

REFINITIV

# DELTA REPORT

## 10-Q

CTS - CTS CORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	629
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 CHANGES	268
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 DELETIONS	184
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 ADDITIONS	177
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

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

For The Quarterly Period Ended **June** **September 30, 2023**

**OR**

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

For the Transition Period from to

Commission File Number: 1-4639

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**CTS CORPORATION**

(Exact name of registrant as specified in its charter)

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**IN**

(State or other jurisdiction of  
incorporation or organization)

**35-0225010**

(IRS Employer  
Identification Number)

**4925 Indiana Avenue**

**Lisle IL**

(Address of principal executive offices)

**60532**

(Zip Code)

**Registrant's telephone number, including area code: (630) 577-8800**

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, without par value	CTS	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☐ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 20, 2023 October 20, 2023: 31,355,377 31,158,030.

## CTS CORPORATION AND SUBSIDIARIES

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

(In thousands of dollars, except per share amounts)

	Three Months							
	Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June	June	June	June	Septem	Septem	Septem	Septem
	30,	30,	30,	30,	ber 30,	ber 30,	ber 30,	ber 30,
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Net sales</b>	145	144	291	292				
	,18	,98	,17	,67	134,5	151,9	425,7	444,5
	\$ 2	\$ 2	\$ 6	\$ 7	\$ 52	\$ 11	\$ 28	\$ 88
Cost of goods sold			188	186				
	94,	93,	,78	,48	88,15	98,56	276,9	285,0
	440	134	2	9	1	5	33	54
<b>Gross margin</b>			102	106				
	50,	51,	,39	,18	46,40	53,34	148,7	159,5
	742	848	4	8	1	6	95	34

Selling, general and administrative expenses	23,694	22,238	45,673	44,026	18,666	24,003	64,339	68,029
Research and development expenses	6,721	6,294	13,307	12,488	6,321	6,207	19,628	18,695
Restructuring charges	1,895	630	2,807	942	3,226	492	6,033	1,434
Operating earnings	18,432	22,686	40,607	48,732	18,188	22,644	58,795	71,376
Other income (expense):								
Interest expense	(818)	(602)	(1,512)	(1,148)	(997)	(342)	(2,509)	(1,490)
Interest income	1,072	263	2,135	443	952	167	3,087	610
Other income, net	(2,606)	(5,425)	(2,441)	(5,359)				
Total other expense, net	(2,352)	(5,764)	(1,818)	(6,064)				
Other income (expense), net					594	(5,171)	(1,847)	(10,530)
Total other income (expense), net					549	(5,346)	(1,269)	(11,410)
Earnings before income taxes	16,080	16,922	38,789	42,668	18,737	17,298	57,526	59,966
Income tax expense	3,183	4,324	7,548	9,831	4,766	5,500	12,314	15,331
Net earnings	12,897	12,598	31,241	32,837	13,971	11,798	45,212	44,635
Earnings per share:								
Basic	0.41	0.39	0.99	1.02	\$ 0.45	\$ 0.37	\$ 1.44	\$ 1.39
Diluted	0.41	0.39	0.98	1.02	\$ 0.44	\$ 0.37	\$ 1.43	\$ 1.38

<b>Basic weighted – average common shares outstanding:</b>	31,488	32,039	31,560	32,096	31,302	31,865	31,474	32,018
Effect of dilutive securities	197	204	224	218	209	225	216	220
<b>Diluted weighted – average common shares outstanding:</b>	31,685	32,243	31,784	32,314	31,511	32,090	31,690	32,238
<b>Cash dividends declared per share</b>	0.0	0.0	0.0	0.0	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.12

See notes to unaudited condensed consolidated financial statements.

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**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS □ UNAUDITED**

*(In thousands of dollars)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>		<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>Septem ber 30, 2023</b>	<b>Septem ber 30, 2022</b>	<b>Septem ber 30, 2023</b>	<b>Septem ber 30, 2022</b>
<b>Net earnings</b>	12,897	12,598	31,241	32,837	13,971	11,798	45,212	44,635
Other comprehensive earnings (loss):								
Changes in fair market value of derivatives, net of tax	830	705	1,09	1,940	(392)	1,727	816	3,667
Changes in unrealized pension cost, net of tax	4	2,08	(30)	2,76	22	(1,835)	(7)	341

Cumulative translation adjustment, net of tax	2,159	(2,012)	3,183	(2,261)	(3,996)	(6,071)	(812)	(8,332)
Other comprehensive earnings	\$ 2,993	\$ 775	\$ 4,362	\$ 1,855	\$ (4,366)	\$ (6,179)	\$ (3)	\$ (4)
<b>Comprehensive earnings</b>	15,890	13,373	35,603	34,692	9,605	5,619	45,209	40,311

See notes to unaudited condensed consolidated financial statements.

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### CTS CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)

	(Unaudited)		(Unaudited)	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 150,878	\$ 156,910	\$ 160,112	\$ 156,910
Accounts receivable, net	97,519	90,935	89,556	90,935
Inventories, net	62,556	62,260	65,384	62,260
Other current assets	18,924	15,655	19,272	15,655
Total current assets	329,877	325,760	334,324	325,760
Property, plant and equipment, net	94,956	97,300	92,880	97,300
Operating lease assets, net	25,768	22,702	27,545	22,702
Other Assets				
Goodwill	155,931	152,361	154,130	152,361
Other intangible assets, net	108,717	108,053	103,828	108,053
Deferred income taxes	22,831	23,461	23,725	23,461
Other	17,826	18,850	17,530	18,850
Total other assets	305,305	302,725	299,213	302,725



<b>Total Assets</b>	\$ 755,906	\$ 748,487	\$ 753,962	\$ 748,487
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current Liabilities				
Accounts payable	\$ 53,119	\$ 53,211	\$ 49,848	\$ 53,211
Operating lease obligations	4,293	3,936	4,444	3,936
Accrued payroll and benefits	14,389	20,063	13,330	20,063
Accrued expenses and other liabilities	35,381	35,322	35,804	35,322
Total current liabilities	107,182	112,532	103,426	112,532
Long-term debt	77,040	83,670	76,665	83,670
Long-term operating lease obligations	24,534	21,754	26,016	21,754
Long-term pension obligations	5,017	5,048	4,963	5,048
Deferred income taxes	15,780	16,010	15,288	16,010
Other long-term obligations	4,958	3,249	4,937	3,249
<b>Total Liabilities</b>	234,511	242,263	231,295	242,263
<b>Commitments and Contingencies (Note 11)</b>				
Shareholders' Equity				
Common stock	319,111	316,803	319,125	316,803
Additional contributed capital	43,488	46,144	44,718	46,144
Retained earnings	575,422	546,703	588,144	546,703
Accumulated other comprehensive income (loss)	3,691	(671)	(675)	(671)
Total shareholders' equity before treasury stock	941,712	908,979	951,312	908,979
Treasury stock	(420,317)	(402,755)	(428,645)	(402,755)
Total shareholders' equity	521,395	506,224	522,667	506,224
<b>Total Liabilities and Shareholders' Equity</b>	\$ 755,906	\$ 748,487	\$ 753,962	\$ 748,487

See notes to unaudited condensed consolidated financial statements.

**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS □ UNAUDITED**

*(In thousands of dollars)*

	Six Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net earnings	\$ 31,241	\$ 32,837	\$ 45,212	\$ 44,635
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	14,175	13,765	21,425	21,727
Non-cash inventory charges	—	1,113	—	3,342
Pension and other post-retirement plan expense	61	182	102	(1,866)
Stock-based compensation	3,235	3,566	4,641	5,807
Asset impairment charges	1,324	—	1,324	—
Deferred income taxes	(553)	1,277	(1,338)	661
Gain on foreign currency hedges, net of cash	228	(12)		
Loss (gain) on foreign currency hedges, net of cash			326	(123)
Changes in assets and liabilities, net of acquisitions:				
Accounts receivable	(6,737)	(12,861)	197	(13,560)
Inventories	(349)	(7,177)	(3,972)	(10,386)
Operating lease assets	(3,066)	1,515	(4,843)	1,338
Other assets	(599)	2,513	(1,089)	2,249
Accounts payable	1,004	5,087	(1,826)	11,393
Accrued payroll and benefits	(6,423)	(4,458)	(7,342)	(2,029)
Operating lease liabilities	3,136	(1,658)	4,769	(1,492)
Accrued expenses and other liabilities	(2,017)	93	(750)	503
Pension and other post-retirement plans	(53)	(430)	(94)	33,540

<b>Net cash provided by operating activities</b>	34,607	35,352	56,742	95,739
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capital expenditures	(8,487)	(6,991)	(11,236)	(9,260)
Payments for acquisitions, net of cash acquired	(3,359)	(96,528)	(3,359)	(96,528)
<b>Net cash used in investing activities</b>	(11,846)	(103,519)	(14,595)	(105,788)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Payments of long-term debt	(249,732)	(300,000)	(593,307)	(517,939)
Proceeds from borrowings of long-term debt	243,102	341,027	586,301	553,417
Purchase of treasury stock	(17,562)	(11,668)	(25,890)	(13,446)
Dividends paid	(2,535)	(2,576)	(3,792)	(3,855)
Payments of contingent consideration	—	(900)	—	(1,050)
Taxes paid on behalf of equity award participants	(3,240)	(1,491)	(3,249)	(1,504)
<b>Net cash (used in) provided by financing activities</b>	(29,967)	24,392	(39,937)	15,623
Effect of exchange rate changes on cash and cash equivalents	1,174	1,049	992	869
<b>Net decrease in cash and cash equivalents</b>	(6,032)	(42,726)		
<b>Net increase in cash and cash equivalents</b>			3,202	6,443
Cash and cash equivalents at beginning of period	156,910	141,465	156,910	141,465
<b>Cash and cash equivalents at end of period</b>	150,878	98,739	160,112	147,908
<b>Supplemental cash flow information:</b>				
Cash paid for interest	\$ 1,720	\$ 969	\$ 2,350	\$ 1,519
Cash paid for income taxes, net	\$ 9,732	\$ 7,606	\$ 15,129	\$ 12,607
<b>Non-cash financing and investing activities:</b>				
Capital expenditures incurred but not paid	\$ 1,565	\$ 1,397	\$ 1,687	\$ 1,925

See notes to unaudited condensed consolidated financial statements.

**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - UNAUDITED**

*(in thousands of dollars)*

The following summarizes the changes in total equity for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**:

	Three Months Ended June 30, 2023						Nine Months Ended September 30, 2023					
	Common Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Common Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balances at December 31, 2022</b>	31,680	46,144	54,670	(40,271)	(40,271)	6,862	31,680	46,144	54,670	(40,271)	(40,271)	6,862
Net earnings	—	—	18,344	—	—	18,344	—	—	18,344	—	—	18,344
Changes in fair market value of derivatives, net of tax	—	—	—	379	—	379	—	—	—	379	—	379

Changes in unrealized pension cost, net of tax	—	—	—	(34)	—	(3 4)	—	—	—	(34)	—	(3 4)
Cumulative translation adjustment, net of tax	—	—	—	1,0 24	—	1, 02 4	—	—	—	1,0 24	—	1, 0 2 4
Cash dividends of \$0.04 per share	—	—	(1, 26 0)	—	—	(1, 26 0)	—	—	(1, 26 0)	—	—	(1 ,2 6 0)
Acquired 198,271 shares of treasury stock	—	—	—	—	(8, 80 2)	(8, 80 2)	—	—	—	—	(8, 80 2)	(8 ,8 0 2)
Issued shares on vesting of restricted stock units	1,9 82	(5, 12 5)	—	—	—	(3, 14 3)	1,9 82	(5, 12 5)	—	—	—	(3 ,1 4 3)
Stock compensatio n	—	1,4 04	—	—	—	1, 40 4	—	1,4 04	—	—	—	1, 4 0 4
<b>Balances at March 31, 2023</b>	31 8,7 \$ 85	42, 42 \$ 3	56 3,7 \$ 87	69 \$ 8	(41 1,5 \$ 57)	4, 13 \$ 6	31 8,7 \$ 85	42, 42 \$ 3	56 3,7 \$ 87	69 \$ 8	(4 55 \$ 7)	4, 3 \$ 6
Net earnings	—	—	12, 89 7	—	—	12 ,8 97	—	—	12, 89 7	—	—	1 2, 8 9 7

Changes in fair market value of derivatives, net of tax	—	—	—	83 0	—	83 0	—	—	—	83 0	—	8 3 0
Changes in unrealized pension cost, net of tax	—	—	—	4	—	4	—	—	—	4	—	4
Cumulative translation adjustment, net of tax	—	—	—	2,1 59	—	2, 15 9	—	—	—	2,1 59	—	2, 1 5 9
Cash dividends of \$0.04 per share	—	—	(1, 26 2)	—	—	(1, 26 2)	—	—	(1, 26 2)	—	—	(1, 2 6 2)
Acquired 197,716 shares of treasury stock	—	—	—	—	(8, 76 0)	(8, 76 0)	—	—	—	—	(8, 76 0)	(8, 7 6 0)
Issued shares on vesting of restricted stock units	32 6	(42 3)	—	—	—	(9 7)	32 6	(42 3)	—	—	—	(9 7)
Stock compensation	—	1,4 88	—	—	—	1, 48 8	—	1,4 88	—	—	—	1, 4 8 8
<b>Balances at June 30, 2023</b>	31 9,1 \$ 11	43, 48 \$ 8	57 5,4 \$ 22	3,6 \$ 91	(42 0,3 \$ 17)	1, 39 \$ 5	31 9,1 \$ 11	43, 48 \$ 8	57 5,4 \$ 22	3,6 \$ 91	(4 31 \$ 7)	1, 9 \$ 5

Net earnings						1
						3,
			13,			9
			97			7
	—	—	1	—	—	1
Changes in						
fair market						
value of						(3
derivatives,				(39		9
net of tax	—	—	—	2)	—	2)
Changes in						
unrealized						
pension cost,						2
net of tax	—	—	—	22	—	2
Cumulative						(3
translation				(3,		,9
adjustment,				99		9
net of tax	—	—	—	6)	—	6)
Cash						(1
dividends of			(1,			,2
\$0.04 per			24			4
share	—	—	9)	—	—	9)
Acquired						
188,658						(8
shares of					(8,	,3
treasury					32	2
stock	—	—	—	—	8)	8)
Issued						
shares on						
vesting of						
restricted						
stock units	14	(23)	—	—	—	(9)
Stock						1,
compensatio						2
n		1,2				5
	—	53	—	—	—	3

Balances at September 30, 2023						5
						2
					(4	2,
	31	44,	58		28,	6
	9,1	71	8,1	(67	64	6
	\$ 25	\$ 8	\$ 44	\$ 5)	\$ 5)	\$ 7

See notes to unaudited condensed consolidated financial statements.

