



TEKTRONIX, INC.

1965

ANNUAL REPORT



TYPE 422 OSCILLOSCOPE

INTENSITY

FOCUS

ASTIGMATISM

SCALE ILLUM

OFF

POSITION

TIME/DIV

PULL FOR X10 MAG

UNCAL

TRIGGER

CH 1 & 2

CH

EXT

AC

AC

LF REJ

DC

SLOPE

HORIZ ATTEN OR LEVEL

AUTO

FREE RUN

VOLTS/DIV

UNCAL

VARIABLE CAL

1 .5 .2

2

5

10

20

.1

.05

.02

.01

CALIBRATE 4 DIVISIONS

INPUT 1

1M Ω

≈ 30 pf

AC GND DC

POSITION

VOLTS/DIV

UNCAL

VARIABLE CAL

1 .5 .2

2

5

10

20

.1

.05

.02

.01

CALIBRATE 4 DIVISIONS

INPUT 2

1M Ω

≈ 30 pf

AC GND DC

POSITION

GAIN

STEP ATT BAL

ALG ADD

CH1

CH2

ALT

CHOPPED

PULL TO INVERT

PULL FOR X10 GAIN AC

WITH X1 DC GAIN



SERIAL

POWER

EXT BLANKING

HORIZ IN OR TRIG IN

GATE OUT

TEKTRONIX, INC.

2 VOLT CALIBRATOR

PORTLAND, OREGON, U.S.A.

1965 ANNUAL REPORT

TEKTRONIX, INC., P.O. BOX 500, BEAVERTON, OREGON 97005

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BOTH COVERS of this annual report are fold-outs. The inside front flap contains financial highlights; the inside back flap, company statistics. Leaving them open allows easy comparison of financial material with the related narrative content. Other complementary statistical data are portrayed in graphs placed throughout the text.



The 422 PORTABLE oscilloscope, pictured (about three-quarters actual size) on the cover of this annual report, is one of the important new Tektronix instruments introduced this year. It has received enthusiastic response from the computer and electronics servicing industries.

Transfer Agents

THE UNITED STATES NATIONAL BANK OF OREGON
Portland, Oregon

MORGAN GUARANTY TRUST COMPANY
New York, New York

Registrars

THE FIRST NATIONAL BANK OF OREGON
Portland, Oregon

FIRST NATIONAL CITY BANK
New York, New York

TEKTRONIX FINANCIAL HIGHLIGHTS

The annual accounting period is the 52 or 53 weeks ending the last Saturday in May.

	52 Weeks Ended May 29, 1965		53 Weeks Ended May 30, 1964	
THE COMPANY RECEIVED	\$81,099,000	100%	\$75,503,000	100%
Mostly from the sale of oscilloscopes and related instruments.				
RELATED COSTS AND EXPENSES	73,780,000	91%	69,195,000	92%
To Outside Sources	29,120,000	36%	25,499,000	34%
To pay for raw materials; purchased parts; advertising space and services; insurance; rent; utilities; interest, and other business expenses.				
For Employees	35,252,000	43%	34,790,000	46%
To pay the men and women who design, make, sell and service our instruments—including profit share; social security, and other employee benefits.				
For Use of Facilities	2,342,000	3%	2,301,000	3%
To provide for depreciation in value of buildings, machinery and equipment resulting from use, wear and age.				
For Taxes	7,066,000	9%	6,605,000	9%
To pay U.S., foreign, state and local taxes and licenses.				
RESULTING IN EARNINGS	7,319,000	9%	6,308,000	8%
Used to retire our debt and expand our business.				
Earnings Per Common Share	91¢		78¢	

	May 29, 1965	May 30, 1964
Current Assets	39,064,000	36,857,000
Current Liabilities	14,397,000	12,762,000
Working Capital	24,667,000	24,095,000
Facilities—Net	19,516,000	18,092,000
Long-Term Borrowings	502,000	4,728,000
Shareholders' Equity	44,275,000	38,258,000
Common Shares Outstanding	8,008,000	8,073,000
Number of Employees	4,982	4,910

EXPLANATION OF FINANCIAL STATEMENTS

Corporate performance and strength are usually measured by financial figures, though they tell only part of the story. It is hoped this explanation will assist shareholders unfamiliar with financial analyses to a better understanding of Tektronix.

Performance is usually presented on the earnings statement, which shows how much of the revenue, mostly from sales, can be kept by the company after paying the costs of goods sold and the expenses of running the business.

Strength is pictured by the financial condition statement, which shows the cost of the assets or resources used in the business and tells what part of them is owned by the shareholders and what part owed to creditors.

Another statement called Resources Provided and Applied is gaining more frequent use, and shows the connection between the other two statements. Note that the first item on the resources statement is the earnings shown on the earnings statement. The last item is the working capital from the financial condition statement.

To best adapt to conditions in other countries, Tektronix operates outside the United States through one jointly-owned and several wholly-owned subsidiary corporations. In spite of this, Tektronix is really only *one* business organization, and the financial figures are consolidated and reported as though it were only one company.

The figures on the audited financial statements and this explanation are rounded to the nearest dollar. The highlights and statistics are rounded to the nearest thousand dollars. (It probably would be better to round all to thousands of dollars, because additional precision adds no significance, but many people are confused by this. We hope these explanations will help people understand better, and eventually allow such simplifications.)

EXPLANATION OF EARNINGS STATEMENT

\$81,099,089

NET SALES—By far the majority of Tektronix products are sold directly to customers at a retail price. However, a substantial portion of international customers buy from independent distributors who bought from Tektronix at a resale discount. For internal purposes, we measure the business we do at the catalog value of the product sold or manufactured, and consider the resale discount to distributors a marketing expense for the services they provide us and our customers.

Accepted accounting practice requires reporting net sales as the discounted amounts Tektronix will receive.

This practice can result in an interesting shift in figures if Tektronix starts selling directly to customers in a country, replacing a distributor. Even though the customers would buy the same amount as previously, Tektronix net sales would seem to go up by the amount of the resale discount eliminated, and marketing expenses, then paid for directly, would increase a related amount. It would look like the ratio of marketing expense to sales *increased*, although it may have really *decreased*. From NET SALES are deducted:

35,833,505

MANUFACTURING COST OF SALES—Includes the cost of materials used in the products sold; the payroll costs of the employees who fabricated and assembled them; the payroll of their supervisors and those who assisted them, and the expenses of running the manufacturing efforts, leaving

45,265,584

GROSS PROFIT—From which must be deducted expenses of:

8,988,048

Selling—Comprising payroll of field engineers and employees who assist them; commissions to some marketing representatives; advertising, travel, rent of offices, and the other expenses of the marketing efforts.

7,259,937

Research and development—Payroll of engineers, creators and those who help them design and develop new products and improve existing products, including supplies and all other related expenses.

7,692,743

Administrative—Including payroll of executives and personnel working on accounting, employment, data processing, facilities and communication functions and the many expenses related to them.

7,553,443

Profit sharing—Which acts as an incentive for employees' performance by rewarding them with a share of the profits they are responsible for generating, leaving

13,771,413

OPERATING INCOME—Which is (increased) or decreased by non-operating items:

(219,532)

Gain on disposition of assets—Amount recovered from sale in excess of depreciated cost.

288,878

Interest expense—Cost of borrowed money, including any prepayment penalty.

135,984

Other non-operating expense—Including royalties and amortization of intangibles, leaving

13,566,083

INCOME BEFORE INCOME TAXES—From which is deducted

6,247,470

PROVISION FOR INCOME TAXES—Estimated income taxes of Tektronix, Inc. to be paid to the United States and some twenty state governments, plus estimated income taxes to be paid each country, related to the taxable income of each subsidiary. Two subsidiaries paid taxes on only the income earned the last half of the year, after they had earned back the start-up losses accumulated the previous year. For next year, their higher taxes should be offset by the lower US tax rates in effect for the full year. Deduction of income taxes results in

7,318,613

EARNINGS—The measure of company performance—the amount available to repay debt and expand business.

91¢

Earnings per Common Share—Earnings for the year divided by the number of common shares outstanding at the end of the year.

Explanation of financial condition statement is under back cover flap, and explanation of resources statement is on page 31.



TO SHAREHOLDERS AND EMPLOYEES:

Again, at the end of another fiscal year, it is a pleasure to report the results of Tektronix operation for the year.

Along with the report of operations and the financial and statistical results of the year, we are again including brief items relating to company history, facilities, markets, customer relations and similar subjects, which we hope will increase your understanding of Tektronix and its operating philosophy.

As shown in detail in the statistical pages, the year was marked by new highs in all significant items. Earnings for the 52-week year totaled \$7.3 million, up from \$6.3 million for the 53-week year ended May 30, 1964. Per-share earnings were 91 cents, up from 78 cents. Net sales increased from \$75.5 million to \$81.1 million; customer orders, to \$84.7 million from \$76.9 million; shareholders' equity, to \$44.3 million from \$38.3 million.

Along with the financial results, it is most satisfying to report that in the past year the Tektronix organization, company-wide, has reached a new high in overall ability. Individuals in key positions—at all levels—have again demonstrated significant growth and development. We see a spirit of confidence and an assurance that individual commitments will be met, resulting in a team effort capable of meeting and solving the ever more complex problems we face.

Among the overall results are these:

Important new instrument types are going into production with fewer problems; changes in various areas of organization and management, which are so necessary to improve efficiency and meet ever-changing circumstances, can be made more quickly and smoothly; manufacturing schedules are more closely

tied to orders; finished-goods inventories are reduced, both in the US and overseas; European manufacturing and marketing operations are more closely coordinated with domestic . . . the list could go on.

Regarding our international operations, it is worth noting that sales in that area reached \$25.9 million, up from \$22.3 million, constituting 32 per cent of our total sales.

On a recent visit to our European subsidiaries, I was very favorably impressed with their high, and constantly improving, level of quality and competence. It is also gratifying to observe that their communities' governmental and civic leaders hold these operations in great regard.

As we watch the 230,000-square-foot Technical Center approach completion, the research and engineering people and those in management who also will work there become anxious to move in. The excellence of its facilities and the opportunities for closer, more informal contacts among groups now in various locations will, I am sure, be of major significance to the future of Tektronix.

