the following:

($ in thousands)	Year Ended December 31, 2014	2013	2012
Continuing operations	**$12,781**	$12,322	$11,424
Discontinued operations	**$ —**	$ 3,162	$ 5,163

NOTE 5 — Retirement Plans

CTS has a number of noncontributory defined benefit pension plans (''Pension Plans'') covering approximately 13% of its active employees. Pension Plans covering salaried employees provide pension benefits that are based on the employees´ years of service and compensation prior to retirement. Pension Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

CTS provides postretirement life insurance benefits for certain retired employees. Domestic employees who were hired prior to 1982 and certain domestic union employees are eligible for life insurance benefits upon retirement. CTS funds life insurance benefits through term life insurance policies and intends to continue funding all of the premiums on a pay-as-you-go basis.

CTS recognizes the funded status of a benefit plan in its statement of financial position. The funded status is measured as the difference between plan assets at fair value and the projected benefit obligation. CTS also recognizes, as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit/cost.

The measurement dates for the Pension Plans for CTS' domestic and foreign locations was December 31, 2014 and 2013.

During 2013, a modification was made to the CTS Corporation Domestic Pension Plans freezing benefits for all salaried and non-bargaining unit hourly participants effective December 31, 2013. We recorded a curtailment charge of $651,000 for the year ended December 31, 2013 in conjunction with the freeze.

During 2014, CTS approved a plan to terminate the U.K. Limited Retirement Benefits Scheme (''the UK Plan''). The pension liability will be settled in a purchased annuity. CTS expects to complete the termination of the pension plan by the end of 2015.

The following table provides a reconciliation of benefit obligation, plan assets, and the funded status of the Pension Plans domestic and foreign locations plan at that measurement dates.

	Domestic Pension Plans		Foreign Pension Plans	
($ in thousands)	**2014**	2013	**2014**	2013
Accumulated benefit obligation	**$284,365**	$264,828	**$16,168**	$15,150
Change in projected benefit obligation:				
Projected benefit obligation at January 1	**$264,828**	$274,497	**$16,028**	$16,220
Service cost	**192**	2,435	**83**	110
Interest cost	**12,214**	11,046	**608**	536
Benefits paid	**(19,021)**	(13,526)	**(1,024)**	(1,297)
Actuarial loss (gain)	**26,152**	(5,473)	**1,468**	295
Loss due to curtailment	**—**	(4,151)	**—**	—
Foreign exchange impact and other	**—**	—	**(995)**	163
Projected benefit obligation at December 31	**$284,365**	$264,828	**$16,168**	$16,027
Change in plan assets:				
Assets at fair value at January 1	**$314,211**	$265,622	**$14,867**	$13,369
Actual return on assets	**13,961**	62,012	**(2,258)**	209
Company contributions	**5,302**	103	**4,478**	2,307
Benefits paid	**(19,021)**	(13,526)	**(1,024)**	(1,297)
Foreign exchange impact and other	**—**	—	**(935)**	279
Assets at fair value at December 31	**$314,453**	$314,211	**$15,128**	$14,867
Funded status (plan assets less projected benefit obligations)	**$ 30,088**	$ 49,383	**$ (1,040)**	$ (1,160)

The measurement dates for the other post retirement plan were December 31, 2014 and 2013. The following table provides a reconciliation of benefit obligation, plan assets, and the funded status of the other post retirement plan at that measurement dates.

	Other Postretirement Benefit Plan	
($ in thousands)	**2014**	2013
Accumulated benefit obligation	**$ 5,194**	$ 4,916
Change in projected benefit obligation:		
Projected benefit obligation at January 1	**$ 4,916**	$ 5,666
Service cost	**4**	7
Interest cost	**230**	223
Actuarial loss (gain)	**223**	(798)
Benefits paid	**(179)**	(182)
Projected benefit obligation at December 31	**$ 5,194**	$ 4,916
Change in plan assets:		
Assets at fair value at January 1	**$ —**	$ —
Actual return on assets	**—**	—
Company contributions	**179**	182
Benefits paid	**(179)**	(182)
Other	**—**	—
Assets at fair value at December 31	**$ —**	$ —
Funded status (plan assets less projected benefit obligations)	**$(5,194)**	$(4,916)

The components of the prepaid (accrued) cost of the domestic and foreign pension plans, net are classified in the following lines in the Consolidated Balance Sheets at December 31:

	Domestic Pension Plans		Foreign Pension Plans	
($ in thousands)	**2014**	2013	**2014**	2013
Prepaid pension asset	**$31,581**	$55,839	**$ 518**	$ 557
Other accrued liabilities	**—**	(4,814)	**—**	—
Post retirement obligations	**(1,493)**	(1,642)	**(1,558)**	(1,717)
	$30,088	$49,383	**$(1,040)**	$(1,160)

The components of the (accrued) cost of the other postretirement benefit plan, net are classified in the following lines in the Consolidated Balance Sheets at December 31:

	Other Postretirement Benefit Plan	
($ in thousands)	**2014**	2013
Other accrued liabilities	**$ (342)**	$ (341)
Other long-term obligations	**(4,852)**	(4,575)
	$(5,194)	$(4,916)

CTS has also recorded the following amounts to Accumulated Other Comprehensive Loss for the domestic and foreign pension plans, net of tax:

	Domestic Plans			Foreign Plans
($ in thousands)	Unrecognized Loss	Prior Service Cost	Total	Unrecognized Loss
Balance at January 1, 2013	$115,933	$ 679	$116,612	$4,492
Amortization of retirement benefits, net of tax	(4,509)	(277)	(4,786)	(298)
Settlements and curtailments	(428)	(402)	(830)	—
Net actuarial (loss) gain	(31,778)	—	(31,778)	451
Foreign exchange impact	—	—	—	(3)
Balance at January 1, 2014	$ 79,218	$ —	$ 79,218	$4,642
Amortization of retirement benefits, net of tax	(3,523)	—	(3,523)	(183)
Settlements and curtailments	(106)	—	(106)	—
Net actuarial gain/(loss)	20,605	—	20,605	4,290
Foreign exchange impact	—	—	—	(259)
Balance at December 31, 2014	$ 96,194	$ —	$ 96,194	$8,490

CTS has also recorded the following amounts to Accumulated Other Comprehensive loss for other postretirement benefit plan, net of tax:

($ in thousands)	Unrecognized (Gain) loss
Balance at January 1, 2013	$(261)
Net actuarial loss	(494)
Balance at January 1, 2014	$(755)
Amortization of retirement benefits, net of tax	98
Net actuarial gain	140
Balance at December 31, 2014	$(517)

CTS expects to recognize, on a pre-tax basis, approximately $6,700,000 of losses in 2015 related to its Pension Plans. CTS does not expect to recognize any significant amounts of the Other Postretirement Benefit Plan unrecognized amounts in 2015.The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for those Pension Plans with accumulated benefit obligation in excess of fair value of plan assets is shown below:

	As of December 31,	
($ in thousands)	**2014**	2013
Projected benefit obligation	**$4,612**	$10,098
Accumulated benefit obligation	**3,860**	4,807
Fair value of plan assets	**1,562**	1,923

Net pension expense (income) includes the following components:

	Year Ended December 31, Domestic Pension Plans			Year Ended December 31, Foreign Pension Plans		
($ in thousands)	**2014**	2013	2012	**2014**	2013	2012
Service cost	**$ 192**	$ 2,435	$ 2,735	**$ 83**	$ 110	$ 125
Interest cost	**12,214**	11,046	11,935	**608**	536	571
Expected return on plan assets(1)	**(20,833)**	(20,217)	(21,506)	**(677)**	(474)	(445)
Amortization of unrecognized:						
Prior service cost	**—**	498	605	**—**	—	—
Loss	**5,644**	7,245	6,062	**231**	378	296
Additional cost due to early retirement	**172**	692	282	**—**	—	—
Curtailment loss	**—**	651	—	**—**	—	—
Net expense/(income)	**$ (2,611)**	$ 2,350	$ 113	**$ 245**	$ 550	$ 547
Weighted-average actuarial assumptions(2)						
Benefit obligation assumptions:						
Discount rate	**4.07%**	4.84%	4.06%	**3.13%**	3.85%	3.46%
Rate of compensation increase	**0%**	3.00%	3.00%	**0.48%**	0.56%	0.69%
Pension expense/(income) assumptions:						
Discount rate	**4.84%**	4.06%	4.91%	**3.85%**	3.46%	3.86%
Expected return on plan assets(1)	**7.50%**	7.75%	8.00%	**4.06%**	3.10%	3.00%
Rate of compensation increase	**0%**	3.00%	3.00%	**0.57%**	0.69%	0.72%

(1) Expected return on plan assets is net of expected investment expenses and certain administrative expenses.

(2) During the fourth quarter of each year, CTS reviews its actuarial assumptions in light of current economic factors to determine if the assumptions need to be adjusted.

Net postretirement expense includes the following components:

	Other Postretirement Benefit Plan Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Service cost	**$ 4**	$ 7	$ 9
Interest cost	**230**	223	255
Amortization of unrecognized:			
Gain	**(158)**	—	(40)
Net (income)/expense	**$ 76**	$230	$224
Weighted-average actuarial assumptions(1)			
Benefit obligation assumptions:			
Discount rate	**4.07%**	4.84%	4.06%
Rate of compensation increase	**0%**	0%	0%
Pension income/postretirement Expense assumptions:			
Discount rate	**4.84%**	4.06%	4.91%
Rate of compensation increase	**0%**	0%	0%

(1) During the fourth quarter of each year, CTS reviews its actuarial assumptions in light of current economic factors to determine if the assumptions need to be adjusted.