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**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - UNAUDITED**

(in thousands of dollars)

The following summarizes the changes in total equity for the three and six nine months ended June 30, 2022 September 30, 2022:

	Accu mulat ed						Accu mulat ed					
	Com mon Stock	Addit ional Contr ibute d Capit al	Retai ned Earni ngs	Other Comp rehen sive Inco me (Loss)	Treas ury Stock	Total	Com mon Stock	Addit ional Contr ibute d Capit al	Retai ned Earni ngs	Other Comp rehen sive Inco me (Loss)	Treas ury Stoc k	Tota l
Balances at December 31, 2021						46						4
	31	42,	49	(4,	(38	3,	31	42,	49	(4,	81,	5
	4,6	54	2,2	52	1,3	57	4,6	54	2,2	52	30	7
	\$ 20	\$ 9	\$ 42	\$ 5)	\$ 08)	\$ 8	\$ 20	\$ 9	\$ 42	\$ 5)	\$ 8)	\$ 8



Net earnings													2
													0,
													2
													3
	—	—	20,239	—	—	39	—	—	20,239	—	—	—	9
Changes in fair market value of derivatives, net of tax	—	—	—	1,235	—	5	—	—	—	1,235	—	—	5
Changes in unrealized pension cost, net of tax	—	—	—	94	—	94	—	—	—	94	—	—	94
Cumulative translation adjustment, net of tax	—	—	—	(249)	—	(249)	—	—	—	(249)	—	—	(249)
Cash dividends of \$0.04 per share	—	—	(1,284)	—	—	(4)	—	—	(1,284)	—	—	—	(4)
Acquired 116,176 shares of treasury stock	—	—	—	—	(3,920)	(3,920)	—	—	—	—	—	(3,920)	(3,920)
Issued shares on vesting of restricted stock units	1,876	(3,289)	—	—	—	(3)	1,876	(3,289)	—	—	—	—	(3)
Stock compensation	—	1,898	—	—	—	898	—	1,898	—	—	—	—	898

<b>Balances at March 31, 2022</b>						48						(3	0,
	31	41,	51	(3,	(38	0,	31	41,	51	(3,	85,		1
	6,4	15	1,1	44	5,2	17	6,4	15	1,1	44	22		7
	\$ 96	\$ 8	\$ 97	\$ 5)	\$ 28)	\$ 8	\$ 96	\$ 8	\$ 97	\$ 5)	\$ 8)	\$ 8	
Net earnings													1
													2,
			12,			12			12,				5
			59			,5			59				9
	—	—	8	—	—	98	—	—	8	—	—		8
Changes in fair market value of derivatives, net of tax													7
				70		70				70			0
	—	—	—	5	—	5	—	—	—	5	—		5
Changes in unrealized pension cost, net of tax													2,
						2,							0
				2,0		08				2,0			8
	—	—	—	82	—	2	—	—	—	82	—		2
Cumulative translation adjustment, net of tax													(2
				(2,		(2,				(2,			,0
				01		01				01			1
	—	—	—	2)	—	2)	—	—	—	2)	—		2)
Cash dividends of \$0.04 per share													(1
			(1,			(1,			(1,				,2
			28			28			28				8
	—	—	9)	—	—	9)	—	—	9)	—	—		9)
Acquired 216,252 shares of treasury stock													(7
					(7,	(7,					(7,		,7
					74	74					74		4
	—	—	—	—	8)	8)	—	—	—	—	8)		8)
Issued shares on vesting of restricted stock units													(7
						(7							(7
	6	(84)	—	—	—	8)	6	(84)	—	—	—		8)

Stock compensation					1,511								1,511
	—	11	—	—	—	1	—	11	—	—	—	—	1
<b>Balances at June 30, 2022</b>						48							48
	31	42,	52	(2,	(39	5,	31	42,	52	(2,	92,	(3	5,
	6,5	58	2,5	67	2,9	94	6,5	58	2,5	67	97		9
	\$ 02	\$ 5	\$ 06	\$ 0)	\$ 76)	\$ 7	\$ 02	\$ 5	\$ 06	\$ 0)	\$ 6)	\$ 6)	\$ 7
Net earnings													1,798
							—	—	8	—	—		8
Changes in fair market value of derivatives, net of tax							—	—	—	1,727	—		27
Changes in unrealized pension cost, net of tax							—	—	—	(1,835)	—		5)
Cumulative translation adjustment, net of tax							—	—	—	(6,071)	—		1)
Cash dividends of \$0.04 per share							—	—	(1,268)	—	—		8)
Acquired 52,000 shares of treasury stock							—	—	—	—	(1,778)		8)

Issued						
shares on						
vesting of						
restricted						(1
stock units	18	(30)	—	—	—	2)
Stock						2,
compensatio						1
n		2,1				0
	—	04	—	—	—	4
<b>Balances at</b>						4
<b>September</b>						9
<b>30, 2022</b>					(3	0,
	31	44,	53	(8,	94,	6
	6,5	65	3,0	84	75	1
	\$ 20	\$ 9	\$ 36	\$ 9)	\$ 4)	\$ 2

See notes to unaudited condensed consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

(in thousands except for share and per share data)

June September 30, 2023

### NOTE 1 — Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by CTS Corporation ("CTS", "we", "our", "us" or the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements, notes thereto, and other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments (consisting of normal recurring items) necessary for a fair statement, in all material respects, of the financial position and results of operations for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ materially from those estimates. The results of operations for the interim periods are not necessarily indicative of the results for the entire year.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

## **NOTE 2 – Revenue Recognition**

The core principle of Accounting Standard Codification ("ASC") Topic 606 *Revenue from Contracts with Customers* 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. The guidance provides a five-step process to achieve that core principle:

- Identify the contract(s) with a customer
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when the performance obligations are met

We recognize revenue when the performance obligations specified in our contracts have been satisfied, after considering the impact of variable consideration and other factors that may affect the transaction price. Our contracts normally contain a single performance obligation that is fulfilled on the date of delivery or shipment based on shipping terms stipulated in the contract. We usually expect payment within 30 to 90 days from the shipping date, depending on our terms with the customer. None of our contracts as of **June 30, 2023** **September 30, 2023** contained a significant financing component. Differences between the amount of revenue recognized and the amount invoiced, collected from, or paid to our customers are recognized as contract assets or liabilities. Contract assets will be reviewed for impairment when events or circumstances indicate that they may not be recoverable.

To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the most likely amount method based on an analysis of historical experience and current facts and circumstances, which requires significant judgment. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

## Disaggregated Revenue

The following table presents revenues disaggregated by the major markets we serve:

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Transportation	82,14	74,69	156,4	153,8			232,29	232,20
	\$ 2	\$ 0	\$ 18	\$ 24	\$ 75,880	\$ 78,377	\$ 8	\$ 0
Industrial	32,71	41,40	73,38	81,40			102,05	125,26
	1	2	4	9	28,666	43,857	0	7
Medical	17,00	17,03	34,35	32,89				
	6	0	1	7	17,757	16,380	52,108	49,277
Aerospace & Defense	13,32	11,86	27,02	24,54				
	3	0	3	7	12,249	13,297	39,272	37,844
Total	145,1	144,9	291,1	292,6	134,55	151,91	425,72	444,58
	\$ 82	\$ 82	\$ 76	\$ 77	\$ 2	\$ 1	\$ 8	\$ 8

## NOTE 3 – Business Acquisitions

### TEWA Temperature Sensors SP. Zo.o. Acquisition

On February 28, 2022, we acquired 100% of the outstanding shares of TEWA Temperature Sensors SP. Zo.o. (“TEWA”). TEWA is a designer and manufacturer of high-quality temperature sensors. TEWA has complementary capabilities with our existing temperature sensing platform, and the acquisition supports our end market diversification strategy and expands our presence in Europe.

The final purchase price of \$23,721, net of cash acquired of \$2,979, has been allocated to the fair values of assets and liabilities acquired as of February 28, 2022. The purchase price was reduced by \$794 for the final settlement of net working capital during the first quarter of 2023. The purchase accounting was completed in the first quarter of 2023. The following table summarizes the consideration paid, the fair values of the assets acquired, and the liabilities assumed as of the date of acquisition:

	Fair Values at February 28, 2022
Accounts receivable	\$ 2,521

Inventory	3,136
Other current assets	69
Property, plant and equipment	654
Other assets	27
Goodwill	8,473
Intangible assets	13,650
Fair value of assets acquired	28,530
Less fair value of liabilities acquired	(4,809)
Purchase price	\$ 23,721

Goodwill represents value the Company expects to be created by combining the operations of the acquired business with the Company's operations, including the expansion of customer relationships, access to new customers, and potential cost savings and synergies. Goodwill related to the acquisition is expected to be deductible for tax purposes.

The Company recorded a \$1,180 step-up of inventory to its fair value as of the acquisition date. The step-up was amortized as a non-cash charge to cost of goods sold as the acquired inventory was sold with the full \$1,180 recognized in the first half of 2022.

The following table summarizes the carrying amounts and weighted average lives of the acquired intangible assets:

	Carrying Value	Weighted Average Amortization Period
Customer lists/relationships	\$ 13,000	12.0
Technology and other intangibles	650	3.0
Total	\$ 13,650	

On June 30, 2022, we acquired 100% of the outstanding shares of Ferroperm Piezoceramics A/S ("Ferroperm"). Ferroperm specializes in the design and manufacture of high performance piezoceramic components for use in complex and demanding medical, industrial, and aerospace applications. Ferroperm has complementary capabilities with our existing medical diagnostics and imaging product lines. The acquisition supports our end market diversification strategy and expands our presence in European end markets.

The final purchase price of \$72,340, net of cash acquired of \$5,578, has been allocated to the fair values of assets and liabilities acquired as of June 30, 2022. The valuation of intangible assets and associated deferred tax liability was finalized in the first quarter of 2023. The following table summarizes the final consideration paid, the fair values of the assets acquired, and the liabilities assumed as of the date of acquisition:

	Fair Values at June 30, 2023	Fair Values at June 30, 2022
Accounts receivable	\$ 3,073	\$ 3,073
Inventory	6,848	6,848
Other current assets	1,003	1,003
Property, plant and equipment	3,953	3,953
Other assets	158	158
Goodwill	31,985	31,985
Intangible assets	38,100	38,100
Fair value of assets acquired	85,120	85,120
Less fair value of liabilities acquired	(12,780)	(12,780)
Purchase price	\$ 72,340	\$ 72,340

Goodwill represents value the Company expects to be created by combining the operations of the acquired business with the Company's operations, including the expansion of customer relationships, access to new customers, and potential cost savings and synergies. Goodwill related to the acquisition is expected to be deductible for tax purposes.

The Company recorded a \$3,012 step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. The step-up was amortized as a non-cash charge to cost of goods sold as the acquired inventory was sold with \$2,229 recognized in the third quarter of 2022 and the remaining recognized in the fourth quarters quarter of 2022.

The following table summarizes the carrying amounts and weighted average lives of the acquired intangible assets:

Carrying Value	Weighted Average Amortization Period
-------------------	---



Customer lists/relationships	\$	31,800	16.0
Technology and other intangibles		6,300	14.0
Total	\$	38,100	

#### *Maglab AG Acquisition*

On February 6, 2023, we acquired 100% of the outstanding shares of Maglab AG ("Maglab"). Maglab has deep expertise in magnetic system design and current measurement solutions for use in e-mobility, industrial automation, and renewable energy applications. Maglab's domain expertise coupled with CTS' commercial, technical and operational capabilities position us to advance our status as a recognized innovator in electric motor sensing and controls markets.

The final purchase price of \$7,717 has been allocated to the fair values of assets and liabilities acquired as of February 6, 2023. The purchase price was increased by \$3 for the final settlement of net working capital **in during the quarter, second quarter of 2023**. The following table summarizes the final consideration paid, the fair values of the assets acquired, and the liabilities assumed as of the date of acquisition:

	<b>Consideration Paid</b>	
Cash paid, net of cash acquired of \$14	\$	4,153
Contingent consideration		3,564
Purchase price	\$	7,717

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	<b>Consideration Paid</b>	
Cash paid, net of cash acquired of \$14	\$	4,153
Contingent consideration		3,564
Purchase price	\$	7,717

	<b>Fair Values at February 6, 2023</b>	
Accounts receivable	\$	348
Inventory		43
Other current assets		41
Property, plant and equipment		35
Goodwill		4,997
Intangible assets		2,860

Fair value of assets acquired	8,324
Less fair value of liabilities acquired	(607)
Purchase price	<u>\$ 7,717</u>

Goodwill represents value the Company expects to be created by combining the operations of the acquired business with the Company's operations, including the expansion of customer relationships, access to new customers, and potential cost savings and synergies. Goodwill related to the acquisition is expected to be deductible for tax purposes.

The following table summarizes the carrying amounts and weighted average lives of the acquired intangible assets:

	Carrying Value	Weighted Average Amortization Period
Customer lists/relationships	\$ 2,800	13.0
Technology and other intangibles	60	3.0
Total	<u>\$ 2,860</u>	

All contingent consideration is payable in cash and is based on success factors related to the integration process as well as upon the achievement of annual revenue and customer order targets through the fiscal year ending December 31, 2025. The Company recorded \$3,564 as the acquisition date fair value of the contingent consideration based on the estimate of the probability of achieving the performance targets. This amount is also reflected as an addition to the purchase price.

#### NOTE 4 – Accounts Receivable, net

The components of accounts receivable, net are as follows:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Accounts receivable, gross	\$ 98,666	\$ 92,171	\$ 90,581	\$ 92,171
Less: Allowance for credit losses	(1,147)	(1,236)	(1,025)	(1,236)
Accounts receivable, net	<u>\$ 97,519</u>	<u>\$ 90,935</u>	<u>\$ 89,556</u>	<u>\$ 90,935</u>

#### NOTE 5 – Inventories, net

Inventories, net consists of the following:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Finished goods	\$ 13,103	\$ 12,865	\$ 17,815	\$ 12,865
Work-in-process	22,076	22,819	22,459	22,819
Raw materials	38,621	37,362	36,734	37,362
Less: Inventory reserves	(11,244)	(10,786)	(11,624)	(10,786)
Inventories, net	\$ 62,556	\$ 62,260	\$ 65,384	\$ 62,260

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## NOTE 6 – Property, Plant and Equipment, net

Property, plant and equipment, net is comprised of the following:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Land and land improvements	\$ 536	\$ 1,100	\$ 536	\$ 1,100
Buildings and improvements	72,956	71,938	73,172	71,938
Machinery and equipment	260,012	258,159	258,321	258,159
Less: Accumulated depreciation	(238,548)	(233,897)	(239,149)	(233,897)
Property, plant and equipment, net	\$ 94,956	\$ 97,300	\$ 92,880	\$ 97,300

Depreciation expense for the three months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 was \$4,400 4,422 and \$4,479 4,700, respectively. Depreciation expense for the six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 was \$8,807 13,229 and \$8,847 13,548, respectively.

We recorded a charge of \$1,324 during the second quarter of 2023 due to the impairment of a specific asset group as a result of certain restructuring actions being taken. See Note 9 “Costs Associated with Exit and Restructuring Activities.”

## NOTE 7 – Retirement Plans

### Pension Plans

Net pension expense for our domestic and foreign plans included in other expense, net in the Condensed Consolidated Statements of Earnings is as follows:

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
Net pension expense	\$ 66	\$ 65	\$ 133	\$ 130

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Net pension expense	\$ 79	\$ (2,076)	\$ 212	\$ (1,944)

The components of net pension expense for our domestic and foreign plans include the following:

	Domestic Pension Plans		Foreign Pension Plans		Domestic Pension Plans		Foreign Pension Plans	
	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Service cost	\$ —	\$ —	\$ 5	\$ 6	\$ —	\$ —	\$ 6	\$ 6
Interest cost	10	5	9	4	10	5	10	4
Expected return on plan assets <sup>(1)</sup>	—	—	(6)	(3)	12	(2,139)	(7)	(3)
Amortization of loss	5	8	43	45	5	8	43	43
Total expense, net	\$ 15	\$ 13	\$ 51	\$ 52				
Total expense (income), net					\$ 27	\$ (2,126)	\$ 52	\$ 50

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

	Domestic Pension Plans		Foreign Pension Plans	
	Six Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
Service cost	\$ —	\$ —	\$ 11	\$ 12
Interest cost	19	10	19	8
Expected return on plan assets <sup>(1)</sup>	—	—	(13)	(6)
Amortization of loss	11	16	86	90
Total expense, net	\$ 30	\$ 26	\$ 103	\$ 104

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	Domestic Pension Plans		Foreign Pension Plans	
	Nine Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2023	2022	2023	2022
Service cost	\$ —	\$ —	\$ 17	\$ 18
Interest cost	29	15	29	12
Expected return on plan assets <sup>(1)</sup>	12	(2,139)	(20)	(9)
Amortization of loss	16	24	129	135
Total expense (income), net	\$ 57	\$ (2,100)	\$ 155	\$ 156

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

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## Other Post-retirement Benefit Plan

Net post-retirement expense for our other post-retirement plan includes the following components:

Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
June 30,	June 30,	June	June	September	September	September	September
2023	2022	30,	30,	er 30,	er 30,	er 30,	er 30,
		2023	2022	2023	2022	2023	2022

Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	48	26	96	52	48	26	144	78	
Amortization of gain	(84)	—	(16) 8)	—	(85)	—	(253)	—	
Total (income) expense, net	<u>\$ (36)</u>	<u>\$ 26</u>	<u>\$ (72)</u>	<u>\$ 52</u>	<u>\$ (37)</u>	<u>\$ 26</u>	<u>\$ (109)</u>	<u>\$ 78</u>	

## NOTE 8 – Goodwill and Other Intangible Assets

### Goodwill

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

	Total
Goodwill as of December 31, 2022	\$ 152,361
Changes from acquisition purchase accounting	2,914
Foreign exchange impact	656
Goodwill as of June 30, 2023	<u>\$ 155,931</u>

	Total
Goodwill as of December 31, 2022	\$ 152,361
Changes from acquisition purchase accounting	2,914
Foreign exchange impact	(1,145)
Goodwill as of September 30, 2023	<u>\$ 154,130</u>

### Other Intangible Assets

Other intangible assets, net consist of the following components:

	As of June 30, 2023			As of September 30, 2023		
	Gross Carrying Amount	Accumulate d Amortizatio n	Net Amount	Gross Carrying Amount	Accumulate d Amortizatio n	Net Amount
Customer lists/relationships	143,844			141,837		
Technology and other intangibles	\$ 53,972	\$ (59,005)	\$ 84,839	\$ 53,723	\$ (60,806)	\$ 81,031
		(30,094)	23,878		(30,926)	22,797

Other intangible assets, net	197,81			195,56		
	\$ 6	\$ (89,099)	\$ 108,717	\$ 0	\$ (91,732)	\$ 103,828

	As of		
	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer lists/relationships	\$ 148,899	\$ (59,603)	\$ 89,296
Technology and other intangibles	45,255	(26,498)	18,757
Other intangible assets, net	\$ 194,154	\$ (86,101)	\$ 108,053

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Amortization expense for the three months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 was \$2,857,282 and \$2,536,326, respectively. Amortization expense for the six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 was \$5,368,819 and \$4,918,817, respectively.

