

Tektronix Reports Results for the First Quarter of Fiscal 2006

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BEAVERTON, Ore.

Tektronix, Inc. today reported net sales of \$235.1 million and net earnings from continuing operations of \$14.2 million or \$0.17 per share for the first quarter ended August 27, 2005. This compares with net sales of \$250.5 million and net earnings from continuing operations of \$36.5 million or \$0.43 per share for the same period last year. Excluding acquisition-related costs, business realignment costs and one-time items, net earnings from continuing operations were \$21.3 million or \$0.25 per share for the first quarter ended August 27, 2005, as compared with \$36.9 million or \$0.43 per share for the same period last year.

"We are very satisfied with our overall performance this quarter," said Rick Wills, Tektronix Chairman and CEO. "We managed through a comparatively tough period, and delivered earnings which were in line with our expectations. In addition, we were encouraged by a pick up in demand in August after a slower start at the beginning of the quarter."

"The Inet acquisition continued to yield solid results. We had a number of significant customer wins in the quarter including orders for network management systems for UMTS, GPRS and VoIP, which contributed to the strongest order performance to date for this business. In addition, we recorded double digit, year-over-year growth in our two newer product areas -- signal sources and real-time spectrum analyzers -- fueled by strong new products. Initial orders for our AFG3000 family of signal sources, which began shipping late in the quarter, exceeded our expectations. These transformational products, featuring our innovative and powerful 'Generator on a Chip' based architecture, offer unprecedented performance and ease of use at a very attractive price. Additionally, we have continued to see good customer demand for our recently introduced TDS6000C, the world's fastest real-time oscilloscope," said Wills.

For the second quarter of fiscal 2006, the company expects net sales to be approximately \$240 - \$250 million. Earnings per share from continuing operations are expected to be between \$0.25 and \$0.29 before mostly non-cash costs related to the acquisition of Inet Technologies, business realignment costs, and other one-time items.

"As we said last quarter, assuming stable markets, normal seasonality and the strength of new products in the second half, we expect the first quarter to represent the low point for the year in terms of both sales and earnings per share," said Wills.

"We are encouraged by the continued success from the Inet acquisition and from recently introduced products, as well as the continued progress we are making on the pipeline of products set to introduce over the next few quarters," concluded Wills.

Recent highlights include the following:

- * The availability of the AFG3000 family of signal sources, six models whose ease of use and innovative performance establish a new benchmark for this class of product.
- * An award by Beijing International Radio, Film and Television Equipment Exhibition (BIRTV), the region's largest exhibition for radio and TV service providers and equipment manufacturers, for the "Outstanding Product" for the MTS430 MPEG Analyzer. The submission was judged by an independent panel of China's foremost experts in broadcast technology and presented at BIRTV 2005 in Beijing, China.
- * The addition of the High-Speed Downlink Packet Access software

option to the market leading NetTek™ Wireless RF Field Tester, making Tektronix the first manufacturer to provide HSDPA test and measurement capabilities in a handheld form factor.

- * The introduction of a new radio frequency identification (RFID) software measurement suite for WCA200A, RSA3300A and RSA3408A Real-Time Spectrum Analyzers which continues to advance the capabilities of Tektronix' real-time spectrum analyzers by adding new measurements and troubleshooting features specifically designed to help the RFID engineer.
- * The expansion of the TDS1000 and TDS2000 series, the world's best selling line of oscilloscopes in units, by adding two new models - one of which, the TDS1001, is the lowest priced digital oscilloscope available from any major vendor.
- * Significant wins from major network operators around the world for network management systems for UMTS, GPRS and VoIP, as well as service assurance and customer assurance software solutions.
- * The appointment of Rich McBee to Senior Vice President of the Communications Business. McBee, a proven senior executive at Tektronix, has held a broad range of positions and has experience running a significant portion of the Tektronix organization.

In addition, today Tektronix declared a quarterly cash dividend of \$0.06 per share on the outstanding common shares of the Company, payable on October 24, 2005 to shareholders of record as of the close of market on October 7, 2005.

Tektronix will hold its Annual Meeting of Shareholders on Thursday, September 22, 2005, at 10:00 a.m. Central Daylight Time (CDT) at the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas.

Tektronix will be discussing its first quarter results and future guidance on a conference call today, beginning at 1:30 p.m. Pacific Daylight Time (PDT). A live Webcast of the conference call will be available at www.tektronix.com/ir. A replay of the Webcast will be available at the same Web site for one year.

Tektronix presents pro forma measures of net earnings and net earnings per share from continuing operations that exclude the effects of acquisition-related costs, business realignment costs and one-time items. The "Reconciliation of Pro Forma Measures to GAAP" reconciles the results of operations in accordance with generally accepted accounting principles (GAAP) to the pro forma results of operations. Tektronix presents pro forma results of operations to help readers differentiate the results of ongoing operating activity from results that include acquisition-related costs, business realignment costs and one-time items. Management of Tektronix uses these pro forma measures to evaluate the Company's results of operations and for forecasting purposes.

