

Tektronix Reports Results for the Third Quarter of Fiscal 2006

Strong Results Fueled by New Products and Significant Customer Wins

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BEAVERTON, Ore.

Tektronix, Inc. today reported net sales of \$262.1 million and net earnings from continuing operations of \$24.9 million or \$0.30 per share for the third quarter ended February 25, 2006. This compares with net sales of \$256.3 million and net earnings from continuing operations of \$23.4 million or \$0.26 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 \$31.1 million or \$0.37 per share for the third quarter, as compared with \$28.1 million or \$0.31 per share for the same period last year.

"This was an outstanding quarter for us," said Rick Wills, Tektronix Chairman and CEO. "A modestly improving market, strength in new products and continued success in the communication sector led to strong orders, sales, earnings and cash flow."

"Overall, orders in the quarter grew 14%. Our instruments business orders grew 8% driven by our continued wave of new products -- including two new oscilloscope families introduced this quarter. In addition, we again saw solid growth from our two newer instrument product categories, signal sources and real-time spectrum analyzers," said Wills. "We also had excellent year-over-year order growth of 30% in our communications business driven by several significant customer wins in a continued strong market."

"In addition to our strong financial performance, we had a great quarter operationally with the successful introduction and shipment of two new oscilloscope families -- the DPO7000 and DPO4000 -- both based on next generation ASIC technology and highly-leveraged platforms that will be expanded in the future," Wills continued. "Early response to these exceptional products has been very positive. The DPO7000 delivers unmatched product specifications and eliminates the traditional trade-offs found in other oscilloscopes. The DPO4000 similarly delivers unmatched performance in its category and includes breakthrough innovations such as the Wave Inspector™ search capability. Finally, several of our products were selected for industry awards, highlighting our commitment to innovation and to solving customer problems."

For the fourth quarter of fiscal 2006, the company expects net sales to be approximately \$275 - \$285 million. Earnings per share from continuing operations are expected to be between \$0.38 and \$0.42 before mostly non-cash acquisition-related costs, business realignment costs, and one-time items.

"We continue to deliver on our growth strategy in both our instruments and communications businesses. By continuing to introduce new products and offer new capabilities, we expect to gain share, expand our market and win new customers," concluded Wills.

Recent highlights include the following:

New product introductions, including:

- Two new oscilloscope platforms, the DPO7000 -- with models ranging from 500 MHz to 2.5 GHz on a next generation platform that makes broad use of IBM7HP silicon germanium (SiGe) technology to provide higher performance for demanding applications, and the DPO4000 -- with models ranging from 350 MHz to 1 GHz featuring the groundbreaking Wave Inspector™, an unprecedented set of easy-to-use tools for discovery and efficient viewing, navigating, and analyzing of waveform data.
- New monitoring capabilities for the WVR7100 and WVR6100 video

rasterizers that will enable engineers and operators to quickly and reliably determine video signal and content quality for high-definition and standard-definition digital broadcast signals.

- The introduction of IPTV Video Quality Measurement (VQM) capabilities for our Spectra2 internet protocol diagnostic tools. This package helps network operators identify the causes of poor digital image quality and is the first portable monitoring solution with support for multiple-level Quality of Service scores and analysis for carriers and cable networks in the emerging video over IP opportunity.

Customer wins including:

- NBC's use of Tektronix HD Video Monitoring Equipment for their coverage of the Olympic Winter Games.
- China Electronics Standardization Institution's choice of Tektronix as the premier test instrument vendor for upgrading its IT testing and certification center. Tektronix instruments will be used for enhanced conformance testing and certification to support emerging technical standards and next generation digital TV.
- Freescale Semiconductor's selection of Tektronix TLA7000 Series logic analyzers to enable engineers to perform debug operations for the latest high-speed busses including Serial RapidIO®, PCI-Express and DDRS Memory.

Several products won awards including:

- The RSA3408A Real-Time Spectrum Analyzer won a Best in Test award from the editors of Test and Measurement World. The RSA3408A also won the Readers' Choice Award in the Instrumentation category, an award given for the best of 2005, as determined by the readers of EE-Evaluation Engineering magazine.
- The AFG3000 Series arbitrary function generator received Honorable Mention for Best in Test by Test and Measurement World.
- The TLA7000 Series logic analyzer with application software version 5.0 was selected as a finalist for the 16th annual EDN Innovation Awards, an exclusive awards program that honors people, products and technology that have demonstrated innovation resulting in a significant advance in technology and/or product development.
- Tektronix oscilloscopes won the 2006 Readers' Choice Award for the third consecutive year from Electronics For You (EFY) magazine, one of Asia's leading publications for the electronics industry.
- Tektronix and TMN, the largest mobile network operator in Portugal, were awarded the Best Network Quality Initiative by the GSM Association for TMN's Customer Centric Service Quality Management solution, a service management system that uses technology from Tektronix' Unified Assurance suite to proactively detect, identify and rectify network and service degradations in real time.