The changes in the gross carrying amounts of intangible assets are primarily due to business acquisition and purchase accounting activity in the quarter as discussed in Note 3 "Business Acquisitions." Acquisitions" as well as foreign exchange impacts.

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Remaining amortization expense for other intangible assets as of June 30, 2023 September 30, 2023 is as follows:

	Amortization expense	Amortization expense
2023	\$ 5,648	\$ 2,896
2024	11,146	10,963
2025	10,658	10,491
2026	10,501	10,339
2027	10,443	10,281
Thereafter	60,321	58,858
Total amortization expense	\$ 108,717	\$ 103,828

## NOTE 9 – Costs Associated with Exit and Restructuring Activities

Restructuring charges are reported as a separate line within operating earnings in the Condensed Consolidated Statements of Earnings.

Total restructuring charges are as follows:

	Three Months Ended	
	June 30, 2023	June 30, 2022
Restructuring charges	\$ 1,895	\$ 630

	Three Months Ended	
	September 30, 2023	September 30, 2022
Restructuring charges	\$ 3,226	\$ 492

	Six Months Ended	
	June 30, 2023	June 30, 2022
Restructuring charges	\$ 2,807	\$ 942

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Restructuring charges	\$ 6,033	\$ 1,434

### September 2020 Plan

In September 2020, we initiated a restructuring plan focused on optimizing our manufacturing footprint and improving operational efficiency by better utilizing our systems capabilities (the "September 2020 Plan"). This plan includes transitioning certain administrative functions to a shared service center, realignment of manufacturing locations, and certain other efficiency improvement actions. The restructuring cost of the September 2020 Plan is estimated to be in the range of \$3,500 to \$4,500, including workforce reduction charges, building and equipment relocation charges and other contract and asset-related costs. We have incurred \$3,767 in program costs to date. During the three months ended June 30, 2023, we recorded \$1,488 in restructuring costs related to workforce reduction



charges. During the nine months ended September 30, 2023, we recorded \$1,793 in restructuring costs, comprised of \$164 and \$1,324 in workforce reduction and asset impairment charges, respectively. During the six months ended June 30, 2023, we recorded \$1,708 in restructuring costs, comprised of \$384,469 and \$1,324 in workforce reduction and asset impairment charges, respectively. The total restructuring liability

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associated with these actions was \$49,83 as of June 30, 2023 September 30, 2023. The total restructuring liability associated with these actions was \$634 as of December 31, 2022.

#### Other Restructuring Activities

From time to time, we undertake other restructuring activities that are not part of a formal plan. During the three and six nine months ended June 30, 2023 September 30, 2023, we incurred restructuring charges of \$407,3141 and \$1,099,4,238, respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, we incurred restructuring charges of \$470,252 and \$782,1,034, respectively. The total restructuring liability associated with these actions was \$375,2,741 at June 30, 2023 September 30, 2023 and \$235 at December 31, 2022.

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#### Closure and Consolidation of Juarez Manufacturing Facility and Operations

During the first quarter of 2023, we announced the shutdown of our Juarez manufacturing facility. As a part of this activity, operations from the Juarez plant will be consolidated into our expanded Matamoros facility. We expect the completion of these activities to occur in 2024. The total restructuring cost of the activities associated with the closure and consolidation is now estimated to be in the range of \$1,500,3,000 and \$3,000,4,500, including workforce reduction charges, building and equipment relocation charges and other contract and asset-related costs. In addition to these charges, we expect an additional \$1,500 to \$2,500 of other costs to be incurred related to initiatives that would not qualify as restructuring charges. During the three and six nine months ended June 30, 2023 September 30, 2023, we incurred costs associated with the planned activities of the Juarez shutdown of \$151,2,618 and \$253,2,871, respectively. The restructuring liability associated with the shutdown is \$83,2,474 as of June 30, 2023 September 30, 2023. These balances are included in our other restructuring activity amounts referenced in the preceding paragraph.

The following table displays the total restructuring liability activity included in accrued expenses and other liabilities for all plans for the six nine months ended June 30, 2023 September 30, 2023:

Restructuring liability at January 1, 2023	\$ 869	\$ 869
Restructuring charges	2,807	6,033
Costs paid	(1,891)	(2,713)
Other activity <sup>(1)</sup>	(1,361)	(1,365)

Restructuring liability at June 30, 2023	\$	424
Restructuring liability at September 30, 2023	\$	2,824

(1) Other activity includes the effects of currency translation, non-cash asset impairment write-downs and other charges that do not through restructuring charges.

## NOTE 10 – Accrued Expenses and Other Liabilities

The components of accrued expenses and other liabilities are as follows:

	As of		As of	
	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Accrued product related costs	\$ 2,251	\$ 2,368	\$ 2,331	\$ 2,368
Accrued income taxes	7,548	9,630	6,840	9,630
Accrued property and other taxes	1,938	2,142	2,373	2,142
Accrued professional fees	1,057	1,472	1,261	1,472
Accrued customer related liabilities	2,418	2,837	1,676	2,837
Dividends payable	1,256	1,272	1,248	1,272
Remediation reserves	12,811	11,048	12,006	11,048
Derivative liabilities	702	357	17	357
Other accrued liabilities	5,400	4,196	8,052	4,196
Total accrued expenses and other liabilities	\$ 35,381	\$ 35,322	\$ 35,804	\$ 35,322

The increase in Other accrued liabilities is primarily due to additional accruals related to 2023 exit and disposal activities as well as a contingent liability accrual associated with the 2023 Maglab acquisition. Refer to Note 9 “Costs Associated with Exit and Restructuring Activities” and Note 3 “Business Acquisitions”, respectively, for further discussion on these items.

## NOTE 11 – Commitments and Contingencies

Certain processes in the manufacture of our current and past products create by-products classified as hazardous waste. We have been notified by the U.S. Environmental Protection Agency (“EPA”), state environmental agencies, and in some cases, groups of potentially responsible parties, that we may be potentially liable for environmental contamination at several sites currently and formerly owned or operated by us. Two of those sites, Asheville, North Carolina and Mountain View, California, are designated National Priorities List sites under the EPA’s Superfund program. We accrue a liability for probable remediation activities, claims and proceedings against us

with respect to environmental matters if the amount can be reasonably estimated, and provide disclosures including the nature of a loss whenever it is probable or reasonably possible that a potentially material loss may have occurred but cannot be estimated. We record contingent loss accruals on an undiscounted basis.

A roll-forward of remediation reserves included in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets is comprised of the following:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Balance at beginning of period	\$ 11,048	\$ 10,979	\$ 11,048	\$ 10,979
Remediation expense	2,756	2,750	3,140	2,750
Net remediation payments	(990)	(2,661)	(2,179)	(2,661)
Other activity <sup>(1)</sup>	(3)	(20)	(3)	(20)
Balance at end of the period	\$ 12,811	\$ 11,048	\$ 12,006	\$ 11,048

(1) Other activity includes currency translation adjustments not recorded through remediation expense.

The Company operates under and in accordance with a federal consent decree, dated March 7, 2017, with the EPA for the CTS of Asheville, Inc. Superfund Site ("Asheville Site"). On February 8, 2023, the Company received a letter from the EPA (the "EPA Letter") seeking reimbursement of its past response costs and interest thereon relating to any release or threatened release of hazardous substances at the Asheville Site in the aggregate amount of \$9,955 from the three potentially responsible parties associated with the Asheville Site, including the Company. The Company expects its potential exposure to be between \$1,900 and \$9,955. We have determined that no point within this range is more likely than another and therefore we have recorded a loss estimate of \$1,900 as of June 30, 2023 September 30, 2023 in the Consolidated Statements of Earnings. Balance Sheets.

Unrelated to the environmental claims described above, from time to time, the Company has been threatened with, or named as a defendant in, various legal or regulatory actions in the ordinary course of business. The Company records a loss contingency liability when a loss is considered probable and the amount can be reasonably estimated. Although the potential liability with respect to certain of such legal or regulatory actions cannot be reasonably estimated, none of such matters is expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's legal costs associated with defending itself are recorded to expense as incurred.

We provide product warranties when we sell our products and accrue for estimated liabilities at the time of sale. Warranty estimates are forecasts based on the best available information and historical claims experience. We accrue for specific warranty claims if we believe that the facts of a specific claim make it probable that a liability in excess of our historical

experience has been or will be incurred, and provide disclosures for specific claims whenever it is reasonably possible that a material loss may be incurred which cannot be estimated.

We cannot provide assurance that the ultimate disposition of environmental, legal, and product warranty claims will not materially exceed the amount of our accrued losses and adversely impact our consolidated financial position, results of operations, or cash flows. Our accrued liabilities and disclosures will be adjusted accordingly if additional information becomes available in the future.

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## NOTE 12 - Debt

Long-term debt is comprised of the following:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Total credit facility	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Balance outstanding	77,040	83,670	76,665	83,670
Standby letters of credit	1,640	1,640	1,640	1,640
Amount available, subject to covenant restrictions	\$ 321,320	\$ 314,690	\$ 321,695	\$ 314,690
Weighted-average interest rate	5.74%	2.96%	5.93%	2.96%

On December 15, 2021, we entered into a second amended and restated five-year credit agreement with a group of banks (the "Revolving Credit Facility") to (i) increase the total credit facility to \$400,000, which may be increased by \$200,000 at the request of the Company,

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subject to the administrative agent's approval, (ii) extend the maturity of the Revolving Credit Facility from February 12, 2024 to December 15, 2026, (iii) replace LIBOR with SOFR as the primary reference rate used to calculate interest on the loans under the Revolving Credit Facility, (iv) increase available **sublimits** **sub-limits** for letters of credit, and swingline loans as well as providing for additional alternative currency borrowing capabilities, and (v) modify the financial and non-financial covenants to provide the Company additional flexibility.

Borrowings in U.S. dollars under the Revolving Credit Facility bear interest, at a per annum rate equal to the applicable Term SOFR rate (but not less than 0.0%), plus the Term SOFR adjustment, and plus an applicable margin, which ranges

from 1.00% to 1.75%, based on our net leverage ratio. Similarly, borrowings of alternative currencies under the Revolving Credit Facility bear interest equal to a defined risk-free reference rate, plus the applicable risk-free rate adjustment and plus an applicable margin, which ranges from 1.00% to 1.75%, based on our net leverage ratio.

The Revolving Credit Facility includes a swing line **sublimit sub-limit** of \$20,000 and a letter of credit **sublimit sub-limit** of \$20,000. We also pay a quarterly commitment fee on the unused portion of the Revolving Credit Facility. The commitment fee ranges from 0.175% to 0.25% based on our net leverage ratio. The Revolving Credit Facility requires, in addition to customary representations and warranties, that we comply with a maximum net leverage ratio and a minimum interest coverage ratio. Failure to comply with these covenants could reduce the borrowing availability under the Revolving Credit Facility. We were in compliance with all debt covenants at **June 30, 2023** **September 30, 2023**. The Revolving Credit Facility requires that we deliver quarterly financial statements, annual financial statements, auditor 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 make stock repurchases and dividend payments.

We have debt issuance costs related to our long-term debt that are being amortized using the straight-line method over the life of the debt, which approximates the effective interest method. Amortization expense for the three and **six nine** months ended **June 30, 2023** **September 30, 2023** was \$48 and **\$97 145**, respectively. Amortization expense for the three and **six nine** months ended **June 30, 2022** **September 30, 2022** was \$48 and **\$97 145**, respectively. These costs are included in interest expense in our Consolidated Statements of Earnings.

### Note 13 - Derivative Financial Instruments

Our earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. We selectively use derivative financial instruments including foreign currency forward contracts as well as interest rate and cross-currency swaps to manage our exposure to these risks.

The use of derivative financial instruments exposes the Company to credit risk, which relates to the risk of nonperformance by a counterparty to the derivative contracts. We manage our credit risk by entering into derivative contracts with only highly rated financial institutions and by using netting agreements.

The effective portion of derivative gains and losses are recorded in accumulated other comprehensive loss until the hedged transaction affects earnings upon settlement, at which time they are reclassified to cost of goods sold or net sales. If it is probable that an anticipated hedged transaction will not occur by the end of the originally specified time period, we reclassify the gains or losses related to that hedge from accumulated other comprehensive income (loss) to other income (expense), net.

We assess hedge effectiveness qualitatively by verifying that the critical terms of the hedging instrument and the forecasted transaction continue to match, and that there have been no adverse developments that have increased the risk that the counterparty will default. No recognition of ineffectiveness was recorded in our Condensed Consolidated Statements of Earnings for the three and six nine months ended June 30, 2023 September 30, 2023.

### *Foreign Currency Hedges*

We use forward contracts to mitigate currency risk related to a portion of our forecasted foreign currency revenues and costs. The currency forward contracts are designed as cash flow hedges and are recorded in the Condensed Consolidated Balance Sheets at fair value.

We continue to monitor the Company's overall currency exposure and may elect to add cash flow hedges in the future. At June 30, 2023 September 30, 2023, we had a net unrealized gain of \$2,387 1,692 in accumulated other comprehensive (loss) income, \$2,387 1,724 of which is expected to be reclassified to earnings within the next 12 months. The notional amount of foreign currency forward contracts outstanding was \$16,538 26,046 at June 30, 2023 September 30, 2023.

### *Interest Rate Swaps*

We use interest rate swaps to convert a portion of our Revolving Credit Facility's outstanding balance from a variable rate of interest to a fixed rate. As of June 30, 2023 September 30, 2023, we have agreements to fix interest rates on \$50,000 of long-term debt until December 2026. The difference to be paid or received under the terms of the swap agreements will be recognized as an adjustment to interest expense when settled.

These swaps are treated as cash flow hedges and consequently, the changes in fair value are recorded in other comprehensive (loss) income. The estimated net amount of the existing gains that are reported in accumulated other comprehensive (loss) income that are expected to be reclassified into earnings within the next twelve months is approximately \$1,629 1,532.

### *Cross-Currency Swap*

The Company has operations and investments in various international locations and is subject to risks associated with changing foreign exchange rates. In order to hedge the Krone-based purchase price of the Ferroperm acquisition, the Company entered into a cross-currency interest rate swap agreement on June 27, 2022 that synthetically swapped \$25,000 of variable rate debt to Krone denominated variable rate debt. Upon completion of the Ferroperm acquisition on June 30, 2022, the transaction was designated as a net investment hedge for accounting purposes and will mature on June 30, 2027.

Accordingly, any gains or losses on this derivative instrument are included in the foreign currency translation component of other comprehensive income until the net investment is sold, diluted or liquidated. At June 30, 2023 September 30, 2023, we had a net unrealized loss of \$1,003 316 in accumulated other comprehensive (loss) income. Interest payments received

for the cross-currency swap are excluded from the net investment hedge effectiveness assessment and are recorded in interest expense in the Condensed Consolidated Statements of Earnings. The assumptions used in measuring fair value of the cross-currency swap are considered level 2 inputs, which are based upon the Krone to United States Dollar exchange rate market.

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The location and fair values of derivative instruments designated as hedging instruments in the Condensed Consolidated Balance Sheets as of **June 30, 2023** **September 30, 2023** are shown in the following table:

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Interest rate swaps reported in Other current assets	\$ 1,629	\$ 1,561	\$ 1,532	\$ 1,561
Interest rate swaps reported in Other assets	\$ 1,463	\$ 1,434	\$ 1,744	\$ 1,434
Cross-currency swap reported in Accrued expenses and other liabilities	\$ (701)	\$ (357)	\$ (17)	\$ (357)
Foreign currency hedges reported in Other current assets	\$ 2,095	\$ 945	\$ 1,295	\$ 945

The Company has elected to net its foreign currency derivative assets and liabilities in the balance sheet in accordance with ASC 210-20 (*Balance Sheet, Offsetting*). On a gross basis, there were foreign currency derivative assets of \$**2,233****1,454** and foreign currency derivative liabilities of \$**138****159** at **June 30, 2023** **September 30, 2023**.

