

Tektronix Reports Results for the Fourth Quarter and Full Year of Fiscal 2006

Excellent Results Reflect Success of New Product Introductions and Strength in Telecommunications

PRNewswire-FirstCall
BEAVERTON, Ore.

Tektronix, Inc. today reported net sales of \$289.3 million and net earnings from continuing operations of \$31.9 million or \$0.37 per share for the fourth quarter ended May 27, 2006. This compares with net sales of \$261.0 million and net earnings from continuing operations of \$21.6 million or \$0.25 per share for the same period last year. Excluding acquisition-related costs, business realignment and one-time items, net earnings from continuing operations were \$36.4 million or \$0.43 per share for the fourth quarter as compared with \$27.4 million or \$0.31 per share for the same period last year.

"This was an excellent quarter for us. Orders, sales and earnings were at the highest level we've seen this fiscal year reflecting the success of our new products and our continued ability to win in a strong telecommunications market," said Rick Wills, Tektronix Chairman and CEO.

"Orders in the fourth quarter grew over 21% as compared to the same quarter last year, and all regions showed double-digit orders growth," continued Wills. "Instruments business orders grew 7% driven by success from new product introductions. Within the Instruments business, orders for our general purpose test products grew 11% offset modestly by video products. Communications business orders grew a record 65% this quarter with large wins in all regions. We continue to see success with our very strong product offerings aimed at next-generation networks."

"During the quarter, we continued to introduce award winning products. We announced a family of new multi-format video waveform monitors which enable migration to high-definition video. We also introduced Cerify, the first automated system for testing file-based compressed digital video content. This product won the Pick Hit Award from Broadcast Engineering magazine at the National Association of Broadcasters show," Wills continued. "And, just after the close of the quarter, we announced that the DPO7000 oscilloscopes that we introduced last quarter won the Ultimate Product Award from EE Times and eeProductCenter for leading performance and innovation."

Full Year Results

For the fiscal year ended May 27, 2006, Tektronix reported net sales of \$1.040 billion and net earnings from continuing operations of \$90.9 million or \$1.08 per share. This compares with net sales of \$1.035 billion and net earnings from continuing operations of \$78.9 million or \$0.89 per share for the prior fiscal year. Excluding acquisition-related costs, business realignment costs and one-time items, net earnings from continuing operations were \$114.6 million or \$1.36 per share for the fiscal year, as compared with \$126.9 million or \$1.44 per share for the prior fiscal year.

"The fiscal year started slowly, with our first quarter reflecting market softness. However, every subsequent quarter showed sequential growth in orders, sales and earnings. Orders for the fiscal year were the strongest we've seen in five years. We saw strong double-digit orders growth from both of our new product areas -- with signal sources and spectrum analyzers growing approximately 30% each. And, our Communications business finished strong with 54% orders growth for the year."

"Looking forward, we remain confident in our strategy. We had a significant number of major new product

introductions last year and are planning an even greater number this year. In addition, we continue to be optimistic about our ability to capitalize on the significant investment being made by network operators in next-generation telecommunications networks," concluded Wills.

First Quarter Guidance

For the first quarter of fiscal 2007, the company expects net sales to be approximately \$255 - \$265 million. Earnings per share from continuing operations are expected to be between \$0.31 and \$0.34 before mostly non-cash acquisition-related costs, business realignment costs, one-time items and share-based compensation expense.

Recent highlights include the following:

New product introductions, including:

- A new family of multi-format video waveform monitors that offer customers the widest range of product configurations and upgrades, and industry-first capabilities that enable the seamless migration from composite video configurations to complete HD/SD/composite solutions.
- Cerify, the world's first fully-automated system capable of verifying the quality of file-based, compressed digital video and audio prior to transmission or use, ensuring higher levels of end-customer viewing satisfaction. Tektronix also announced the availability of integrated content storage and quality control using Tektronix Cerify and Omneon media servers to provide customers with a QC system that interoperates seamlessly within the broadcast chain.
- The addition of the RF Scout Interference Hunter to the NetTek portfolio, an industry-first handheld platform that provides all of the tools necessary to hunt for RF interference and check signal quality both in-building and outdoors for wireless network optimization.
- The introduction of RSAVu offline-analysis software that enables customers to acquire signals using their Tektronix Real-Time Spectrum Analyzer (RSA) and then analyze the captured data in an off-line PC. The PC-based RSAVu software can provide the same analysis capabilities that exist on the RSA.
- A joint effort between Tektronix and TZero, the only IC supplier that enables broadcast quality video over wireless networks, to establish a gold standard for ultra wideband testing.