The discount rate utilized to estimate CTS' pension and postretirement obligations is based on market conditions at December 31, 2014, and is determined using a model consisting of high quality bond portfolios that match cash flows of the plans' projected benefit payments based on the plan participants' service to date and their expected future compensation. Use of the rate produced by this model generates a projected benefit obligation that equals the current market value of a portfolio of high quality bonds whose maturity dates match the timing and amount of expected future benefit payments.

The discount rate used to determine 2014 pension income and postretirement expense for CTS' pension and postretirement plans is based on market conditions at December 31, 2013 and is the interest rate used to estimate interest incurred on the outstanding projected benefit obligations during the period.

CTS utilizes a building block approach in determining the long-term rate of return for plan assets. Historical markets are reviewed and long-term relationships between equities and fixed-income are preserved consistent with the generally accepted capital market principle that assets with higher volatility generate a greater return over the long term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to ensure for reasonableness and appropriateness.

CTS´ pension plan asset allocation at December 31, 2014 and 2013, and target allocation for 2015 by asset category are as follows:

	Target Allocations	Percentage of Plan Assets at December 31,	
Asset Category	**2015**	**2014**	**2013**
Equity securities[1]	60%	60%	67%
Debt securities	25%	25%	20%
Other	15%	15%	13%
Total	100%	100%	100%

(1) Equity securities include CTS common stock in the amounts of approximately $26,000,000 (8% of total plan assets) at December 31, 2014 and approximately $29,000,000 (9% of total plan assets) at December 31, 2013.

CTS employs a total return on investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities and funded status. The investment portfolio primarily contains a diversified mix of equity and fixed-income investments. The equity investments are diversified across U.S. and non-U.S. stocks. Other assets such as private equity are used modestly to enhance long-term returns while improving portfolio diversification. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and asset/liability studies at regular intervals.

The following table summarizes the fair values of CTS' pension plan assets:

	As of December 31,	
($ in thousands)	**2014**	2013
Equity securities — U.S. holdings[1]	**$174,153**	$175,293
Equity securities — non-U.S. holdings[1]	**14,050**	16,866
Equity funds — International LP[1]	**15,636**	15,711
Equity funds — U.S. LP[1]	**13,077**	12,454
Corporate Bonds[2]	**47,417**	50,199
Cash and cash equivalents[3]	**5,889**	9,994
Debt securities issued by U.S., state and local governments[5]	**14,484**	10,487
Partnerships[7]	**11,239**	9,010
Long/short equity-focused hedge funds[6]	**5,367**	11,147
International hedge funds[4]	**11,679**	10,958
Mortgage-backed securities[8]	**3,796**	5,176
Fixed annuities[9]	**12,475**	1,620
Other asset-backed securities	**319**	163
Total fair value of plan assets	**$329,581**	$329,078

The fair values at December 31, 2014 are classified within the following categories in the fair value hierarchy:

($ in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities — U.S. holdings[1]	$174,153	$ —	$ —	$174,153
Equity securities — non-U.S. holdings[1]	14,048	2	—	14,050
Equity funds — International LP[1]	—	15,636	—	15,636
Equity funds — U.S. LP[1]	—	13,077	—	13,077
Corporate Bonds[2]	—	47,417	—	47,417
Cash and cash equivalents[3]	5,889	—	—	5,889
Debt securities issued by U.S. and U.K., state and local governments[5]	—	14,484	—	14,484
Partnerships[7]	—	—	11,239	11,239
Long/short equity-focused hedge funds[6]	—	—	5,367	5,367
International hedge funds[4]	—	—	11,679	11,679
Mortgage-backed securities[8]	—	3,796	—	3,796
Fixed annuity contracts[9]	—	—	12,475	12,475
Other asset-backed securities	—	319	—	319
Total	$194,090	$94,731	$40,760	$329,581

The fair values at December 31, 2013 are classified within the following categories in the fair value hierarchy:

($ in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities — U.S. holdings(1)	$175,293	$ —	$ —	$175,293
Equity securities — non-U.S. holdings(1)	16,866	—	—	16,866
Equity funds — International LP(1)	—	15,711	—	15,711
Equity funds — U.S. LP(1)	—	12,454	—	12,454
Corporate Bonds(2)	—	50,199	—	50,199
Cash and cash equivalents(3)	9,994	—	—	9,994
Debt securities issued by U.S. and U.K., state and local governments(5)	—	10,487	—	10,487
Partnerships(7)	—	—	9,010	9,010
Long/short equity-focused hedge funds(6)	—	—	11,147	11,147
International hedge funds(4)	—	—	10,958	10,958
Mortgage-backed securities(8)	—	5,176	—	5,176
Fixed annuity contracts(9)	—	—	1,620	1,620
Other asset-backed securities	—	163	—	163
Total	$202,153	$94,190	$32,735	$329,078

(1) Comprised of common stocks of companies in various industries. The Pension Plan fund manager may shift investments from value to growth strategies or vice-versa, from small cap to large cap stocks or vice-versa, in order to meet the Pension Plan's investment objectives, which are to provide for a reasonable amount of long-term growth of capital without undue exposure to volatility, and protect the assets from erosion of purchasing power.

(2) Comprised of investment grade securities of companies in various industries.

(3) Comprised of investment grade short-term investment funds.

(4) This fund allocates its capital across several direct hedge-fund organizations. This fund invests with hedge funds that employ ''non-directional'' strategies. These strategies do not require the direction of the markets to generate returns. The majority of these hedge funds generate returns by the occurrence of key events such as bankruptcies, mergers, spin-offs, etc.

(5) Comprised of investment grade securities that are backed by the U.S., state or local governments.

(6) The hedge fund manager utilizes fundamental research and invests in equities both long (seeking price appreciation) and short (expectation that the stock will fall) instruments.

(7) Comprised of partnerships that invest in various U.S. and international industries.

(8) Comprised of investment grade securities in which approximately $941,224 and $1,148,218 are backed by the U.S. government for the years ended December 31, 2014 and December 31, 2013, and the remainder by commercial real estate.

(9) Comprised of fixed annuity contracts purchased at market value when plan participants retire.

The Pension Plan assets recorded at fair value are measured and classified in a hierarchy for disclosure purposes consisting of three levels based on the observability of inputs available in the marketplace used to measure fair value as discussed below:

- *Level 1:* Fair value measurements that are quoted prices (unadjusted) in active markets that the pension plan trustees have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets.

- *Level 2:* Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active or inactive markets, and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted intervals. Certain of our pension assets valued by Level 2 inputs are comprised of partnership investments which are not exchange traded and are valued at their Net Asset Values (''NAV'') which are considered observable inputs.

- *Level 3:* Fair value measurements based on valuation techniques that use significant inputs that are unobservable.

The table below reconciles the Level 3 international hedge fund assets within the fair value hierarchy:

($ in thousands)	Amount
Fair value of Level 3 hedge fund assets at December 31, 2012	$10,395
Capital contributions	—
Realized and unrealized gain	563
Fair value of Level 3 hedge fund assets at December 31, 2013	$10,958
Capital contributions	—
Realized and unrealized gain	721
Fair value of Level 3 hedge fund assets at December 31, 2014	$11,679

The table below reconciles the Level 3 long/short equity-focused hedge fund assets within the fair value hierarchy:

($ in thousands)	Amount
Fair value of Level 3 hedge fund assets at December 31, 2012	$ 9,937
Capital contributions	4,650
Capital distributions	(4,697)
Realized and unrealized gain	1,257
Fair value of Level 3 hedge fund assets at December 31, 2013	$11,147
Capital contributions	—
Capital distributions	(6,178)
Realized and unrealized gain	398
Fair value of Level 3 hedge fund assets at December 31, 2014	$ 5,367

The hedge fund manager reviews the net asset values of the underlying portfolio of hedge funds and also the hedge fund positions within the portfolio. If the positions cannot be exited within one year these funds are considered level 3 investments within the fair value hierarchy.

The table below reconciles the Level 3 partnership assets within the fair value hierarchy:

($ in thousands)	Amount
Fair value of Level 3 partnership assets at January 1, 2013	$ 6,330
Capital contributions	2,462
Net ordinary gain attributable to partnership assets	—
Realized and unrealized gain	822
Capital distributions	(604)
Fair value of Level 3 partnership assets at December 31, 2013	9,010
Capital contributions	2,570
Net ordinary gain attributable to partnership assets	—
Realized and unrealized gain	1,733
Capital distributions	(2,074)
Fair value of Level 3 partnership assets at December 31, 2014	$11,239

The partnership fund manager uses a market approach in estimating the fair value of the plan's Level 3 asset. The market approach estimates the fair value by first, determining the entity's earnings before interest, taxes, depreciation and amortization and then multiplying that value by an estimated multiple. When establishing an appropriate multiple, the fund manager considers recent comparable private company transactions and multiples paid. The entity's net debt is then subtracted from the calculated amount to arrive at an estimated fair value for the entity. The fund manager's goal is to provide a conservative estimate of the fair value of such assets and to utilize conservative estimates of multiples used in establishing such fair values.

The fixed annuity contracts were purchased at market value when plan participants retire in order to provide these participants with the pension benefits under the rules of the pension plan. Once purchased, these annuities have no tradable value. Fair value has instead been assessed as the present value, using certain actuarial assumptions, of the stream of expected payments. Accordingly, these fixed annuities are classified as Level 3 under the fair value hierarchy.