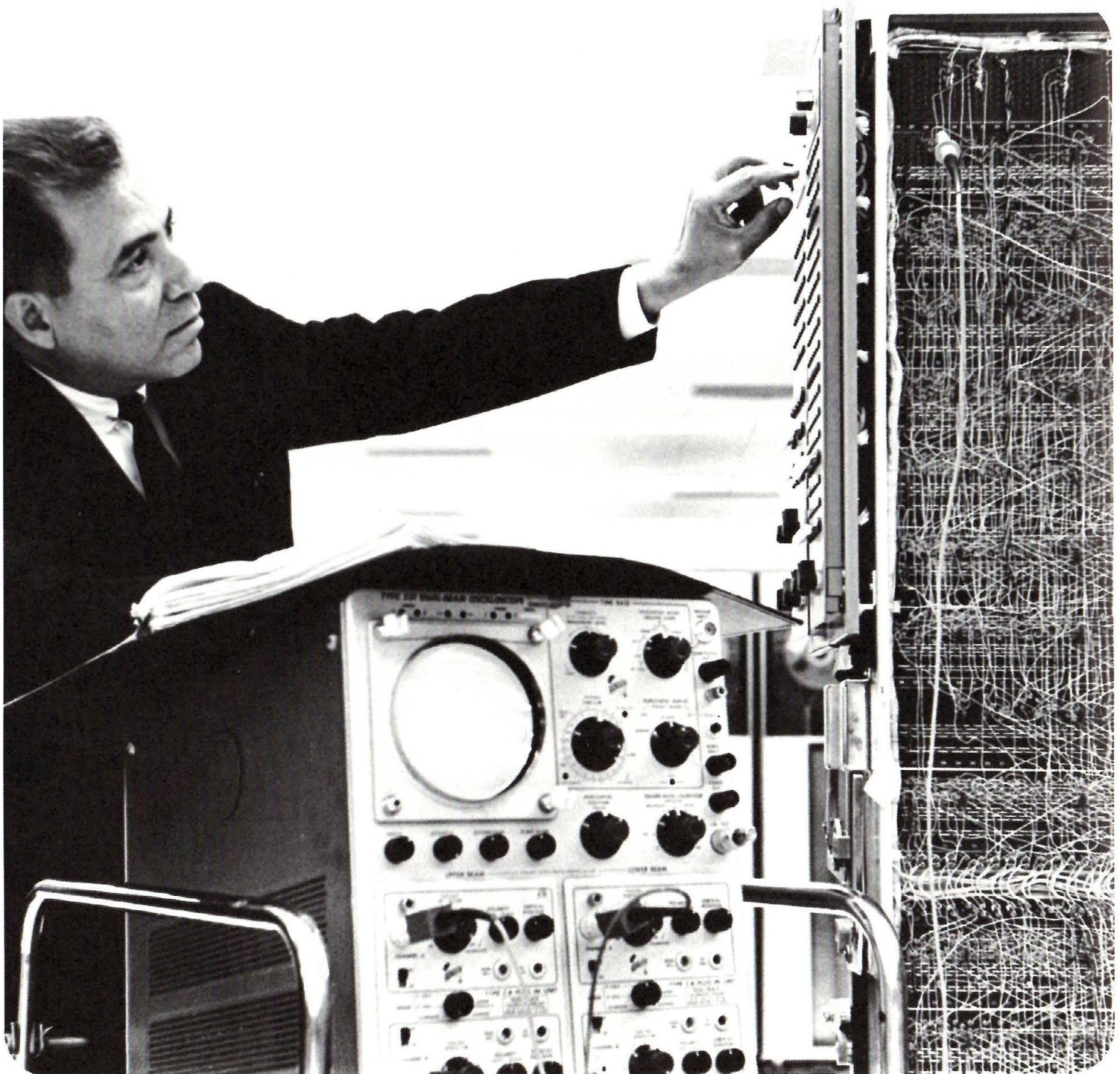
In summary, we have looked back on a year of accomplishment and progress. With the continuing efforts of the skilled and dedicated Tektronix people being more and more effectively focused on the problems at hand, we look confidently to the future.

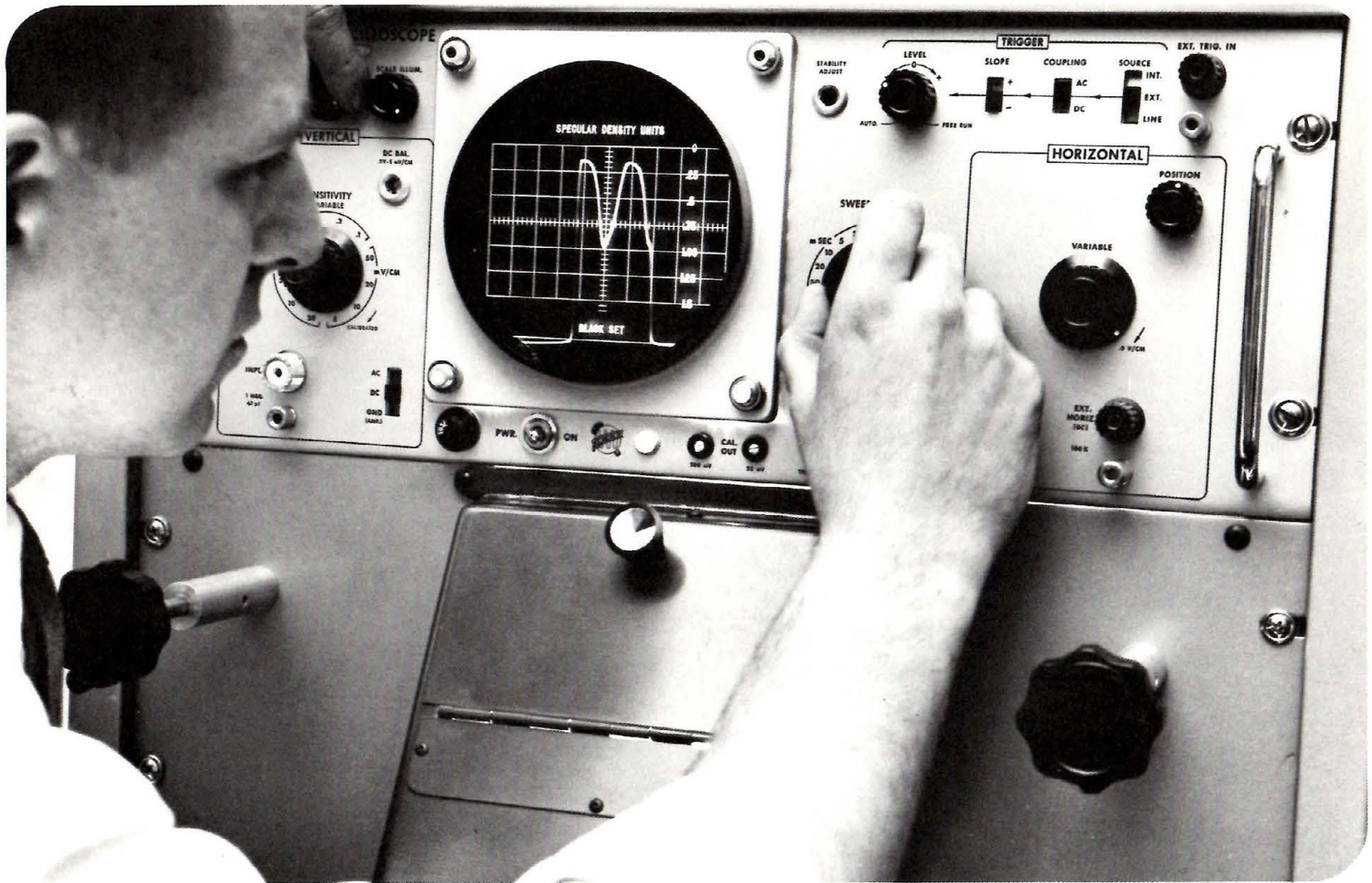
Again we extend an invitation to any of you shareholders who may be in the Portland-Beaverton area to visit your company. I am sure you would find it interesting and satisfying.

Howard Vollum

President

A VITAL TOOL of the computer industry is the Tektronix oscilloscope. Below, an IBM field engineer uses a dual-beam instrument for preventive-maintenance servicing of a computer. At right, a Tektronix rackmount model is used to measure transmission density of film, at Xerox Corporation. (Photos courtesy IBM and Xerox Corporation.)





THE TEKTRONIX OSCILLOSCOPE

A Tektronix laboratory oscilloscope is a complex instrument that can measure phenomena occurring in *a fraction of a millionth of a second*. Yet its principles are easy to learn. *The oscilloscope draws a graph of some "event" so someone can measure the amount of that event and how long it lasts.*

The oscilloscope has three major segments:

The CRT, or cathode-ray tube (like a TV picture tube), on whose fluorescent face the graph appears. A focused electronic beam from the CRT cathode makes the screen glow, a spot of light. This spot—which can be moved up and down or from side to side—draws the graph on the tube face, much as a pencil does on paper.

The time-base generator, whose electrical signal moves the spot across the screen at a uniform speed, left to right, repeatedly. The screen is ruled off like a sheet of graph paper. You can make the spot cross the screen at almost any rate—one second per ruled division, a hundred/millionth of a second (or less) per division . . .

At slow speeds you see the spot move. At very fast speeds, it appears as a solid line.

The vertical amplifier, which, when connected to a changing voltage, moves the spot up and down. You can make each vertical ruled division represent

many volts, or a small fraction of a volt. The number of divisions the spot moves tells you the voltage of the signal—and thus the amplitude of whatever phenomenon that voltage represents: Heat, light, sound, gravity, pressure, acceleration, chemical reactions . . .

Thus the oscilloscope plots a graph of an electrical event—or of any phenomenon converted to voltage. This graph tells whether the voltage is changing positively or negatively; the amplitude and duration of the event (or any selected portion of the event) and the shape of the waveform.

Those phenomena that happen over and over produce a continuous image on the screen. But the oscilloscope can also graph events that happen *randomly*, or only *once*: An explosion, the radiation of particles as an atom is split . . . Even if the event happens only once and lasts only a millionth of a second, special cameras can record the graph as it flashes across the screen—and some scope types can even store the graph on the screen, and erase it when it's no longer needed.

In summary: The oscilloscope graphs the changes in some event with relation to time—measuring the *amplitude* of the event on its vertical axis, and *how long the event lasts* on its horizontal axis.



Long-term debt was virtually wiped out by a voluntary prepayment in July of \$3,800,000. Tektronix' long-term obligation now comes to only \$475,000. (The prepayment was possible despite our financial commitment to construct our 230,000-square-foot \$5.6-million Technical Center.)

It's worth noting that earnings increased at a far greater rate than sales. This reflects many of the efficiencies put into effect in fiscal 1964, as well as continuing gains in output per production worker. Of all the encouraging statistics, this may be the most significant—and portend most for the future.

REVIEW OF OPERATIONS

The year, by almost any measurement, was a good year.

Not all the measurements are financial ones. But those aspects which *can* be put down in dollars and cents are certainly basic ones, and they fairly reflect other, "invisible" gains: Improved company-customer communications, strengthened marketing, a more efficient organization and increasingly effective planning, which—abstractions, perhaps, to the outsider—are nevertheless operational realities to those who manage a company.

The following summary indicates some financial highlights of a year which saw earnings, sales, orders and shareholders' equity increase, all to new highs for Tektronix:

Earnings climbed, to \$7,319,000 from \$6,308,000—a gain over the previous year of 16 per cent.