Customer wins announced during the quarter, including:

- Sony's adoption of Tektronix' Real-Time Spectrum Analyzers for measuring and analyzing RFID communication conditions between contactless wireless cards equipped with Sony FeliCa IC card technology which will be used as a form of e-money.
- China's Chung Huang University Engineering College's choice of Tektronix' AFG3000 arbitrary/function generators for deployment across four labs to facilitate the delivery of courses including electronics, microprocessor, VLSI and FPGA, and to assist students in their research projects.
- Danish Broadcasting Corporation's installation of Tektronix' video equipment to provide cost-effective and easy-to-use monitoring solutions for advanced HD/SD testing for use in their new broadcast center.
- Vodafone Germany's purchase of products from Tektronix' Unified Assurance suite for its network-wide, real-time GPRS and UMTS monitoring system which provides end-to-end network and service monitoring independent of network infrastructure and underlying technologies.
- Vodafone Italia's decision to deploy Tektronix' Unified Assurance solution, including the industry leading GeoProbe, APM and Orion products, to proactively monitor the quantity and quality of data services delivered to its customers roaming abroad and to visitors from

other countries who want to access Vodafone Italia's high-quality data services.

- BellSouth's decision to deploy the GeoProbe Voice-over-IP (VoIP) monitoring solution from Tektronix' Unified Assurance suite throughout its IP network. GeoProbe will provide BellSouth with end-to-end performance monitoring that enables rapid troubleshooting as well as identification of service degradations and network problems that may impact VoIP service quality.

Product awards, including:

- The NAB Pick Hit Award from Broadcast Engineering magazine for Tektronix' Cerify.
- The Ultimate Product 2.4 from the editors and readers of EE Times and eeProductCenter for the DPO7000 family of oscilloscopes. The award was given for leading performance and innovation in the Test & Measurement category.

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

Tektronix will be discussing its fourth 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. Some of these items pertain to events that have not yet occurred and are not possible to ascertain with a reasonable degree of accuracy. Therefore, no reconciliation to GAAP for projected amounts is provided. In addition, in line with common industry practice and in order to enable comparability with other technology companies, guidance for pro forma results of operations excludes the effects of share-based compensation under FAS123R. 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 leading test, measurement, and monitoring company providing measurement solutions to the communications, computer, and semiconductor industries worldwide. With over 60 years of experience, Tektronix provides general purpose test and measurement, video test and monitoring and communications network management and diagnostic products that enable 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		Fiscal Year Ended	
	May 27, 2006	May 28, 2005	May 27, 2006	May 28, 2005
Net sales	\$289,309	\$261,029	\$1,039,870	\$1,034,654
Cost of sales	115,151	104,481	418,428	415,878
Gross profit	174,158	156,548	621,442	618,776
Research and development expenses	49,570	44,637	183,414	163,474
Selling, general and administrative expenses	84,329	80,789	302,344	300,925
Business realignment costs	2,304	435	9,847	3,100
Acquisition related costs and amortization	1,618	3,235	8,567	41,553
Gain on disposition of assets, net	(1,514)	(620)	(1,433)	(1,700)
Operating income	37,851	28,072	118,703	111,424
Interest income	4,224	3,980	13,585	17,144
Interest expense	(144)	(289)	(483)	(820)
Other non-operating income (expense), net	535	(1,695)	(3,377)	(3,564)
Earnings before taxes	42,466	30,068	128,428	124,184
Income tax expense	10,558	8,495	37,536	45,333
Net earnings from continuing operations	31,908	21,573	90,892	78,851
Gain (loss) from discontinued operations, net of income taxes	(47)	(372)	1,463	2,745
Net earnings	\$31,861	\$21,201	\$92,355	\$81,596
Earnings per share:				
Continuing operations -				

basic	\$0.38	\$0.25	\$1.09	\$0.91
Continuing operations - diluted	\$0.37	\$0.25	\$1.08	\$0.89
Discontinued operations - basic	\$--	\$--	\$0.02	\$0.03
Discontinued operations - diluted	\$--	\$--	\$0.02	\$0.03
Net earnings - basic	\$0.38	\$0.24	\$1.11	\$0.94
Net earnings - diluted	\$0.37	\$0.24	\$1.09	\$0.93
Weighted average shares outstanding:				
Basic	83,681	87,103	83,323	86,803
Diluted	85,365	87,840	84,381	88,151
Cash dividend declared per share	\$0.06	\$0.06	\$0.24	\$0.22