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The effect of derivative instruments on the Condensed Consolidated Statements of Earnings is as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	Septem ber 30, 2023	Septem ber 30, 2022	Septem ber 30, 2023	Septem ber 30, 2022
Foreign Exchange Contracts:								

Amounts reclassified from AOCI to earnings:								
Net sales	\$ (63)	\$ —	\$ (97)	\$ —	\$ (37)	\$ —	\$ (134)	\$ —
Cost of goods sold			84				1,79	
	<u>589</u>	<u>162</u>	<u>4</u>	<u>308</u>	<u>949</u>	<u>216</u>	<u>3</u>	<u>524</u>
Total gain reclassified from AOCI to earnings	<u>526</u>	<u>162</u>	<u>7</u>	<u>308</u>	<u>912</u>	<u>216</u>	<u>9</u>	<u>524</u>
Total derivative gain on foreign exchange contracts recognized in earnings	\$ 526	\$ 162	\$ 7	\$ 308	\$ 912	\$ 216	\$ 9	\$ 524
<b>Interest Rate Swaps:</b>								
Income (expense) recorded in Interest expense	\$ 441	(10	81	(27	\$ 481		1,29	
	\$ 1)	\$ 7	\$ 3)	\$ (194)	\$ 79	\$ 8		
<b>Cross-Currency Swap:</b>								
Income recorded in Interest expense	\$ 136	\$ —	\$ 5	\$ —	\$ 119	\$ 175	\$ 414	\$ 175
	<u>1,1</u>		<u>1,8</u>		<u>1,51</u>		<u>3,37</u>	
Total net gains on derivatives	<u>\$ 03</u>	<u>\$ 61</u>	<u>\$ 59</u>	<u>\$ 35</u>	<u>\$ 2</u>	<u>\$ 470</u>	<u>\$ 1</u>	<u>\$ 505</u>

#### NOTE 14 – Accumulated Other Comprehensive Income (Loss)

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

- **Unrealized gains (losses) on hedges** relate to interest rate swaps to convert a portion of our Revolving Credit Facility's outstanding balance from a variable rate of interest into a fixed rate, foreign currency forward contracts used to hedge our exposure to changes in exchange rates affecting certain revenues and costs denominated in foreign currencies, as well as a cross-currency swap that synthetically converts our U.S. Dollar variable rate debt to Krone denominated variable rate debt. These hedges are designated as cash flow hedges, and we have deferred income statement recognition of gains and losses until the hedged transactions occur, at which time amounts are reclassified into earnings. Further information related to our derivative financial instruments is included in Note 13 – "Derivative Financial Instruments" and Note 17 – "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 income (expense). Further information related to our pension obligations is included in Note 7 – "Retirement Plans".
- **Cumulative translation adjustments** relate to our non-U.S. subsidiary companies that have designated a



functional currency other than the U.S. Dollar. We are required to translate the subsidiary functional currency financial statements to

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dollars using a combination of historical, period-end, and average foreign exchange rates. This combination of r creates the foreign currency translation adjustment component of other comprehensive income.

Changes in exchange rates between the functional currency and the currency in which a transaction is denominated are foreign exchange transaction gains or losses. Transaction losses gains (losses) for the three and six nine months ended June 30, 2023 September 30, 2023 were \$2,750 365 and \$(2,683 2,317), respectively. Transaction losses for the three and six nine months ended June 30, 2022 September 30, 2022 were \$3,817 451 and \$3,529 3,980, respectively. The impact of these changes have been included in other income (expense) in the Condensed Consolidated Statements of Earnings.

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The components of accumulated other comprehensive income (loss) for the three months ended June 30, 2023 September 30, 2023 are as follows:

	(Gain) Loss				(Gain) Loss			
	As of March 31, 2023	Gain (Loss) Recogni zed in OCI	Reclassi fied from AOCI to Earning s	As of June 30, 2023	As of June 30, 2023	Gain (Loss) Recogni zed in OCI	Reclassi fied from AOCI to Earning s	As of Septem ber 30, 2023
Changes in fair market value of derivatives:								
Gross	4,40	2,04		5,4	5,4		(1,39	
	\$ 3	\$ 6	\$ (967)	\$ 82	\$ 82	\$ 882	\$ 2)	\$ 4,972
Income tax benefit (expense)	(1,0 12)	(471)	222	(1,2 61)	(1,2 61)	(203)	321	(1,14 3)
Net	3,39	1,57		4,2	4,2		(1,07	
	1	5	(745)	21	21	679	1)	3,829
Changes in unrealized pension cost:								

Gross	(1,226)	—	7	(1,219)	(1,219)	—	25	(1,194)
Income tax benefit (expense)	389	—	(3)	386	386	—	(3)	383
Net	(837)	—	4	(833)	(833)	—	22	(811)
Cumulative translation adjustment:								
Gross	(1,856)	2,159	—	303	303	(3,996)	—	(3,693)
Income tax benefit (expense)	—	—	—	—	—	—	—	—
Net	(1,856)	2,159	—	303	303	(3,996)	—	(3,693)
Total accumulated other comprehensive (loss) income	\$ 698	\$ 4	\$ (741)	\$ 91	\$ 91	\$ 17)	\$ 9)	\$ (675)

The components of accumulated other comprehensive income (loss) for the three months ended **June 30, 2022** **September 30, 2022** are as follows:

	(Gain) Loss				(Gain) Loss			
	As of March 31, 2022	Gain (Loss) Recogni zed in OCI	Reclassi fied from AOCI to Earning s	As of June 30, 2022	As of June 30, 2022	Gain (Loss) Recogni zed in OCI	Reclassi fied from AOCI to Earning s	As of Septemb er 30, 2022
Changes in fair market value of derivatives:								
Gross	\$ 969	\$ 976	\$ (61)	\$ 84	\$ 84	\$ 9	\$ (295)	\$ 4,128
Income tax benefit (expense)	(221)	(224)	14	(1)	(43)	(585)	68	(948)

Net				1,4	1,4	1,95		
	748	752	(47)	53	53	4	(227)	3,180
Changes in unrealized pension cost:								
Gross	(2,6	1,97		(50	(50		(1,95	(2,29
	24)	7	143	4)	4)	161	4)	7)
Income tax benefit (expense)	712	—	(38)	674	674	(492)	450	632
Net	(1,9	1,97					(1,50	(1,66
	12)	7	105	170	170	(331)	4)	5)
Cumulative translation adjustment:								
Gross	(2,2	(2,0		(4,2	(4,2	(6,0		(10,3
	81)	12)	—	93)	93)	71)	—	64)
Income tax benefit (expense)	—	—	—	—	—	—	—	—
Net	(2,2	(2,0		(4,2	(4,2	(6,0		(10,3
	81)	12)	—	93)	93)	71)	—	64)
Total accumulated other comprehensive (loss) income	(3,4			(2,6	(2,6	(4,4	(1,73	(8,84
	\$ 45)	\$ 717	\$ 58	\$ 70)	\$ 70)	\$ 48)	\$ 1)	\$ 9)

The components of accumulated other comprehensive income (loss) for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** are as follows:

(Gain) Loss				(Gain) Loss			
As of	Gain	Reclassi	As of	As of	Gain	Reclassi	As of
Decemb	(Loss)	fied	June	Decemb	(Loss)	fied	Septem
er 31,	Recogni	from	30,	er 31,	Recogn	from	ber 30,
	zed	AOCI			ized	AOCI	

	to Earning s				to Earning s			
	2022	in OCI		2023	2022	in OCI		2023
Changes in fair market value of derivatives:								
Gross	3,91	3,13	(1,5	5,4	3,91	4,01	(2,9	4,97
	\$ 1	\$ 5	64)	\$ 82	\$ 1	\$ 7	56)	\$ 2
Income tax benefit (expense)	(899)	(721)	359	(1,2	(899)	(924)	680	(1,14
			61)				3)	
Net	3,01	2,41	(1,2	4,2	3,01	3,09	(2,2	3,82
	2	4	05)	21	2	3	76)	9
Changes in unrealized pension cost:								
Gross	(1,17			(1,2	(1,17			(1,19
	9)	—	(40)	19)	9)	—	(15)	4)
Income tax benefit (expense)	376	—	10	386	376	—	7	383
Net	(803)	—	(30)	(83	(803)	—	(8)	(811)
	3)							
Cumulative translation adjustment:								
Gross	(2,88	3,18			(2,88			(3,69
	0)	3	—	303	0)	(813)	—	3)
Income tax benefit (expense)	—	—	—	—	—	—	—	—
Net	(2,88	3,18			(2,88			(3,69
	0)	3	—	303	0)	(813)	—	3)
Total accumulated other comprehensive (loss) income	\$ (671)	\$ 7	\$ 35)	\$ 91	\$ (671)	\$ 0	\$ 84)	\$ (675)

The components of accumulated other comprehensive income (loss) for the **six** **nine** months ended **June 30,** **2022** **September 30, 2022** are as follows:

	(Gain) Loss				(Gain) Loss			
	As of	Gain	Reclassi	As of	As of	Gain	Reclassi	As of
	Decemb	(Loss)	fied	June	Decemb	(Loss)	fied	Septem
	er 31,	Recogni	from	30,	er 31,	ized	from	ber 30,
		zed	AOCI				AOCI	
			to				to	
			Earning				Earning	
	2021	in OCI	s	2022	2021	in OCI	s	2022
Changes in fair market value of derivatives:								
Gross		2,55		1,8		5,09		
	\$ (635)	\$ 4	(35)	\$ 84	\$ (635)	\$ 3	(330)	\$ 4,128
Income tax benefit (expense)	147	(587)	9	(43 1)	147	(1,1 71)	76	(948)
Net	(488)	1,96 7	(26)	1,4 53	(488)	3,92 2	(254)	3,180
Changes in unrealized pension cost:								
Gross	(2,74 4)	1,97 7	(50 263 4)	(50 4)	(2,74 4)	2,13 9	(1,6 92)	(2,29 7)
Income tax benefit (expense)	738	—	(64)	674	738	(492)	386	632
Net	(2,00 6)	1,97 7	199	170	(2,00 6)	1,64 7	(1,3 06)	(1,66 5)
Cumulative translation adjustment:								
Gross	(2,03 2)	(2,2 61)	(4,2 — 93)	(4,2 93)	(2,03 2)	(8,3 32)	(10,3 — 64)	(10,3 64)
Income tax benefit (expense)	—	—	—	—	—	—	—	—
Net	(2,03 2)	(2,2 61)	(4,2 — 93)	(4,2 93)	(2,03 2)	(8,3 32)	(10,3 — 64)	(10,3 64)

Total accumulated other comprehensive (loss) income	(4,526)	1,683	(2,6173)	(4,526)	(2,763)	(1,560)	(8,849)
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## NOTE 15 – Shareholders’ Equity

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

	As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Preferred Stock				
Par value per share	No par value	No par value	No par value	No par value
Shares authorized	25,000,000	25,000,000	25,000,000	25,000,000
Shares outstanding	—	—	—	—
Common Stock				
Par value per share	No par value	No par value	No par value	No par value
Shares authorized	75,000,000	75,000,000	75,000,000	75,000,000
Shares issued	57,440,235	57,330,761	57,440,235	57,330,761
Shares outstanding	31,394,377	31,680,890	31,206,185	31,680,890
Treasury stock				
Shares held	26,045,858	25,649,871	26,234,516	25,649,871

On February 9, 2023, the Board of Directors approved a new share repurchase program that authorizes the Company to repurchase up to \$50,000 of the Company’s common stock. The repurchase program has no set expiration date and replaces the repurchase program approved by the Board of Directors on May 13, 2021. During the three and six nine months ended June 30, 2023 September 30, 2023, 197,716 188,658 and 395,987 584,645 shares of common stock were repurchased for \$8,760 8,328 and \$17,562 25,890, respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, 216,252 52,000 and 332,428 384,428 shares of common stock were repurchased for \$7,748 1,778

and \$11,668 13,446, respectively. As of June 30, 2023 September 30, 2023, approximately \$36,633 28,403 remains available for future purchases.

A roll-forward of common shares outstanding is as follows:

	Six months ended		Nine months ended	
	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
Balance at the beginning of the year	31,680,890	32,178,715	31,680,890	32,178,715
Repurchases	(395,987)	(332,428)	(584,645)	(384,428)
Restricted share issuances	109,474	65,114	109,940	65,777
Balance at the end of the period	31,394,377	31,911,401	31,206,185	31,860,064

Certain potentially dilutive restricted stock units are excluded from diluted earnings per share because they are anti-dilutive. The number of outstanding awards that were anti-dilutive for the six nine months ended June 30, 2023 September 30, 2023 was 5,000 911. The number of outstanding awards that were anti-dilutive for the three and six nine months ended June 30, 2022 September 30, 2022 were 2,500 393 and 2,500 950, respectively. There were no anti-dilutive shares for the three months ended June 30, 2023 September 30, 2023.

## NOTE 16- Stock-Based Compensation

At June 30, 2022 September 30, 2023, we had five active stock-based compensation plans: the Non-Employee 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"), the 2014 Performance and Incentive Compensation Plan ("2014 Plan"), and the 2018 Equity and Incentive Compensation Plan ("2018 Plan"). Future grants can only be made under the 2018 Plan.

These plans allow for grants of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance shares, performance units, and other stock awards subject to the terms of the specific plans under which the awards are granted.

The following table summarizes the compensation expense included in selling, general and administrative expenses in the Condensed Consolidated Statements of Earnings related to stock-based compensation plans:

Three months ended		Six months ended		Three months ended		Nine months ended	
June 30,	June 30,	June 30,	June 30,	Septemb er 30,	Septemb er 30,	Septemb er 30,	Septemb er 30,

	2023	2022	2023	2022	2023	2022	2023	2022
Service-based RSUs	\$ 765	\$ 691	\$ 5	\$ 8	\$ 728	\$ 766	\$ 2,263	\$ 2,134
Performance-based RSUs	723	820	7	1	525	1,338	1,883	3,379
Cash-settled RSUs	161	105	343	157	152	137	495	294
Total	1,64	1,61	3,23	3,56				
	\$ 9	\$ 6	\$ 5	\$ 6	\$ 1,405	\$ 2,241	\$ 4,641	\$ 5,807
Income tax benefit	379	372	744	820	379	515	1,067	1,336
Net expense	1,27	1,24	2,49	2,74				
	\$ 0	\$ 4	\$ 1	\$ 6	\$ 1,026	\$ 1,726	\$ 3,574	\$ 4,471

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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:

	Unrecognized Compensation Expense at June 30, 2023	Weighted-Average Period (years)	Unrecognized Compensation Expense at September 30, 2023	Weighted-Average Period (years)
Service-based RSUs	\$ 2,993	1.47	\$ 2,339	1.45
Performance-based RSUs	5,252	1.88	4,026	1.76
Total	\$ 8,245	1.73	\$ 6,365	1.65

We recognize 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 June 30, 2023 September 30, 2023:



	2018	2014	2009	2004	Direct ors'	2018	2014	2009	2004	Direct ors'
	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
Awards originally available	2,500,000	1,500,000	3,400,000	6,500,000	N/A	2,500,000	1,500,000	3,400,000	6,500,000	N/A
Maximum potential awards outstanding	787,638	35,100	30,000	14,545	4,722	785,582	35,100	30,000	14,545	4,722
RSUs and cash-settled awards vested and released	441,812	—	—	—	—	443,106	—	—	—	—
Awards available for grant	1,270,550	—	—	—	—	1,271,312	—	—	—	—

### Service-Based Restricted Stock Units

The following table summarizes the service-based RSU activity for the six nine months ended June 30, 2023 September 30, 2023:

	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	282,124	\$ 27.44	282,124	\$ 27.44
Granted	64,046	43.77	66,396	43.71
Vested and released	(68,848)	32.30	(69,515)	32.32
Forfeited	(7,540)	36.97	(8,181)	37.02
Outstanding at June 30, 2023	269,782	\$ 29.81		
Releasable at June 30, 2023	131,867	\$ 20.30		
Outstanding at September 30, 2023			270,824	\$ 29.89
Releasable at September 30, 2023			131,867	\$ 20.30

## Performance and Market-Based Restricted Stock Units

The following table summarizes the performance and market-based RSU activity for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**:

		Weighted Average Grant Date Fair Value		Weighted Average Grant Date Fair Value
	Units		Units	
Outstanding at December 31, 2022	260,306	\$ 33.20	260,306	\$ 33.20
Granted	71,832	43.80	71,832	43.80
Attained by performance	53,035	32.11	53,035	32.11
Released	(113,385)	32.11	(113,385)	32.11
Forfeited	(10,429)	37.59	(12,679)	34.96
Outstanding at June 30, 2023	261,359	\$ 36.19		
Releasable at June 30, 2023	—	\$ —		
Outstanding at September 30, 2023			259,109	\$ 36.30
Releasable at September 30, 2023			—	\$ —

## Cash-Settled Restricted Stock Units

Cash-Settled RSUs entitle the holder to receive the cash equivalent of one share of common stock for each unit when the unit vests. These RSUs are issued to key employees residing in foreign locations as direct compensation. Generally, these RSUs vest over a three-year period. Cash-Settled RSUs are classified as liabilities and are remeasured at each reporting date until settled. At **June 30, 2023** **September 30, 2023** and December 31, 2022, we had **49,347** **48,499** and 46,641 Cash-Settled RSUs outstanding, respectively. At **June 30, 2023** **September 30, 2023** and December 31, 2022, liabilities of \$**547** **673** and \$566, respectively, were included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheets.