The table below reconciles the Level 3 fixed annuity contracts within the fair value hierarchy:

($ in thousands)	Amount
Fair value of Level 3 fixed annuity contracts at January 1, 2013	$ 1,681
Purchases	—
Benefits paid	(108)
Net gain	47
Fair value of Level 3 fixed annuity contracts at December 31, 2013	1,620
Purchases	11,530
Benefits paid	(117)
Net loss	(558)
Fair value of Level 3 fixed annuity contracts at December 31, 2014	$12,475

CTS expects to make $400,000 of contributions to the domestic plans and $4,600,000 of contributions to the foreign plans during 2015.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

($ in thousands)	Domestic Pension Plans	Foreign Pension Plans	Other Postretirement Benefit Plan
2015	$15,652	$ 413	$ 342
2016	16,532	558	336
2017	16,763	421	329
2018	16,873	555	322
2019	17,124	651	315
Thereafter	86,449	4,217	1,459

Defined Contribution Plans

CTS sponsors a 401(k) plan that covers substantially all of its U.S. employees. Contributions and costs are generally determined as a percentage of the covered employee's annual salary.

Expenses related to defined contribution plans include the following:

($ in thousands)	Year Ended December 31, 2014	2013	2012
401(k) and other plan expense	**$3,719**	$4,651	$5,078

NOTE 6 — Goodwill and Other Intangible Assets

Other intangible assets consist of the following:

	As of December 31, 2014		
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Customer lists/relationships	$51,804	$(24,415)	$27,389
Patents	10,319	(10,319)	—
Other intangibles	12,270	(3,757)	8,513
Other intangible assets, net	$74,393	$(38,491)	$35,902
Amortization expense for the year ended December 31, 2014		$ 4,190	

Amortization expense remaining for other intangible assets is as follows:

($ in thousands)	Amortization expense
2015	$ 3,949
2016	3,647
2017	3,569
2018	3,484
2019	3,475
Thereafter	17,778
Total amortization expense	$35,902

	As of December 31, 2013		
($ in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Customer lists/relationships	$51,804	$(21,490)	$30,314
Patents	10,319	(10,319)	—
Other intangibles	12,270	(2,492)	9,778
Other intangible assets, net	$74,393	$(34,301)	$40,092
Amortization expense for the year ended December 31, 2013		$ 5,002	
Amortization expense for the year ended December 31, 2012		$ 2,118	

Changes in the net carrying value amount of goodwill were as follows:

($ in thousands)	Total
Goodwill as of December 31, 2012	$32,547
2013 reduction — sale of EMS business	(500)
Goodwill as of December 31, 2013	32,047
Impairment charge	—
Goodwill as of December 31, 2014	$32,047

NOTE 7 — Costs Associated with Exit and Restructuring Activities

Costs associated with exit and restructuring activities are recorded in the Consolidated Statement of Earnings (Loss) as follows: restructuring-related charges are recorded as a component of Cost of Goods Sold; and restructuring and impairment charges are reported on a separate line and included in Operating Earnings. Total restructuring, impairment and restructuring-related charges were $7,876,000 for the year ended December 31, 2014.

Restructuring-related charges were $1,935,000 for the year ended December 31, 2014. Restructuring and impairment charges were $5,941,000 for the year ended December 31, 2014.

During April 2014, CTS announced plans to restructure its operations and consolidate its Canadian operations into other existing CTS facilities as part of CTS' overall plan to simplify its business model and rationalize its global footprint (''April 2014 Plan'').

These restructuring actions will result in the elimination of approximately 120 positions. These actions are expected to be completed in 2015. The following table displays the planned restructuring and restructuring-related charges associated with the April 2014 Plan, as well as a summary of the actual costs incurred through December 31, 2014:

($ in thousands) **April 2014 Plan**	**Planned Costs**	**Actual costs incurred through December 31, 2014**
Inventory write-down	$ 250	$ —
Equipment relocation	500	—
Other charges	350	—
Restructuring-related charges, included in cost of goods sold	$1,100	$ —
Workforce reduction	$4,100	$3,470
Asset impairment charge	—	—
Other charges, including pension termination costs	500	—
Restructuring and impairment charges	$4,600	$3,470
Total restructuring, impairment and restructuring-related charges	$5,700	$3,470

Under the April 2014 Plan, restructuring and impairment charges were $3,470,000 in the year ended December 31, 2014.

During June 2013, CTS announced a restructuring plan to simplify CTS' global footprint by consolidating manufacturing facilities into existing locations. This Plan includes the consolidation of operations from the U.K. manufacturing facility into the Czech Republic facility, the Carol Stream, Illinois manufacturing facility into the Juarez, Mexico facility and to discontinue manufacturing at its Singapore facility. Certain Corporate functions were consolidated or eliminated as a result of the June 2013 Plan and also as a result of the sale of CTS' EMS business.

These restructuring actions will result in the elimination of approximately 350 positions. The above actions are expected to be completed in 2015.

During the fourth quarter of 2014, CTS management revised the June 2013 Plan. The amendment added an additional $4,000,000 in planned costs. Future settlement of the U.K. pension plan is estimated to account for $2,000,000 of the added cost. The remaining $2,000,000 in restructuring and impairment charges are for severance costs and will result in the elimination of approximately 130 additional positions. The positions eliminated will be spread globally throughout CTS businesses. The above actions are expected to be substantially complete in 2015.

The following table displays the planned restructuring and restructuring-related charges associated with the realignment, as well as a summary of the actual costs incurred through December 31, 2014:

($ in thousands) **June 2013 Plan**	**Planned Costs**	**Actual costs incurred through December 31, 2014**
Inventory write-down	$ 800	$ 1,143
Equipment relocation	900	1,767
Other charges	100	602
Restructuring-related charges, included in cost of goods sold	$ 1,800	$ 3,512
Workforce reduction	$10,150	$ 8,431
Asset impairment charge	3,000	4,258
Other charges, including pension termination costs	7,650	1,123
Restructuring and impairment charges	$20,800	$13,812
Total restructuring and restructuring-related charges	$22,600	$17,324

Under the June 2013 Plan, total restructuring, impairment and restructuring-related charges incurred were $4,406,000 for the year ended December 31, 2014 and were $11,508,000 for the year ended December 31, 2013. For the year ended December 31, 2014, the restructuring-related charges were $1,935,000 and the restructuring and impairment charges were $2,471,000. For the year ended December 31, 2013, the restructuring-related charges were $1,053,000 and the restructuring and impairment charges were $10,455,000.

The following table displays the restructuring reserve activity for the period ended December 31, 2014:

($ in thousands) **June 2013 Plan and April 2014 Plan**	
Restructuring liability at January 1, 2014	$ 3,100
Restructuring and restructuring-related charges, excluding asset impairments and write-offs	7,442
Cost paid	(6,638)
Restructuring liability at December 31, 2014	$ 3,904

During December of 2012, CTS realigned its operations to suit its business needs (''December 2012 Plan''). These realignment actions resulted in the elimination of approximately 190 positions. These actions were completed as of March 31, 2013. Under the December 2012 Plan, total restructuring, impairment and restructuring-related charges incurred were $264,000 for the year ended December 31, 2013 and $2,519,000 for the year ended December 31, 2012. For the year ended December 31, 2013, the restructuring-related charges were $264,000 and there were no restructuring and impairment charges. For the year ended December 31, 2012, the restructuring-related charges were $54,000 and the restructuring and impairment charges were $2,465,000.

During June 2012, CTS initiated certain restructuring actions to reorganize certain operations to further improve its cost structure. These actions resulted in the elimination of approximately 250 positions. These actions were substantially completed by the middle of the fourth quarter of 2012. Under the June 2012 Plan, total restructuring, impairment and restructuring-related charges incurred were $1,985,000 for the year ended December 31, 2012. For the year ended December 31, 2012, the restructuring-related charges were $1,013,000 and the restructuring and impairment charges were $972,000.

NOTE 8 — Accrued Liabilities

The components of Accrued liabilities are as follows:

($ in thousands)	As of December 31, 2014	December 31, 2013
Accrued product related costs	**$ 5,216**	$ 5,429
Accrued income taxes	**3,346**	2,666
Accrued property and other taxes	**2,547**	1,718
Dividends payable	**1,336**	1,342
Remediation reserves	**3,918**	5,116
Other accrued liabilities	**8,993**	10,975
Total accrued liabilities	**$25,356**	$27,246

NOTE 9 — Contingencies

Certain processes in the manufacture of CTS' current and past products create hazardous waste by-products as currently defined by federal and state laws and regulations. CTS has been notified by the U.S. Environmental Protection Agency, state environmental agencies and, in some cases, generator groups, that it is or may be a potentially responsible party regarding hazardous substances at several sites either owned, not owned or operated by CTS. Some sites are Superfund sites such as in Asheville, North Carolina and Mountain View, California. In addition to these non-CTS sites, CTS has an ongoing practice of providing reserves for probable remediation activities at certain of its manufacturing locations and for claims and proceedings against CTS with respect to other environmental matters. CTS records reserves on a undiscounted basis. In the opinion of management, based upon presently available information relating to all such matters, adequate provision for probable costs has been made.

A roll forward of remediation reserves account on the balance sheet is comprised of the following:

($ in thousands)	Year Ended December 31, 2014	2013
Balance at beginning of period	**$ 5,116**	$3,847
Remediation expense	**1,521**	2,133
Remediation payments	**(2,719)**	(864)
Balance at the end of the period	**$ 3,918**	$5,116

CTS manufactures accelerator pedals for a number of automobile manufacturers, including subsidiaries of Toyota Motor Corporation (''Toyota''). In January 2010, Toyota initiated a recall of a substantial number of vehicles in North America containing pedals manufactured by CTS. The recall expanded to include vehicles in Europe and Asia. The pedal recall and associated events have led to CTS being named as a co-defendant with Toyota in certain litigation in the United States and Canada. CTS is not aware of any legal actions filed in Asia or Europe against CTS at this time. In February 2010, CTS entered into an agreement with Toyota whereby Toyota agreed that it will indemnify, defend, and hold CTS harmless from, and the parties will cooperate in the defense of, third-party civil claims and actions that are filed or asserted in the United States or Canada and that arise from or relate to alleged incidents of unintended acceleration of Toyota and Lexus vehicles. The limited exceptions to indemnification restrict CTS' share of any liability to amounts collectable from its insurers. CTS cannot assure that Toyota will not seek to recover a portion of its recall-related costs from CTS, or that the insurance CTS carries will be sufficient to cover such costs.

