TECHNOLOGY DRIVEN.
CUSTOMER FUELED.
## Financial Highlights

(Expressed in thousands, except per share and percent data)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$569,439</td>
<td>$564,328</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$57,806</td>
<td>$46,385</td>
</tr>
<tr>
<td><strong>Earnings per share, diluted</strong></td>
<td>$3.64</td>
<td>$3.01</td>
</tr>
<tr>
<td><strong>Cash (used) provided by operating activities</strong></td>
<td>$(2,059)</td>
<td>$64,669</td>
</tr>
<tr>
<td><strong>Return on sales</strong></td>
<td>10.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td><strong>Return on invested capital</strong></td>
<td>22.5%</td>
<td>15.4%</td>
</tr>
<tr>
<td><strong>Dividends declared per share</strong></td>
<td>$1.20</td>
<td>$1.20</td>
</tr>
<tr>
<td><strong>Weighted average shares outstanding, diluted</strong></td>
<td>15,861</td>
<td>15,397</td>
</tr>
<tr>
<td><strong>Orders</strong></td>
<td>$567,418</td>
<td>$615,586</td>
</tr>
<tr>
<td><strong>Backlog of orders at year-end</strong></td>
<td>$290,151</td>
<td>$326,473</td>
</tr>
</tbody>
</table>

1) Excludes restructuring charges of $4,376K, net of $1,960K tax impact
2) Excludes restructuring charges of $0.28 EPS
3) Excludes 0.8% point impact of restructuring charges
4) Excludes 1.4% point impact of restructuring charges

### 2014 Geographic Revenue

- **Americas**: 31%
- **Europe**: 32%
- **China**: 21%
- **Rest of Asia**: 16%
This is a time of great opportunity.

The world needs solutions now, and MTS is in a prime position to deliver them. As demonstrated by our record orders for 2014, industry leaders worldwide turn to MTS for the testing and sensing technology expertise they need to push the boundaries of R&D, as well as to validate designs with speed and confidence. MTS solutions also help customers develop smarter machines that perform with unprecedented efficiency.

As our customers ask more from us, we are asking more of ourselves. That means accelerated innovation and leaner internal processes and systems. It also means even stronger customer support. With all of these factors working in our favor, MTS will be able to work quickly, collaborate openly, generate new insight and take on the most important challenges of this era.

When our customers succeed, we all succeed. When industries thrive, we all thrive. This dynamic is vital to achieving sustainable double-digit growth and delivering greater value for every MTS customer, employee, business partner and shareholder, well into the future.
As we wrap up another year in MTS’ colorful, half-century history, we want to open with a sincere note of appreciation to our customers, who represent the most successful companies in their markets and who are among the leading research institutes around the world.

Our customers range from automotive and aerospace, to energy, advanced materials, and industrial automation. In spite of their exposure to volatile and intensely competitive end-markets, these market leaders maintain an intense focus on investment in new products and innovations that will keep them in a leadership position and in the forefront of technology development in the years ahead. We pride ourselves on serving these customers with leading technologies and expanded service offerings that help them reduce the time needed to develop a new car, train, or airplane, and to improve the precision and safety of new industrial machines and hydraulically powered systems. Our focus on delivering the best value to these outstanding customers was rewarded in fiscal 2014 with record orders for products and services, for the first time exceeding $600 million, positioning us with a record backlog that will help fuel our growth in the new fiscal year. This success is a testament to our engineering expertise and long-term relationships that we have built with our customers over almost five decades.

Reflecting on fiscal 2014, there were many accomplishments in the year, along with some challenges as we worked to scale the Test business for growth. From a Test standpoint, while we were very pleased with new orders, which exceeded a half-billion dollars for the first time in our history, our revenue actually declined slightly from the prior year’s record level. This was driven by product mix which was very high in custom projects. This mix required a much larger amount of engineering effort to finalize the design for production, which ultimately drove higher than expected costs in our operations and supply chain as we strived to meet our customers’ delivery dates. Additionally, we are undergoing significant business process change and implementing new IT infrastructure so we can more efficiently and predictably meet our customers’ commitments. Resolving these issues is our top priority for fiscal 2015. Looking ahead, with a strong backlog, continuing market strength, and an anticipated improvement in product mix and internal execution, we anticipate a much stronger fiscal year for the Test business.