Reconciliation of Pro Forma Measures to GAAP

(In thousands, except per share amounts)	Quarter Ended May 27, 2006			
	GAAP	Inet	Other	Pro Forma
Net sales	\$289,309	--	--	\$289,309
Cost of sales	115,151	(4,624)	(157) (A)	110,370
Gross profit	174,158	4,624	157	178,939
Gross margin	60.2%			61.9%
Research and development expenses	49,570	--	--	49,570
Selling, general and administrative expenses	84,329	--	--	84,329
Business realignment costs	2,304	--	(2,304)	--
Acquisition related costs:				
Write-off of IPR&D	--	--	--	--
Amortization of acquired intangible assets	1,309	(1,279)	(30)	--
Amortization of stock option compensation	82	(82)	--	--
Transition expenses	227	(131)	(96)	--
Total acquisition related costs	1,618	(1,492)	(126)	--
Loss (gain) on disposition of assets	(1,514)	--	1,635 (B)	121
Operating income	37,851	6,116	952	44,919
Operating margin	13.1%			15.5%
Other income, net	4,615	--	--	4,615
Earnings before taxes	42,466	6,116	952	49,534
Income tax expense	10,558	2,237	291	13,086
Net earnings from continuing operations	\$31,908	3,879	661	\$36,448
Earnings per share - diluted	\$0.37			\$0.43
Weighted average shares outstanding - diluted	85,365			85,365

Quarter Ended

(In thousands, except per share amounts)

May 28, 2005

	GAAP	Adjustments		Pro Forma
		Inet	Other	
Net sales	\$261,029	--	--	\$261,029
Cost of sales	104,481	(5,557)	-- (A)	98,924
Gross profit	156,548	5,557	--	162,105
Gross margin	60.0%			62.1%
Research and development expenses	44,637	--	--	44,637
Selling, general and administrative expenses	80,789	--	--	80,789
Business realignment costs	435	(328)	(107)	--
Acquisition related costs:				
Write-off of IPR&D	--	--	--	--
Amortization of acquired intangible assets	1,280	(1,280)	--	--
Amortization of stock option compensation	274	(274)	--	--
Transition expenses	1,681	(685)	(996)	--
Total acquisition related costs	3,235	(2,239)	(996)	--
Loss (gain) on disposition of assets	(620)	--	--	(620)
Operating income	28,072	8,124	1,103	37,299
Operating margin	10.8%			14.3%
Other income, net	1,996	--	--	1,996
Earnings before taxes	30,068	8,124	1,103	39,295
Income tax expense	8,495	3,099	331	11,925
Net earnings from continuing operations	\$21,573	5,025	772	\$27,370
Earnings per share - diluted	\$0.25			\$0.31
Weighted average shares outstanding - diluted	87,840			87,840

Fiscal Year Ended
May 27, 2006

	GAAP	Adjustments		Pro Forma
		Inet	Other	
Net sales	\$1,039,870	--	--	\$1,039,870
Cost of sales	418,428	(18,948)	(432) (A)	399,048
Gross profit	621,442	18,948	432	640,822
Gross margin	59.8%			61.6%
Research and development expenses	183,414	--	--	183,414
Selling, general and administrative expenses	302,344	--	--	302,344
Business realignment costs	9,847	--	(9,847)	--
Acquisition related costs:				
Write-off of IPR&D	365	--	(365)	--
Amortization of acquired intangible assets	5,194	(5,117)	(77)	--
Amortization of stock option compensation	339	(339)	--	--
Transition expenses	2,669	(1,955)	(714)	--
Total acquisition related costs	8,567	(7,411)	(1,156)	--

Loss (gain) on disposition of assets	(1,433)	--	1,635 (B)	202
Operating income	118,703	26,359	9,800	154,862
Operating margin	11.4%			14.9%
Other income, net	9,725	--	--	9,725
Earnings before taxes	128,428	26,359	9,800	164,587
Income tax expense	37,536	9,597	2,850	49,983
Net earnings from continuing operations	\$90,892	16,762	6,950	\$114,604
Earnings per share - diluted	\$1.08			\$1.36
Weighted average shares outstanding - diluted	84,381			84,381

Fiscal Year Ended
May 28, 2005

	GAAP	Adjustments		Pro Forma
		Inet	Other	
Net sales	\$1,034,654	--	--	\$1,034,654
Cost of sales	415,878	(14,774)	-- (A)	401,104
Gross profit	618,776	14,774	--	633,550
Gross margin	59.8%			61.2%
Research and development expenses	163,474	--	--	163,474
Selling, general and administrative expenses	300,925	--	--	300,925
Business realignment costs	3,100	(328)	(2,772)	--
Acquisition related costs:				
Write-off of IPR&D	32,237	(32,237)	--	--
Amortization of acquired intangible assets	3,414	(3,414)	--	--
Amortization of stock option compensation	785	(785)	--	--
Transition expenses	5,117	(2,224)	(2,893)	--
Total acquisition related costs	41,553	(38,660)	(2,893)	--
Loss (gain) on disposition of assets	(1,700)	--	2,161 (B)	461
Operating income	111,424	53,762	3,504	168,690
Operating margin	10.8%			16.3%
Other income, net	12,760	--	--	12,760
Earnings before taxes	124,184	53,762	3,504	181,450
Income tax expense	45,333	8,165	1,052	54,550
Net earnings from continuing operations	\$78,851	45,597	2,452	\$126,900
Earnings per share - diluted	\$0.89			\$1.44
Weighted average shares outstanding - diluted	88,151			88,151