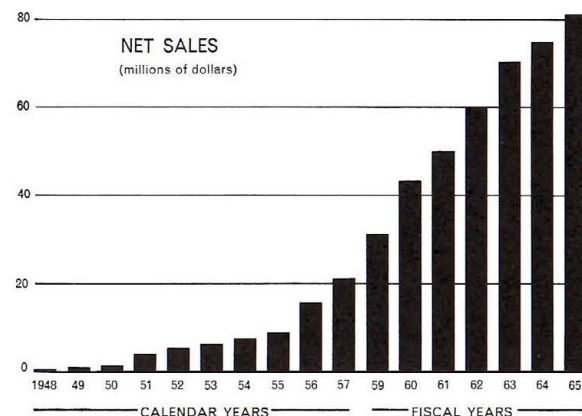
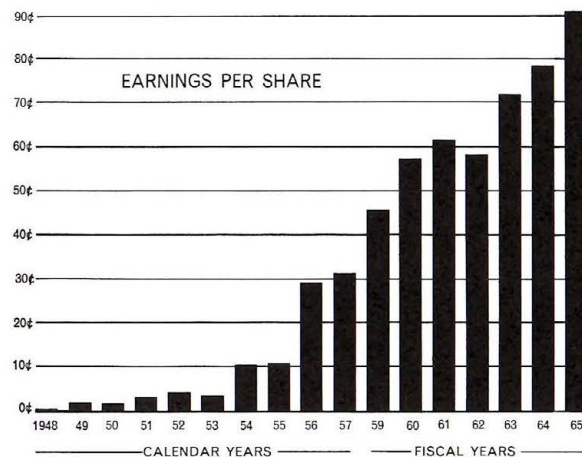
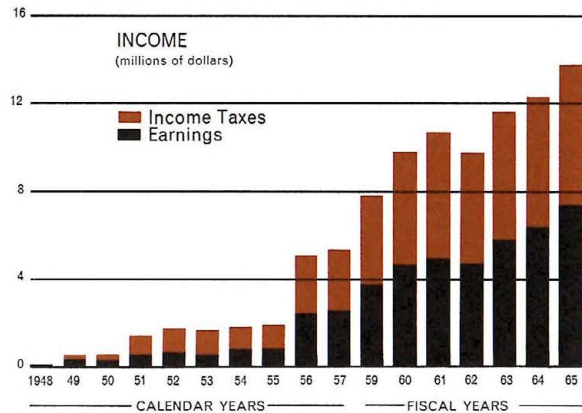
Per-share earnings went up 13 cents—to 91 cents from 78 cents.

Net sales showed a healthy gain—totaling \$81,099,000, up from \$75,503,000. This increase, about 7.4 per cent, reflects the impact of new Tektronix instruments, as well as a more vigorous pursuit of the market.

Of the sales, international accounted for \$25,862,000—up from \$22,263,000. And, reflecting a strong fourth-quarter upturn in the US electronics market, domestic sales increased to \$55,237,000 from \$53,240,000.

Customer orders increased by 10.2 per cent—to \$84,748,000 from \$76,908,000.

Shareholders' equity reached a new high of \$44,275,000.



THE MARKET: 1965

It has sometimes been convenient, when discussing oscilloscope sales, to distinguish between those to the electronics industry—understandably our biggest single market—and those to non-electronics fields, which, one after another, are becoming aware of this versatile instrument's extremely wide range of uses.

But, however convenient, this distinction seems increasingly to be not a valid one. For electronics emerges today not only as a major *industry* but also a major *influence*. And herein lies much of the promise for the future of our company.

For this is one of today's challenging realities:

In industry, the technologies already exist that will make possible a permeation of *all* society—our everyday lives as well as the farthest ventures of science—with electronics. Such techniques as integrated circuitry will hasten this progress; such spreading influences as that of the still-infant computer industry echo it. It's largely a matter of these techniques and developments becoming reliable enough, inexpensive enough, easy enough to use . . .

When these things are done—not “if” but “when”—we will see such a thorough interweaving of electronics into the very fiber of our daily existence that there will, in truth, no longer *be* an “electronics industry.”

And when *that* occurs—when society fully realizes its electronic potential—the *extent of the market for waveform-measuring equipment may well be inconceivable*. The most important, and most common, such instrument is the oscilloscope.

In fiscal 1965, our products continued to create markets for themselves, across the broad spectrum of science and industry. Coupled with the company's move forward, the US electronics market, lackluster at year's beginning, made a strong upturn of its own, while the international market maintained a healthy growth. The result was a gain in orders that somewhat exceeded our expectations.

The market surge which began in the fourth quarter bids fair to continue through the year to come. And new Tektronix products, introduced at the very end of the year, drew an immediate and highly enthusiastic customer response, an assurance of increased product acceptance in the coming year.

The US government's change in procurement practices in the early '60s had brought many electronics companies up short, particularly those deeply involved in military contracts. Many faced severe drops in income as they rechanneled their productive efforts into nonmilitary development, and large-scale layoffs were common.

Tektronix emerged from the trial with few scars. Our management's decision, years before, to steer clear of direct military R & D contracts stood us in good stead. Yet we were not exempt from the general queasiness of the 1962-64 domestic market.

In retrospect, the net result of the reduced government buying level seems to have been confusion, rather than depression, in the electronics market.

The tables in this report show the financial results of fiscal 1965. But no results occur without causes. Last year's annual report summarized, in some detail, a number of internal realignments. These improvements included reorganization along more functional lines, simplification of the field marketing structure, a closer look at manpower use, and renewed emphasis on the major business of design, production and marketing.

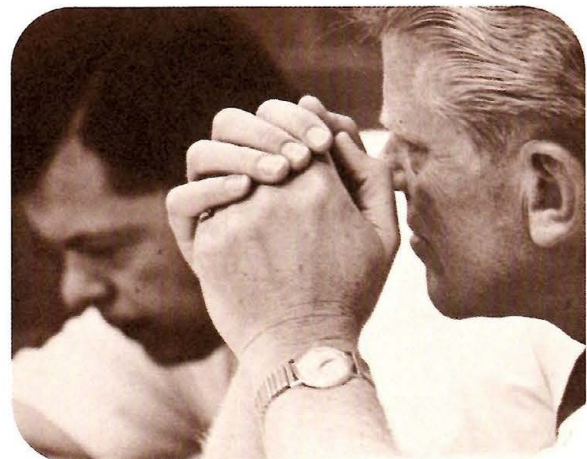
Although this kind of information is easy to dismiss as the routine details of company operations, these internal improvements were in good part responsible for our ability to respond to, and succeed in, the changing market of the past year:

- *Increased sales.* Tektronix instrumentation is solidly coupled to the growth of such dynamic industries as computers and communications. Industrial sales also increased considerably, as did sales to the US government. International growth continued strong.

- *A more assertive marketing effort.* The customer was thus drawn closer to the company, allowing faster and surer response to his particular needs.

- *Phasing-out and replacement* of a major portion of our product line with improved oscilloscopes. This major task was done without a dollar lost due to obsolescence.

- *An increasing development* of product lines to meet the needs of individual market segments: Our portable line, for the electronics service and maintenance segment, which needs reliable performance together with portability and ruggedness; and our programmable instruments, digital readout scopes





and systems, for the production test segment, which requires ease and rapidity of use; together with our continued effort to develop increased performance for the demanding laboratory market.

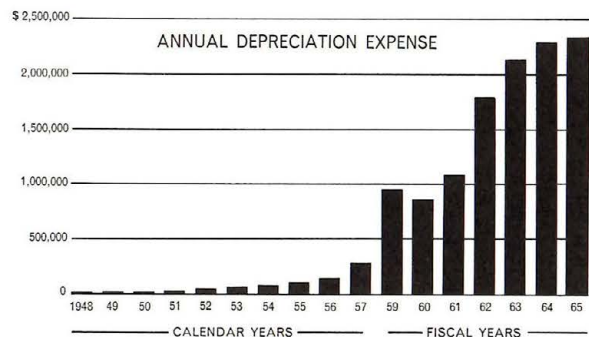
- *Healthy sales growth* for several instruments, among them:

- A new general-purpose line. The 544, 546 and particularly the 547 added to our market strength in the center of our product line.

- Our storage oscilloscope, the 564, as users became aware of the many advantages that may be derived from practical storage (the ability to retain images on the scope screen after the measured event ceases to occur). This feature—one of the major advances in oscillography—is in a very early stage of user appreciation. But it is bound to be a most significant influence on future sales.

- Spectrum analyzers. Our acquisition in Spring 1964 of Pentrix Corporation has not only added to company income and broadened our main product line but also enhanced our creative engineering talent. We look for increased penetration of this market.

- A new television monitor, the 529. This special-purpose instrument for waveform monitoring gained, in four months of market exposure, sales equal to a year's sales of its predecessor. This gives every indication that it will become the standard for network television.



- Systems. Interest in this new line of product development is growing with the increase in micro-electric and semiconductor development, and integrated circuits.

- A new portable, the 422. Introduced at year's end, this 20-pound instrument got excellent reaction from the electronics servicing market for its ruggedness, light weight and reliable performance, plus its ability to operate from a variety of power sources, including its own batteries. Orders for this instrument indicate that it will carve out a substantial market for itself, including uses for which oscilloscopes have heretofore not been considered.

Tektronix — like some other companies but more so than most—finds in any given year that the greatest single influence on its market is its own input *into* it: An input of products that provide the measurements that must be made. Thereby, as often as not, they create new markets, and advance technology—which responds by pushing forward into new areas of measurement, and finding more problems for oscilloscopes to solve.

MARKET ENHANCEMENT

Tektronix' marketing effort is backed by a balanced advertising and sales promotion program. Focusing largely on one product, the oscilloscope, allows us to reach all our markets on a budget well below the industry average.

Year in, year out, Tektronix advertisements—conservative, straightforward and informative—receive “best-read” citations—a testimony to the impact of the company name, believability of the content and strong interest in oscilloscopes.

Over half the expense goes to magazine advertising, to reach customers in our eight market areas: Science, communications, electronics, industrial, aerospace, physics, instrumentation and biomedical research.

Tektronix exhibits in five major annual electronic shows and over 10 regional exhibits, as well as various road shows conducted by field personnel.

These efforts are supplemented with a variety of mailings—to as many as 47,000 customers and prospects—of new product information, booklets and brochures, and—six times a year—an eight-page technical publication.

At least twice a year we meet with trade and technical editors to expose our new products; news releases go to publications not represented. This program results in 40 to 80 pages of editorial coverage a year.

A related program is the production and scheduling of free technical and educational films, largely to schools and colleges. Produced by our own professional motion-picture group, these films in fiscal 1965 were viewed by over 500,000 persons in about 2000 separate showings. Audiences are largely technically oriented students, thus potential oscilloscope users and buyers.



Educational television stations are showing increased interest in using these instructive films. This medium carries, often to very large audiences, not only the Tektronix name but information on the capabilities of our product. The additional exposure given our films on television costs us nothing.

One affiliated program, yielding long-range results, is Tektronix' contribution of instruments and technical services to secondary schools and colleges—based on their lack of funds and their proven ability to use an oscilloscope to achieve specific electronics, chemistry or physics programs. The amount of donation depends in each case on the extent of need. For the coming year, \$350,000 (catalog value) has been allocated to this program.

Technical help includes instructing in scope use and introducing students to the measurement requirements of industry.

Our investment in this program pays off in future sales. As students become familiar with measurement requirements and with the scope's ability to help meet them, odds increase that they will someday become buyers of our instruments.

Because the Internal Revenue Service allows deductions of the market value of our contributions, the effect of this program on company earnings is very slight.

THE STATE OF THE ART

For many years Tektronix' creed has been to provide instruments limited only by “the state of the art.” In the industry the term has tended to be identified largely with technological breakthroughs: In bandwidth, precision, timebase accuracy . . . Tektronix reputation is partly due to its many products that *have* extended the electronics art.

But changes—in market, technology and competition—are bringing about an additional emphasis. An instrument today gains success not from a high degree of technical performance alone, but from a combination of many factors. They include:

Low cost, because of increased pressure of competition;

Reliability, because users are increasingly concerned with total program costs—maintenance as well as purchase price; and

Ease of use, both to increase the speed of the measurements and reduce the skill level required of the user.