## NOTE 17 — Fair Value Measurements

The table below summarizes our financial assets and liabilities that were measured at fair value on a recurring basis at **June 30, 2023** **September 30, 2023**:

	Asset (Liability) Carrying Value at June 30, 2023	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Asset (Liability) Carrying Value at September 30, 2023	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	\$ 3,092	\$ —	\$ 2	\$ —	\$ 3,276	\$ —	\$ 6	\$ —
Foreign currency hedges	\$ 2,095	\$ —	\$ 5	\$ —	\$ 1,295	\$ —	\$ 5	\$ —
Cross-currency swap	\$ (701)	\$ —	\$ (701)	\$ —	\$ (17)	\$ —	\$ (17)	\$ —
Qualified replacement plan assets	\$ 14,218	\$ 8	\$ —	\$ —	\$ 13,775	\$ 75	\$ —	\$ —
Contingent consideration	\$ (3,564)	\$ —	\$ —	\$ (3,564)	\$ (3,564)	\$ —	\$ —	\$ (3,564)

The table below summarizes the financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2022:

	Asset (Liability) Carrying Value at December 31, 2022	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	\$ 2,995	\$ —	\$ 2,995	\$ —
Foreign currency hedges	\$ 945	\$ —	\$ 945	\$ —
Cross-currency swap	\$ (357)	\$ —	\$ (357)	\$ —

Qualified replacement plan assets

\$ 15,249 \$ 15,249 \$ — \$ —

We use interest rate swaps to convert a portion of our Revolving Credit Facility's outstanding balance from a variable rate of interest into a fixed rate and foreign currency forward contracts to hedge the effect of foreign currency changes on certain revenues and costs denominated in foreign currencies. The Company entered into a cross-currency swap agreement in order to manage its exposure to changes in interest rates related to foreign debt. These derivative financial instruments are measured at fair value on a recurring basis. The fair value of our interest rate swaps and foreign currency hedges were measured using standard valuation models using market-based observable inputs over the contractual terms, including forward yield curves, among others. There is a readily determinable market for these derivative instruments, but that market is not active and therefore they are classified within Level 2 of the fair value hierarchy.

The fair value of the contingent consideration requires significant judgment. The Company's fair value estimates used in the contingent consideration valuation are considered Level 3 fair value measurements. The fair value estimates were based on assumptions management believes to be reasonable, but that are inherently uncertain, including estimates of future revenues and timing of events and activities that are expected to take place. Refer to Note 3 "Business Acquisitions" for further discussion on contingent consideration.

A roll-forward of the contingent consideration is as follows:

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	Contingent Consideration	Contingent Consideration
Balance at December 31, 2022	\$ —	\$ —
Acquisition date fair value of contingent consideration	3,564	3,564
Balance at June 30, 2023	\$ 3,564	
Balance at September 30, 2023		\$ 3,564

As of June 30, 2023 September 30, 2023, approximately \$1,424 of contingent consideration was recorded in accrued expenses and other liabilities with the remainder in other long-term obligations.

Our long-term debt consists of the Revolving Credit Facility, which is recorded at its carrying value. There is a readily determinable market for our long-term 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 approximates its carrying value and was determined by valuing a similar hypothetical coupon bond and attributing that value to our long-term debt under the Revolving Credit Facility.

The qualified replacement plan assets consist of investment funds maintained for future contributions to the Company's U.S. 401(k) program. The investments are Level 1 marketable securities and are recorded in Other Assets on our Condensed Consolidated Balance Sheets.

## NOTE 18 — Income Taxes

The effective income tax rates for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 are as follows:

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
Effective tax rate	19.8 %	25.6 %	19.5 %	23.0 %

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Effective tax rate	25.4 %	31.8 %	21.4 %	25.6 %

Our effective income tax rate was 19.825.4% and 25.631.8% in the secondthird quarters of 2023 and 2022, respectively. The decrease in the quarterly effective income tax rate is primarily attributed to tax benefits from amended U.S. federal income tax returns. The second quarter 2023 effective income tax rate was lower than a nondeductible cost associated with the termination of the U.S. statutory federal tax rate primarily due to pension plan incurred in the same reason as noted above. third quarter of 2022. The secondthird quarter 20222023 effective income tax rate was higher than the U.S. statutory federal tax rate primarily due to the mix of foreign earnings that are taxed at higher rates. The third quarter 2022 effective income tax rate was higher than the U.S. statutory federal income tax rate primarily due to the impact of foreign withholding taxes and state taxes. a nondeductible cost associated with the termination of the U.S. pension plan.

Our effective income tax rate was 19.521.4% and 23.025.6% in the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The decrease is primarily attributed to 2023 tax benefits recorded upon vesting of restricted stock and tax benefits from amended U.S. federal income tax returns, as well as U.S. tax credits and deductions. The effective income tax rate in the nine months of 2023 was higher than the U.S. statutory federal income tax rate primarily due the mix of foreign earnings that are taxed at higher rates partially offset by tax benefits recorded upon vesting of restricted stock and tax benefits from amended U.S. federal income tax returns. The effective income tax rate in the first six months of 2023 was lower than the U.S. statutory federal tax rate primarily for the same reason as noted above. The tax rate in the

first six nine months of 2022 was higher than the U.S. statutory federal tax rate primarily due to the impact of foreign withholding taxes and state taxes, a nondeductible cost associated with the termination of the U.S. pension plan.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

(in thousands of dollars, except percentages and per share amounts)

The following discussion should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and notes included under Item 1, as well as our Consolidated Financial Statements and notes and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022.

### Overview

CTS Corporation ("CTS", "we", "our" or "us") is a leading designer and manufacturer of products that Sense, Connect and Move. Our vision is to be a leading provider of sensing and motion devices as well as connectivity components, enabling an intelligent and seamless world. These devices are categorized by their ability to Sense, Connect or Move. Sense products provide vital inputs to electronic systems. Connect products allow systems to function in synchronization with other systems. Move products ensure required movements are effectively and accurately executed. We are committed to achieving our vision by continuing to invest in the development of products, technologies and talent within these categories.

We manufacture sensors, actuators, and connectivity components in North America, Europe, and Asia. CTS provides engineered products to OEMs and tier one suppliers in the aerospace and defense, industrial, medical, and transportation markets.

There is an increasing proliferation of sensing and motion applications within various markets we serve. In addition, the increasing connectivity of various devices to the internet results in greater demand for communication bandwidth and data storage, increasing the need for our connectivity products. Our success is dependent on the ability to execute our strategy to support these trends. We are subject to a number of challenges including, without limitation, periodic market softness, competition from other suppliers, changes in technology, and the ability to add new customers, launch new products or penetrate new markets. Many of these, and other risks and uncertainties relating to the Company and our business, are discussed in further detail in Item 1A. of our Annual Report on Form 10-K and other filings made with the SEC.

On February 6, 2023, we acquired 100% of the outstanding shares of Maglab AG ("Maglab") for \$4,167 in cash subject to additional earnout payments based on future performance. Maglab has deep expertise in magnetic system design and current measurement solutions for use in e-mobility, industrial automation, and renewable energy applications. Maglab's domain expertise coupled with CTS' commercial, technical and operational capabilities position us to advance our status as a recognized innovator in electric motor sensing and controls markets.

## Supply Chain Uncertainties

The COVID-19 pandemic and subsequent supply chain uncertainties had a significant negative impact on the global economy in 2022 and 2021. These events disrupted the financial markets, negatively impacted the global supply chain and increased the cost of materials and operations, particularly within the global automotive industry. While supply chain conditions have eased, material shortages could still impact our or our customers' production schedules. With customers changing orders on short notice, we run the risk of carrying excess inventory in these situations. These developments are outside of our control, remain uncertain, and cannot be predicted. We continue to actively monitor the ongoing impacts of the supply chain uncertainties and will seek to mitigate and minimize their impact on our business, when possible.

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## Results of Operations: Second Third Quarter 2023 versus Second Third Quarter 2022

The following table highlights changes in significant components of the Unaudited Condensed Consolidated Statements of Earnings for the quarters ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022:

	Three Months Ended					Three Months Ended				
	June 30, 2023	June 30, 2022	Percent Change	Percentage of Net Sales – 2023	Percentage of Net Sales – 2022	September 30, 2023	September 30, 2022	Percent Change	Percentage of Net Sales – 2023	Percentage of Net Sales – 2022
Net sales	145,182	144,984	0.1%	100.0%	100.0%	134,515	151,948	(11.4)%	100.0%	100.0%
Cost of goods sold	94,440	93,134	1.4%	65.0%	64.2%	88,151	98,565	(10.6)%	65.5%	64.9%
Gross margin	50,742	51,850	(2.1)%	35.0%	35.8%	46,364	53,383	(13.0)%	34.5%	35.1%

Selling, general and administrative expenses	23,694	22,238	6.5	16.3	15.3	18,666	24,003	(2,232)	13.9	15.9
Research and development expenses	6,721	6,294	6.8	4.6	4.3	6,321	6,207	1,118	4.7	4.1
Restructuring charges	1,895	630	0.8	1.3	0.4	3,226	492	5,517	2.4	0.3
Total operating expenses	32,310	29,162	10.8	22.3	20.1	28,213	30,702	(8,489)	21.0	20.2
Operating earnings	18,432	22,686	(18.8)	12.7	15.6	18,188	22,644	(1,456)	13.5	14.9
Total other expenses, net	(2,352)	(5,764)	(59.2)	(1.6)	(4.0)					
Total other income (expense), net						549	(5,346)	(1,131)	0.4	(3.5)



Earnings before income taxes	16,080	16,922	(5,000)	11.1	11.7	18,773	17,829	8,303	13.9	11.4
Income tax expense	3,183	4,324	(2,664)	2.2	3.0	4,766	5,500	(1,333)	3.5	3.6
Net earnings	12,897	12,598	2,404	8.9%	8.7%	13,997	11,779	1,444	10.4%	7.8%
Earnings per share:										
Diluted net earnings per share	0.41	0.39				0.44	0.37			

Net sales were \$145,182 \$134,552 in the second third quarter of 2023, an increase a decrease of \$200 \$17,359 or 0.1% 11.4% from the second third quarter of 2022. Net sales to the transportation market increased \$7,452 decreased \$2,498 or 10.0% 3.2% while net sales to non-transportation markets decreased \$7,252 \$14,861 or 10.3% 20.2%, primarily due to inventory reduction related softness in distribution and the industrial end market. Changes in foreign exchange rates decreased net sales by \$1,092 year-over-year, among distributor customers as they continued to reduce inventory.

Gross margin was \$50,742 \$46,401 in the second third quarter of 2023, a decrease of \$1,106 \$6,945 or 2.1% 13.0% from the second third quarter of 2022. The year over year decrease was primarily driven by end market lower sales mix, increased material and freight costs volumes and unfavorable impacts from foreign exchange rates of \$1,720 \$1,810 year-over-year.

Selling, general and administrative ("SG&A") expenses were \$23,694 \$18,666 or 16.3% 13.9% of net sales in the second third quarter of 2023 versus \$22,238 \$24,003 or 15.3% 15.9% of net sales in the second third quarter of 2022. The

increase decrease in SG&A expenses was primarily caused by higher environmental costs in the second quarter of 2023. See Note 11 "Commitments and Contingencies" in the Notes adjustments to incentive compensation accruals as well as some cost reduction measures implemented due to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information on the environmental liability. softening sales environment.

Research and development ("R&D") expenses were \$6,721 \$6,321 or 4.6% 4.7% of net sales in the second third quarter of 2023 compared to \$6,294 \$6,207 or 4.3% 4.1% of net sales in the comparable quarter of 2022, in line with our commitment to continue investing in research and product development to drive organic growth.

Restructuring charges were \$1,895 \$3,226 or 1.3% 2.4% of net sales in the second third quarter of 2023 compared to \$630 \$492 or 0.4% 0.3% of net sales in the second third quarter of 2022. We continue The charges in the third quarter of 2023 were primarily related to implement certain restructuring actions costs associated with our plant closure and consolidation activities. See Note 9 "Costs Associated with Exit and Restructuring Activities" in the Notes to improve our cost structure. the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.

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

	Three Months Ended		Three Months Ended	
	June 30,	June 30,	September 30,	September 30,
	2023	2022	2023	2022
Interest expense	\$ (818)	\$ (602)	\$ (997)	\$ (342)
Interest income	1,072	263	952	167
Other expense, net	(2,606)	(5,425)		
Total other expense, net	\$ (2,352)	\$ (5,764)		
Other income (expense), net			594	(5,171)
Total other income (expense), net			\$ 549	\$ (5,346)

The reduction in total other Interest income increased due to investments of available cash into short term, cash equivalent, high yield deposit accounts.

Other income (expense), net for the three months ended September 30, 2023 is primarily driven by income from the qualified replacement plan assets as well as foreign currency gains primarily related to the Danish Krone.

Other expense, net for the third quarter of 2022 was primarily driven by higher interest \$6,803 in excise taxes incurred as part of the U.S. pension plan termination as well as foreign currency losses primarily related to the Chinese Renminbi offset partially by income from our short-term the U.S. pension plan investments classified as cash equivalents in line with market rate increases seen recently. Other expense, net for 2022 also includes \$1,776 in derivative losses associated with the acquisition of Ferroperm Piezoceramics A/S ("Ferroperm"), realized prior to its final termination.

	Three Months Ended	
	June 30,	June 30,
	2023	2022
Effective tax rate	19.8%	25.6%

	Three Months Ended	
	September 30,	September 30,
	2023	2022
Effective tax rate	25.4%	31.8%

Our effective income tax rate was 19.8% 25.4% and 25.6% 31.8% in the second third quarters of 2023 and 2022, respectively. The decrease in the effective income tax rate is primarily attributed to tax benefits from amended a nondeductible cost associated with the termination of the U.S. federal income tax returns, pension plan incurred in the third quarter of 2022.

## Results of Operations: Six Nine Months ended June 30, 2023 September 30, 2023 versus Six Nine Months Ended June 30, 2022 September 30, 2022

The following table highlights changes in significant components of the Unaudited Condensed Consolidated Statements of Earnings for the six nine months ended June 30, 2023 September 30, 2023, and June 30, 2022 September 30, 2022:

Six Months Ended					Nine Months Ended				
June 30, 2023	June 30, 2022	Per cent Change	Percentage of Net Sales – 2023	Percentage of Net Sales – 2022	September 30, 2023	September 30, 2022	Per cent Change	Percentage of Net Sales – 2023	Percentage of Net Sales – 2022

Net sales	29	29				425	444			
	1,1	2,6	(0			,72	,58	(4		
	\$ 76	\$ 77	.5)%	100.0%	100.0%	\$ 8	\$ 8	.2)%	100.0%	100.0%
Cost of	18	18				276	285			
goods	8,7	6,4	1.			,93	,05	(2		
sold	82	89	2	64.8	63.7	3	4	.8)	65.0	64.1
Gross	10	10				148	159			
margin	2,3	6,1	(3			,79	,53	(6		
	94	88	.6)	35.2	36.3	5	4	.7)	35.0	35.9
Selling,										
general										
and										
administr	45,	44,								
ative	67	02	3.			64,	68,	(5		
expenses	3	6	7	15.7	15.0	339	029	.4)	15.1	15.3
Research										
and										
developm	13,	12,								
ent	30	48	6.			19,	18,	5.		
expenses	7	8	6	4.6	4.3	628	695	0	4.6	4.2
Restructu			1					3		
ring			9					2		
charges	2,8	94	8.			6,0	1,4	0.		
	07	2	0	1.0	0.3	33	34	7	1.4	0.3
Total										
operati										
ng	61,	57,								
expens	78	45	7.			90,	88,	2.		
es	7	6	5	21.2	19.6	000	158	1	21.1	19.8
Operati										
ng	40,	48,	(1					(1		
earning	60	73	6.			58,	71,	7.		
s	7	2	7)	13.9	16.7	795	376	6)	13.8	16.1
Total										
other	(1,	(6,	(7					(8		
expense,	81	06	0.			(1,2	(11,	8.		
net	8)	4)	0)	(0.6)	(2.1)	69)	410)	9)	(0.3)	(2.6)

Earnings before income taxes	38,789	42,668	(9.1)	13.3	14.6	57,526	59,966	(4.1)	13.5	13.5
Income tax expense	7,548	9,831	(23.2)	2.6	3.4	12,314	15,331	(19.7)	2.9	3.4
Net earnings	31,241	32,837	(4.9)	10.7%	11.2%	45,212	44,635	1.3%	10.6%	10.0%
Earnings per share:										
Diluted net earnings per share	0.98	1.02				1.43	1.38			

Net sales were \$291,176 \$425,728 in the six nine months ended June 30, 2023 September 30, 2023, a decrease of \$1,501 \$18,860 or 0.5% 4.2% from the six nine months ended June 30, 2022 September 30, 2022. Net sales to the transportation market increased \$2,594 or 1.7% remained flat while net sales to non-transportation markets decreased \$4,095 \$18,958 or 2.9%. 8.9%, primarily due to inventory reduction related softness among distributor customers as they continued to reduce inventory. Changes in foreign exchange rates decreased net sales by \$3,413 \$3,367 year-over-year.