Our Sensors business delivered fully to expectations in fiscal 2014, with top line revenue growth of over 11 percent, and continued strong operating margins near 20 percent. This growth was driven in part by a modest increase in the market for industrial machine
applications worldwide, where inventories in the supply chain remain low, combined with exciting growth in the emerging market of “mobile hydraulic” applications. This technology-driven shift toward “smart machines” for large mobile machinery such as earth movers, farming equipment, cranes, and many other types of hydraulically powered mobile machinery, is driving demand for our sensors, which are very well suited from a performance and reliability standpoint to meet the requirements of these applications. We expect these trends to continue into the future, even with a relatively tepid end-market, as the percentage of “smart machines” being sold by our customers becomes a much larger percentage of sales in the months and years ahead. In short, our Sensors markets were robust in fiscal 2014, and our execution was very solid across the business and around the world, which formed the foundation for a great year, and positions us well for continued momentum in the year ahead.

Of special note, in fiscal 2014 we acted on our stated strategy of looking for bolt-on acquisition opportunities, in this case acquiring Roehrig Engineering, Inc., a company with unique electric and electromagnetic actuation technology that fits well in our Test product portfolio. Roehrig’s technology complements our traditional expertise in hydraulic actuation, providing MTS a broader range of market-leading test products for our customers in automotive and other advance system testing. At approximately $12 million of revenue and over $2 million in EBITDA, this technology-rich company will immediately contribute to MTS’ growth and profitability in the new fiscal year. We will continue to look for exciting opportunities to enhance our strong organic growth with selective bolt-on acquisitions as we move into the future and drive to deliver sustainable double-digit growth rates with increasing profitability and strong cash flows.
From a cash perspective, we were pleased to deliver a very strong fiscal 2014, generating over $65 million in operating cash flow. This performance supports our investment strategy as we focus on a strong organic growth plan with selected, bolt-on technology acquisitions, and allows us to deliver further value to our shareholders through a continued dividend and periodic share buybacks. This balanced investment strategy is sustainable with our strong cash generation, and allows us to maintain a very sound balance sheet and a limited debt level.

Looking to the future, we are blessed with a tremendous legacy of engineering excellence, an outstanding customer base, and resilient markets that are hungry for new, technology-enabled products. We are bigger than we have ever been in our history, and with that comes growing pains that we are working hard to resolve. However, with a record backlog, a Sensors business that is firing on all cylinders, and expected progress in operational performance in our Test business throughout fiscal 2015, we look forward to a terrific future for MTS. Given the macro-trends of an emerging middle class in Asia, and increased focus by our customers on improving fuel-efficiency and reduced emissions for new vehicles, we believe there will be a sustained demand for our products and services for many years to come.

We would like to end by thanking you, our shareholders, and our remarkable employees worldwide, for your support as we continue this marvelous journey as MTS Systems.
ALLOWING ASTRONOMERS TO SEE FARTHER INTO SPACE

Located in a remote basin in southwest China’s Guizhou Province, the Five Hundred Meter Aperture Spherical Radio Telescope (FAST) incorporates a reflector measuring 500 meters in diameter. When completed in 2016, it will be the largest radio telescope in the world.

The telescope incorporates an active surface that adjusts to create parabolas in different directions and cover the sky anywhere within 40 degrees from the zenith. The FAST reflector is composed of 4,600 individual triangular plates, each of which is moved with an electro-hydraulic actuator and equipped with an MTS EH-Series sensor. This sensor was chosen for its compact footprint, affordable purchase price, and durability to withstand the elements.

FAST will help astronomers survey neutral hydrogen in the Milky Way and other galaxies. It will also be used for extragalactic pulsar detection and identifying the first shining stars, leading to a deeper understanding of the universe.

ANOTHER YEAR OF INNOVATION

In 2014, the MTS Test and Sensors businesses worked closely with customers in a variety of industries to push the limits of what is possible.

HELPING VEHICLE RACE TEAMS CREATE BETTER DESIGNS

The Research Institute of Automotive Engineering and Vehicle Engines Stuttgart (FKFS) is one of Germany’s best-known automotive R&D organizations. In November 2014, MTS and FKFS completed a state-of-the-art wind tunnel and rolling road system. The system is hailed as the world’s most advanced wind tunnel in use today.

The MTS Rolling Road incorporates high-speed stainless-steel belt technology and features first-of-its-kind interchangeability between a three- and five-belt configuration, optimizing system utility and reducing cost of ownership. Exclusive dynamic platform balance technology also delivers unmatched precision and repeatability for measuring aerodynamic forces on a vehicle.

This highly complex project involved more than 150 people and took more than 55,000 labor hours to design, test, install and commission.

