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News Release

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MTS Reports 51% Increase in Second Quarter EPS before Stock Compensation Expense; Raises Full Year EPS Outlook

Eden Prairie, Minn., April 26, 2006 – MTS Systems Corporation (NASDAQ: MTSC) today reported second quarter earnings of \$0.58 per diluted share on net income of \$11.3 million, an increase of 41 percent compared to earnings of \$0.41 per diluted share on net income of \$8.5 million for the comparable period in fiscal 2005. Excluding \$0.9 million stock compensation expense in the second quarter, earnings per diluted share would have been \$0.62, an increase of 51 percent over the comparable period in fiscal 2005. Earnings for second quarter fiscal 2006 included a \$0.9 million pre-tax gain on the sale of assets associated with the Company's noise and vibration business.

"The earnings performance for the quarter was very positive," said Sidney W. Emery, Jr., Chairman and CEO. "Our revenue and gross profit results were indicative of strong operating performance, which -- along with our recent block share buyback -- has caused us to raise our full year EPS guidance. The revised outlook for fiscal 2006 earnings per share is \$1.80-\$1.90, compared to the previous outlook of \$1.66-\$1.76. Despite delayed orders in the quarter, we are confirming our revenue guidance range of \$395-\$405 million for the year."

Second quarter orders totaled \$81.5 million, down 34 percent compared to orders of \$123.1 million for second quarter fiscal 2005, primarily due to a decrease in large custom orders in the Test segment. Second quarter fiscal 2005 orders included two multi-year orders, totaling \$43 million, in the ground vehicles and aerospace markets. Backlog decreased 10 percent in the quarter, to \$195 million from \$216 million.

Revenue for the second quarter totaled \$102.9 million, up 7 percent compared to \$96.1 million for second quarter fiscal 2005. This increase was primarily attributable to increased short-cycle and service business in the Test segment and continued growth in the Industrial segment, partially offset by an estimated \$5.2 million unfavorable impact of currency translation.

Gross profit for the second quarter was \$45.8 million, an increase of 8 percent compared to \$42.3 million for second quarter fiscal 2005. This increase was primarily due to increased volume in both segments and reduced Test segment warranty expense. The favorable gross profit was partially offset by an estimated \$1.3 million unfavorable impact of currency translation. Second quarter income from operations totaled \$17.1 million, up 17 percent compared to income from operations of \$14.6 million for second quarter fiscal 2005. This increase was due to higher gross profit and a \$0.9 million pre-tax gain on sale of assets of the Company's noise and vibration business, partially offset by planned increases in operating expenses, \$1.2 million of stock compensation expense, and an estimated \$0.6 million unfavorable impact of currency translation. Net income for the second quarter was \$11.3 million, an increase of 33 percent compared to net income of \$8.5 million for second quarter fiscal 2005, driven by higher income from operations and a \$1.2 million loss from discontinued operations in second quarter 2005.

Cash, cash equivalents and short-term investments at the end of the second quarter totaled \$107 million, reflecting the use of \$37.3 million in cash to purchase shares of the Company's common stock during the second quarter, compared to \$144 million at the end of first quarter fiscal 2006.

Segment Results

Test Segment:

Test segment orders totaled \$65.1 million for second quarter fiscal 2006, a decrease of 39 percent compared to orders of \$107.2 million for second quarter fiscal 2005, reflecting a decrease in large custom orders. Second quarter fiscal 2005 orders included two multi-year orders totaling \$43 million. Backlog decreased 10 percent in the quarter, to \$189 million from \$210 million. Second quarter revenue was \$87.0 million, an increase of 8 percent compared to \$80.7 million for second quarter fiscal 2005, reflecting an increase in short-cycle and service business, partially offset by an estimated \$4.2 million unfavorable impact of currency translation. Second quarter gross profit was \$37.4 million, an increase of 6 percent compared to \$35.3 million for second quarter fiscal 2005, primarily due to higher volume and reduced warranty expense, partially offset by unfavorable product mix and an estimated \$0.8 million unfavorable impact of currency translation. Income from operations for second quarter fiscal 2006 totaled \$14.6 million, up 14 percent compared to income from operations of \$12.8 million for second quarter fiscal 2005. The increase was primarily attributable to increased gross profit and a \$0.9 million gain on sale of assets of the Company's noise and vibration business, partially offset by planned increases in operating expenses, \$1.1 million of stock compensation expense, and an estimated \$0.3 million unfavorable impact of currency translation.

Industrial Segment:

Industrial segment orders totaled \$16.4 million for the quarter, an increase of 3 percent compared to orders of \$15.9 million for second quarter fiscal 2005, reflecting continued growth in the Sensors business in Europe and Asia. Backlog of \$6 million was essentially flat in the quarter. Second quarter revenue was \$15.9 million, an increase of 3 percent compared to revenue of \$15.4 million for second quarter fiscal 2005, net of an estimated \$1.0 million unfavorable impact of currency translation. Second quarter gross profit was \$8.4 million, an increase of 20 percent compared to \$7.0 million for second quarter fiscal 2005. The improvement in gross profit was attributable to favorable product mix and prior year charges associated with product line changes, partially offset by an estimated \$0.5 million unfavorable impact of currency translation in second quarter fiscal 2006. Income from operations for second quarter fiscal 2006 was \$2.5 million, an increase of 39 percent compared to income from operations of \$1.8 million for second quarter fiscal 2005, primarily due to higher volume, partially offset by an estimated \$0.3 million unfavorable impact of currency translation.