Statements and information in this press release that relate to future events or results (including the Company's statements and expectations regarding sales and earnings per share, market position and market growth opportunities, and the introduction of new products) are based on the Company's current expectations. They constitute forward-looking statements subject to a number of risk factors, which could cause actual results to differ materially from those currently expected or desired. Those factors include: worldwide geopolitical and economic conditions; current and future business conditions in the electronics, communications, computer and advanced technologies industries; changes in order rates and customer cancellations, including changes in seasonal buying habits; competitive factors, including pricing pressures, loss of key employees, technological developments and new products offered by competitors; changes in product and sales mix, and the related effects on gross margins; the Company's ability to deliver a timely flow of competitive new products, and market acceptance of these products; the availability of parts and supplies from third-party suppliers on a timely basis and at reasonable prices; risks associated with compliance with the "Restriction of Hazardous Substances" worldwide regulatory provisions, including the

associated conversion of current and future product designs and manufacturing processes to procure and/or produce lead-free products, and with export regulations; inventory risks due to changes in market demand or the Company's business strategies; changes in effective tax rates; currency fluctuations; the ability to develop effective sales channels; and risks associated with the integration of Inet Technologies including realization of expected growth opportunities. Further information on factors that could cause actual results to differ from those anticipated is included in filings made by the Company from time-to-time with the Securities and Exchange Commission, including but not limited to annual reports on Form 10-K and the quarterly reports on Form 10-Q.

About Tektronix

Tektronix, Inc. is a test, measurement, and monitoring company providing measurement solutions to the communications, computer, and semiconductor industries worldwide. With more than 55 years of experience, Tektronix enables its customers to design, build, deploy, and manage next-generation global communications networks and advanced technologies. Headquartered in Beaverton, Oregon, Tektronix has operations in 19 countries worldwide. Tektronix' Web address is www.tektronix.com.

Consolidated Statements of Operations

(In thousands, except per share amounts)	Quarter Ended	
	August 27, 2005	August 28, 2004
Net sales	\$235,060	\$250,465
Cost of sales	99,103	101,946
Gross profit	135,957	148,519
Research and development expenses	43,605	33,579
Selling, general and administrative expenses	68,565	65,066
Business realignment costs	2,481	2,039
Acquisition related costs and amortization	3,436	787
Loss (gain) on disposition of assets, net	4	(1,891)
Operating income	17,866	48,939
Interest income	3,092	5,462
Interest expense	(97)	(83)
Other non-operating expense, net	(986)	(2,224)
Earnings before taxes	19,875	52,094
Income tax expense	5,707	15,628
Net earnings from continuing operations	14,168	36,466
Loss from discontinued operations, net of income taxes	(82)	(58)
Net earnings	\$14,086	\$36,408

Earnings per share:

Continuing operations - basic	\$0.17	\$0.44
Continuing operations - diluted	\$0.17	\$0.43
Discontinued operations - basic	\$--	\$--
Discontinued operations - diluted	\$--	\$--
Net earnings - basic	\$0.17	\$0.43
Net earnings - diluted	\$0.17	\$0.43
Weighted average shares outstanding:		
Basic	84,603	83,782
Diluted	85,297	85,211
Cash dividend declared per share	\$0.06	\$0.04

Consolidated Balance Sheets

(In thousands)	August 27, 2005	May 28, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$95,002	\$131,640
Short-term marketable investments	111,477	120,881
Trade accounts receivable, net	161,346	155,332
Inventories	130,544	131,096
Other current assets	86,657	80,177
Total current assets	585,026	619,126
Property, plant and equipment, net	122,062	120,546
Long-term marketable investments	162,009	226,892
Deferred tax assets	53,340	56,560
Goodwill, net	303,166	301,934
Other long-term assets	131,099	135,285
Total assets	\$1,356,702	\$1,460,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$108,582	\$115,058
Accrued compensation	55,411	78,938
Deferred revenue	54,639	57,509
Total current liabilities	218,632	251,505
Long-term liabilities	189,855	223,015
Shareholders' equity:		
Common stock	496,848	501,886
Retained earnings	608,987	639,720
Accumulated other comprehensive loss	(157,620)	(155,783)
Total shareholders' equity	948,215	985,823
Total liabilities and shareholders' equity	\$1,356,702	\$1,460,343
Shares outstanding	83,360	85,144

Selected Additional Financial Data

(Dollars in thousands,
except per share amounts)

Quarter Ended
% August 27, August 28,
Growth 2005 2004

Product Orders and Sales Data:

Orders	13%	\$230,434	\$204,287
U.S.	19%	76,428	64,251
International	10%	154,006	140,036
 Total - excluding Rohde and Schwarz & Inet	 (9%)	 185,613	 204,380
 Net Sales	 (6%)	 \$235,060	 \$250,465
U.S.	(20%)	84,403	105,764
International	4%	150,657	144,701
 Total - excluding Rohde and Schwarz & Inet	 (11%)	 203,265	 229,267

Book to Bill Ratio Calculation:

Product Orders	\$230,434	\$204,287
Product Sales	\$221,835	\$231,500
 Book to Bill ratio	 1.04	 0.88

Reconciliation of Pro Forma Measures to GAAP:

Net earnings from continuing operations - GAAP	\$14,168	\$36,466
 Effect of:		
Acquisition related items reported in cost of sales	5,112	--
Acquisition related items reported in operating expenses	3,436	787
Business realignment costs	2,481	2,039
Gain on sale of Nevada City property	--	(2,161)
Tax effect of above items	(3,943)	(200)
 Net earnings from continuing operations - Pro Forma	 \$21,254	 \$36,931
 Diluted earnings per share - Pro Forma	 \$0.25	 \$0.43

Income Statement Items as a Percentage
of Net Sales:

Cost of sales	42%	41%
Research and development expenses	19%	13%
Selling, general and administrative expenses	29%	26%
Business realignment costs	1%	1%
Acquisition related costs and amortization	1%	0%
Loss (gain) on disposition of assets, net	0%	(1%)
Operating income	8%	20%

Capital Expenditures and Depreciation:

Capital expenditures	\$8,744	\$7,506
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Depreciation and amortization expense	\$7,006	\$6,678
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	Quarter Ended August 27, 2005	Year Ended May 28, 2005
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Balance Sheet:

Cash and Marketable Investments:

Cash and cash equivalents	\$95,002	\$131,640
Short-term marketable investments	111,477	120,881
Long-term marketable investments	162,009	226,892
Cash and Marketable Investments	\$368,488	\$479,413

Accounts receivable as a percentage of net sales	16.8%	13.9%
Days sales outstanding	62.5	54.7
Average days sales outstanding	61.3	50.7

Inventory as a percentage of net sales	13.9%	11.3%
Inventory turns	3.0	3.6

Discontinued Operations

(In thousands)	Quarter Ended August 27, 2005	August 28, 2004
Loss on sale of VideoTele.com (less applicable income tax benefit of \$1 and \$1)	\$ (1)	\$ (1)
Loss on sale of optical parametric test business (less applicable income tax benefit of \$36 and \$40)	(68)	(72)
Gain (loss) on sale of Gage (less applicable income tax benefit (expense) of \$6 and \$(8))	(11)	15
Loss on sale of Color Printing and Imaging (less applicable income tax benefit of \$1 and \$0)	(2)	--
Loss from discontinued operations, net of income taxes	\$ (82)	\$ (58)

Reconciliation of Pro Forma Measures to GAAP

(In thousands, except per share amounts)

Quarter Ended
August 27, 2005

	GAAP	Adjustments Inet	Other	Pro Forma
Net sales	\$235,060	--	--	\$235,060
Cost of sales	99,103	(5,073) (A)	(39)	93,991
Gross profit	135,957	5,073	39	141,069
Gross margin	57.8%			60.0%

Research and development expenses	43,605	--	--	43,605
Selling, general and administrative expenses	68,565	--	--	68,565
Business realignment costs	2,481	--	(2,481)	--
Acquisition related costs:				
Write-off of IPR&D	365	--	(365)	--
Amortization of acquired intangible assets	1,284	(1,279)	(5)	--
Amortization of stock option compensation	90	(90)	--	--
Transition expenses	1,697	(1,030)	(667)	--
Total acquisition related costs	3,436	(2,399)	(1,037)	--
Loss (gain) on disposition of assets	4	--	--	4
Operating income	17,866	7,472	3,557	28,895
Operating margin	7.6%			12.3%
Other income, net	2,009	--	--	2,009
Earnings before taxes	19,875	7,472	3,557	30,904
Income tax expense	5,707	2,856	1,087	9,650
Net earnings from continuing operations	\$14,168	4,616	2,470	\$21,254
Earnings per share - diluted	\$0.17			\$0.25
Weighted average shares outstanding - diluted	85,297			85,297

(In thousands, except per share amounts)

Quarter Ended
August 28, 2004
Adjustments

	GAAP		Pro Forma
Net sales	\$250,465	--	\$250,465
Cost of sales	101,946	--	101,946
Gross profit	148,519	--	148,519
Gross margin	59.3%		59.3%
Research and development expenses	33,579	--	33,579
Selling, general and administrative expenses	65,066	--	65,066
Business realignment costs	2,039	(2,039)	--
Acquisition related costs:			
Write-off of IPR&D	--	--	--
Amortization of acquired intangible assets	--	--	--
Amortization of stock option compensation	--	--	--
Transition expenses	787	(787)	--
Total acquisition related costs	787	(787)	--
Loss (gain) on disposition of assets	(1,891)	2,161 (B)	270
Operating income	48,939	665	49,604
Operating margin	19.5%		19.8%
Other income, net	3,155		3,155
Earnings before taxes	52,094	665	52,759
Income tax expense	15,628	200	15,828
Net earnings from continuing operations	\$36,466	465	\$36,931
Earnings per share - diluted	\$0.43		\$0.43

Weighted average shares outstanding - diluted	85,211	85,211
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- (A) Amortization of acquired intangible assets and non-cash expense for
Inet inventory step up adjustment to fair value
- (B) Gain on sale of Nevada City property

SOURCE: Tektronix, Inc.

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Web site: <http://www.tektronix.com/>

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