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Innovations between MTS and our customers touch all our lives in multiple ways. Fuel-efficient aircraft, high-performing cars, reliable wind turbines, buildings that withstand seismic events, and orthopaedic medical devices that improve quality of life, work and travel for everyone.

More innovation is ahead. Emerging economies and a rising middle class around the world have elevated demand for higher-quality products. As a result, industry-leading MTS test systems, application expertise and global services are proving indispensable to researchers, developers and manufacturers. All of these organizations require repeatable testing and highly accurate test data to meet their strategic objectives, which MTS is uniquely positioned to deliver.

We continue to invest in new capabilities that will help our customers succeed. For example, our acquisition of Roehrig Engineering, Inc. (REI), complements our servohydraulic actuation products with versatile, affordable, electric and electromagnetic systems. We also formed the MTS Motorsports Group to accelerate testing technology development alongside our customers in Formula 1, NASCAR and the new all-electric Formula E racing series. Most automotive OEMs compete in at least one of these series.

At the same time, MTS Test continues to develop technologies that set new industry test standards, sometimes with a single technology extending across multiple industries. For example, the same MTS Rolling Road technology developed for vehicle testing is now being used by aerospace manufacturers to research aircraft takeoff and landing dynamics.

Regardless of industry, our commitment to customers extends to the optimization of test lab efficiency, cost performance, and service. The MTS Echo™ Intelligent Lab represents our vision for tomorrow’s test lab, digitally connecting testing processes and systems in a highly integrated, automated and remotely orchestrated manner.
ABOUT MTS TEST

Test and product development professionals rely on MTS to help them optimize their designs, increase testing productivity and reduce time to market. Our solutions are globally recognized for enabling efficient test and measurement of diverse products, ranging from advanced composites and alloys to automobiles, airplanes, bridges and buildings. MTS Test supports many of the major innovations that move our world forward.

We are fortunate to call industry leaders and premier brands our customers. These researchers, developers and manufacturers look to MTS for our winning combination of technology, application knowledge and testing expertise to help them meet challenges in their industries, driven by mega-trends such as energy and globalization. Our collaboration with customers permits them to gain confidence in the performance of their products.

CUSTOMERS SERVED

Ground Vehicles:
- Major passenger and commercial vehicle researchers
- Motorsports vehicle engineering teams
- Automotive developers and manufacturers
- Recreational vehicle developers and manufacturers
- Rail developers and manufacturers

Materials:
- Advanced materials researchers
- Aircraft component manufacturers
- Orthopaedic surgeons and biomedical device developers
- Fossil fuels exploration companies
- Construction and mining companies
- Rock and concrete researchers

Structures:
- Researchers, designers and manufacturers of buildings, bridges and other public infrastructure
- Seismic, hurricane and tsunami researchers
- Wind, geothermal and nuclear energy technology developers
- Major commercial and military aircraft manufacturers
- Space exploration organizations

MTS TEST ADVANTAGES

- Application knowledge
- Technology leadership
- Comprehensive offerings
- Worldwide service and consultation

MTS TEST ADVANTAGES

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<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td>ORDERS $ millions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500M</td>
<td></td>
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<tr>
<td>$500M</td>
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<tr>
<td>$500M</td>
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</tbody>
</table>

| REVENUE $ millions |
| $500M |
| $500M |
| $500M |

| INCOME FROM OPERATIONS $ millions |
| $800M |

| INCOME FROM OPERATIONS as percent of revenue |
| 15% |
| 15% |
| 15% |

(1) 2014 excludes restructuring charges of $6,330K
(2) 2012 excludes government settlement charge of $6,045K
(3) 2014 excludes 1.4% point impact of restructuring charges
(4) 2012 excludes 1.4% point impact of government settlement charge
In multiple industries and global markets, MTS sensors are essential for automating heavy industrial equipment and enhancing the precision and safety of vehicle systems’ hydraulic controls.

Our industry-leading sensing technology helps customers improve the efficiency of structures, devices, systems and processes. Equally important, we keep development costs down to help customers compete on performance and price in a cost-conscious marketplace.

As industrial capacity utilization continues to recover around the world, demand for MTS sensors is growing. We are especially excited about China, where OEMs are developing more sophisticated machinery and equipment for domestic use and for export, and where demand for heavy equipment is rising with a strong economy. MTS has invested in the talent and resources necessary to support the growing trend toward industrial automation in Asia.