Gross margin was \$102,394 \$148,795 for the six nine months ended June 30, 2023 September 30, 2023, a decrease of \$3,794 \$10,739 or 3.6% 6.7% from the six nine months ended June 30, 2022 September 30, 2022. The year over year decrease in gross margin was primarily driven by end market lower sales mix, increased material and freight costs volumes and unfavorable impacts from foreign exchange rates of \$3,497 \$5,307 year-over-year.

SG&A expenses were \$45,673 \$64,339 or 15.7% 15.1% of net sales for the six nine months ended June 30, 2023 September 30, 2023 versus \$44,026 \$68,029 or 15.0% 15.3% of net sales for the six nine months ended June 30, 2022 September 30, 2022. The increase decrease in SG&A expenses was primarily caused by adjustments to incentive compensation accruals partially offset by higher environmental costs in the second quarter of 2023 as well as and expenses related to acquisition activity. See Note 11 "Commitments

"Commitments and Contingencies" in the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information on the environmental costs.

R&D expenses were \$13,307 \$19,628 or 4.6% of net sales for the six nine months ended June 30, 2023 September 30, 2023 compared to \$12,488 \$18,695 or 4.3% 4.2% of net sales for the six nine months ended June 30, 2022 September 30, 2022, in line with our commitment to continue investing in research and product development to drive organic growth.

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Restructuring charges were \$2,807 \$6,033 or 1.0% 1.4% of net sales for the six nine months ended June 30, 2023 September 30, 2023 compared to \$942 \$1,434 or 0.3% of net sales for the six nine months ended June 30, 2022 September 30, 2022. We continue The restructuring charges in the nine months ended September 30, 2023 were primarily related to implement certain restructuring actions costs associated with our plant closure and consolidation activities. See Note 9 "Costs Associated with Exit and Restructuring Activities" in the Notes to improve our cost structure. the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.

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

	Six Months Ended		Nine Months Ended	
	June 30,	June 30,	September 30,	September 30,
	2023	2022	2023	2022
Interest expense	\$ (1,512)	\$ (1,148)	\$ (2,509)	\$ (1,490)
Interest income	2,135	443	3,087	610
Other expense, net	(2,441)	(5,359)	(1,847)	(10,530)
Total other expense, net	\$ (1,818)	\$ (6,064)	\$ (1,269)	\$ (11,410)

The reduction in total other Interest income increased due to investments of available cash into short term, cash equivalent, high yield deposit accounts.

Other expense, net for the nine months ended September 30, 2023 is primarily driven by foreign currency losses primarily related to the Chinese Renminbi offset partially by income from the qualified replacement plan assets.

Other expense, net for the nine months ended September 30, 2022 was primarily driven by higher interest income from our short-term investments classified \$6,803 in excise taxes incurred as cash equivalents in line with market rate increases seen recently. Other expense, net for 2022 also includes part of the U.S. pension plan termination and \$1,776 in derivative losses associated with the acquisition of Ferroperm. Ferroperm, as well as foreign currency losses primarily related to the Chinese Renminbi offset partially by income from the U.S. pension plan investments realized prior to its final termination.

	Six Months Ended	
	June 30,	June 30,
	2023	2022

Effective tax rate	19.5%	23.0%
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	Nine Months Ended	
	September 30,	September 30,
	2023	2022
Effective tax rate	21.4%	25.6%

Our effective income tax rate was 19.5% 21.4% and 23.0% 25.6% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The decrease is primarily attributed to 2023 tax benefits recorded upon vesting of restricted stock and tax benefits from amended U.S. federal income tax returns, returns, as well as U.S. tax credits and deductions.

## Liquidity and Capital Resources

We have historically funded our capital and operating needs primarily through cash flows from operating activities, supported by available credit under our Revolving Credit Facility (as defined below). We believe that cash flows from operating activities and available borrowings under our Revolving Credit Facility will be adequate to fund our working capital needs, capital expenditures, investments, and debt service requirements for at least the next twelve months and for the foreseeable future thereafter. However, we may choose to pursue additional equity and debt financing to provide additional liquidity or to fund acquisitions.

Cash and cash equivalents were \$150,878 \$160,112 at June 30, 2023 September 30, 2023, and \$156,910 at December 31, 2022, of which \$102,830 \$111,750 and \$90,244, respectively, were held outside the United States. Total long-term debt was \$77,040 \$76,665 as of June 30, 2023 September 30, 2023 and \$83,670 as of December 31, 2022.

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## Cash Flow Overview

### Cash Flows from Operating Activities

Net cash provided by operating activities was \$34,607 \$56,742 during the six nine months ended June 30, 2023 September 30, 2023. Components of net cash provided by operating activities included net earnings of \$31,241, \$45,212, depreciation and amortization expense of \$14,175, \$21,425, other net non-cash items of \$4,295, \$5,055, and a net cash outflow from changes in assets and liabilities of \$15,104 \$14,950 primarily driven by the annual bonus payout for 2022 and an increase in accounts receivable, inventory primarily from pre-determined inventory builds associated with plant closure and consolidation activities. See Note 9 "Costs Associated with Exit and Restructuring Activities" in the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for further information.

### Cash Flows from Investing Activities

Net cash used in investing activities for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** was **\$(11,846)** **\$(14,595)**, driven by payments for the Maglab acquisition and finalization of the TEWA Temperature Sensors SP. Zo.o. ("TEWA") net working capital adjustment of \$3,359 and capital expenditures of **\$8,487** **\$11,236**. See Note 3 "Business Acquisitions" in the Notes to the Condensed Consolidated Financial Statements.

### Cash Flows from Financing Activities

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Net cash used in financing activities for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** was **\$(29,967)** **\$(39,937)**. The net cash outflow was the result of treasury stock purchases of **\$17,562** **\$25,890**, net cash used in the paydown of long-term debt of **\$6,630** **\$7,006**, taxes paid on behalf of equity award participants of **\$3,240** **\$3,249**, and dividends paid of **\$2,535** **\$3,792**.

### Capital Resources

#### Revolving Credit Facility

Long-term debt is comprised of the following:

	As of		As of	
	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Total credit facility	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Balance outstanding	77,040	83,670	76,665	83,670
Standby letters of credit	1,640	1,640	1,640	1,640
Amount available, subject to covenant restrictions	\$ 321,320	\$ 314,690	\$ 321,695	\$ 314,690

On December 15, 2021, we entered into a second amended and restated five-year credit agreement with a group of banks (the "Revolving Credit Facility") to (i) increase the total credit facility availability to \$400,000, which may be increased by \$200,000 at the request of the Company, subject to the administrative agent's approval, (ii) extend the maturity of the Revolving Credit Facility from February 12, 2024 to December 15, 2026, (iii) replace LIBOR with SOFR as the primary reference rate used to calculate interest on the loans under the Revolving Credit Facility, (iv) increase available **sublimits** **sub-limits** for letters of credit, and swingline loans as well as providing for additional alternative currency borrowing capabilities, and (v) modify the financial and non-financial covenants to provide the Company additional



flexibility. This new unsecured credit facility replaced the prior \$300,000 unsecured credit facility, which would have expired February 12, 2024.

Borrowings in U.S. Dollars under the Revolving Credit Facility bear interest, at a per annum rate equal to the applicable Term SOFR rate (but not less than 0.0%), plus the Term SOFR adjustment, and plus an applicable margin, which ranges from 1.00% to 1.75%, based on our net leverage ratio. Similarly, borrowings of alternative currencies under the Revolving Credit Facility bear interest equal to a defined risk-free reference rate, plus the applicable risk-free rate adjustment and plus an applicable margin, which ranges from 1.00% to 1.75%, based on our net leverage ratio.

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The Revolving Credit Facility includes a swing-line sublimit of \$20,000 and a letter of credit sublimit sub-limit of \$20,000. We also pay a quarterly commitment fee on the unused portion of the Revolving Credit Facility. The commitment fee ranges from 0.175% to 0.25% based on our net leverage ratio. We were in compliance with all debt covenants at June 30, 2023 September 30, 2023.

### *Acquisitions*

On February 6, 2023, we acquired 100% of the outstanding shares of Maglab for \$4,167 in cash subject to additional earnout payments based on future performance. The acquisition was funded from cash on hand.

## **Critical Accounting Policies and Estimates**

The Company's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. In connection with the preparation of the condensed consolidated financial statements, Condensed Consolidated Financial Statements, the Company uses estimates and makes judgments and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. The assumptions, estimates, and judgments are based on historical experience, current trends, and other factors the Company believes are relevant at the time it prepares the Condensed Consolidated Financial Statements.

The critical accounting policies and estimates are consistent with those discussed in Note 1, Summary of Significant Accounting Policies, to the Consolidated Financial Statements and the MD&A section of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. During and as of the three and six nine months ended June 30, 2023 September 30, 2023, there were no significant changes in the application of critical accounting policies or estimates.

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## **Significant Customers**

Our net sales to customers representing at least 10% of total net sales is as follows:

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June		June	June	Septemb	Septemb	Septemb	Septemb
	June	30,	30,	30,	er 30,	er 30,	er 30,	er 30,
	30, 2023	2022	2023	2022	2023	2022	2023	2022
Cummins Inc.	18.6%	15.9%	16.4%	15.9%	16.9%	15.6%	16.5%	16.1%
Toyota Motor Corporation	12.6%	11.3%	11.7%	11.4%	12.2%	11.6%	11.8%	11.5%

No other customer accounted for 10% or more of total net sales during these periods. We continue to focus on broadening our customer base to diversify our non-transportation end market exposure.

## 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 CTS' 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: supply chain disruptions; changes in the economy generally, including inflationary and/or recessionary conditions, and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions; the results of actions to reposition CTS' business; rapid technological change; general market conditions in the transportation, as well as conditions in the industrial, aerospace and defense, and medical markets; reliance on key customers; unanticipated public health crises (including the **ultimate impact effects** of the COVID-19 pandemic on CTS' business, results of operations or financial condition), natural disasters or other events; environmental compliance and remediation expenses; the ability to protect CTS' intellectual property; pricing pressures and demand for CTS' products; and risks associated with CTS' international

operations, including trade and tariff barriers, exchange rates and political and geopolitical risks (including, without limitation, the potential impact U.S./China relations and the conflict between Russia and Ukraine may have on our

business, results of operations and financial condition). Many of these, and other risks and uncertainties, are discussed in further detail in Item 1A. of CTS' most recent Annual Report on Form 10-K and other filings made with the SEC. CTS undertakes no obligation to publicly update CTS' forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2022. During the three months ended **June 30, 2023** **September 30, 2023**, there have been no material changes in our exposure to market risk.

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### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within CTS have been detected.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting for the quarter ended June 30, 2023 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in litigation with respect to matters arising from the ordinary conduct of our business, and currently certain claims are pending against us. In the opinion of management, we believe we have established adequate accruals pursuant to U.S. generally accepted accounting principles for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based on presently available information. However, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition, or cash flows.

See Note 11 "Commitments and Contingencies" in the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no significant changes to our risk factors from those contained in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity, Use of Proceeds, and Issuer Purchases of Equity

On February 9, 2023, the Board approved a new share repurchase program that authorizes the Company to repurchase up to \$50 million of its common stock. The repurchase program has no set expiration date and supersedes and replaces the repurchase program approved by the Board in May 2021.

		Total Number of Shares Purchased as Part of Publicly Announced	Maximum Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced
Total Number of Shares	Average Price		

	Purchased	Paid per Share	Programs	Plans or Programs
April 1, 2023 through April 30, 2023	56,716	\$ 45.80	56,716	\$ 42,801,450
May 1, 2023 through May 31, 2023	78,000	\$ 42.50	78,000	\$ 39,486,452
June 1, 2023 through June 30, 2023	63,000	\$ 45.29	63,000	\$ 36,633,072
<b>Total</b>	<b>197,716</b>		<b>197,716</b>	

	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
July 1, 2023 through July 31, 2023	60,000	\$ 42.85	60,000	\$ 34,061,996
August 1, 2023 through August 31, 2023	68,731	\$ 45.05	68,731	\$ 30,965,666
September 1, 2023 through September 30, 2023	59,927	\$ 42.77	59,927	\$ 28,402,510
<b>Total</b>	<b>188,658</b>		<b>188,658</b>	

## Item 5. Other Information

From time On October 20, 2023, Mr. Michael E. Murray tendered his resignation, effective November 3, 2023, as Senior Vice President of CTS Corporation, to time, our directors and officers may purchase pursue other business opportunities.

During the quarter ended September 30, 2023, no director or sell shares of our common stock officer (as defined in the market, including pursuant to plans intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) 16a-1(f) under the Securities Exchange Act Act) of 1934, the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408 of Regulation S-K).

On October 26, 2023, the Board of Directors of the Company approved an amendment to Article XI, Section 1 of the Company's Amended and Restated Bylaws changing the provision requiring the Board to set the record date for a meeting of shareholders or for purposes of other corporate actions on a date not exceeding fifty (50) days in advance of the meeting of shareholders or other applicable corporate action to seventy (70) days in advance of the meeting of

shareholders or other corporate action. A copy of the Amended and Restated Bylaws of the Company, dated October 26, 2023, as amended ("Rule 10b5-1 Plans") to date, is attached hereto as Exhibit 3(1).

Kieran O'Sullivan, President, Chief Executive Officer and Chairman of the Board, entered into a Rule 10b5-1 Plan on May 23, 2023 for the sale of up to 65,000 shares of our common stock, which plan is scheduled to terminate no later than May 23, 2025.

Ashish Agrawal, Vice President and Chief Financial Officer, entered into a Rule 10b5-1 Plan on June 2, 2023 for the sale of up to 25,000 shares of our common stock, which plan is scheduled to terminate no later than August 30, 2024.

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## Item 6. Exhibits

3(1) [Amended and Restated Bylaws of CTS Corporation.](#)

(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.](#)

101.1 The following information from CTS Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023 formatted in Inline XBRL: (i) Condensed Consolidated Statements of Earnings; (ii) Condensed Consolidated Statements of Comprehensive Earnings; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Shareholders' Equity; (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.

104 The cover page from this Current Report on Form 10-Q formatted as inline XBRL

**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**

/s/ Thomas M. White

Thomas M. White  
Corporate Controller  
(Principal Accounting Officer)

**CTS Corporation**

/s/ Ashish Agrawal

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

Dated: July 25, 2023 October 26, 2023

Dated: July 25, 2023 October 26, 2023

Ex. 3.1

**CTS CORPORATION****AMENDED AND RESTATED BY LAWS**

(Amended and Restated as of May 11, 2023 October 26, 2023)

**ARTICLE I.**

## Officers

The officers of CTS Corporation (the “Corporation”) shall be a President, one or more Vice Presidents, a Secretary, a Treasurer and a Controller. The Board of Directors may also elect one or more Assistant Secretaries, Assistant Treasurers and Assistant Controllers, and such other officers as may be determined, from time to time, by the Board of Directors.

The President shall be a director of the Corporation. Any offices, other than those of President and Secretary, may be held by the same person.

The officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board of Directors for the term of one year and until their successors have been elected and qualified. Any vacancy occurring among the above offices may be filled for the remainder of the term by the Board of Directors at any regular or special meeting, and officers so elected shall hold office until the next annual meeting of the Board of Directors and until their successors have been elected and qualified.

## ARTICLE II.

### Board of Directors Organization

Section 1. The Board of Directors shall elect, from the members of the Board of Directors who are not officers of the Corporation, an Audit Committee consisting of not less than two members. The members of the Audit Committee shall be elected at each annual meeting of the Board of Directors to serve, while qualified, at the pleasure of the Board of Directors, or if longer, for one year and until their successors have been elected and qualified.

The Audit Committee shall be responsible directly to the Board of Directors and, in addition to such authority and duties specifically delegated by the Board of Directors, shall have the authority to review the conduct and the report of the independent financial audit of the Corporation and shall report to the Board of Directors the findings, conclusions and recommendations of the Audit Committee regarding the conduct and report of the independent financial audit.



### Ex. 3.1

Unless the Board of Directors designates a Chairman, a majority of the members of the Audit Committee may designate one member of the Audit Committee as Chairman of the Audit Committee to preside at all meetings of the Audit Committee.

Section 2. The Board of Directors shall elect from members of the Board of Directors, who are not officers of the Corporation, a Compensation Committee consisting of not less than two members. The members of the Compensation Committee shall be elected at each annual meeting of the Board of Directors to serve, while qualified, at the pleasure of the Board of Directors, or if longer, for one year and until their successors have been elected and qualified.

The Compensation Committee shall be responsible directly to the Board of Directors and, in addition to such authority and duties specifically delegated by the Board of Directors, shall have authority to review, and make recommendations to the Board of Directors regarding the compensation, including fringe benefits and stock options, for the officers of the Corporation.

Unless the Board of Directors designates a Chairman, a majority of the members of the Compensation Committee may designate one member of the Compensation Committee as Chairman of the Compensation Committee to preside at all meetings of the Compensation Committee.

Section 3. The Board of Directors shall designate from members of the Board of Directors, a Chairman of the Board, who shall preside at meetings of shareholders and of the Board of Directors unless the Chairman shall designate an officer or other director of the Corporation to do so. The Chairman of the Board shall have such additional authority as granted by the Board of Directors and shall perform such other duties as are assigned from time to time by the Board of Directors.