Certain other claims are pending against CTS with respect to matters arising out of the ordinary conduct of CTS' business. These claims, in the opinion of management, based upon past experience and presently available information, either adequate provision for anticipated costs has been reserved or the ultimate anticipated costs will not materially affect CTS' consolidated financial position, results of operations, or cash flows.

Thailand EMS Manufacturing Facility Flood

During the fourth quarter of 2011, CTS' Thailand EMS manufacturing facility was flooded. The flood damaged inventory and fixed assets and the facility itself. Local property insurance covered the costs of repairing and/or replacing the damaged inventory and machinery and equipment. CTS also had business interruption insurance under these policies that covers the lost sales impact and fixed costs. The maximum amount covered under the local insurance policy was exceeded. CTS also has a secondary global insurance policy that covered costs not covered by the local policy. In 2012, approximately $637,000 was recorded as insurance recovery from business interruption claims.

NOTE 10 — Leases

Minimum future obligations under all non-cancelable operating leases as of December 31, 2014 are as follows:

($ in thousands)	Operating Leases
2015	$ 4,700
2016	3,600
2017	3,400
2018	2,800
2019	1,400
Thereafter	955
Total minimum lease obligations	$16,855

Rent expense for operating leases charged to operations was as follows :

	Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Rent expense	**$4,300**	$3,936	$3,435

The operating lease information includes a variety of properties around the world. These properties are used as manufacturing facilities, distribution centers and sales offices. Lease expirations range from 2015 to 2020 with breaking periods specified in the lease agreements. Sublease income was $503,000 in 2014. Future sublease income is $503,000 in 2015 and $482,000 in 2016. Some of CTS' operating leases include renewal options and escalation clauses.

In the fourth quarter of 2012, one of CTS' foreign locations entered into a sale-leaseback transaction. Accordingly, CTS recorded a gain of approximately $10,300,000 and deferred approximately $4,500,000 of gain that will be amortized over six years. As of December 31, 2014, $764,625 is recorded in Accrued liabilities and $2,250,237 is recorded in Other long-term obligations the Consolidated Balance Sheets.

NOTE 11 — Debt

Long-term debt was comprised of the following:

	As of	
($ in thousands)	**December 31, 2014**	December 31, 2013
Revolving credit facility due in 2017	**$ 75,000**	$ 75,000
Weighted average interest rate	**1.5%**	1.9%
Amount available	**$122,535**	$122,400
Total credit facility	**$200,000**	$200,000
Standby letters of credit	**$ 2,465**	$ 2,600
Commitment fee percentage per annum	**0.25**	0.30

The revolving credit facility requires, among other things, that CTS comply with a maximum total leverage ratio and a minimum fixed charge coverage ratio. Failure of CTS to comply with these covenants could reduce the borrowing availability under the revolving credit facility. CTS was in compliance with all debt covenants at December 31, 2014. The revolving credit facility requires CTS to deliver quarterly financial statements, annual financial statements, auditors certifications and compliance certificates within a specified number of days after the end of a quarter and year. Additionally, the revolving credit facility contains restrictions limiting CTS' ability to: dispose of assets; incur certain additional debt; repay other debt or amend subordinated debt instruments; create liens on assets; make investments, loans or advances; make acquisitions or engage in mergers or consolidations; engage in certain transactions with CTS' subsidiaries and affiliates; and make stock repurchases and dividend payments. Interest rates on the revolving credit facility fluctuate based upon the London Interbank Offered Rate and the Company's quarterly total leverage ratio. CTS pays a commitment fee on the undrawn portion of the revolving credit facility. The commitment fee varies based on the quarterly leverage ratio.

CTS has debt issuance costs related to its long-term debt that are being amortized using the straight-line method over the life of the debt. Amortization expense was $200,000 in 2014, 2013 and 2012, and was recognized as interest expense.

CTS uses interest rate swaps to convert the line of credit's variable rate of interest into a fixed rate. In the second quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $50,000,000 of long-term debt for the periods January 2013 to January 2017. In the third quarter of 2012, CTS entered into four separate interest rate swap agreements to fix interest rates on $25,000,000 of long-term debt for the periods January 2013 to January 2017. The difference to be paid or received under the terms of the swap agreements will be recognized as an adjustment to interest expense for the related line of credit when settled.

These swaps are treated as cash flow hedges and consequently, the changes in fair value were recorded in Other comprehensive income. Interest rate swaps activity recorded in Other comprehensive earnings before tax includes the following:

	For the Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Unrealized (loss) gain	**$(510)**	$289	$(1,607)
Realized gain reclassified to interest expense	**$ 488**	$319	$ —

Interest rate swaps included on the balance sheets are comprised of the following:

	As of	
($ in thousands)	**December 31, 2014**	December 31, 2013
Accrued liabilities	**$640**	$392
Other long-term obligations	**$380**	$604

NOTE 12 — Accumulated Other Comprehensive Loss

Shareholders' equity includes certain items classified as Accumulated other comprehensive loss (''AOCI'') in the Consolidated Balance Sheets, including:

- **Unrealized gains (losses) on hedges** relate to interest rate swaps to convert the line of credit's variable rate of interest into a fixed rate. These hedges are designated as cash flow hedges, and CTS has deferred income statement recognition of gains and losses until the hedged transaction occurs. Amounts reclassified to income from AOCI for hedges are included in interest expense. Further information related to CTS' interest rate swaps is included in NOTE 15, ''Fair Value Measurements''.

- **Unrealized gains (losses) on pension obligations** are deferred from income statement recognition until the gains or losses are realized. Amounts reclassified to income from AOCI are included in net periodic pension expense. Further information related to CTS' pension obligations is included in NOTE 5, ''Retirement Plans''.

- **Cumulative translation adjustment** relates to our non-U.S. subsidiary companies that have designated a functional currency other than the U.S. dollar. CTS is required to translate the subsidiary functional currency financial statements to dollars using a combination of historical, period-end, and average foreign exchange rates. This combination of rates creates the foreign currency translation adjustment component of other comprehensive income. Transfer of foreign currency translation gains and (losses) from AOCI to income are included in Total other income (expense).

The components of AOCI for 2014 are as follows (in thousands):

	As of December 31, 2013	Gain (Loss) Recognized in OCI	Gain (Loss) reclassified from AOCI to income	As of December 31, 2014
Changes in fair market value of hedges:				
Gross	$ (998)	$ (510)	$ 488	$ (1,020)
Income tax (benefit)	(402)	(167)	185	(384)
Net	(596)	(343)	303	(636)
Changes in unrealized pension cost:				
Gross	(138,133)	(37,043)	5,885	(169,291)
Income tax (benefit)	(55,028)	(12,267)	2,171	(65,124)
Net	(83,105)	(24,776)	3,714	(104,167)
Cumulative translation adjustment:				
Gross	949	(704)	—	245
Income tax (benefit)	(855)	530	—	(325)
Net	1,804	(1,234)	—	570
Total accumulated other comprehensive (loss) income	$ (81,897)	$(26,353)	$4,017	$(104,233)

The components of AOCI for 2013 are as follows (in thousands):

	As of December 31, 2012	Gain (Loss) recognized in OCI	Gain (Loss) reclassified from AOCI to income	As of December 31, 2013
Changes in fair market value of hedges:				
Gross	$ (1,606)	$ 289	$ 319	$ (998)
Income tax (benefit)	(626)	101	123	(402)
Net	(980)	188	196	(596)
Changes in unrealized pension cost:				
Gross	(199,241)	51,642	9,466	(138,133)
Income tax (benefit)	(78,398)	19,821	3,549	(55,028)
Net	(120,843)	31,821	5,917	(83,105)
Cumulative translation adjustment:				
Gross	575	374	—	949
Income tax (benefit)	(644)	(211)	—	(855)
Net	1,219	585	—	1,804
Total accumulated other comprehensive (loss) income	$(120,604)	$32,594	$6,113	$ (81,897)

NOTE 13 — Shareholders' Equity

Share count and par value data related to shareholders' equity are as follows:

	As of	
	December 31, 2014	December 31, 2013
Preferred Stock		
Par value per share	**$No par value**	$No par value
Shares authorized	**25,000,000**	25,000,000
Shares outstanding	**—**	—
Common Stock		
Par value per share	**$No par value**	$No par value
Shares authorized	**75,000,000**	75,000,000
Shares issued	**56,101,700**	55,808,008
Shares outstanding	**33,392,060**	33,558,864
Treasury stock		
Shares held	**22,709,640**	22,249,144

CTS uses the cost method to account for its common stock purchases. During the year ended December 31, 2014, CTS purchased 460,496 shares of common stock for $8,002,000 under a board-authorized share repurchase plan. For the year ended December 31, 2013, CTS purchased 419,190 shares of common stock for $6,208,000. Approximately 8,891,040 shares are available for future issuances.

A roll forward of common shares outstanding is as follows:

	As of	
	December 31, 2014	December 31, 2013
Balance at the beginning of the year	**33,558,864**	33,433,128
Repurchases	**(460,496)**	(419,190)
Stock option issuances	**101,350**	266,043
Restricted share issuances	**192,342**	278,883
Restricted share forfeitures	**—**	—
Shares withheld for tax obligations	**—**	—
Balance at the end of the period	**33,392,060**	33,558,864

The following table shows the potentially dilutive securities which have been excluded from the dilutive earnings per share calculation because they are either anti-dilutive, or the exercise price exceeds the average market price.