In addition, today Tektronix declared a quarterly cash dividend of \$0.06 per share on the outstanding common shares of the Company, payable on April 24, 2006 to shareholders of record as of the close of market on April 7, 2006.

Tektronix will be discussing its third quarter results and future guidance on a conference call today, beginning at 1:30 p.m. Pacific Standard Time (PST). 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.

In addition, Tektronix will hold an investor event on April 12, 2006 in New York, New York. The event will provide an update on the Company's instruments and communications businesses and will provide an opportunity for discussions with business leadership.

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; customer acceptance of large orders with delayed acceptance criteria; 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 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; and the ability to develop effective sales channels. 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 60 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		Three Quarters Ended	
	Feb. 25, 2006	Feb. 26, 2005	Feb. 25, 2006	Feb. 26, 2005
Net sales	\$262,105	\$256,332	\$750,561	\$773,625
Cost of sales	103,003	102,946	303,277	311,397
Gross profit	159,102	153,386	447,284	462,228
Research and development expenses	44,566	43,380	133,844	118,837
Selling, general and administrative expenses	76,347	78,750	218,015	220,136
Business realignment costs	3,182	382	7,543	2,665

Acquisition related costs and amortization	1,418	2,590	6,949	38,318
Loss (gain) on disposition of assets, net	54	754	81	(1,080)
Operating income	33,535	27,530	80,852	83,352
Interest income	3,381	3,798	9,361	13,164
Interest expense	(96)	(113)	(339)	(531)
Other non-operating income (expense), net	(933)	1,422	(3,912)	(1,869)
Earnings before taxes	35,887	32,637	85,962	94,116
Income tax expense	10,949	9,246	26,978	36,838
Net earnings from continuing operations	24,938	23,391	58,984	57,278
Gain from discontinued operations, net of income taxes	1,575	3,430	1,510	3,117
Net earnings	\$26,513	\$26,821	\$60,494	\$60,395
Earnings per share:				
Continuing operations - basic	\$0.30	\$0.26	\$0.71	\$0.66
Continuing operations - diluted	\$0.30	\$0.26	\$0.70	\$0.65
Discontinued operations - basic	\$0.02	\$0.04	\$0.02	\$0.04
Discontinued operations - diluted	\$0.02	\$0.04	\$0.02	\$0.04
Net earnings - basic	\$0.32	\$0.30	\$0.73	\$0.70
Net earnings - diluted	\$0.32	\$0.30	\$0.72	\$0.68
Weighted average shares outstanding:				
Basic	82,174	89,307	83,203	86,703
Diluted	83,319	90,690	84,065	88,236
Cash dividend declared per share	\$0.06	\$0.06	\$0.18	\$0.16

Reconciliation of Pro Forma Measures to GAAP

(In thousands, except per share amounts)

	GAAP	Quarter Ended February 25, 2006 Adjustments		Pro Forma
		Inet	Other	
Net sales	\$262,105	--	--	\$262,105
Cost of sales	103,003	(4,627)	(157) (A)	98,219
Gross profit	159,102	4,627	157	163,886
Gross margin	60.7%			62.5%
Research and development expenses	44,566	--	--	44,566
Selling, general and administrative expenses	76,347	--	--	76,347
Business realignment costs	3,182	--	(3,182)	--
Acquisition related costs:				
Write-off of IPR&D	--	--	--	--

Amortization of acquired intangible assets	1,308	(1,279)	(29)	--
Amortization of stock option compensation	83	(83)	--	--
Transition expenses	27	(61)	34	--
Total acquisition related costs	1,418	(1,423)	5	--
Loss on disposition of assets	54	--	--	54
Operating income	33,535	6,050	3,334	42,919
Operating margin	12.8%			16.4%
Other income, net	2,352	--	--	2,352
Earnings before taxes	35,887	6,050	3,334	45,271
Income tax expense	10,949	2,225	982	14,156
Net earnings from continuing operations	\$24,938	3,825	2,352	\$31,115
Earnings per share - diluted	\$0.30			\$0.37
Weighted average shares outstanding - diluted	83,319			83,319