(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)

May 27, 2006

May 28, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$215,587	\$131,640
Short-term marketable investments	121,346	120,881
Trade accounts receivable, net	174,599	155,332
Inventories	156,351	131,096
Other current assets	69,002	80,177
Total current assets	736,885	619,126

Property, plant and equipment, net

Property, plant and equipment, net	127,510	120,546
Long-term marketable investments	103,839	226,892
Deferred tax assets	--	56,560
Goodwill, net	307,189	301,934
Pension asset	239,128	868
Other long-term assets	119,539	134,417
Total assets	\$1,634,090	\$1,460,343

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$133,323	\$115,058
Accrued compensation	71,718	78,938
Deferred revenue	66,677	57,509
Total current liabilities	271,718	251,505

Deferred income taxes	65,935	--
Other long-term liabilities	108,868	223,015

Shareholders' equity:

Common stock	540,718	501,886
Retained earnings	620,465	639,720
Accumulated other comprehensive income (loss)	26,386	(155,783)
Total shareholders' equity	1,187,569	985,823
Total liabilities and shareholders' equity	\$1,634,090	\$1,460,343

Shares outstanding	83,719	85,144
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Selected Additional Financial Data

(Dollars in thousands)	% Growth	Quarter Ended		% Growth	Fiscal Year Ended	
		May 27, 2006	May 28, 2005		May 27, 2006	May 28, 2005

Product Orders Data:

Orders	21%	\$307,604	\$253,365	13%	\$1,066,176	\$945,308
U.S.	19%	108,333	90,812	12%	358,988	319,136
International	23%	199,271	162,553	13%	707,188	626,172
Instruments Business Communications	7%	203,472	190,147	1%	746,512	737,268
Business	65%	104,132	63,218	54%	319,664	208,040

Book to Bill Ratio Calculation:

Product Orders	\$307,604	\$253,365	\$1,066,176	\$945,308
Product Sales	\$275,251	\$247,376	\$982,797	\$972,910
Book to Bill ratio	1.12	1.02	1.08	0.97

Income Statement Items
as a Percentage of
Net Sales:

Cost of sales	40%	40%	40%	40%
Research and development expenses	17%	17%	18%	16%
Selling, general and administrative expenses	29%	31%	29%	29%
Business realignment costs	1%	0%	1%	0%
Acquisition related costs and amortization	1%	1%	1%	4%
Gain on disposition of assets, net	(1%)	0%	0%	0%
Operating income	13%	11%	11%	11%

Capital Expenditures
and Depreciation:

Capital expenditures	\$6,834	\$11,324	\$36,283	\$32,464
Depreciation and amortization expense	\$7,128	\$7,644	\$27,977	\$29,157

Balance Sheet:

	Fourth Quarter Ended May 27, 2006	Third Quarter Ended Feb. 25, 2006	Year Ended May 28, 2005
Cash and Marketable Investments:			
Cash and cash equivalents	\$215,587	\$177,512	\$131,640
Short-term marketable investments	121,346	94,543	120,881
Long-term marketable investments	103,839	115,699	226,892
Cash and Marketable Investments	\$440,772	\$387,754	\$479,413

Accounts receivable as a percentage of

net sales	14.3%	15.4%	13.9%
Days sales outstanding	54.9	58.3	54.6
Countback days sales outstanding	46.6	56.7	51.8

Inventory as a percentage of net sales

Inventory turns	12.4%	12.9%	11.3%
	3.2	3.0	3.6

Discontinued Operations

	Quarter Ended		Fiscal Year Ended	
(In thousands)	May 27, 2006	May 28, 2005	May 27, 2006	May 28, 2005

Loss on sale of VideoTele.com (less applicable income tax benefit of \$0, \$1, \$1 and \$13)	\$--	\$ (1)	\$ (3)	\$ (23)
Gain (loss) on sale of optical parametric test business (less applicable income tax benefit (expense) of \$41, \$18, (\$338) and \$113)	(76)	(36)	629	(212)
Gain (loss) on sale of Gage (less applicable income tax benefit (expense) of (\$2), \$79, (\$408) and \$182)	3	(144)	759	(337)
Gain (loss) on sale of Color Printing and Imaging (less applicable income tax benefit (expense) of (\$14), \$103, (\$42) and (\$1,786))	26	(191)	78	3,317
Gain (loss) from discontinued operations, net of income taxes	\$ (47)	\$ (372)	\$1,463	\$2,745

SOURCE: Tektronix, Inc.

CONTACT: media, Alisha Goff, +1-503-627-7075, or
alisha.goff@tektronix.com; or analyst, Paul Oldham, +1-503-627-4027, or
paul.r.oldham@tektronix.com, both of Tektronix

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

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