	For the Year Ended December 31,		
	2014	2013	2012
Potentially dilutive securities	**—**	634	—

NOTE 14 — Equity-Based Compensation

At December 31, 2014, CTS had five equity-based compensation plans: the 2001 Stock Option Plan (''2001 Plan''), the Nonemployee Directors' Stock Retirement Plan (''Directors' Plan''), the 2004 Omnibus Long-Term Incentive Plan (''2004 Plan''), the 2009 Omnibus Equity and Performance Incentive Plan (''2009 Plan''), and the 2014 Performance & Incentive Plan (''2014 Plan''). Future grants can only be made under the 2014 Plan.

The 2009 Plan, and previously the 2001 Plan and 2004 Plan, provides for grants of incentive stock options or nonqualified stock options to officers, key employees, and nonemployee members of CTS' Board of Directors. In addition, the 2014 Plan, the 2009 Plan and the 2004 Plan allow for grants of stock appreciation rights, restricted stock, RSUs, performance shares, performance units, and other stock awards.

The following table summarizes the compensation expense included in Selling, general and administrative expenses in the Consolidated Statements of Earnings (Loss) related to equity-based compensation plans:

	For the Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Service-Based RSUs	**$1,771**	$2,879	$2,939
Performance-Based RSUs	**479**	674	242
Market-Based RSUs	**410**	666	918
Total	**$2,660**	$4,219	$4,099
Income tax benefit	**$1,000**	$1,600	$1,600

The following table summarizes the unrecognized compensation expense related to non-vested RSUs by type and the weighted-average period in which the expense is to be recognized:

($ in thousands)	Unrecognized compensation expense at December 31, 2014	Weighted-average period
Service-Based RSUs	**$1,106**	1.3 years
Performance-Based RSUs	**875**	1.4 years
Market-Based RSUs	**634**	1.3 years
Total	**$2,615**	

CTS recognizes expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The following table summarizes the status of these plans as of December 31, 2014:

	2014 Plan	2009 Plan	2004 Plan	2001 Plan
Awards originally available	1,500,000	3,400,000	6,500,000	2,000,000
Stock options outstanding	—	—	5,200	—
RSUs outstanding	42,300	374,442	101,223	—
Options exercisable	—	—	5,200	—
Awards available for grant	1,457,700	1,616,398	106,423	—

Stock Options

Stock options are exercisable in cumulative annual installments over a maximum 10-year period, commencing at least one year from the date of grant. Stock options are generally granted with an exercise price equal to the market price of CTS' stock on the date of grant. The stock options generally vest over four years and have a 10-year contractual life. The awards generally contain provisions to either accelerate vesting or allow vesting to continue on schedule upon retirement if certain service and age requirements are met. The awards also provide for accelerated vesting if there is a change in control event.

CTS estimated the fair value of the stock option on the grant date using the Black-Scholes option-pricing model and assumptions for expected price volatility, option term, risk-free interest rate, and dividend yield. Expected price volatilities were based on historical volatilities of CTS' common stock. The expected option term is derived from historical data on exercise behavior. The dividend yield was based on historical dividend payments. The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of the status of stock options as of December 31, 2014, and changes during the year then ended, is presented below:

	Year Ended December 31, 2014	
	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	123,000	$12.78
Exercised	(115,100)	$12.84
Expired	(2,700)	$11.04
Forfeited	—	$ —
Outstanding at end of period	5,200	$12.35
Exercisable at end of period	5,200	$12.35

	Year Ended December 31, 2014
Intrinsic values of stock options exercised	$831,000
Weighted average remaining contractual life	0.9 years
Aggregate intrinsic values of options outstanding and options exercisable	$ 29,000

There are no unvested stock options at December 31, 2014.

Service-Based Restricted Stock Units

Service-based RSUs entitle the holder to receive one share of common stock for each unit when the unit vests. RSUs are issued to officers, key employees and non-employee directors as compensation. Generally, the RSUs vest over a three-year period. RSUs granted to non-employee directors vest one month after granted. Upon vesting, the non-employee directors elect to either receive the stock associated with the RSU immediately, or defer receipt of the stock until their retirement from the Board of Directors. The fair value of the RSUs is equivalent to the trading value of CTS' common stock on the grant date.

A summary of the status of RSUs is presented below:

	Units	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2014	630,288	$10.36		
Granted	259,315	9.00		
Converted	(289,677)	5.68		
Forfeited	(81,961)	11.86		
Outstanding at December 31, 2014	517,965	$12.06	11.1 years	$9,235,000
Convertible at December 31, 2014	283,823	$10.07	19.2 years	$5,061,000

	For the Year Ended December 31,		
	2014	2013	2012
Weighted average grant date fair value	**$ 9.00**	$ 10.97	$ 9.83
Intrinsic value of RSUs converted	**$5,670,000**	$4,535,000	$2,700,000

A summary of the nonvested RSUs is presented below:

	RSUs	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2014	369,565	$11.05
Granted	259,315	9.00
Vested	(312,777)	6.57
Forfeited	(81,961)	11.86
Nonvested at December 31, 2014	234,142	14.48

	Year Ended December 31,		
($ in thousands)	**2014**	2013	2012
Fair value of RSUs vested	**$2,055**	$3,700	$2,600

Performance-Based Restricted Stock Units

CTS grants performance-based restricted stock unit awards for certain executives. Vesting may occur in the range from zero percent to 200% of the target amount. Vesting is subject to certification of the fiscal results of the year prior to the target year by CTS' independent auditors. Vesting is dependent upon CTS' achievement of either sales growth targets or cash flow targets as noted in the table below.

Performance-Based RSUs include the following components:

Grant Date	Target Units	Vesting Year	Vesting Dependency	Units Awarded
February 8, 2012	45,850	2014	Sales growth	—
February 8, 2012	39,300	2014	Cash flow	69,600
February 11, 2013	77,700	2016	Sales growth	—
February 11, 2013	66,600	2016	Cash flow	—
February 14, 2014	25,085	2017	Sales growth	—
February 14, 2014	21,500	2017	Cash flow	—

Market-Based Restricted Stock Units

On July 2, 2012, 8,334 units were awarded and vested for an executive officer.

CTS grants market-based restricted stock unit awards for certain executives and key employees. Vesting may occur in the range from zero percent to 200% of the target amount. Vesting is subject to certification of the fiscal results of the year prior to the target year by CTS' independent auditors. The vesting rate will be determined using a matrix based on a percentile ranking of CTS total stockholder return with peer group total shareholder return over a three-year period. Vesting is tied exclusively to CTS total stockholder return relative to peer group companies' total stockholder return rates.

Market-Based RSUs include the following components:

Grant Date	Target Units	Vesting Year	Number of Peer Group Companies	Units Awarded
February 8, 2012	45,850	2014	28	63,800
February 11, 2013	77,700	2016	20	—
February 11, 2013	32,500	2016	20	—
February 14, 2014	25,085	2017	15	—

NOTE 15 — Fair Value Measurements

U.S. GAAP stipulates that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below the carrying amount. As a first step, CTS evaluated certain qualitative factors such as general market, macro-economic conditions, entity-specific events and overall past and projected financial performance of its business operations that could affect CTS' recorded goodwill. If it is determined in the first step that it is more-likely-than-not that goodwill may be impaired, then a two-step method is applied. A two-step method is used to measure the amount of an impairment loss. The first step requires CTS to determine the fair value of the reporting unit and compare that fair value to the net book value of the reporting unit. The fair value of the reporting unit is determined using various valuation techniques, including a discounted cash flow analysis-income approach and a market approach which uses current industry information. The second step requires CTS to determine the implied fair value of goodwill and measure the impairment loss as the difference between the book value of the goodwill and the implied fair value of the goodwill. The implied fair value of goodwill must be determined in the same manner as if CTS had acquired those reporting units.

In 2014, a Step 1 goodwill test was performed by CTS' management with the assistance of a third-party valuation firm. As of December 31, 2014, it was concluded that the estimated implied fair value of goodwill exceeded the carrying value and accordingly, no goodwill impairment was required.

The table below summarizes the assets measured on a non-recurring basis that were recorded as of December 31, 2014 and the losses recorded during the period ended December 31, 2014 on those assets:

Description ($ in thousands)	Carrying Value at December 31, 2014	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Loss for Year Ended December 31, 2014
Property, plant and equipment, net	—	—	—	—	$433

During the second quarter of 2013, CTS initiated the June 2013 Plan, which impacted certain locations. This was considered a triggering event, and CTS performed an impairment analysis for the impacted intangibles and long-lived assets. The resulting intangible impairment loss related to customer based intangibles. The fair value of these assets were measured and recorded using an income approach. Projected future cash flows related to these assets were used under this approach to determine their fair values. CTS recorded an impairment charge of approximately $3,770,000 for 2013. The impairment charge was recorded under "Restructuring and impairment charge" on CTS' Consolidated Statements of Earnings (Loss).

The table below summarizes the financial liability that was measured at fair value on a recurring basis as of December 31, 2014 and the loss recorded during the year ended December 31, 2014:

($ in thousands)	Carrying Value at December 31, 2014	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Loss Year Ended December 31, 2014
Interest rate swap — cash flow hedge	$1,020	$—	$1,020	$—	$488

The table below summarizes the financial liability that was measured at fair value on a recurring basis as of December 31, 2013 and the loss recorded during the year ended December 31, 2013:

($ in thousands)	Carrying Value at December 31, 2013	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Loss for Year Ended December 31, 2013
Interest rate swap — cash flow hedge	$998	$—	$998	$—	$319

The fair value of CTS' interest rate swaps were measured using a market approach which uses current industry information. There is a readily determinable market and these swaps are classified within level 2 of the fair value hierarchy.