In light of this changing view of the state of the art, it's interesting to look back at the first Tektronix instrument—the pace-setting 511, introduced 18 years ago. It created a market, just as Tektronix models are doing today, because of its simplicity of use, reliable high performance and low price.

So, although reliability, cost and ease of use are now increasingly important to the state of the art, it's worth recalling that they have *always*, from the word “go,” been part of the Tektronix tradition.



THE UBIQUITOUS OSCILLOSCOPE

One of the century's most important scientific contributions—an instrument largely responsible for the creation of today's amazing electronics industry—the oscilloscope has nevertheless been overshadowed in the public eye by more spectacular or flamboyant achievements.

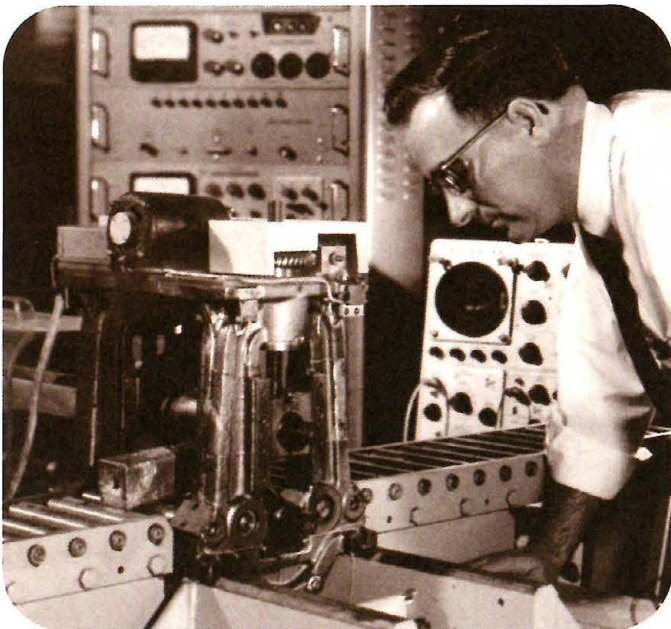
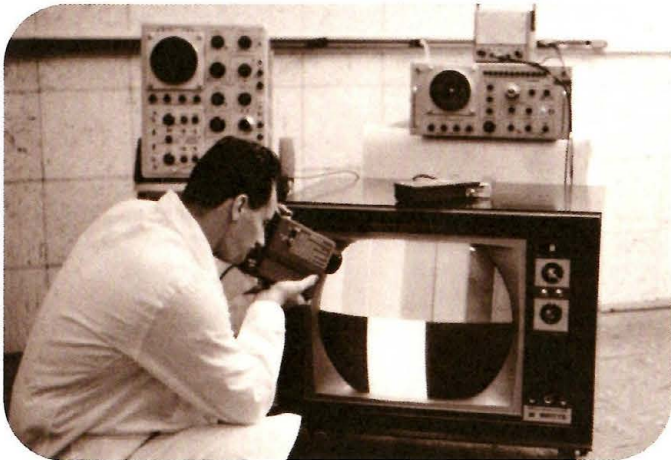
Yet today, few areas of science or technology exist that do not depend on it.

An alert viewer of photographs may corroborate that statement. In the press, on television, in magazines, increased pictorial coverage is given to pictures of scientific achievements and programs. Study such photographs carefully. In the background, somewhere, is there not an oscilloscope? Odds are in your favor that it was produced by Tektronix.

In the product preference poll conducted by Electronics magazine among its subscribers this year, the oscilloscope drew more reader mentions than any other instrument. And, when asked to name the oscilloscope manufacturer they preferred, *92.8 per cent of the respondents answered "Tektronix."*



RARE INDEED is the technology that does not use oscilloscopes. The versatile measuring instrument is shown here in a variety of applications: (Top left) the gill movements of a goldfish are displayed on a storage oscilloscope, in a US Naval Research program. (Bottom left) an oscilloscope finds a job to perform in the research department of Menninger Foundation, Topeka, Kansas. (Top center) Tektronix equipment monitors color television signals at Sylvania Electric Products. (Bottom center) a miniature rolling mill for automation studies, at Republic Steel Corporation, makes use of an oscilloscope display. (Right) communication response of dolphins is tested, using Tektronix instruments, at the Communications Research Institute in Miami. (Sylvania photo copyright, 1964, Electronic Technician, Ojibway Press, Ojibway Building, Duluth, Minn. 55802. Other photos courtesy US Navy, Menninger Foundation and Republic Steel Corporation.)



TEKTRONIX TODAY

Tektronix today, midway in its 20th year, is a far cry from the green, eager Tektronix of the 1940s. It is large, far more complex, the pace-setter for the industry.

But its basic ingredients haven't changed: Its productive and developmental effort remains in the ever-broadening field of oscilloscopy; the stress still is on technical excellence at reasonable cost; and the concept persists that prompt, competent after-sale service is a main part of the transaction.

So Tektronix remains the world's foremost producer of the oscilloscope, the major instrument for measuring changing phenomena. Its markets encompass the whole spectrum of technologies and economic endeavors.

Tektronix manufactures over 40 models of high-quality laboratory and industrial oscilloscopes, and about 60 interchangeable plugin units, which extend oscilloscope performance.

The company also produces about 30 other instruments, such as pulse generators, amplifiers and other auxiliary equipment to use with its oscilloscopes; and a variety of accessories, including probes; attenuators, and special cameras to record waveforms displayed on the cathode-ray tube screen.

Principal customers are industrial laboratories; educational institutions; electronics and computer

manufacturers; military and nonmilitary agencies of the US and foreign governments; radio and television stations. But this listing fails to tell the story; so basic is this versatile measuring instrument that it's hard to think of a major field of economic or scientific activity that does *not* use oscilloscopes.

Tektronix was incorporated in Oregon in January 1946, to meet a need of the emerging electronics industry for higher-performance, higher-reliability measuring instruments. Two of the founders remain affiliated with it. M. J. Murdock is chairman of the board, and President Howard Vollum fills a fulltime active role in technical as well as administrative affairs.

The first 511 oscilloscope (marketed in 1947)—high-performing, reliable, versatile and inexpensive—made instrument history. And it caused problems: So fast did the small company's reputation spread that the problem throughout the early years became one of hustle, to catch up with orders.

As the product line broadened and customer demand grew, our population increased. Tektronix history became characterized by a race for space. The early years of hiring, overcrowding, adding on and spilling over into temporary quarters led in the late 1950's to development of a comprehensive building plan, to provide necessary space on a planned basis.

FREQUENT INFORMAL technical discussions with engineers reflect President Howard Vollum's continuing personal influence on Tektronix' instrument developments.





M. J. (JACK) MURDOCK, one of Tektronix founders, serves as chairman of the board of directors.

This program has been influenced not only by growth in number of people, but also by the increased vertical integration of our operations.

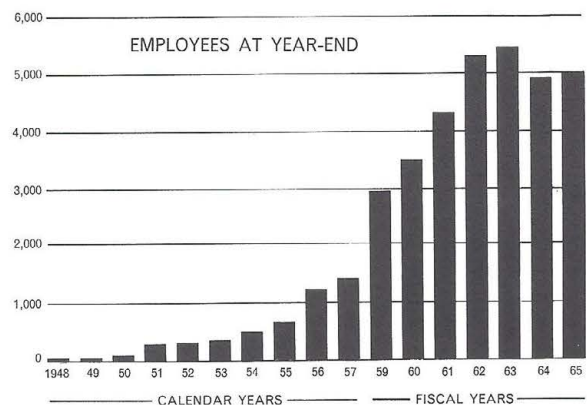
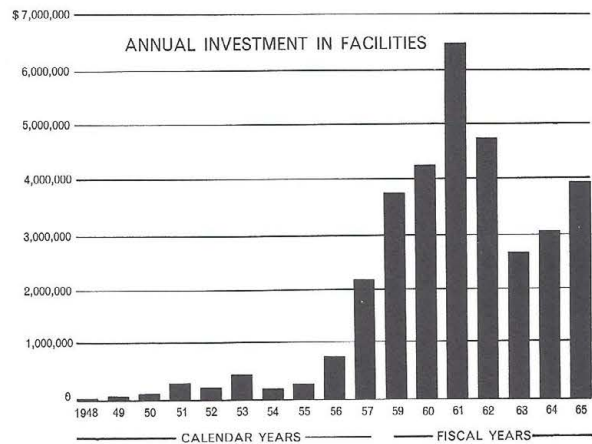
Technical as well as space limitations have faced Tektronix. When product performance has been limited by the quality of existing components, Tektronix responded by becoming its own supplier. The ability to design components as well as circuitry offers many possible benefits: To achieve special performance characteristics; lower the cost; provide for easier servicing, or gain flexibility and efficiency of production. All contribute to customer value.

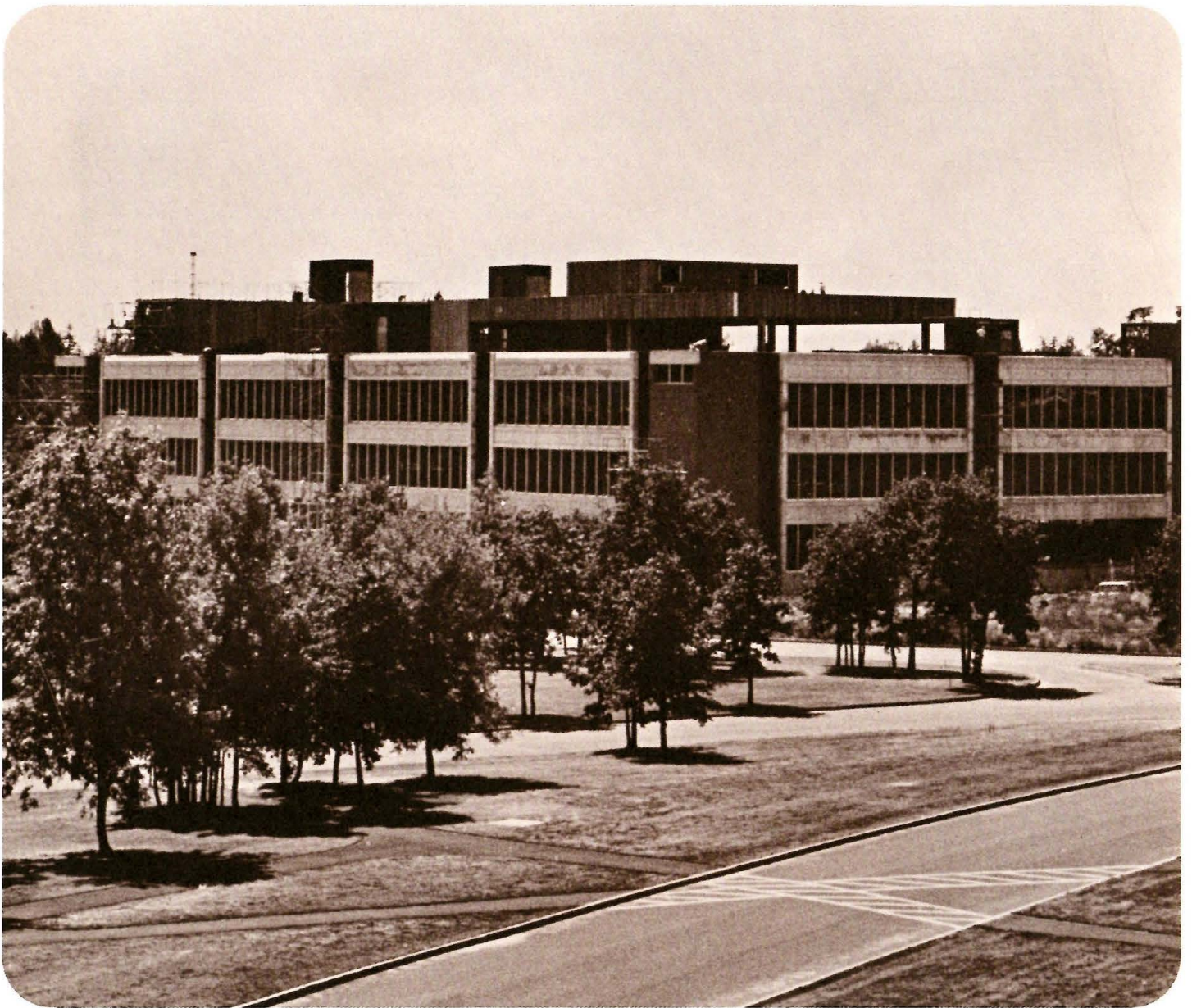
Tektronix manufactures its own cathode-ray tubes; transformers and coils; super-speed gallium-arsenide diodes; precision resistors and capacitors; plastics; panels; dials; special-purpose cable; etched circuit boards; ceramic mounting strips; ceramic CRT envelopes; screw-machine parts . . .