Three Quarters Ended
February 25, 2006
Adjustments

	GAAP	Inet	Other	Pro Forma
Net sales	\$750,561	--	--	\$750,561
Cost of sales	303,277	(14,324)	(275) (A)	288,678
Gross profit	447,284	14,324	275	461,883
Gross margin	59.6%			61.5%
Research and development expenses	133,844	--	--	133,844
Selling, general and administrative expenses	218,015	--	--	218,015
Business realignment costs	7,543	--	(7,543)	--
Acquisition related costs:				
Write-off of IPR&D	365	--	(365)	--
Amortization of acquired intangible assets	3,885	(3,838)	(47)	--
Amortization of stock option compensation	257	(257)	--	--
Transition expenses	2,442	(1,824)	(618)	--
Total acquisition related costs	6,949	(5,919)	(1,030)	--
Loss (gain) on disposition of assets	81	--	--	81
Operating income	80,852	20,243	8,848	109,943
Operating margin	10.8%			14.6%
Other income, net	5,110	--	--	5,110
Earnings before taxes	85,962	20,243	8,848	115,053
Income tax expense	26,978	7,360	2,559	36,897
Net earnings from continuing operations	\$58,984	12,883	6,289	\$78,156
Earnings per share - diluted	\$0.70			\$0.93
Weighted average shares outstanding - diluted	84,065			84,065

(In thousands, except per share amounts)

Quarter Ended

February 26, 2005
Adjustments

	GAAP	Inet	Other	Pro Forma
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Net sales	\$256,332	--	--	\$256,332
Cost of sales	102,946	(4,582)	-- (A)	98,364
Gross profit	153,386	4,582	--	157,968
Gross margin	59.8%			61.6%
Research and development expenses	43,380	--	--	43,380
Selling, general and administrative expenses	78,750	--	--	78,750
Business realignment costs	382	--	(382)	--
Acquisition related costs:				
Write-off of IPR&D	42	(42)	--	--
Amortization of acquired intangible assets	1,288	(1,288)	--	--
Amortization of stock option compensation	307	(307)	--	--
Transition expenses	953	(496)	(457)	--
Total acquisition related costs	2,590	(2,133)	(457)	--
Loss on disposition of assets	754	--	--	754
Operating income	27,530	6,715	839	35,084
Operating margin	10.7%			13.7%
Other income, net	5,107	--	--	5,107
Earnings before taxes	32,637	6,715	839	40,191
Income tax expense	9,246	2,557	252	12,055
Net earnings from continuing operations	\$23,391	4,158	587	\$28,136
Earnings per share - diluted	\$0.26			\$0.31
Weighted average shares outstanding - diluted	90,690			90,690

Three Quarters Ended
February 26, 2005
Adjustments

	GAAP	Inet	Other	Pro Forma
Net sales	\$773,625	--	--	\$773,625
Cost of sales	311,397	(9,217)	-- (A)	302,180
Gross profit	462,228	9,217	--	471,445
Gross margin	59.7%			60.9%
Research and development expenses	118,837	--	--	118,837
Selling, general and administrative expenses	220,136	--	--	220,136
Business realignment costs	2,665	--	(2,665)	--
Acquisition related costs:				
Write-off of IPR&D	32,237	(32,237)	--	--
Amortization of acquired intangible assets	2,134	(2,134)	--	--
Amortization of stock option compensation	511	(511)	--	--
Transition expenses	3,436	(1,539)	(1,897)	--
Total acquisition related costs	38,318	(36,421)	(1,897)	--
Loss (gain) on disposition of assets	(1,080)	--	2,161 (B)	1,081
Operating income	83,352	45,638	2,401	131,391
Operating margin	10.8%			17.0%
Other income, net	10,764	--	--	10,764
Earnings before taxes	94,116	45,638	2,401	142,155
Income tax expense	36,838	5,066	721	42,625

Net earnings from continuing operations	\$57,278	40,572	1,680	\$99,530
Earnings per share - diluted	\$0.65			\$1.13
Weighted average shares outstanding - diluted	88,236			88,236