Non-GAAP Financial Measures

A reconciliation of financial results before and after the impact of stock compensation expense is included in this release as Exhibit A. This reconciliation includes financial measures that do not reflect generally accepted accounting principles (GAAP). These non-GAAP financial measures are provided for additional clarification of the Company's financial performance. Investors should consider these non-GAAP financial measures in addition to, not as a substitute for or better than, financial measures prepared in accordance with GAAP.

Second Quarter Conference Call

A conference call will be held on Thursday, April 27, at 10:00 a.m. EDT (9:00 a.m. CDT). Call +1-785-832-1508; and state the Conference ID "MTS" or Program Title "MTS Quarterly Conference Call." Telephone re-play will be available through 11:59 p.m. EDT, May 11, 2006. Call +1-402-220-2673.

If you prefer to listen live over the Internet, please log on to the web at http://www.mts.com/news/financial_news.htm and click on the webcast link. The call will be archived through 11:59 p.m. EDT, July 25, 2006.

About MTS Systems Corporation

MTS Systems Corporation is a leading global supplier of test systems and industrial position sensors. The Company's testing hardware and software solutions help customers accelerate and improve their design, development, and manufacturing processes and are used for determining the mechanical behavior of materials, products, and structures. MTS' high-performance position sensors provide controls for a variety of industrial and vehicular applications. MTS had 1,549 employees and revenue of \$374 million for the fiscal year ended October 1, 2005. Additional information on MTS can be found on the worldwide web at <http://www.mts.com>.

This release contains "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that are subject to certain risks and uncertainties, as well as assumptions, that could cause actual results to differ materially from historical results and those presently anticipated or projected. The Company does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In addition to the factors discussed above, other important risk factors are delineated in the Company's most recent SEC Form 10-Q and 10-K filings.

MTS SYSTEMS CORPORATION
Consolidated Statements of Income
(unaudited - in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	April 1, 2006	April 2, 2005	April 1, 2006	April 2, 2005
Revenue:				
Product	\$ 89,035	\$ 83,597	\$ 168,524	\$ 166,829
Service	13,833	12,518	26,187	22,367
Total revenue	<u>102,868</u>	<u>96,115</u>	<u>194,711</u>	<u>189,196</u>
Cost of sales:				
Product	50,882	47,857	95,897	95,973
Service	6,205	5,912	12,464	11,141
Total cost of sales	<u>57,087</u>	<u>53,769</u>	<u>108,361</u>	<u>107,114</u>
Gross profit	<u>45,781</u>	<u>42,346</u>	<u>86,350</u>	<u>82,082</u>
Operating expenses:				
Selling	15,933	16,016	31,937	31,199
General and administrative	8,896	7,824	17,000	14,745
Research and development	4,694	3,910	8,841	7,625
Total operating expenses	<u>29,523</u>	<u>27,750</u>	<u>57,778</u>	<u>53,569</u>
Gain on sale of assets	860	-	860	-
Income from operations	<u>17,118</u>	<u>14,596</u>	<u>29,432</u>	<u>28,513</u>
Interest expense	(415)	(520)	(869)	(1,115)
Interest income	782	485	1,464	890
Other income, net	302	269	327	424
Income before income taxes and discontinued operations	<u>17,787</u>	<u>14,830</u>	<u>30,354</u>	<u>28,712</u>
Provision for income taxes	6,488	5,151	11,099	10,301
Income before discontinued operations	<u>11,299</u>	<u>9,679</u>	<u>19,255</u>	<u>18,411</u>
Discontinued operations:				
Loss from discontinued operations, net of tax	-	(1,206)	-	(1,746)
Net income	<u>\$ 11,299</u>	<u>\$ 8,473</u>	<u>\$ 19,255</u>	<u>\$ 16,665</u>
Earnings per share:				
Basic-				
Income before discontinued operations	\$ 0.59	\$ 0.49	\$ 1.00	\$ 0.93
Discontinued operations:				
Loss from discontinued operations, net of tax	-	(0.06)	-	(0.09)
Earnings per share	<u>\$ 0.59</u>	<u>\$ 0.43</u>	<u>\$ 1.00</u>	<u>\$ 0.84</u>
Weighted average number of common shares outstanding - basic	<u>19,072</u>	<u>19,857</u>	<u>19,263</u>	<u>19,783</u>
Diluted-				
Income before discontinued operations	\$ 0.58	\$ 0.47	\$ 0.97	\$ 0.89
Discontinued operations:				
Loss from discontinued operations, net of tax	-	(0.06)	-	(0.08)
Earnings per share	<u>\$ 0.58</u>	<u>\$ 0.41</u>	<u>\$ 0.97</u>	<u>\$ 0.81</u>
Weighted average number of common shares outstanding - diluted	<u>19,580</u>	<u>20,654</u>	<u>19,792</u>	<u>20,625</u>