All these operations, like the intricate job of oscilloscope assembly, stress technical excellence and a very high level of quality.

From its first 11,000-square-foot building in Portland, Tektronix moved in August 1951 to its Sunset plant west of the city. After additions to that plant failed to provide enough work space, and finding that adequate expansion was impossible at that site, the company bought a nearby 300-acre farm adjoining Beaverton. This tract now is one of the largest industrial parks on the Pacific Coast—and among the most beautiful.

Year-end employment was 4982, of whom 4010 were in Beaverton, 294 in our US field offices and 678 in manufacturing or marketing activities in other countries.





TEKTRONIX' ENGINEERING, research and developmental effort will be situated in the four-level Technical Center early in 1966. It will be the fourteenth major building on our industrial tract near Beaverton, Oregon.

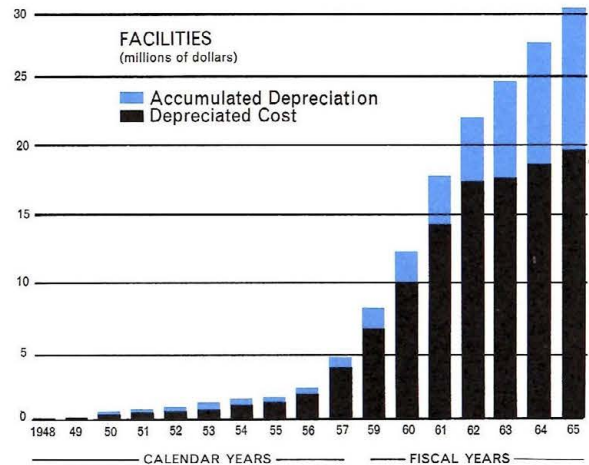
OUR INDUSTRIAL PARK

For the first time in its history, Tek appears to have about caught up with its space requirements. Ready for occupancy in early 1966 is our 230,000-square-foot Technical Center. This \$5.6-million project, we feel, is one of the most important steps we have taken to maintain and improve our position in the electronic instrumentation field. It will bring together our entire engineering, research and development effort, as well as situate our corporate management in the same building. The improvements in communication, efficiency and—ultimately—product, we are sure, will be significant.

The Center will be the 14th major building in our industrial park. The 13th, completed early this year, was our 18,000-square-foot Maintenance building.

Tektronix' construction program has been financed largely through company earnings.

The first building in the park was a 33,000-square-foot warehouse, completed in 1957, to which 70,000 square feet were added in 1960. Other buildings, all air-conditioned, include: The Metals building (130,000 square feet) in 1958; Graphics (32,000 square feet) in 1959; Administration (34,000 square feet), Ceramics (41,000 square feet), Utilities (22,000 square feet) in 1960; twin assembly buildings



(126,000 square feet each) and cafeteria in 1961; CRT (136,000 square feet) in 1962; Electrochemistry (35,000 square feet) in 1963; and Chemical Storage (4000 square feet) in 1964.

Domestic manufacturing, engineering and marketing operations (other than field marketing) are centered in the park. In addition, two plants totaling about 100,000 square feet on the 14-acre Sunset tract are still used, for engineering, research and light manufacturing. On the Isle of Guernsey two plants on 11 acres comprise 61,000 square feet; and on 23 acres at Heerenveen, The Netherlands, we have a 40,000-square-foot manufacturing plant. Architectural plans for a 30,000-square-foot addition to the Heerenveen plant are nearing completion.

TEKTRONIX AFIELD

In the early days, Tektronix marketed its instruments through existing distributors and commission agents. It soon appeared that a closer and better customer-company relationship could result from Tektronix doing its own marketing. The first field office was set up in 1951, in New York City.

Tektronix was among the first specialized electronic instrument manufacturers to develop its own factory-trained technical field organization—a move which competitors have since adopted.

The US marketing organization now includes 37 field offices in 31 major metropolitan areas, staffed by technically competent field engineers, on salary rather than commission. They are backed by able maintenance and clerical personnel. Twenty of these field offices also serve as repair centers to service customers in their geographic areas.

We count the resulting excellent relationship of the customer to the company as one of our major assets, and a model for the industry.

The application, maintenance and use of our complex electronic instruments require competent instruction and demonstration. We believe in intensive training, for our field people and for customers' engineers as well. Again, the sale is merely the *beginning* of the transaction. We try to make sure the customer gets every bit of the performance, value, long life and versatility that's built into his instrument.

The field engineer, chosen from candidates with outstanding electronics backgrounds, completes a rigorous nine months of formal training in Tektronix instruments, policies and philosophy; electronic theory, and manufacturing and engineering problems. And he spends several months in a US field office before his permanent assignment to the field.

This broad, deep technical and administrative competence is essential; for, to the user, the field engineer *is* Tektronix. His emphasis, on the one hand, is on technical instruction, service and applying our instruments to the user's specific problems. On the other hand, he is a key communications link, to make sure that the line between product users and the company's instrument designers is as "short" a line as possible. Through his direct contact come valuable suggestions for technical improvements or new instrument concepts.

In our Training Center at Beaverton, customers' technical personnel may undergo a 120-hour course in classroom and laboratory instruction—a specialized training in oscilloscope use and maintenance second only to that offered our own field engineers. More highly specialized courses are available to meet customers' particular requirements. A similar program is conducted in our training center on the English Channel Isle of Guernsey.

Customer training also is offered in field offices and on the user's own premises. This training, tailored to his needs, may last for hours, or days.

Tektronix makes no charge for this instruction.



AMONG THE LARGEST, and most beautiful, industrial parks on the Pacific Coast is Tektronix' 300-acre tract near Beaverton, Oregon. Much of it is forested, and a large part of it landscaped. Here, the view looking west from Karl Braun Drive, a Tektronix roadway, shows our manufacturing and assembly buildings in their sylvan surroundings. At left is the electrochemistry structure; next, cathode-ray tube manufacturing plant. At right is one of our twin assembly buildings. The new Technical Center, in a late stage of construction, is visible in the center background.



TEKTRONIX' LA VILLIAZE plant near the airport at La Villiaze on the English Channel Isle of Guernsey is shown in a recent aerial photograph. The \$825,000 plant, occupied in Fall 1963, contains 34,000 square feet and houses assembly and administrative functions.

TEKTRONIX ABROAD

Tektronix' first representation for overseas sales was in Sweden in 1948. We now have representatives covering 36 Free World countries, working closely with and technically assisted by our international field force.

Direct selling from field offices expanded to Canada in 1956, as a branch office. Tektronix Canada Ltd. was incorporated in 1961, as a wholly owned marketing subsidiary. Others followed in Australia (Tektronix Australia Pty Ltd.), The United Kingdom (Tektronix UK Ltd.) and Switzerland (Tektronix International A.G.). European marketing is coordinated from Tektronix Ltd., a subsidiary on Guernsey.

To maintain and expand foreign markets limited by customs duties and import restrictions, Tektronix began manufacturing overseas, with assembly (later full-scale manufacturing) operations on the English Channel Isle of Guernsey in 1959, to meet the needs of the growing European Free Trade Association. Guernsey, an independent commonwealth (similar to Puerto Rico), offered many advantages, among them that it was a free port, requiring no tariff or duty on imports or exports.

A manufacturing plant at Heerenveen, The

Netherlands, serving the European Common Market, followed in 1962. Both operations have expanded their product line and technical support to keep up with rapid market growth.

In Japan, manufacturing operations began this year with the formation in January of Sony/Tektronix, a 50-50 subsidiary jointly owned with Sony Corporation, Japan's best-known electronics firm. The company will manufacture Tektronix oscilloscopes as well as develop a complementary line of Sony/Tektronix instruments—and market both lines in the free nations of the East; Tektronix will market Sony/Tektronix products in the Western world.

It's worth restating that our worldwide base of operations, besides providing overseas customers with lower prices and better service, performs two other vital functions:

First, it is a stabilizing influence that would tend to buffer any sudden decline in one segment of the world market; second, and at least as important, manufacturing abroad lets us compete on an even footing with foreign oscilloscope manufacturers who might otherwise gain enough strength in their own trade areas to threaten inroads also into our worldwide market—including the US itself.

DIVIDENDS...WHY NOT?

Two rather recurrent questions come to us from shareholders:

One is: Why not pay dividends?

The other is: Why have profit sharing?

In the company prospectus of Fall 1963, we pointed out that it has been our policy to use earnings to finance expansion and growth. Although payment of future dividends will rest within the discretion of the board of directors, present expectation is to continue to retain earnings for use in the business.

Some shareholders, who may have purchased Tektronix shares in the mistaken belief that we are currently a dividend-paying company, may be understandably disappointed. If dividends are significant to them, Tektronix at present is probably not the type of investment for their kind of program.

We believe that retention of earnings in the foreseeable future is in the company's best interest. Upon the maintenance and growth of our leading position in the industry rest Tektronix' health as well as the ultimate value of the shareholder's investment.

PROFIT-SHARING...WHY?

The second frequent shareholder question is: Why have profit sharing?

Profit sharing offers advantages to employee and employer alike. We've found in 16 years of sharing profits that most of our employees have received pay (including the current portion of profit share) exceeding pay for similar jobs in the community. And they have responded with outstanding performance and cost-consciousness.