## ARTICLE III.

### Corporate Officers

Section 1. The President shall exercise specific authority and supervision over, and shall be responsible for the direction of, the business and affairs of the Corporation, subject to the direction of the Board of Directors. In addition, the President may be designated the Chief Executive Officer and, if so, shall have the additional authority and duties and responsibilities specified in these Bylaws. The President shall also perform such other duties as may be assigned

from time to time, by the Board of Directors. The President shall perform all the duties of the Chairman of the Board in the absence or during any disability of the Chairman.

Section 2. The Board of Directors shall designate the Chairman of the Board or the President as the Chief Executive Officer of the Corporation. In addition to other duties as an officer, the Chief Executive Officer shall exercise general authority and supervision over, and shall be responsible for, management of the business and affairs of the Corporation, subject to the direction of the Board of Directors.

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**Ex. 3.1**

The Chief Executive Officer shall determine the organization of the officers of the Corporation, shall designate to whom such officers shall report and be responsible, and subject to the direction of the Board of Directors shall determine their respective duties and responsibilities.

Section 3. Each Vice President shall perform such duties as may be assigned from time to time by the President and shall report to and be responsible to such officer as the President shall designate. Each Vice President shall also have such additional authority and shall perform such other duties assigned from time to time, by the Board of Directors.

The Board of Directors may designate a word or words to be placed before or after the title of Vice President to indicate organizational or functional authority or duty.

Section 4. The Secretary shall attend all meetings of the shareholders and Board of Directors and all committees, and shall keep minutes of each meeting. The Secretary shall give proper notice of all meetings of shareholders, directors and committees, required in these Bylaws. The Secretary shall maintain proper records of ownership and transfer of the stock of the Corporation. The Secretary shall have the custody of, and affix, the seal of the Corporation and perform such other duties as may be assigned from time to time by the Board of Directors.

Section 5. The Vice President Finance/Chief Financial Officer, shall be responsible for the financial affairs of the Corporation, shall submit to the annual meeting of shareholders a statement of the financial condition of the Corporation, and whenever required by the Board of Directors, shall give account of all transactions and of the financial condition of the Corporation. The Treasurer shall report to the Vice President Finance/Chief Financial Officer. The Treasurer shall establish and maintain appropriate banking relations and arrangements on behalf of the

Corporation. The Treasurer shall receive and have custody of, and shall disburse, all moneys of the Corporation, and in the name of the Corporation, shall deposit all moneys in, and disburse all moneys from, such bank, or banks, as the Board of Directors shall designate, from time to time, as the depositories of the Corporation. The Treasurer shall perform such other duties and render such services for, and on behalf of, the Corporation as may be assigned from time to time by the Vice President Finance, Chief Financial Officer.

Section 6. The Controller shall be the accounting officer of the Corporation and shall formulate accounting procedures to record expenses, losses, gains, assets and liabilities of the Corporation, to report and interpret results of operations of the Corporation and to assure protection of the assets of the Corporation. The Controller shall prepare and submit to the Board of Directors and the Chief Executive Officer such periodic balance sheets, profit and loss statements and other financial statements as may be required to keep such persons currently informed of the operations and the financial condition of the Corporation. The Controller shall perform such other duties assigned from time to time by the Chief Executive Officer.

Section 7. The Assistant Secretary or Secretaries, Assistant Treasurer or Treasurers, and the Assistant Controller or Controllers shall perform the duties of the Secretary, of the Treasurer,

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Ex. 3.1

and of the Controller, respectively, in the absence of those officers and shall have such further authority and perform such other duties as may be assigned.

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#### ARTICLE IV.

##### Duties of Officers Delegated

In the absence or disability of any officer of the Corporation, the Board of Directors may delegate the powers and duties of any such officer to any other officer or director of the Corporation for such period of time as said Board of Directors may determine.

#### ARTICLE V.

## Bonds

The Board of Directors or the Chief Executive Officer may require any officer, agent, or employee of the Corporation to furnish the Corporation a bond for the faithful performance of duties and for the accounting of all moneys, securities, records, or other property of the Corporation coming into the hands of such agent or employee.

## ARTICLE VI.

### Meetings of Shareholders

Section 1. Meetings of the shareholders of the Corporation shall be held at the place, either within or without the State of Indiana, stated in the notice of said meeting. The Board may postpone and reschedule any previously scheduled annual or special meeting of the shareholders.

Section 2. The annual meeting of shareholders of the Corporation shall be held on the last Friday in April of each year or at such other time established for such meeting by the directors.

Section 3. A complete list of the shareholders entitled to vote at any shareholders' meeting, arranged in alphabetical order and containing the address and number of shares of stock so held by each shareholder who is entitled to vote at said meeting, shall be prepared by the Secretary and shall be subject to the inspection by any shareholder at the time and place of an annual meeting and at the principal office of the Corporation for five (5) days prior thereto.

Section 4. At all shareholders' meetings a quorum shall consist of a majority of all of the shares of stock outstanding and entitled by the Articles of Incorporation to vote on the business to be transacted at said meeting, but a meeting composed of less than a quorum may adjourn the meeting from day to day thereafter or until some future time.

Section 5. At the annual meeting of the shareholders, there shall be elected a Board of Directors, who shall hold office until the next annual meeting of shareholders and until their

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Ex. 3.1

successors have been elected and qualified. The classes and terms of the directors shall not be governed by Indiana Code §23-1-33-6(c).

Section 6. At all shareholders' meetings, each shareholder shall be entitled to one (1) vote in person or by proxy for each share of common stock registered in the shareholder's name on the books of the Corporation as of the record date which shall be as fixed by the Board of Directors and entitled, by the Articles of Incorporation, to vote on the business to be transacted at said meeting.

Section 7. The shareholders may be represented at any meeting thereof by their duly appointed Attorney-in-Fact provided the proxy so appointing said Attorney-in-Fact shall be filed with the Secretary prior to the meeting.

Section 8. Special meetings of the shareholders of the Corporation (i) may be called by the Chairman of the Board, the President or the Board of Directors, whenever in the opinion of such person or body such meeting is necessary and (ii) will be called by the Board of Directors, upon the written request of shareholders owning at least 15% of the then-outstanding shares of common stock of the Corporation.

Section 9. Written notice of each meeting of the shareholders shall be given by the Secretary to each shareholder of record at least ten (10) days prior to the time fixed for the holding of such meeting; said notice shall state the place, day and hour and the purpose for which said meeting is called, and said notice shall be addressed to the last known place of residence of each shareholder as shown by the stock books of the Corporation. The ten (10) days shall be computed from the date upon which said notice is deposited in the mails.

Section 10. No shares of stock shall be voted at any annual or special meeting of shareholders upon which any installment is due and unpaid or which are owned by the Corporation.

Section 11. The Chairman of the Board, or such other officer of the Corporation designated by the Board, will call meetings of the shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board prior to the meeting, the presiding officer of the meeting of the shareholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by: imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxies) who may attend any such shareholders' meeting,

ascertaining whether any shareholder or his proxy may be excluded from any meeting of the shareholders based upon any determination by the presiding officer, in his sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and determining the circumstances in which any person may make a statement or ask questions at any meeting of the shareholders.

At an annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting in accordance with the following procedures:

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Ex. 3.1

(a) To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given at the direction of the Board in accordance with Section 9 of this Article, (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of the Board, or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the Corporation in accordance with this Section 11.

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(b) For business to be properly requested by a shareholder to be brought before an annual meeting, the shareholder must (i) be a shareholder of the Corporation of record at the time of the giving of the notice for such annual meeting provided for in these Bylaws, (ii) be entitled to vote at such meeting, and (iii) have given timely notice thereof in writing to the Secretary.

(c) To be timely, a shareholder's notice must be delivered or mailed to and received at the principal executive offices of the Corporation not less than 90 calendar days nor more than 135 calendar days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event of a public announcement that the date of the annual meeting will be held on a date that is not within 30 days before or after such anniversary date, to be timely, notice by the shareholder must be so received not later than the close of business on the 10th calendar day following the day on which such public announcement of the date of the annual meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(d) A shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) a description in reasonable detail

of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business and the current name and business address, if different, of each Shareholder Associated Person; (iii) the class and number of shares or other securities of the Corporation that are owned beneficially and of record by the shareholder proposing such business and any Shareholder Associated Person, as well as the date on which such securities of the Corporation were acquired and the investment intent of such acquisition, and whether there exists any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in the securities of the Corporation by any such persons; (iv) the nominee holder for, and number of, any securities of the Corporation owned beneficially but not of record by such shareholder or Shareholder Associated Person; (v) whether and the extent to which such shareholder or Shareholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (1) manage risk or benefit of changes in the price of securities of the corporation for such shareholder or Shareholder Associated Person or (2) increase or decrease the voting power of such shareholder or Shareholder Associated Person in the Corporation disproportionately to such person's economic interest in the Corporation's securities; (vi) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such shareholder or Shareholder Associated Person, in the Corporation, other than an interest arising from the ownership of

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Ex. 3.1

securities of the Corporation where such shareholder or Shareholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series; (vii) a description of all other arrangements or understandings between or among the shareholder giving the notice, and any Shareholder Associated Person, as well as the investment strategy or objective, if any, of such shareholder and each such Shareholder Associated Person

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who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such shareholder and each such Shareholder Associated Person; and (viii) to the extent known by the shareholder giving

the notice, the name and address of any other shareholder supporting the proposal on the date of such notice. Notwithstanding the foregoing provisions of this paragraph, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this paragraph. For purposes of this paragraph and Article VII, “public announcement” means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or furnished to shareholders. Nothing in this paragraph will be deemed to affect any rights of shareholders to request inclusion or proposals in the Corporation’s proxy statement in accordance with the provisions of Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

(e) For purposes of this Section 11, “Shareholder Associated Person” of any shareholder means (i) any person acting in concert with such shareholder, (ii) any beneficial owner of shares of stock of the Corporation as defined in Indiana Code §23-1-20-3.5, and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or such Shareholder Associated Person.

At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting in accordance with the following procedures:

(a) To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman of the Board, President or the Board in accordance with Section 9 of this Article or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of the Board.

The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Section 11 will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

## ARTICLE VII.



## Directors

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Ex. 3.1

### Section 1.

(a) The property and business affairs of the Corporation shall be managed under the direction of the Board of Directors. The classes and terms of the directors shall not be governed by Indiana Code §23-1-33-6(c).

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(b) Subject to the rights of the holders of preferred stock to elect any Directors voting separately as a class or series, at each annual meeting of shareholders or special meeting of shareholders held for the election of Directors, each Director shall be elected by a majority of the votes cast with respect to the Director by the shares represented in person or by proxy and entitled to vote at the meeting, provided a quorum is present; provided, however, that if the number of Director nominees exceeds the number of Directors to be elected, then each Director shall be elected by a vote of the plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of Directors, provided a quorum is present. For purposes of this Section 1, a "majority of the votes cast" means that the number of shares voted "for" a Director must exceed the number of votes cast "against" that Director (with abstentions not considered votes cast). If a Director nominee fails to receive the required vote and is an incumbent Director, the Director shall promptly tender his or her resignation to the Board of Directors, subject to acceptance by the Board of Directors. The Nominating, Governance and Sustainability Committee of the Board of Directors (the "Corporate Governance"NG&S Committee") shall promptly consider the tendered resignation and make a recommendation to the Board of Directors whether to accept or reject the tendered resignation, or determine whether other action should be taken. The Board of Directors shall act on the tendered resignation, taking into account the Corporate GovernanceNG&S Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission, or other broadly disseminate means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Corporate GovernanceNG&S Committee, in making its recommendation, and the Board of Directors, in making its decision, may each consider any factors or other information they may consider appropriate and relevant. The Director who tenders his or her resignation will not participate in the recommendation of the Corporate GovernanceNG&S Committee or the decision of the Board of Directors with respect to his or her resignation. If an incumbent Director's resignation is not

accepted by the Board of Directors, such Director shall continue to serve until the next annual meeting of shareholders and until his or her successor is duly elected, or his or her earlier resignation or removal. If a Director's resignation is accepted by the Board of Directors, or if a Director nominee fails to receive the required vote and the nominee is not an incumbent Director, then the Board of Directors may fill the resulting vacancy pursuant to the provisions of Section 2 of this Article VII or may decrease the size of the Board of Directors pursuant to the provisions of this Section 1(b). Directors shall hold office for a term of one year or until their successors are elected and qualified. In case of the failure to hold the annual meeting on the date fixed herein for the same to be held, the directors shall hold over until the next annual meeting, unless prior to said meeting a special meeting of the shareholders for the purpose of electing directors has been held. Subject to the rights, if any, of any series of Preferred Stock to elect additional directors under circumstances specified in the Articles of Incorporation and to the minimum and maximum number of authorized directors provided in the Articles of Incorporation, the authorized number of directors will be as determined from time to time by the Board of

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Ex. 3.1

Directors. If no determination of the number of directors has been made by the Board of Directors, the number of directors shall be seven.

Section 2. Any vacancy occurring in the Board of Directors caused by resignation, death or other incapacity, shall be filled by majority vote of the remaining members of the Board until the next annual meeting of shareholders; provided, however, that if the vote of the remaining

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members of the Board of Directors shall result in a tie, such vacancy shall be filled by the shareholders at the next annual meeting of the shareholders or at a special meeting of the shareholders called for that purpose.

Section 3. Any vacancy occurring in the Board of Directors, caused by an increase in the number of directors, shall be filled by a majority vote of the members of the Board until the next annual meeting of shareholders; provided, however, that if the vote of the members of the Board of Directors shall result in a tie, such vacancy shall be filled by the shareholders at the next annual meeting of the shareholders or at a special meeting of the shareholders called for that purpose. No decrease in the number of directors constituting the Board will shorten the term of an incumbent director.

Section 4. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional directors under circumstances specified in the Articles of Incorporation, only persons who are nominated in accordance with the following procedures will be eligible for election at a meeting of shareholders as directors of the Corporation:

(a) Nominations of persons for election as directors of the Corporation may be made only at an annual meeting of shareholders (i) by or at the direction of the Board or (ii) by any shareholder who is a shareholder of record at the time of giving of notice provided for in this Section 4, who is entitled to vote for the election of directors at such meeting and who complies with the procedures set forth in this Section 4. All nominations by shareholders must be made pursuant to timely notice in proper written form to the Secretary.

(b) To be timely, a shareholder's notice must be delivered or mailed to and received at the principal executive offices of the Corporation not less than 90 calendar days nor more than 135 calendar days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event of a public announcement that the annual meeting will be held on a date that is not within 30 days before or after such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which such public announcement is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(c) To be in proper written form, such shareholder's notice must set forth or include: (i) the name and address, as they appear on the Corporation's books, of the shareholder giving the notice and the current name and business address, if different, of each Shareholder Associated Person and the nominee; (ii) a representation that the shareholder giving the notice is a holder of record of stock of the Corporation entitled to vote at such annual meeting and intends to appear in person

or by proxy at the annual meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of stock or other securities of the Corporation owned beneficially and of record by the shareholder giving the notice, any Shareholder Associated Person, and the nominee, as well as the date on which such securities of the Corporation were acquired and the investment intent of such acquisition, and whether there exists any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other

security) in the securities of the Corporation by any such persons; (iv) the nominee holder for, and number of, any securities of the Corporation owned beneficially but not of record by such shareholder, nominee, or Shareholder Associated Person; (v) whether and the extent to which such shareholder, nominee or Shareholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (1) manage risk or benefit of changes in the price of securities of the corporation for such shareholder, nominee, or Shareholder Associated Person or (2) increase or decrease the voting power of such shareholder, nominee, or Shareholder Associated Person in the Corporation disproportionately to such person's economic interest in the Corporation's securities; (vi) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such shareholder, nominee, or Shareholder Associated Person, in the Corporation, other than an interest arising from the ownership of securities of the Corporation where such shareholder, nominee, or Shareholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series; (vii) a description of all other arrangements or understandings between or among any of the shareholder giving the notice, any Shareholder Associated Person, and each nominee, as well as the investment strategy or objective, if any, of such shareholder and each such Shareholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such shareholder and each such Shareholder Associated Person; (viii) to the extent known by the shareholder giving the notice, the name and address of any other shareholder supporting the nominee for election or reelection as a director on the date of such shareholder's notice; (ix) such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed in accordance with the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; and (x) the signed consent of each nominee to be named in the Corporation's proxy materials and to serve as a director of the Corporation if so elected and signed certification that the nominee is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been disclosed to the Corporation. Corporation; and (xi) a representation regarding whether such shareholder intends to solicit proxies in support of

nominees other than the Corporation's nominees in accordance with Rule 14a-19 under the Securities Exchange Act of 1934, as amended, and, in the event that such shareholder so intends, such notice shall also set forth or include a statement that such shareholder intends to solicit the holders of shares representing at least 67% of the voting power of the Corporation's stock entitled to vote on the election of directors in support of such director nominees other than the Corporation's nominees.