In the rest of the world, the drive toward smarter machines remains unabated. This bodes very well for MTS Sensors. Record orders are important indicators of the confidence customers have, both in their own businesses and in our ability to help them.
MTS SENSORS ADVANTAGES

- Exclusive technologies in magnetostriction sensing
- Unrivaled application expertise
- Global manufacturing footprint (US, Germany, Japan)
- Worldwide service and consultation

ABOUT MTS SENSORS

Highly precise and durable MTS position measurement sensors help industrial and mobile hydraulics manufacturers automate their machine functions. Leveraging exclusive magnetostrictive technology, our sensors facilitate high levels of manufacturing speed, safety and efficiency.

As an organization, MTS Sensors delivers value through a combination of great technology and people with the experience to help customers optimize their design decisions. In essence, we help machine builders around the world improve the productivity of their machines and reduce total cost of ownership for their customers.

CUSTOMERS SERVED

Industrial Machinery Markets:
- Steel production machinery manufacturers
- Plastics and rubber production machinery manufacturers
- Wood production machinery manufacturers
- Fluid power developers
- Gas and hydro-turbine manufacturers
- Fossil fuels production and exploration companies

Mobile Hydraulics Markets:
- Manufacturers of construction machinery
- Agricultural machinery
- Mining and material handling machinery

Liquid Level Markets:
- Primarily oil & gas storage, including liquid propane and liquid natural gas applications
- Chemical process markets
- Pharmaceutical
- Food and beverage markets

<table>
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<tr>
<th>Orders ($ millions)</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>REVENUE ($ millions)</td>
<td>2014</td>
<td>2013</td>
<td>2012</td>
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<tr>
<td>INCOME FROM OPERATIONS ($ millions)</td>
<td>2014</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>INCOME FROM OPERATIONS as percent of revenue</td>
<td>2014</td>
<td>2013</td>
<td>2012</td>
</tr>
</tbody>
</table>

(1) 2012 excludes government settlement charge of $1,705K
(2) 2012 excludes 1.7% point impact of government settlement charge
Executive Management

Jeffrey A. Graves
President and Chief Executive Officer

William E. Bachrach
Senior Vice President, Sensors and Test

Susan E. Knight
Senior Vice President, Chief Financial Officer

Mark D. Losee
Senior Vice President, Chief Information Officer

Steven G. Mahon
Senior Vice President, General Counsel, Corporate Compliance Officer, Corporate Secretary

Kristin E. Trecker
Senior Vice President, Chief Human Resources Officer

Investor Relations

Andrew J. Cebulla
Treasurer and Director of Investor Relations

MTS Systems Corporation
14000 Technology Drive
Eden Prairie, Minnesota 55344-2290
Telephone: 952-937-4020
Email: andy.cebulla@mts.com

Stock Transfer

Wells Fargo Shareowner Services
Phone: 800-401-1957
www.shareowneronline.com

Dividend Reinvestment Plan

Shareholders may invest MTS dividends and purchase additional shares of MTS common stock. Shareholders may obtain further details by calling Wells Fargo Shareowner Services at 800-401-1957.

Trademarks

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Common Stock

MTS’ common stock publicly trades on the NASDAQ Global Select Market™ under the symbol MTSC.

Notice of Annual Meeting

The annual meeting of shareholders will be held online at 11:45 a.m. (Central Standard Time) on Tuesday, February 10, 2015. Please go to www.virtualshareholdermeeting.com/MTSC to attend this event. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy via the mail, phone or internet.

Visit www.mts.com/AR15/CEO.html to watch a brief video of CEO Jeffrey A. Graves discussing MTS and its opportunities.

Corporate Headquarters

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Eden Prairie, Minnesota 55344-2290
Telephone: 952-937-4000
info@mts.com
www.mts.com

North American Subsidiaries

MTS 1, LLC
MTS 2, LLC
MTS Testing Systems (Canada) Ltd.
Roehrig Engineering, Inc.

European Subsidiaries

MTS Automotive Sensors GmbH
MTS Holdings France, SARL
MTS Sensor Technologie und Verwaltungs - GmbH
MTS Sensor Technologie GmbH and Co. KG
MTS Systems B.V.
MTS Systems SAS
MTS Systems GmbH
MTS Systems Ltd.
MTS Systems Norden AB
MTS Systems srl
MTS Systems Switzerland GmbH
MTS Systems Finance C.V.

Asian Subsidiaries

MTS Japan Ltd.
MTS Korea, Inc.
MTS Sensor Technology Corp.
MTS Systems (Hong Kong), Inc.
MTS Systems (China) Co., Ltd