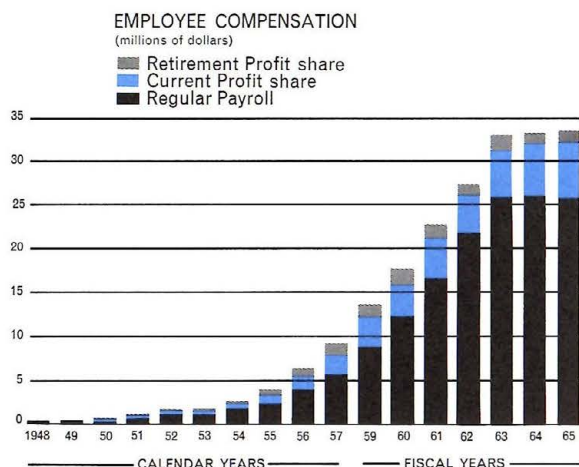
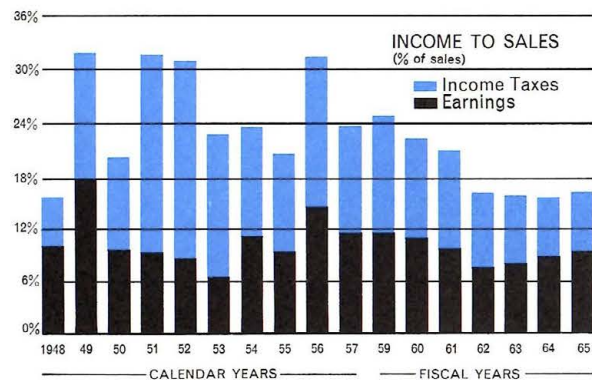
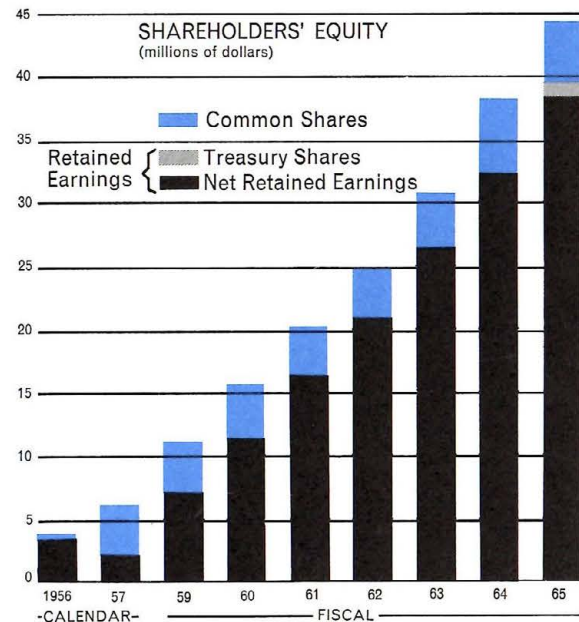
This form of variable compensation gives Tektronix a competitive advantage: That of being better able to weather economic dips and humps through flexible operating costs. Cost flexibility lets us maintain a stable (and increasingly efficient) rather than a fluctuating work force.

High profits are shared by all; low profits signal (as they did in 1962-63) the need to improve.

That Tektronix has achieved the highest ratio of earnings to sales of any comparable company we know of, is one of many indications that profit sharing is good business. It links Tektronix' profitability directly with the reward for individual achievement. We believe the resulting personal identification of the employees with the company's fortunes encourages positive attitudes, which are reflected in increasing productivity.

Profit sharing, in similar form, is carried on in all Tektronix locations, worldwide.

As a means of providing additional incentive for those people whose decisions most strongly influence the prosperity of Tektronix, a qualified stock-option plan was approved, reserving 200,000 shares for exercise. Options for nearly 150,000 shares are outstanding to 54 employees. At year's end none had been exercised.



A REFLECTIVE LOOK BACKWARD

As expected, Tektronix this year spent far less effort on internal problems than the year before. But it was a year of carefully evaluating the effect of the changes described in last year's annual report. Our consensus: They are working out very well.

Smoother functioning *within* our Marketing, Manufacturing and Engineering organizations was equaled by improved interaction *between* and *among* them. It has paid off, in particular, in the speed with which we're now able to bring new instruments from the feasibility stage into actual production.

Just as last year's internal realignments have already produced tangible results, we expect that further in-house changes made this year also will improve our efficiency and profitability.

Following are some of the more important changes, along with some other events of largely internal significance:

- Creation of the six-man Management Committee, as the company's major decision-making and policy-setting body, and the 22-member Council, a managerial forum for exchange of proposals, opinions and general information.

In addition, several standing committees were set up or reinstated, to make studies and recommendations on individual problem areas, ranging from personnel to pricing.

Among the results are a management group more keenly aware of the nature and interrelationship of individual company problems; a more incisive decision-making ability; and, through effective committee functioning, an ability to identify and solve specific problems that might have eluded large-group solution.

The Management Committee comprises our president, operations vice-president, treasurer and Marketing, Manufacturing and Engineering managers. The Council membership includes these men, plus the board chairman and managers of key operations and staff groups.

- Formation of the Office of International Operations. This regrouping, in Beaverton, of those individuals directly responsible for our foreign activities seeks to recognize the common aspects and interdependence of manufacturing and marketing efforts abroad.

- Formation of Sony/Tektronix, a jointly-owned subsidiary with Sony Corporation of Japan. (See pages 20, 26.) Our first weeks of manufacturing activity in Tokyo, and our preliminary discussions of new-product development, reinforce our earlier belief that this move is an excellent integration of technical talent and concepts between two highly compatible companies.

- Addition, to our Manufacturing and Marketing organizations, of the new production and sales techniques required as a result of Tektronix' first

acquisition, Pentrix Corporation. That move, in Spring 1964, represented the addition of spectrum analyzers to our product line.

- Progress on the company's four-year-old lawsuit:

In March 1961 Tektronix sued the United States government for infringement of seven of our patents by government contractors. The suit was filed (as the law requires in such cases against the government) in the Court of Claims.

The government brought in the three contracting companies as third-party defendants. Trial on the main claim began February 1, recessed after two weeks due to illness of one of the defendants' attorneys and is set to resume November 15.

There is a second part to the lawsuit. In November 1962 the Department of Justice, as the government's attorney, took an unprecedented step: For the first time in United States history (and as a break with a century-old government patent administration policy), the government amended its answer in the suit to include a counterclaim against Tektronix for infringement of two government-owned patents.



In answer to this, Tektronix filed a motion for summary judgment, asking that the counterclaim be dismissed on constitutional grounds and stating, further, that the government has a longtime policy of not only allowing, but actively encouraging, the free use of patents which have been assigned to it. The hearing on this motion was held June 2. Decision is expected on the motion in October.

Our special counsel handling the case is confident in our position and believes that the main claim and our motion resisting the counterclaim both will be sustained.

A decision in our favor would bring us no windfall in damages. And if we were to *lose* the suit, our loss would be mostly legal fees and the expenses that go along with litigation, a substantial portion of which have already been reflected in the cost of our operation.

In any event, the government has limited its counterclaim to no more than offset the amount the court may allow in *our* claim.

The case is not only important to us, but it will

affect industry in general, inasmuch as billions of dollars in business is based upon free use by private industry of government patents.

- A change in our order-response system, put into effect late in the year. It shortens the communication line from customer to producer by placing in the hands of our Manufacturing organization the responsibility of reacting directly to customer orders—rather than to a production schedule based on predetermined lead times. Our aim will be to fill orders out of production rather than from finished inventory. Among the gains will be shorter delivery time, improved internal efficiency, lowered inventory and less operating cost.

Our new response is one of increased sensitivity to customer needs.

- Receipt of the Presidential “E” award for company excellence in export.

- Receipt by President Howard Vollum of Western Electronics Manufacturers association’s highest honor—its Medal of Achievement—for his contribution to advancement of electronics in the west.

MEMBERS OF Western Electronics Manufacturers Association applauded Tektronix’ President Howard Vollum, as he accepted the WEMA medal of honor in August 1964. The medal is awarded annually for advancement of electronics in the west.





AN EAGER LOOK FORWARD

Tektronix has moved into its new year with confidence and enthusiasm. Indicators point to continuation of last quarter's strong upward sales curve, and sizeable gains in each of our major markets with new or recently introduced instruments.

Our total of unfilled customer orders is by far the greatest in our history—equal to three months' order rate. Orders continue high; and unveiling of at least two dozen new products in the coming 12 months—about double the number of a "typical" year—will add to our growth potential.

We do not feel that large order backlog—*however* indicative of customer acceptance—is desirable. Rather, we look on this accumulation of orders as an operational problem. It is a problem, however, that Tektronix has historically proved itself very capable of solving.

The activities of Engineering have also resulted in another kind of "backlog": A long list of highly promising product ideas—concepts we must set aside, however, because of the pressure of still other, more immediate developmental needs.

More customer demand than we can meet at the moment; more intriguing product ideas than we can follow up—these are among Tektronix' problems today. But, as our managers put it, they are the kind of problems we like—and far preferable to those we faced two years ago. We feel confident of their solution.

Here are some of the products which make our predictions optimistic:

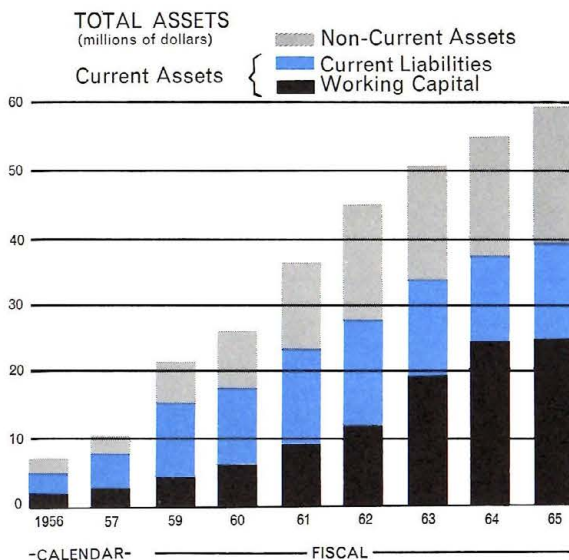
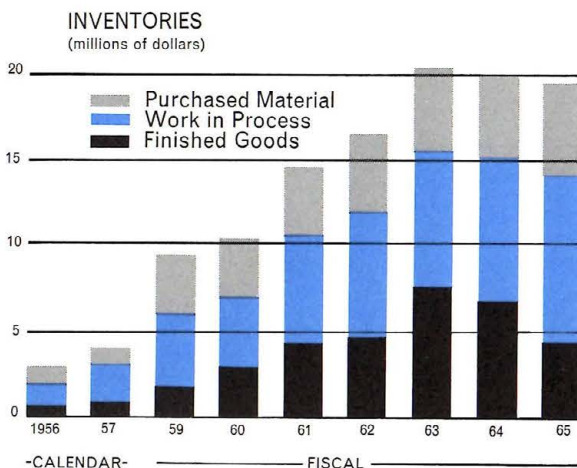
- The 529 waveform monitor is being very well accepted and has a good chance of being adopted as the standard monitor for TV network and station use.
- The 422 and 453 portables promise to be widely used in the computer and electronics servicing markets. We have already received an order from IBM for a significantly large number of 453s. Early response to the 422 also has been excellent.

In the computer industry, one trend is to smaller, less costly computers; thus, more users; thus the need for more oscilloscopes. The key will continue to be portable high performance.

These instruments—compact, rugged and reliable—can also be used to service remote radar and microwave relay stations.

• Another instrument to be shown this month is the 549. This oscilloscope provides high writing rate, split-screen storage, 30-megacycle bandwidth and the ability to use numerous existing plugins—a combination offered by no other instrument.