The table below provides a reconciliation of the recurring financial liability related to interest rate swaps:

($ in thousands)	Interest Rate Swaps
Balance at January 1, 2013	$(1,606)
Total gains for the period:	
Included in earnings	319
Included in other comprehensive earnings	289
Balance at January 1, 2014	$ (998)
Total gains (losses) for the period:	
Included in earnings	488
Included in other comprehensive earnings	(510)
Balance at December 31, 2014	$(1,020)

The estimated net amount that is expected to be reclassed into earnings as interest expense within the next twelve months for the interest rate swaps is appropriately $655,000.

CTS' long-term debt consists of a revolving debt facility which is recorded at its carrying value. There is a readily determinable market for CTS' revolving credit debt and it is classified within Level 2 of the fair value hierarchy as the market is not deemed to be active. The fair value of long-term debt was measured using a market approach which uses current industry information and approximates carrying value.

NOTE 16 — Income Taxes

Earnings before income taxes consist of the following for the years ended December 31:

($ in thousands)	**2014**	2013	2012
Domestic	**$19,205**	$ (5,396)	$ (6,184)
Non-U.S.	**20,143**	23,459	20,628
Total	**$39,348**	$18,063	$14,444

Significant components of income tax provision/(benefit) are as follows for the years ended December 31:

($ in thousands)	**2014**	2013	2012
Current:			
Federal	**$ 508**	$ 661	$ 39
State	**437**	671	534
Non-U.S.	**6,981**	4,804	5,839
Total Current	**7,926**	6,136	6,412
Deferred:			
Federal	**3,436**	7,091	(1,423)
State	**154**	877	(350)
Non-U.S.	**1,310**	1,962	(3,687)
Total Deferred	**4,900**	9,930	(5,460)
Total provision for Income Taxes	**$12,826**	$16,066	$ 952

Significant components of the CTS' deferred tax assets and liabilities at December 31 are:

($ in thousands)	**2014**	2013
Postretirement benefits	**$ 1,953**	$ 1,877
Inventory reserves	**1,567**	1,934
Loss carry-forwards	**23,095**	36,373
Credit carry-forwards	**16,903**	15,028
Nondeductible accruals	**6,336**	6,126
Research expenditures	**30,088**	28,606
Prepaid charges	**45**	727
Foreign exchange loss	**1,009**	—
Other	**4,102**	5,476
Gross deferred tax assets	**85,098**	96,147
Depreciation	**11,073**	11,168
Pensions	**9,462**	19,177
Unrealized foreign exchange gain	**—**	350
Subsidiaries' unremitted earnings	**—**	2,774
Other	**—**	696
Gross deferred tax liabilities	**20,535**	34,165
Net deferred tax assets	**64,563**	61,982
Deferred tax asset valuation allowance	**(12,938)**	(14,323)
Total net deferred tax assets	**$ 51,625**	$ 47,659

The current and long-term deferred tax assets and current and long-term deferred tax liabilities at December 31 are:

($ in thousands)	**2014**	2013
Current Deferred Tax Assets	**$ 8,708**	$ 9,426
Current Deferred Tax Liabilities	**(8)**	(138)
Total Current Deferred Tax Assets	**8,700**	9,288
Non-current Deferred Tax Assets	**43,120**	38,620
Non-current Deferred Tax Liabilities	**(195)**	(249)
Total Non-current Deferred Tax Assets	**42,925**	38,371
Total net deferred tax assets	**$51,625**	$47,659

The current and non-current deferred tax assets and current and non-current deferred tax liabilities were not netted since these items relate to different tax jurisdictions. Current deferred tax assets, current deferred tax liabilities and non-current deferred tax liabilities are included as components of ''Other current assets'', ''Accrued liabilities'' and ''Other long-term obligations'' respectively, on CTS' Consolidated Balance Sheets at December 31, 2014 and December 31, 2013.

At the end of each annual reporting period, CTS makes an assessment of the ultimate realizability of its net deferred tax assets, including deferred tax assets associated with accumulated net operating losses (''NOLs'') in the various jurisdictions in which it operates. In assessing the ultimate realizability of its net deferred tax assets, CTS considers its past performance, available tax strategies, and expected future taxable income during the tax loss and credit carry-forward periods.

Generally, CTS assesses that it is more-likely-than-not its net deferred tax assets will be realized during the available carry-forward periods. CTS has determined, however, that a valuation allowance of $12,938,000 should be provided for certain deferred tax assets at December 31, 2014. In most cases, the valuation allowances were necessitated by changes in business activity in the underlying jurisdictions, which contributed to the more-likely-than-not conclusion that the deferred tax assets would not be realized. No valuation allowance was recorded in 2014 against the U.S. federal NOL carry-forward of $43,188,000 expiring in the years 2022 through 2031. CTS assessed the future realization of those NOLs utilizing taxable income projections for years 2015 through 2021. Those projections applied taxable income estimates consistent with historical earnings patterns of its traditional automotive and electronic component product lines and a return to levels of profitability in its communication component product line consistent with management and independent consensus views of the moderate recovery expected in the markets served by CTS. Management believes that, based upon the historical operating performance of its business units and the successful cost reduction efforts, CTS more-likely-than-not, will realize the benefits of its U.S. NOL.

As of December 31, 2014, the $12,938,000 valuation allowance includes $3,682,000 for certain state NOLs and credit carry-forwards, $5,478,000 for foreign tax credit carry-forwards, and $3,778,000 related to foreign deferred tax assets and NOLs. The $1,385,000 net decrease in the valuation allowance was primarily related to a $1,540,000 decrease in the valuation allowance for state NOLs due to the expiration of the carry-forward period, as well as a $1,117,000 decrease in the valuation allowance related to UK NOLs. This was offset by valuation increases in certain foreign countries including Hong Kong, India, and Switzerland due to the change in NOL's associated with current year earnings as well as a $1,329,000 increase in the valuation allowance for a tax credit in the Czech Republic.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

In addition to the US NOL carry-forward of $43,188,000 addressed above, the company has $2,535,000 of alternative minimum tax credit carry-forwards, $7,208,000 of federal R&D credits which begin to expire in year 2021 and $5,478,000 of foreign tax credit carry-forwards which begin to expire in 2015. The foreign tax credit carry-forwards have a valuation allowance recorded against the entire deferred tax asset. Significant foreign NOLs include People's Republic of China in the amount of $13,489,000 which expires in years 2016 through 2018 and Switzerland in the amount of $7,549,000 which expires in years 2018 through 2021. A valuation allowance has been recorded against the entire deferred tax asset related to the Swiss NOL. CTS also has a $1,329,000 tax credit in the Czech Republic for which a valuation allowance was recorded against the entire deferred tax asset. This credit expires in 2016. State NOLs, net of federal benefit are $5,029,000. While the earliest of these NOLs expire in 2015, the significant components of the state NOL carry-forwards are Indiana loss carry-forwards which begin to expire in the year 2021. A valuation allowance in the amount of $2,768,000 has been recorded on the state NOL carry-forwards. State credits, net of federal benefit are $1,656,000 which expires in years 2015 through 2034. A valuation allowance in the amount of $914,000 has been recorded on the state tax credits.

The following table reconciles taxes at the United States statutory rate to the effective income tax rate from continuing operations for the years ended December 31:

	2014	2013	2012
Taxes at the U.S. statutory rate	**35.00%**	35.00%	35.00%
State income taxes, net of federal income tax benefit	**0.72%**	0.95%	(0.02)%
Non-U.S. income taxed at rates different than the U.S. statutory rate	**(7.57)%**	(9.86)%	(8.99)%
Benefit of scheduled tax credits	**(1.32)%**	(3.88)%	—%
Foreign source income	**3.47%**	60.94%	5.64%
Non-deductible expenses	**2.79%**	(2.42)%	(0.97)%
Non-U.S. adjustments to valuation allowances	**(0.43)%**	8.18%	(5.72)%
Nontaxable foreign gain	**—%**	—%	(11.47)%
Change in unrecognized tax benefits	**—%**	0.69%	(8.97)%
Other	**(0.08)%**	(0.65)%	2.09%
Effective income tax rate	**32.58%**	88.95%	6.59%

CTS' overall tax rate reflects tax incentives that CTS' business operations continue to qualify for in various countries. As a result, certain earnings of CTS are subject to tax at reduced rates for specified periods of time. These tax incentives, unless extended, are scheduled to begin expiring at the end of 2014. During 2012, CTS' Zhongshan, China manufacturing site applied for a new production and technology based income tax incentive. The application was approved during the first quarter of 2013, reducing the 25% China statutory tax rate to 15% for the 2012 through 2014 period. In 2014, the benefit from the reduced tax rate for CTS Zhongshan was $1,366,000. As part of its 2013 tax provision, CTS recognized a $1,087,766 tax benefit related to the retroactive enactment of this tax incentive to 2012. In addition, on December 19, 2014, President Obama signed into law the Tax Increase Prevention Act of 2014, which retroactively extended, among other items, the U.S. research credit and controlled foreign corporation look-through exemption through 2014. CTS recognized a $594,000 tax benefit in its 2014 provision related to this retroactive law change.

In 2014, CTS recognized approximately $684,000 of U.S. tax expense relating to current and prior year earnings outside of the U.S. that are not deemed to be permanently reinvested. Management intends to continue to permanently reinvest all remaining current and prior earnings in jurisdictions located outside of the U.S. At December 31, 2014, no provision had been made for U.S. federal and state income taxes on approximately $172,000,000 of foreign earnings, which are expected to be permanently reinvested outside of the U.S. Upon distribution of those earnings in the form of dividends or otherwise, CTS would be subject to U.S. income taxes, with a possible adjustment for foreign tax credits, state income taxes, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. tax liability is not practical because of complexities such as net operating loss utilizations, potential foreign tax credits, local restrictions on distributions, and treaty implications associated with the related calculation.

