

CTS CORPORATION AND SUBSIDIARIES
OTHER SUPPLEMENTAL INFORMATION - UNAUDITED

Earnings Per Share

The following table reconciles GAAP diluted earnings per share to adjusted diluted earnings per share for the Company:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
GAAP diluted earnings per share	\$ 0.03	\$ 0.15	\$ 0.39	\$ 0.27
Tax affected charges to reported diluted earnings per share:				
Restructuring charges	0.01	0.01	0.01	0.01
Foreign currency (gain) loss	(0.03)	(0.03)	0.01	0.01
Non-cash pension expense	0.51	0.01	0.56	0.02
Environmental charges	—	0.02	0.01	0.02
Discrete tax items	—	—	—	0.02
Adjusted diluted earnings per share	\$ 0.52	\$ 0.16	\$ 0.98	\$ 0.35

Free Cash Flow

The following table reconciles GAAP operating cash flow to free cash flow for the Company:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in thousands)</i>				
Net cash provided by operating activities	\$ 18,675	\$ 11,797	\$ 38,785	\$ 23,724
Capital expenditures	(2,332)	(2,675)	(3,970)	(7,245)
Free cash flow	\$ 16,343	\$ 9,122	\$ 34,815	\$ 16,479

Additional Information

The following table includes other financial information not presented in the preceding financial statements.

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in thousands)</i>				
Depreciation and amortization expense	\$ 6,712	\$ 6,611	\$ 13,512	\$ 13,143
Stock-based compensation expense	\$ 1,903	\$ 817	\$ 3,122	\$ 1,045

Non-GAAP Financial Measures

From time to time, CTS may use non-GAAP financial measures in discussing CTS' business. These measures are intended to supplement, not replace, CTS' presentation of its financial results in accordance with GAAP. CTS' management believes that non-GAAP financial measures can be useful to investors in analyzing CTS financial performance and results of operations over time. CTS recommends that investors consider both actual and adjusted measures in evaluating the performance of CTS with peer companies.

Adjusted Diluted Earnings Per Share

Adjusted diluted earnings per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is diluted earnings per share.

CTS uses an adjusted earnings per share measure to evaluate overall performance, establish plans and perform strategic analysis. Using this measure avoids distortion in the evaluation of operating results by eliminating the impact of events which are not related to normal operating performance. Because this measure is based on the exclusion or inclusion of specific items, they may not be comparable to measures used by other companies which have similar titles. CTS' management compensates for this

limitation when performing peer comparisons by evaluating both GAAP and non-GAAP financial measures reported by peer companies. CTS believes that this measure is useful to its management, investors and stakeholders in that it:

- provides a meaningful measure of CTS' operating performance,
- reflects the results used by management in making decisions about the business, and
- helps review and project CTS' performance over time.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net cash provided by operating activities. CTS believes free cash flow is a useful measure of its ability to generate cash.