- (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

Consolidated Balance Sheets

(In thousands)	February 25, 2006	May 28, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$177,512	\$131,640
Short-term marketable investments	94,543	120,881
Trade accounts receivable, net	167,951	155,332
Inventories	139,138	131,096
Other current assets	69,078	80,177
Total current assets	648,222	619,126
Property, plant and equipment, net	127,530	120,546
Long-term marketable investments	115,699	226,892
Deferred tax assets	52,022	56,560
Goodwill, net	303,055	301,934
Other long-term assets	125,441	135,285
Total assets	\$1,371,969	\$1,460,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$126,750	\$115,058
Accrued compensation	63,444	78,938
Deferred revenue	64,235	57,509
Total current liabilities	254,429	251,505
Long-term liabilities	167,685	223,015
Shareholders' equity:		
Common stock	508,064	501,886
Retained earnings	605,191	639,720
Accumulated other comprehensive loss	(163,400)	(155,783)
Total shareholders' equity	949,855	985,823
Total liabilities and shareholders' equity	\$1,371,969	\$1,460,343
Shares outstanding	82,870	85,144

Selected Additional Financial Data

(Dollars in thousands, except per share amounts)	%	Quarter Ended		%	Three Quarters Ended	
		Feb. 25, 2006	Feb. 26, 2005		Feb. 25, 2006	Feb. 26, 2005
	Growth			Growth		

Product Orders Data:

Orders	14%	\$287,373	\$252,037	10%	\$758,572	\$691,943
U.S.	13%	89,116	78,669	10%	250,655	228,324
International	14%	198,257	173,368	10%	507,917	463,619
Instruments Business	8%	193,390	179,482	(1%)	543,040	547,121
Communications Business	30%	93,983	72,555	49%	215,532	144,822

Book to Bill Ratio
Calculation:

Product Orders	\$287,373	\$252,037	\$758,572	\$691,943
Product Sales	\$247,328	\$243,363	\$707,546	\$725,534
Book to Bill ratio	1.16	1.04	1.07	0.95

Income Statement Items
as a Percentage of Net
Sales:

Cost of sales	39%	40%	40%	40%
Research and development expenses	17%	17%	18%	15%
Selling, general and administrative expenses	29%	31%	29%	28%
Business realignment costs	1%	0%	1%	0%
Acquisition related costs and amortization	1%	1%	1%	5%
Loss (gain) on disposition of assets, net	0%	0%	0%	(0%)
Operating income	13%	11%	11%	11%

Capital Expenditures and
Depreciation:

Capital expenditures	\$10,816	\$6,636	\$29,449	\$21,140
Depreciation and amortization expense	\$6,912	\$7,635	\$20,849	\$21,513

Balance Sheet:

	Third Quarter Ended Feb. 25, 2006	Second Quarter Ended Nov. 26, 2005	Year Ended May 28, 2005
Cash and Marketable Investments:			
Cash and cash equivalents	\$177,512	\$136,015	\$131,640
Short-term marketable investments	94,543	96,808	120,881
Long-term marketable investments	115,699	130,681	226,892
Cash and Marketable Investments	\$387,754	\$363,504	\$479,413

Accounts receivable as a percentage of net sales	15.4%	15.7%	13.9%
Days sales outstanding	58.3	58.3	54.7

Countback days sales outstanding	56.7	49.7	51.8
Inventory as a percentage of net sales	12.9%	12.9%	11.3%
Inventory turns	3.0	3.1	3.6

Discontinued Operations

(In thousands)	Quarter Ended		Three Quarters Ended	
	Feb. 25, 2006	Feb. 26, 2005	Feb. 25, 2006	Feb. 26, 2005
Loss on sale of VideoTele.com (less applicable income tax benefit of \$0, \$3, \$1 and \$12)	\$--	\$(7)	\$(3)	\$(22)
Gain (loss) on sale of optical parametric test business (less applicable income tax benefit (expense) of (\$491), \$10, (\$379) and \$95)	913	(18)	705	(176)
Gain (loss) on sale of Gage (less applicable income tax benefit (expense) of (\$326), \$28, (\$406) and \$103)	608	(53)	756	(193)
Gain on sale of Color Printing and Imaging (less applicable income tax expense of \$29, \$1,889, \$28 and \$1,889)	54	3,508	52	3,508
Gain from discontinued operations, net of income taxes	\$1,575	\$3,430	\$1,510	\$3,117

SOURCE: Tektronix, Inc.

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

<http://news.tektronix.com/2006-03-16-Tektronix-Reports-Results-for-the-Third-Quarter-of-Fiscal-2006>