CTS recognizes the financial statement benefit of a tax position based on its technical merits only after determining that the position would be sustained upon examination, including resolution of any related appeals or litigation. A tax position that meets the ''more-likely-than-not'' threshold is then measured to determine the amount of benefit recognized in the financial statements. CTS or one of its subsidiaries files income tax returns in the United States (Federal and various states), and foreign jurisdictions. CTS' open tax years are primarily subject to examination from 2010 through 2013 for all U.S. jurisdictions. The open years for the international tax returns range from 2006 through 2013 based on local statutes. U.S. tax authorities also have the ability to review prior tax years to the extent of net operating losses and tax credit carry-forwards. Changes may be applied to any open tax years. At December 31, 2014, CTS had one ongoing income tax audit in Canada. CTS has approximately $3,890,000 of unrecognized tax benefits, which if recognized, would impact the effective tax rate. CTS does not anticipate any significant changes in its unrecognized tax benefits within the next 12 months as a result of examinations or statute lapses.

A reconciliation of the beginning and ending unrecognized tax benefits is provided below:

($ in thousands)	**2014**	2013
Balance at January 1	**$4,043**	$4,130
Increase related to current year tax positions	**40**	35
Increase related to prior year tax positions	**5**	35
Decrease as a result of lapse of statute of limitations	**(114)**	(36)
Decrease related to settlements with taxing authorities	**(14)**	(121)
Other Decrease	**(70)**	—
Balance at December 31	**$3,890**	$4,043

CTS' continuing practice is to recognize interest and/or penalties related to income tax matters as income tax expense. However, at the time of adoption and as of the year ended December 31, 2014, there were no significant amounts accrued for interest and/or penalties related to uncertain income tax positions.

NOTE 17 — Discontinued Operations

On October 2, 2013, CTS completed the sale of its EMS business to Benchmark for approximately $75,000,000 in cash. Included were five manufacturing facilities (Moorpark, California; Londonderry, New Hampshire; Bangkok, Thailand; Matamoros, Mexico and San Jose, California) and approximately 1,000 employees.

The Condensed Statement of Earnings of the EMS discontinued operations is as follows:

	Year Ended	
($ in thousands)	**December 31, 2013**	December 31, 2012
Net sales	**$155,055**	$272,437
Cost of goods sold	**142,589**	262,571
Insurance recovery for business interruption	**—**	(20,256)
Selling, general and administrative expenses	**11,617**	17,315
Insurance recovery for property damage	**—**	(1,769)
Restructuring and impairment charge	**1,444**	2,949
Operating (loss) earnings	**(595)**	11,627
Other expense (income), net	**(345)**	871
(Loss) earnings before income taxes	**(940)**	12,498
Income tax (benefit) expense	**(162)**	5,657
(Loss) earnings from discontinued operations	**(778)**	6,841
Loss on sale of EMS operations (net of tax of $3,923)	**(5,148)**	—
Net (loss) earnings from discontinued operations	**$ (5,926)**	$ 6,841

The intangibles related to EMS were part of the sale to Benchmark. Of the net intangibles, excluding goodwill and in-process research and development at December 2012, $4,960,000 was related to EMS. Of the goodwill at December 31, 2012, $500,000 related to EMS. CTS recorded amortization expense in discontinued operations of $700,000 and $900,000, for the years ended December 31, 2013 and 2012.

Scotland EMS Manufacturing Facility Fire

During the second quarter of 2011, a fire occurred at CTS' Scotland EMS manufacturing facility. The fire damaged inventory and machinery and equipment. Property insurance coverage had substantially covered the costs of repairing and/or replacing the damaged inventory and machinery and equipment. Business interruption insurance had substantially covered the lost sales impact and related fixed costs in 2011.

In 2012, CTS recovered approximately $1,100,000 from CTS' insurance carriers and recorded a recovery of $900,000 in

CTS' Consolidated Statements of Operations for the year ended December 31, 2012 for business interruption, after deducting $100,000 for certain expenses and relieving the insurance receivable of approximately $100,000 that was recorded at December 31, 2011. These recoveries reflect the final settlement with CTS' insurance carrier. As these amounts were directly related to the EMS segment, the Consolidated Statements of Operations amounts have been reported separately as discontinued operations.

Thailand EMS Manufacturing Facility Flood

During the fourth quarter of 2011, CTS' Thailand EMS manufacturing facility was flooded. The flood damaged inventory and fixed assets and the facility itself. Local property insurance covered the costs of repairing and/or replacing the damaged inventory and machinery and equipment. CTS also had business interruption insurance under these policies that covers the lost sales impact and fixed costs. The maximum amount covered under the local insurance policy was exceeded. CTS also has a secondary global insurance policy that covered costs not covered by the local policy for up to approximately $25,000,000 with a deductible of $250,000.

In 2012, CTS received cash of approximately $24,600,000 from CTS' insurance carriers. Included in this amount were approximately $21,500,000 for business interruption and the remaining $3,100,000 for reimbursement of costs related to property damage. Part of this cash received was to relieve the insurance receivable balance of $2,400,000 recorded at December 31, 2011.

CTS recorded a recovery of approximately $20,000,000 for business interruption and $1,800,000 for property damage in CTS' Consolidated Statements of Operations for the year ended December 31, 2012. These recoveries reflect the final settlement with CTS' insurance carrier. As these amounts were directly related to the EMS segment, the Consolidated Statements of Operations amounts have been reported separately as discontinued operations. In 2012, approximately $600,000 of this amount was recorded in continuing operations as insurance recovery.

NOTE 18 — Geographic Data

Financial information relating to CTS' operations by geographic area were as follows:

Net Sales from continuing operations ($ in thousands)	**Year Ended December 31,**		
	2014	2013	2012
United States	**$234,323**	$223,212	$122,986
Singapore	**11,510**	13,812	14,458
United Kingdom	—	28,167	30,981
China	**61,683**	72,509	60,864
Canada	**35,145**	38,061	39,186
Czech Republic	**44,424**	18,117	20,213
Other non-U.S.	**16,936**	15,583	15,793
Consolidated net sales	**$404,021**	$409,461	$304,481

Sales are attributed to countries based upon the origin of the sale.

Long-Lived Assets ($ in thousands)	**Year Ended December 31,**		
	2014	2013	2012
United States	**$33,048**	$36,664	$45,957
China	**31,782**	33,277	34,615
United Kingdom	**1,055**	2,004	2,669
Singapore	**80**	117	1,111
Canada	**462**	478	563
Taiwan	**2,127**	1,775	1,764
Thailand	—	—	5,839
Switzerland	—	19	714
Other non-U.S	**2,860**	535	493
Consolidated long-lived assets	**$71,414**	$74,869	$93,725

NOTE 19 — Quarterly Financial Data

Quarterly Results of Operations
(Unaudited)

($ in thousands)	First	Second	Third	Fourth
2014				
Net sales	**$100,706**	**$102,980**	**$ 99,957**	**$100,378**
Gross margin	**30,615**	**33,823**	**32,499**	**33,026**
Operating earnings	**10,845**	**9,945**	**11,223**	**10,310**
Net earnings	**5,080**	**6,361**	**8,117**	**6,964**
Basic earnings per share	**$ 0.15**	**$ 0.19**	**$ 0.24**	**$ 0.21**
Diluted earnings per share	**$ 0.15**	**$ 0.19**	**$ 0.24**	**$ 0.21**
2013				
Net sales	$ 98,062	$105,381	$103,632	$102,386
Gross margin	26,786	32,400	32,001	30,166
Operating earnings	2,681	2,443	7,553	5,010
Earnings (loss) from continuing operations	2,988	(10,253)	5,115	4,148
Earnings (loss) from discontinued operations	580	(1,082)	1,704	(7,129)
Net earnings (loss)	3,568	(11,335)	6,819	(2,981)
Basic earnings per share:				
Earnings (loss)from continuing operations	$ 0.09	$ (0.31)	$ 0.16	$ 0.12
Earnings (loss) from discontinued operations	0.02	(0.03)	0.04	(0.21)
Total	$ 0.11	$ (0.34)	$ 0.20	$ (0.09)
Diluted earnings per share:				
Earnings from continuing operations	$ 0.09	$ (0.31)	$ 0.16	$ 0.12
Earnings (loss) from discontinued operations	0.01	(0.03)	0.05	(0.21)
Total	$ 0.10	$ (0.34)	$ 0.21	$ (0.09)

CTS CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

		Additions			
	Balance at Beginning of Period	Charged/ (Credit) to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
	(In thousands of dollars)				
Year ended December 31, 2014					
Allowance for doubtful accounts	$ 130	$ (38)	$ —	$ 8	$100
Year ended December 31, 2013					
Allowance for doubtful accounts	$ 811	$(130)	$(442)	$(109)	$130
Year ended December 31, 2012:					
Allowance for doubtful accounts	$1,100	$(314)	$ 25	$ —	$811

Exhibit (21)