MTS SYSTEMS CORPORATION
Consolidated Balance Sheets
(unaudited - in thousands, except per share data)

	<u>April 1, 2006</u>	<u>October 1, 2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 84,159	\$ 83,143
Short-term investments	23,025	76,650
Accounts receivable, net of allowances for doubtful accounts	73,682	64,363
Unbilled accounts receivable	30,271	25,093
Inventories	40,505	38,029
Prepaid expenses	4,790	2,600
Current deferred tax assets	6,418	6,415
Other current assets	2,217	2,351
Assets of discontinued operations	1,433	1,710
Total current assets	<u>266,500</u>	<u>300,354</u>
Property and Equipment:		
Land	1,668	1,668
Buildings and improvements	41,048	40,906
Machinery and equipment	76,659	72,837
Accumulated depreciation	(76,153)	(72,458)
Total property and equipment, net	<u>43,222</u>	<u>42,953</u>
Goodwill	4,428	4,423
Other assets	2,119	2,291
Non-current deferred tax assets	1,710	1,711
Total Assets	<u>\$ 317,979</u>	<u>\$ 351,732</u>
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Notes payable	\$ 1,579	\$ 1,582
Current maturities of long-term debt	6,683	6,708
Accounts payable	17,567	16,142
Accrued payroll-related costs	23,719	31,059
Advance payments from customers	58,487	49,901
Accrued warranty costs	4,511	5,333
Accrued income taxes	6,546	3,643
Current deferred income taxes	3,792	3,767
Other accrued liabilities	17,152	15,026
Liabilities of discontinued operations	150	890
Total current liabilities	<u>140,186</u>	<u>134,051</u>
Deferred income taxes	2,314	2,310
Long-term debt, less current maturities	14,519	15,673
Other long-term liabilities	11,834	11,266
Total Liabilities	<u>168,853</u>	<u>163,300</u>
Shareholders' Investment:		
Common stock, \$.25 par; 64,000 shares authorized: 18,200 and 19,664 shares issued and outstanding	4,550	4,916
Retained earnings	135,755	173,487
Accumulated other comprehensive income	8,821	10,029
Total shareholders' investment	<u>149,126</u>	<u>188,432</u>
Total Liabilities and Shareholders' Investment	<u>\$ 317,979</u>	<u>\$ 351,732</u>

EXHIBIT A

MTS SYSTEMS CORPORATION
Stock Compensation Expense Reconciliation
(unaudited - in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	April 1, 2006	April 2, 2005	April 1, 2006	April 2, 2005
Revenue	\$ 102,868	\$ 96,115	\$ 194,711	\$ 189,196
Gross profit:				
Before stock compensation expense	\$ 46,153	\$ 42,346	\$ 86,840	\$ 82,082
Stock compensation expense	372	-	490	-
Gross profit	\$ 45,781	\$ 42,346	\$ 86,350	\$ 82,082
Operating expenses:				
Selling expense before stock compensation expense	\$ 15,684	\$ 16,016	\$ 31,413	\$ 31,199
Stock compensation expense	249	-	524	-
Selling expense	\$ 15,933	\$ 16,016	\$ 31,937	\$ 31,199
General and administrative expense before stock compensation expense	\$ 8,310	\$ 7,824	\$ 15,911	\$ 14,745
Stock compensation expense	586	-	1,089	-
General and administrative expense	\$ 8,896	\$ 7,824	\$ 17,000	\$ 14,745
Research and development expense before stock compensation expense	\$ 4,675	\$ 3,910	\$ 8,802	\$ 7,625
Stock compensation expense	19	-	39	-
Research and development expense	\$ 4,694	\$ 3,910	\$ 8,841	\$ 7,625
Total operating expenses before stock compensation expense	\$ 28,669	\$ 27,750	\$ 56,126	\$ 53,569
Stock compensation expense	854	-	1,652	-
Total operating expenses	\$ 29,523	\$ 27,750	\$ 57,778	\$ 53,569
Income from operations:				
Before stock compensation expense	\$ 18,344	\$ 14,596	\$ 31,574	\$ 28,513
Stock compensation expense	1,226	-	2,142	-
Income from operations	\$ 17,118	\$ 14,596	\$ 29,432	\$ 28,513
Net income:				
Before stock compensation expense	\$ 12,193	\$ 8,473	\$ 20,826	\$ 16,665
Stock compensation expense	894	-	1,571	-
Net income	\$ 11,299	\$ 8,473	\$ 19,255	\$ 16,665
Earnings per share - diluted:				
Before stock compensation expense	\$ 0.62	\$ 0.41	\$ 1.05	\$ 0.81
Stock compensation expense	0.04	-	0.08	-
Earnings per share - diluted	\$ 0.58	\$ 0.41	\$ 0.97	\$ 0.81