(d) At the request of the Board, any person nominated by the Board for election as a director must furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee.

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**Ex. 3.1**

(e) The presiding officer of any annual meeting will, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by this Section 4, and if he or she should so determine, he or she will so declare to the meeting and the defective nomination will be disregarded.

(f) Notwithstanding the foregoing provisions of this Section 4, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 4. Additionally, without limiting the other provisions and requirements of this Section 4, unless otherwise required by law, if any shareholder (i) provides notice pursuant to Rule 14a-19(b) under the Securities Exchange Act of 1934, as amended, and (ii) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) under the Securities Exchange Act of 1934, as amended, then the Corporation shall disregard any proxies or votes solicited for such shareholder's nominees. Upon request by the Corporation, if any shareholder provides notice pursuant to Rule 14a-19(b) under the Securities Exchange Act of 1934, as amended, such shareholder shall deliver to the Corporation, no later than five business days prior to the applicable annual meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) under the Securities Exchange Act of 1934, as amended.

(g) For purposes of this Section 4, "Shareholder Associated Person" of any shareholder means (i) any person acting in concert with such shareholder, (ii) any beneficial owner of shares of stock of the Corporation as defined in Indiana Code §23-1-20-3.5, and (iii) any person that

directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or such Shareholder Associated Person.

## Article VIII.

### Meetings of Directors

Section 1. Following the annual meeting of shareholders, the annual meeting of the Board of Directors shall be held without notice, each and every year hereafter, at the time and place determined by the directors.

Section 2. Regular meetings of the Board of Directors shall be held without notice at 9:00 A.M. on the last Friday of February, June, August, October and December at the offices of the Corporation, unless another time and place is designated.

Section 3. Special meetings of the Board of Directors may be called by the Chairman of the Board, by the President, or by three (3) members of the Board of Directors on three (3) days' notice by mail, or an twenty-four (24) hours' notice by telegraph, telephone, facsimile or other similar medium of communication to each director, which notice shall be addressed to the last known place of business or residence of each director, and said meetings may be held either at the office of the Corporation or at such other place as may be designated in the notice of said meeting.

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Whenever a special meeting of the Board of Directors shall be called, in accordance with the provision of this section, by members of the Board of Directors, the call shall be in writing, signed by said directors and delivered to the secretary who shall thereupon issue the notice calling said meeting.

Section 4. Not less than one-half at the whole Board of Directors, shall constitute a quorum for the transaction of any business except the filling of vacancies, but a smaller number may adjourn, from time to time, until a future date or until a quorum is secured.

For the purpose only of filling a vacancy or vacancies in the Board of Directors, a quorum shall consist of a majority of the whole Board of Directors, less the vacancy or vacancies therein.

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The act of a majority at the directors present at a meeting duly called, at which a quorum is present shall be the act of the Board of Directors.

#### Section 5.

(a) Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if the action is taken by all directors. The action must be evidenced by one or more written consents describing the action to be taken, signed by each director, and included in the minutes or filed with the corporate records of the Corporation reflecting the action taken. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a prior or subsequent effective date.

(b) Subject to satisfaction of the requirements set forth in Section 5(a), the Board of Directors may take action electronically as contemplated by the Indiana Uniform Electronic Transactions Act ("IUETA"). For the sake of clarity and avoidance of doubt, subject to the requirements of the IUETA, a written consent by the Board of Directors can be undertaken via email, or other electronic record communication, if the written consent setting forth the action to be taken is circulated to all directors via email, or other electronic record communication, and the directors indicate their approval unanimously by return email or other approved electronic record communication. The Corporation shall confirm with each director the electronic address or addresses, such as an email address or text message number, for that director to be used for purposes of sending and receiving email, text, or other electronic record communications, and for the purpose of notices to and from the Corporation, and shall maintain such information as part of the Corporation's current corporate records, which may be maintained electronically. The Corporation shall provide its electronic address, and the electronic addresses of the other members of the Board of Directors, to be used for purposes of taking such action. The Board of Directors may provide for any particular requirements, method, or means for taking action electronically and for notices to and from the Corporation and its directors, in which case the action to be taken shall be taken in accordance with such requirements, method, or means.

#### ARTICLE IX.



## Compensation of Directors and Members of Committees

The members of the Board of Directors and members of committees of the Corporation, who are not salaried employees of the Corporation, shall receive such compensation for their services to be rendered as members of the Board of Directors, or of committees, as may, from time to time, be fixed by the Board of Directors and the compensation so fixed shall continue to be payable until the Board of Directors shall have thereafter fixed a different compensation, which it may do at any annual, regular or special meeting.

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Ex. 3.1

## ARTICLE X.

### Certificates of Stock

Section 1. Certificates of stock shall be issued to those legally entitled thereto, as may be shown by the books of the Corporation, and shall be signed by the President and attested by the Secretary.

Section 2. The Corporation may appoint one or more transfer agents and/or registrars to issue, countersign, register, and transfer certificates representing its capital stock and signatures of the Corporation's officers and of the transfer agents on stock certificates may be facsimiles. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction on its books.

Section 3. The holder of any stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of the certificate for any such stock. A new certificate or certificates shall be issued upon the surrender of the mutilated certificate or, in case of loss, theft, or destruction, upon (a) delivery of an affidavit or affirmation, and (b) delivery of a bond in such sum and in such form and with such surety or sureties as the Board of Directors (by general or specific resolutions) or the President may approve, indemnifying the



Corporation against any claim with respect to the certificate or certificates alleged to have been lost, stolen or destroyed. However, the Board may, in its discretion, refuse to issue new certificate or certificates, save upon the order of some Court having jurisdiction in such matters.

## ARTICLE XI.

### Transfer of Stock

Section 1. The stock transfer books of the Corporation may from time to time be closed by order of the Board of Directors for any lawful purpose and for such period consistent with law, but not exceeding thirty (30) days at any one time, as the Board of Directors may deem advisable. In

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lieu of closing the stock transfer books as aforesaid, the Board of Directors may, in its discretion, fix in advance a date not exceeding fifty (50) seventy (70) days or nor less than ten (10) days next preceding the date of any meeting of shareholders or the date for the payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, as the record date for the determination of the shareholders entitled to notice of and to vote at any such meeting or entitled to receive any such dividend or to any such allotment of rights or to exercise the rights of any such change, conversion or exchange of capital stock; and, in such case, only such shareholders as shall be shareholders of record at the close of business on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such payment of dividend or to receive such allotment of rights or to exercise such rights as the case may be,

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Ex. 3.1

notwithstanding any transfer of stock on the books of the Corporation after such record date fixed as aforesaid. In the event the Board of Directors fails to fix in advance the record date for the determination of the shareholders entitled to notice of and to vote at any meeting, the record date shall be the sixtieth (60<sup>th</sup>) day immediately preceding the date of such meeting and no share of stock transferred on the books of the corporation within ten (10) days next preceding the date of a meeting shall be voted at such meeting.

Section 2. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the legal owner thereof and accordingly shall not be bound to recognize any

equitable claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided in the laws of the State of Indiana.

Section 3. The assignment of any certificate of stock shall constitute an assignment to the assignee of the shares so assigned and of all dividends on the shares assigned which are declared payable as of a record date subsequent to the date the assignment is recorded on the stock record books of the Corporation.

## ARTICLE XII.

### Fiscal Year

The fiscal year of the Corporation shall correspond to the calendar year.

## ARTICLE XIII.

### Checks for Money

All checks, drafts or other orders for the payment of funds of the Corporation shall be signed by either the Chairman of the Board, the President, or the Treasurer, or by such other individual or individuals as may hereafter, from time to time, be designated by the Board of Directors. No check, draft or other order for the payment of funds of the Corporation shall be signed in blank, either as to the amount of the check, draft or other order, or as to the name of the payee.

## ARTICLE XIV.

### Dividends

The Board of Directors may declare and pay dividends out of the unreserved and unrestricted earned surplus of the Corporation. Dividends may be declared at any annual, regular or special meeting of the Board of Directors. Dividends may be paid in cash, in property or in the shares of the capital stock of the Corporation, as provided by the Articles of Incorporation and the laws of the State of Indiana.

## ARTICLE XV.

### Notices

Section 1. A notice required to be given under the provisions of these Bylaws to any shareholder, director, officer and member of any committee shall not be construed to mean personal notice but may be given in writing by depositing the same in a post office or letter box in a postpaid sealed wrapper addressed to such shareholder, director, officer and member of any committee at such address as appears upon the books of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Section 2. Any shareholder, director, officer and member of any committee may waive, in writing, any notice required to be given by these Bylaws, either before or after the time said notice should have been issued.

## ARTICLE XVI.

### Compensation of Officers

The officers of the Corporation shall receive such compensation for their services as may, from time to time, be fixed by the Board of Directors, and the compensation so fixed shall continue to be payable until the Board of Directors shall have fixed a different compensation, which it may do at any annual, regular, or special meeting.

## ARTICLE XVII.

### Corporate Seal

The seal of the Corporation shall be a plain circular disk having engraved thereon, near the outer edge thereof, at least the words, "CTS Corporation" and in the center thereof the word, "Seal".

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## ARTICLE XVIII.

### Indemnification

Section 1. General. Without limiting the generality or effect of Article XI of the Articles of Incorporation, the Corporation shall, to the fullest extent to which it is empowered to do so by the Indiana Business Corporation Law (hereinafter the “IBCL”), or any other applicable laws, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights

#### Ex. 3.1

than such law permitted the Corporation to provide prior to such amendment), indemnify and hold harmless any person who was or is involved in any manner (including without limitation as a party or a witness), or is threatened to be made so involved, in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereinafter a “proceeding”), by reason of the fact that such person is or was a director or officer of the Corporation, or who is or was serving at the request of the Board of Directors as a director, officer, partner or trustee of another corporation or a partnership, joint venture, trust, employee benefit plan or other entity, whether for profit or not for profit, (any such person hereinafter an “indemnatee”), whether or not the basis of such proceeding is alleged action in an official capacity while serving as a director, or officer, against all expense, liability and loss (including attorneys' fees and expenses, judgments, settlements, penalties, fines, and excise taxes assessed with respect to employee benefit plans) actually and reasonably incurred or suffered by such person in connection therewith; provided, however, that, except as provided in Section 3 of this Article XVIII with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. Right to Advancement of Expenses. The right to indemnification conferred in Article XVIII shall include the right to be paid by the Corporation the expenses (including, without limitation, attorneys' fees and expenses) incurred in defending any such proceeding in advance of its final disposition (hereinafter an “advancement of expenses”); provided, however, that, if

the IBCL so requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a “final adjudication”) that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise.

The rights to indemnification and to the advancement of expenses conferred in Article XVIII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators. For purposes of Article XVIII, references to “the Corporation” shall include any

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domestic or foreign predecessor entity of the Corporation in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

Section 3. Right of Indemnitee to Bring Suit. If a claim under Section 1 or Section 2 of this Article XVIII is not paid in full by the Corporation within 60 calendar days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 calendar days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be

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Ex. 3.1

entitled to be paid also the expense of prosecuting or defending such suit. In (a) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (b) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the IBCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of

conduct set forth in the IBCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article XVIII or otherwise shall be on the Corporation.

Section 4. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article XVIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Articles of Incorporation, Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the IBCL.

Section 6. Vested Right to Indemnification. The right of any individual to indemnification under this Article XVIII shall vest at the time of occurrence or performance of any event, act or omission giving rise to any Proceeding and once vested, shall not later be impaired as a result of any amendment, repeal, alteration or other modification of any or all of these Bylaws. Notwithstanding the foregoing, the indemnification afforded under this Article XVIII shall be

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applicable to all alleged prior acts or omissions of any individual seeking indemnification hereunder, regardless of the fact that such alleged acts or omissions may have occurred prior to the adoption of these Bylaws, and to the extent such prior acts or omissions cannot be deemed to be covered by these Bylaws, the right of any individual to indemnification shall be governed by the indemnification provisions in effect at the time of such prior acts or omissions.

Section 7. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of this

corporation, or to any individual who is or was serving at the request of the Board of Directors as an employee

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Ex. 3.1

or agent of another corporation or a partnership, joint venture, trust, employee benefit plan or other entity, whether for profit or not for profit, to the fullest extent of the provisions of these Bylaws with respect to the indemnification and advancement of expenses of directors and officers of this corporation.

Section 8. Business Expense. Any payments made to any indemnified party under these Bylaws or under any other right to indemnification shall be deemed to be an ordinary and necessary business expense of the Corporation, and payment thereof shall not subject any person responsible for the payment, or the Board, to any action for corporate waste or to any similar action.

Section 9. Severability. If any provision or provisions of Article XVIII is or are held to be invalid, illegal, or unenforceable for any reason whatsoever: (a) the validity, legality, and enforceability of the remaining provisions of such Article (including without limitation all portions of any paragraph of such Article containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of such Article (including without limitation all portions of any paragraph of such Article containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) will be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or illegal, or unenforceable.

## ARTICLE XIX.

### Amendments

Section 1. These Bylaws may be amended, altered, repealed, or added to at (a) any annual or regular meeting of the directors, or at any special meeting thereof; or (b) at any annual or special meeting of the shareholders by the affirmative vote of the holders of at least a majority of the then-outstanding shares of common stock of the Corporation.

Section 2. No amendment, alteration or addition to these Bylaws made pursuant to Article XIX, Section 1(a) shall become effective unless the same is adopted by the affirmative vote of a majority of the members of the Board of Directors.

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## ARTICLE XX.

### Control Share Acquisitions

As provided for in Section 5 thereof, Chapter 42 of the Indiana Business Corporation Law, relating to control share acquisitions, shall not apply to control share acquisitions of shares of the corporation made after March 3, 1987.

## ARTICLE XXI

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Ex. 3.1

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### Authorized Procedures Pursuant to Indiana Code §23-1-22-4

Section 1. In adopting any rights, options or warrants under Indiana Code §23-1-26-5 relating to any transaction or proposed transaction that would, when consummated, result in a “change of control,” the Board of Directors may include provisions requiring, for a period not to exceed three years after the later of (a) the time that, for whatever reason, “continuing directors” no longer constitute a majority of the directors of the Corporation, or (b) the time that any person becomes an “interested shareholder,” the approval of the continuing directors of the Corporation for certain actions relating to the rights, options or warrants, including without limitation, the redemption or exchange of the rights, options or warrants, or the amendment of the contracts, warrants or instruments that evidence the rights, options or warrants.

Section 2. As used in this Article, “change of control” shall have the meaning contained in Indiana Code §23-1-22-4.



Section 3. As used in this Article, “interested shareholder” shall have the meaning contained in Indiana Code §23-1-43-10, or, if the Board so elects, shall mean any person or entity who or which, together with all affiliates and associates of such person or entity, is the beneficial owner of 15% or more of the then-outstanding shares of common stock of the Corporation. The Board of Directors of the Corporation may, at the time of adoption of the rights, options or warrants, provide for exceptions to the definition of “interested shareholder” in any rights, options or warrants adopted pursuant to this Article XXI, including without limitation that specified persons or entities will not be deemed to be interested shareholders or that specified transactions will not be deemed to cause a person to become an interested shareholder.

Section 4. As used in this Article, “continuing director” shall mean any director (a) who is not (i) an interested shareholder, (ii) an affiliate or associate of an interested shareholder or (iii) a representative or nominee of an interested shareholder, or any affiliate or associate thereof, and (b) who either (i) is a member of the Board of Directors of the Corporation as of the date of the issuance of the rights, options or warrants or (ii) subsequently becomes a member of the Board of Directors of the Corporation and whose election or nomination for election to the Board of Directors of the Corporation is approved or recommended by a vote of a majority of the Board of Directors of the Corporation, which majority includes a majority of the continuing directors then on the Board of Directors of the Corporation, but excluding for this clause (b)(ii) any member whose initial assumption of office occurs as a result of an actual or threatened election contest (within

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(within the meaning of Rule 14a-11 of the Securities Exchange Act of 1934, as amended) with respect to the election or removal of members of the Board of Directors of the Corporation or other actual or threatened solicitation of proxies or consents by or on behalf of a person or entity other than the Board of Directors of the Corporation.

EXHIBIT (31)(a)

#### CERTIFICATION

I, Kieran O'Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 period 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: July 25, 2023 October 26, 2023

/s/ Kieran O'Sullivan

Kieran O'Sullivan

Chairman, President and Chief Executive Officer

**CERTIFICATION**

I, Ashish Agrawal, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 period 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: July 25, 2023 October 26, 2023

/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 quarterly report of CTS Corporation (the Company) on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, 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: July 25, 2023 October 26, 2023

/s/ Kieran O'Sullivan

Kieran O'Sullivan

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.

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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 quarterly report of CTS Corporation (the Company) on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, 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: July 25, 2023 October 26, 2023

/s/Ashish Agrawal

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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.

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