CTS CORPORATION AND SUBSIDIARIES

As of December 31, 2014

CTS Corporation (Registrant), an Indiana corporation

Subsidiary:	Jurisdiction
CTS Corporation	Delaware
CTS Automotive Holdings, L.L.C.	Delaware
CTS Electronics Components, Inc.	Delaware
LTB Investment Corporation	Delaware
Tusonix, Inc.	Arizona
CTS Electronic Components (California), Inc.	California
CTS Printex, Inc.	California
CTS Automotive, L.L.C.	Illinois
CTS Automotive Holdings 2, L.L.C.	Illinois
CTS SRL-CV Holdings 1, L.L.C.	Illinois
CTS Valpey Corporation	Maryland
Dynamics Corporation of America	New York
CTS Czech Republic S.R.O.	Czech Republic
CTS Europe GmbH	Germany
CTS Electronics Hong Kong Ltd.	Hong Kong Special Administrative Region of the People's Republic of China
CTS India Private Limited	India
CTS Japan, Inc.	Japan
D&R Operaciones de Mexico Sociedad de Responsabilidad Limitada Capital Variable	Republic of Mexico
CTS International B.V.	The Netherlands
CTS Overseas Holdings, B.V.	The Netherlands
CTS (Tianjin) Electronics Company Ltd.	Peoples' Republic of China
CTS (Zhongshan) Technology Co. Ltd.	People's Republic of China
CTS of Canada Co.	Province of Nova Scotia (Canada)
CTS of Canada Holding Company	Province of Nova Scotia (Canada)
CTS of Canada G.P., Ltd.	Province of Ontario (Canada)
CTS of Canada L.P.	Province of Ontario (Canada)
CTS Components Taiwan, Ltd.	Republic of China
CTS Electro de Matamoros, S.A	Republic of Mexico
Technologia Mexicana S.A. de C.V.	Republic of Mexico
CTS of Panama, S de R.L.	Republic of Panama
CTS Singapore Pte., Ltd.	Republic of Singapore
CTS Corporation U.K., Ltd.	Scotland
CTS Electronic Components A.G.	Switzerland

Exhibit (23)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 24, 2015, with respect to the consolidated financial statements, schedule, and internal control over financial reporting included in the Annual Report of CTS Corporation and subsidiaries on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said reports in the Registration Statements of CTS Corporation on Forms S-8 (File No. 333-198235, effective August 19, 2014, File No. 333-159542, effective May 28, 2009, 333-116287, effective June 8, 2004, 333-106614, effective June 27, 2003, and 333-62202, effective June 4, 2001).

/s/ GRANT THORNTON LLP

Chicago, Illinois
February 24, 2015

EXHIBIT (31)(a)

CERTIFICATION

I, Kieran O'Sullivan, certify that:

1. I have reviewed this annual report on Form 10-K of CTS Corporation:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles; and
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015 */s/ Kieran O'Sullivan*

Kieran O'Sullivan
Chairman, President and Chief Executive Officer

EXHIBIT (31)(b)

CERTIFICATION

I, Ashish Agrawal, certify that:

6. I have reviewed this annual report on Form 10-K of CTS Corporation:
7. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
8. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
9. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles; and

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
10. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015 */s/ Ashish Agrawal*

Ashish Agrawal
Vice President and Chief Financial Officer

EXHIBIT (32)(a)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of CTS Corporation (the Company) on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2015

/s/ Kieran O'Sullivan

Kieran O'Sullivan
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to CTS Corporation and will be retained by CTS Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT (32)(b)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of CTS Corporation (the Company) on Form 10-K for the quarter ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(3) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

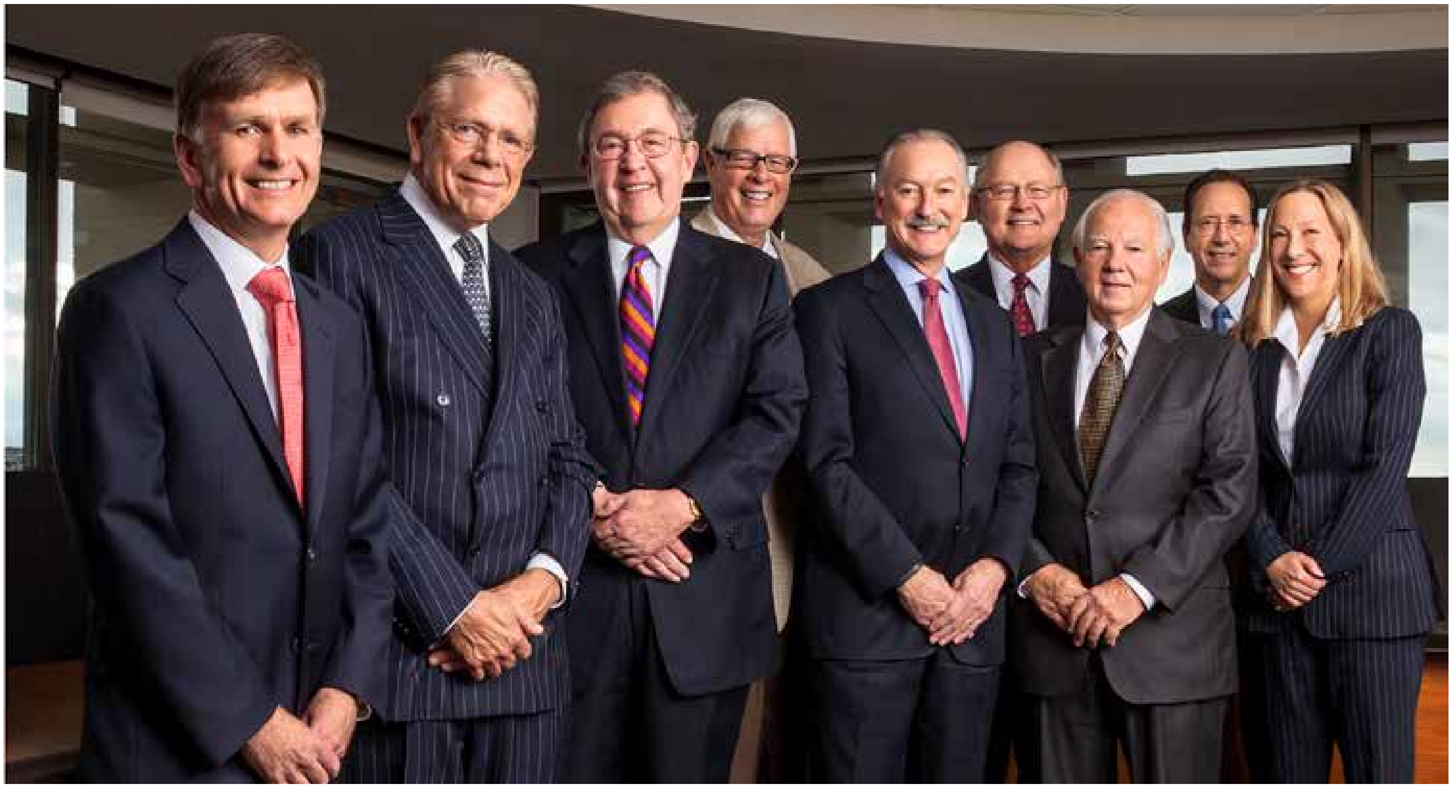
(4) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2015

/s/ Ashish Agrawal

Ashish Agrawal
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to CTS Corporation and will be retained by CTS Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



Board of Directors
From left to right: Kieran M. O'Sullivan, Robert A. Profusek, Thomas G. Cody, Michael A. Henning, Gordon Hunter, Walter S. Catlow, Lawrence J. Ciancia, William S. Johnson, Patricia K. Collawn, Diana M. Murphy (not pictured)

2014 Board of Directors

Kieran M. O'Sullivan
Chairman, President
and Chief Executive Officer,
CTS Corporation

Robert A. Profusek
Lead Director
and Partner, Jones Day

Walter S. Catlow
Retired President, Ameritech Cellular Services
and Retired Dean, College of Business,
Concordia University, Chicago

Lawrence J. Ciancia
Partner, Corporate Development
International, Inc.

Thomas G. Cody
Retired Vice Chairman,
Macy's, Inc.

Patricia K. Collawn
Chairman, President and
Chief Executive Officer,
PNM Resources, Inc.

Michael A. Henning
Retired Deputy Chairman,
Ernst & Young LLP

Gordon Hunter
Chairman, President and
Chief Executive Officer,
Littelfuse, Inc.

William S. Johnson
Executive Vice President and
Chief Financial Officer
Cabot Microelectronics Corporation

Diana M. Murphy
Managing Director,
Rocksolid Holdings LLC

Corporate Officers

Kieran M. O'Sullivan
Chairman, President
and Chief Executive Officer

Ashish Agrawal
Vice President and Chief Financial Officer

Anthony W. Urban
Vice President and General Manager
Sensors and Mechatronics

Robert Patton
Vice President, General Counsel
and Secretary

2014 Committees of the Board

Compensation Committee
Patricia K. Collawn (Chairperson)
Walter S. Catlow
Gordon Hunter
Diana M. Murphy

Nominating and Governance Committee
Diana M. Murphy (Chairman)
Lawrence J. Ciancia
Patricia K. Collawn
William S. Johnson

Technology and Transactions Committee
Gordon Hunter (Chairman)
Walter S. Catlow
Kieran M. O'Sullivan
Robert A. Profusek

Audit Committee
Lawrence J. Ciancia (Chairman)
Walter S. Catlow
William S. Johnson

Shareholder Information

Annual Meeting of Shareholders
The 2015 annual meeting of shareholders is scheduled to be held on Thursday, May 21, 2015, in Lisle, Illinois. Shareholders of record at the close of business on March 24, 2015, will receive a formal notice of the annual meeting and a proxy statement.

Form 10-K Annual Report
A copy of CTS Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders upon written request to the Corporate Secretary of the Company, or by visiting our website: www.ctscorp.com.

Common Stock Listed (CTS)
New York Stock Exchange

CTS submitted a Section 12 (a) CEO Certification to the New York Stock Exchange in 2014 as required by New York Stock Exchange Corporate Governance Listing Standards. CTS filed the CEO/CFO certifications required under Section 302 of the Sarbanes-Oxley Act as an exhibit to its Annual Report on Form 10-K for the year ended December 31, 2014.

Transfer Agent and Registrar
Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
800-468-9716

Worldwide Manufacturing Facilities

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Juarez, Mexico
Kaohsiung, Taiwan
Matamoros, Mexico
Nogales, Mexico
Ostrava, Czech Republic
Streetsville, Ontario, Canada
Tianjin, China
Zhongshan, China

CTS® CORPORATION

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