The phenomenon of storage (the ability to retain images on the scope screen after the measured event ceases to occur) deserves a word of comment. It is a great advance in the oscilloscope art, but a relatively new one. Like conventional oscilloscopes (but to a far greater degree), storage oscilloscopes have a potential that's largely unexplored. Users are hardly beginning to discover the many advantages





NATIONAL AERONAUTICS and Space Agency's deep-space program, which this year has included the successful photographic probe of Mars, makes use of Ampex Corporation tape systems in recording telemetry data. Here, during a final system checkout, a Tektronix oscilloscope plays an indispensable role. (Photo courtesy Ampex Corporation.)



TEKTRONIX' INCENTIVE program backs up its belief that its employees' productivity results from their attitudes as well as from their skills.

new models. The plugin, a Tektronix innovation, is now a feature of many competitive oscilloscopes.

Of special mention is the new 3A5 plugin, which provides the oscilloscope with the ability to search for its own correct settings. Thus it eliminates constant resetting, greatly reducing operating time and skill level required of the user.

Several additional programmable units will be added, also reflecting our increased attention to user convenience as a market factor.

- We look to increased spectrum analyzer sales, in part due to our unusual competitive position: Our analyzers are plugins which fit many of our oscilloscope models. Existing scope owners may thus, at moderate cost, also avail themselves of a spectrum analyzer. (Most competitive analyzers, by contrast, are expensive instruments.)

How much of an advantage is this? As one indication, there are over 150,000 Tektronix plugin-type scopes now in operation.

Other reasons for our optimism include these:

- The outlook for Sony/Tektronix is very encouraging. Although it will be several years before significant financial results show up, we look for important instrument concepts to emerge from this joint effort—possibly in the area of miniaturization, a technology which Sony products already effectively exploit.

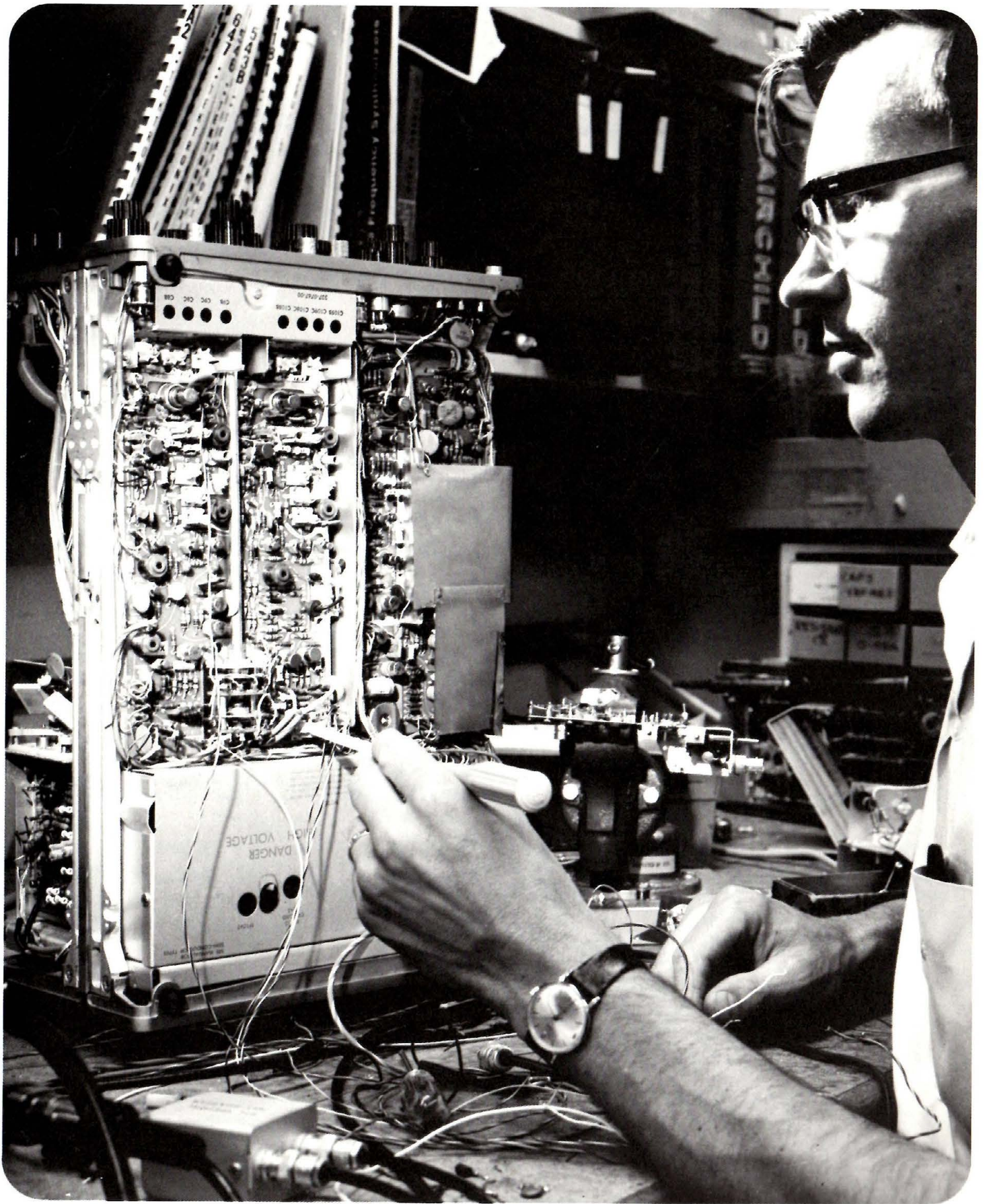
- Often oscilloscope product development results in the discovery of related techniques that seem promising. The vertical integration of our operations has created a depth and breadth of specialized skills. Thus we are in the fortunate position of being easily able to pursue these promising avenues without having to set up costly, elaborate special groups. As these offshoot technologies present us with product opportunities that seem significant and compatible with our company's goals and operations, they may well contribute to our major product revelations.

In short, our future looks very bright. Behind the current individual reasons for optimism is this continuing realization: The only thing that can slow down the requirement for measuring and testing instruments is a decline in measuring and testing. Today the demand of progress—in good years and bad—is that these activities not only increase, but accelerate.

offered by this extension of measuring capability. Storage may be the most far-reaching influence on our future sales.

Tektronix was not the first to manufacture storage oscilloscopes. But it developed a simplified, lower-cost storage cathode-ray tube; either half of its split screen may be used in either "storage" or "normal" mode. This development will make possible a new group of Tektronix instruments that will provide measurement abilities hitherto unavailable.

- An array of new, advanced plugin units will continue to extend the usefulness of existing instruments and increase the performance versatility of



TEKTRONIX CONSOLIDATED EARNINGS AND RETAINED EARNINGS

	52 weeks ended May 29, 1965	53 weeks ended May 30, 1964	52 weeks ended May 25, 1963	52 weeks ended May 26, 1962
NET SALES	\$81,099,089	\$75,502,573	\$70,450,810	\$60,135,575
MANUFACTURING COST OF SALES	35,833,505	34,421,039	31,779,384	28,077,648
GROSS PROFIT	45,265,584	41,081,534	38,671,426	32,057,927
OPERATING EXPENSE AND PROFIT-SHARING	31,494,171	28,899,462	26,836,163	21,901,700
Selling	8,988,048	8,927,289	7,821,579	6,853,202
Research and development	7,259,937	7,019,176	6,823,728	5,380,645
Administrative	7,692,743	6,444,454	5,702,772	4,488,837
Profit-sharing (Note 3)	7,553,443	6,508,543	6,488,084	5,179,016
OPERATING INCOME	13,771,413	12,182,072	11,835,263	10,156,227
NON-OPERATING EXPENSE (INCOME)	205,330	(18,373)	401,821	368,955
Gain on disposition of assets	(219,532)	(515,968)	(108,924)	(99,812)
Interest expense	288,878	485,033	495,557	507,406
Other	135,984	12,562	15,188	(38,639)
INCOME BEFORE INCOME TAXES	13,566,083	12,200,445	11,433,442	9,787,272
PROVISION FOR INCOME TAXES	6,247,470	5,891,994	5,662,905	5,180,695
U. S. income taxes	5,293,491	5,093,629	5,065,431	4,631,360
State income taxes	475,000	400,000	385,000	400,000
Foreign income taxes	478,979	398,365	212,474	149,335
EARNINGS	7,318,613	6,308,451	5,770,537	4,606,577
Dividends on Class "N" shares—cancelled in 1963	—	32,339	122,758	100,241
Cost of TEKEM shares cancelled in merger and net merger costs	—	335,197	—	—
Retained earnings at beginning of period	32,414,036	26,473,121	20,825,342	16,319,006
Retained earnings at end of period (Note 4)	39,732,649	32,414,036	26,473,121	20,825,342
EARNINGS PER SHARE	91¢	78¢	72¢	58¢

The accompanying notes are an integral part of these financial statements.

TEKTRONIX CONSOLIDATED FINANCIAL CONDITION

	May 29, 1965	May 30, 1964	May 25, 1963
CURRENT ASSETS	\$39,063,647	\$36,857,211	\$33,317,576
Cash	3,007,724	4,500,180	1,628,617
Time deposits	970,324	454,710	682,395
U.S. Treasury Bills—at cost plus accrued interest	1,986,840	—	—
Accounts receivable	12,810,437	10,928,005	9,061,798
Less allowance for doubtful accounts	(130,890)	(127,023)	(104,199)
Supplies	551,546	516,715	478,964
Prepaid expenses	741,515	671,468	1,016,050
Inventories—at lower of cost (first-in, first-out) or market consisting of:	19,126,151	19,913,156	20,553,951
Finished goods	4,733,076	6,561,823	7,436,591
Work in process	8,808,162	8,462,416	7,849,668
Purchased materials	5,584,913	4,888,917	5,267,692
CURRENT LIABILITIES	14,396,976	12,761,934	14,138,054
Note payable	68,879	44,727	2,000,000
Current portion of long-term indebtedness (Note 2)	26,410	426,410	400,000
Accounts payable	3,051,153	1,812,681	2,270,703
U. S., state and foreign income taxes	4,912,996	4,939,606	3,807,369
Employee profit-sharing (Note 3)	3,536,519	2,918,990	2,980,940
Payroll and payroll taxes	1,816,304	1,700,123	1,747,196
Vacations	839,309	715,382	747,828
Interest and miscellaneous taxes	145,406	204,015	184,018
WORKING CAPITAL	24,666,671	24,095,277	19,179,522
FACILITIES—Depreciated cost	19,515,873	18,091,851	17,613,751
Buildings and grounds	18,437,911	17,940,743	15,904,895
Machinery and equipment	8,503,843	7,855,004	6,754,027
Leasehold improvements	134,449	122,166	220,884
Less accumulated depreciation	(11,196,075)	(9,031,022)	(7,008,894)
Land	616,990	603,739	615,706
Construction in progress	3,018,755	601,221	1,127,133
INTANGIBLE ASSETS	157,275	102,143	127,493
INVESTMENTS—At cost	410,167	270,555	270,555
LONG-TERM INDEBTEDNESS—Less current portion (Note 2)	(475,380)	(4,301,790)	(6,728,200)
SHAREHOLDERS' EQUITY (Notes 4 and 5)	44,274,606	38,258,036	30,463,121
Common shares	5,997,118	5,844,000	3,990,000
Less treasury shares—at cost	(1,455,161)	—	—
Retained earnings	39,732,649	32,414,036	26,473,121

The annual accounting period is the fifty-two or fifty-three weeks ending on the last Saturday in May.

A narrative explanation of these statements is under the cover foldouts.

TEKTRONIX, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS, MAY 29, 1965

NOTE 1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the Company's wholly-owned subsidiaries operating in Canada, England, Channel Island of Guernsey, The Netherlands, Switzerland, and Australia. Conversion of foreign currencies to United States dollars has been made at the rates of exchange prevailing at May 29, 1965, these being the approximate rates in effect since the dates of organization of the subsidiaries. All significant intercompany transactions have been eliminated. It is anticipated that the retained earnings of foreign subsidiaries will be required for use in their operations and no provision has been made for U.S. income taxes which would accrue upon payment of dividends to Tektronix, Inc.

The equity of Tektronix, Inc. in the net assets (shareholders' equity) of subsidiaries exceeded the cost of its investment in the subsidiaries as follows (in thousands of dollars):

	1965	1964	1963
Total excess	\$3,785	\$2,160	\$1,131
Intercompany profit in inventories and other assets—eliminated in consolidation	784	736	257
Remainder—included in consolidated retained earnings	<u>\$3,001</u>	<u>\$1,424</u>	<u>\$ 874</u>

NOTE 2. LONG-TERM INDEBTEDNESS:

Long-term indebtedness at May 29, 1965 consisted of a 4½% note payable to the City of Heerenveen, The Netherlands, due in annual instalments of \$26,410. Facilities which cost \$1,308,000 are pledged as collateral. During the year ended May 29, 1965, the Company retired other long-term indebtedness of \$3,800,000, paying a prepayment premium of \$182,000.

NOTE 3. EMPLOYEE PROFIT-SHARING:

Under the terms of the Company's profit-sharing plan, 35% of income before income taxes, profit-sharing, and charitable contributions is provided for employee profit-sharing.

NOTE 4. SHAREHOLDERS' EQUITY:

Authorized capital consists of 20,000,000 common shares without par value of which the following were issued and outstanding:

- May 29, 1965—issued 8,082,080, reacquired and held in treasury 74,000, outstanding 8,008,080.
- May 30, 1964—issued and outstanding 8,072,700.
- May 25, 1963 (adjusted for two-for-one split)—issued and outstanding 7,980,000.

The shares in the treasury at May 29, 1965 were reacquired by the Company at a cost of \$1,455,161. Because of this acquisition, retained earnings available for dividends and other distributions was limited to \$38,277,488 at May 29, 1965. Between May 29 and July 15, 1965 an additional 46,000 shares were reacquired at a cost of \$898,599.

In June 1964, the Company acquired the net assets and business of Pentrix Corporation in exchange for 8,330 common shares (initial shares) and an agreement to issue not to exceed 21,672 additional shares (contingent shares) based on sales of spectrum analyzers (Pentrix products) during the period from March 8, 1964 to March 4, 1967. The acquisition was accounted for as a purchase. The market value of the contingent shares is being charged to income as the liability to issue such shares accrues. During the year ended May 29, 1965 the Company issued 1050 contingent shares. The excess (\$85,059) of the market value of the initial shares over the value ascribed to the net tangible assets acquired will be amortized by charges to income during the period from March 1967 to May 1969.

NOTE 5. EMPLOYEE STOCK OPTION PLAN:

Under a stock option plan for employees, in which the options are "qualified stock options" as defined by the Internal Revenue Code, 200,000 common shares of the Company are reserved. The plan provides that the option price shall be not less than 100% of the fair market value of the shares on the date of grant and that the options are exercisable in four (or fewer, where the option period is less than five years) cumulative annual instalments beginning one year after the date of grant.

Options to purchase 148,300 shares at \$15.95 per share were granted in May 1964. During the year ended May 29, 1965 options to purchase 2,600 of these shares were terminated and an option to purchase 2,000 shares at \$21.20 per share was granted. At May 29, 1965 options to purchase 147,700 shares were outstanding for which the total option price was \$2,366,315.

NOTE 6. LONG-TERM LEASES AND PLANT EXPANSION:

The companies are committed to pay rentals of approximately \$1,493,000 on building leases expiring from June 1965 to September 1984. Rentals under these leases for the year ending May 28, 1966, will be approximately \$296,000.

In connection with the expansion of facilities, the companies were committed under contracts and purchase orders in the amount of approximately \$474,000.

ACCOUNTANTS' OPINION

TEKTRONIX, INC.:

We have examined the statement of consolidated financial condition of Tektronix, Inc. and subsidiaries as of May 29, 1965 and the related statements of consolidated earnings and retained earnings and of consolidated resources provided and applied for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Previously we made similar examinations for each of the three preceding years.

In our opinion, the accompanying statements present fairly the financial position of the companies as of May 29, 1965 and the results of their operations and the resources provided and applied for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Portland, Oregon
July 15, 1965.

TEKTRONIX CONSOLIDATED RESOURCES PROVIDED AND APPLIED

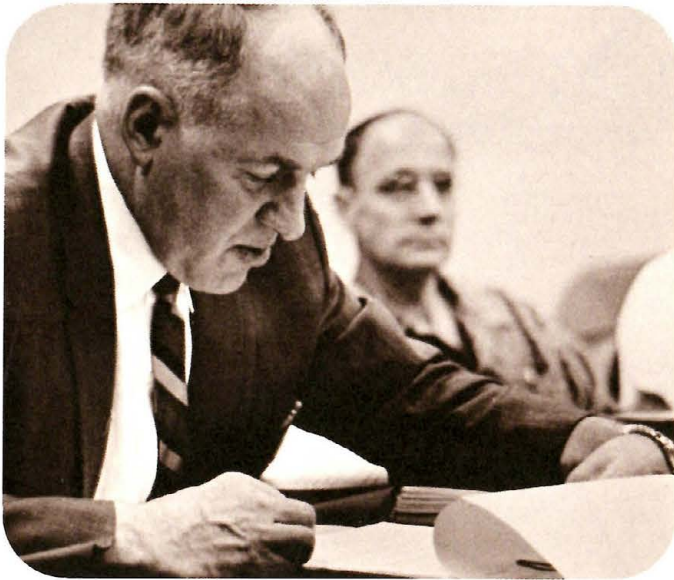
	52 weeks ended May 29, 1965	53 weeks ended May 30, 1964	52 weeks ended May 25, 1963
THESE RESOURCES BECAME AVAILABLE	\$10,014,659	\$10,755,151	\$11,148,181
From:			
Earnings	7,318,613	6,308,451	5,770,537
Depreciation of facilities	2,342,107	2,301,269	2,194,230
Amortization of intangibles	57,294	27,365	15,911
Issuance of common shares	153,118	1,854,000	—
Long-term borrowing	—	—	3,000,000
Recovery of cost on sales of facilities	143,527	264,066	167,503
THESE RESOURCES WERE USED	9,443,265	5,839,396	3,280,547
For:			
Additions to facilities	3,909,656	3,043,435	2,749,084
Repayment of long-term indebtedness	3,826,410	2,426,410	400,000
Intangible assets	112,704	2,015	8,705
Investment in Sony/Tektronix Corporation	139,334	—	—
Purchase of Tektronix, Inc. common shares	1,455,161	—	—
Dividends on Class "N" shares cancelled in 1963	—	32,339	122,758
Purchase of TEKEM shares cancelled in merger and net merger costs	—	335,197	—
RESULTING IN INCREASED WORKING CAPITAL OF	571,394	4,915,755	7,867,634
When added to begining working capital of	24,095,277	19,179,522	11,311,888
RESULTED IN ENDING WORKING CAPITAL OF	24,666,671	24,095,277	19,179,522

EXPLANATION OF RESOURCES STATEMENT

This statement summarizes the origins of additional resources—the assets used in the business to which a monetary amount can be applied—and tells how the company used them.

\$10,014,659	THESE (additional) RESOURCES BECAME AVAILABLE FROM:
7,318,613	Earnings—Net income after income taxes.
2,342,107	Depreciation of facilities—The amounts deducted from revenue representing the decrease in value of buildings, machinery and equipment from use, wear and age. These did not involve payments to outsiders.
57,294	Amortization of intangible assets—Represents the amount deducted from revenue representing the write-off of costs of intangible assets, which also did not involve payments to outsiders.
153,118	Issuance of common shares—To pay for acquisition of Pentrix Corporation.
143,527	Recovery of cost on sales of facilities—That part of the proceeds from sales of machinery and equipment no longer needed by the company, equivalent to the depreciated cost.
9,443,265	THESE RESOURCES WERE USED FOR:
3,909,656	Additions to facilities—Cost of buildings, machinery and furniture purchased.
3,826,410	Repayment of long-term indebtedness—Actual prepayments and those amounts that became due within one year.
112,704	Intangible assets—Amount paid for patents; trademarks, and the excess paid over the value on its books for the acquisition of Pentrix Corporation.
139,334	Investment—Cost of half the ownership of Sony/Tektronix Corporation.
1,455,161	Purchase of Tektronix, Inc. common shares—Cost.
571,394	RESULTING INCREASE IN WORKING CAPITAL—added to
24,095,277	Beginning working capital—results in
24,666,671	ENDING WORKING CAPITAL.

Explanations of earnings and financial condition statements are under cover flaps.



BOARD OF DIRECTORS

M. J. MURDOCK
Chairman of the Board
JAMES B. CASTLES
Secretary & General Counsel, Tektronix, Inc.
WALTER P. DYKE
President, Field Emission Corporation
ROBERT G. FITZGERALD
Vice-President, Operations, Tektronix, Inc.
HOWARD VOLLUM
President, Tektronix, Inc.
FRANK M. WARREN
President, Portland General Electric Company

OFFICERS AND MANAGEMENT

HOWARD VOLLUM, *President*
ROBERT G. FITZGERALD, *Vice-President, Operations*
WILLIAM B. WEBBER, *Vice-President*
JAMES B. CASTLES, *Secretary and General Counsel*
DON A. ELLIS, *Treasurer*
ELWELL E. SWANSON, *Controller*

MARKETING

BYRON H. BROMS, *Marketing Manager*
KEITH S. WILLIAMS, *U.S. Marketing Manager*
THEODORE BRANDT, *U.S. Marketing*

U.S. Regional Sales Managers:
GORDON R. ALLISON, *Dallas*
CHARLES L. BOUFFIOU, *Atlanta*
HAROLD E. CHRISTENSEN, *Los Angeles*
RALPH F. EBERT, *Chicago*
WILLIAM H. EWIN, *Palo Alto*
DANIEL V. GUY, *Long Island*
RICHARD H. HERDMAN, *Philadelphia*
WILLIAM F. KLADKE, *Syracuse*

ENGINEERING

WILLIAM J. POLITZ, *Engineering Manager*
LANGDON HEDRICK, *Instrument Engineering*
JOHN R. KOBBE, *Project Planning and Advanced Circuitry*
WILLIAM D. WALKER, *Pre-Production Engineering*
C. NORMAN WINNINGSTAD, *Display Devices Development*

MANUFACTURING

MICHAEL J. PARK, *Manufacturing Manager*
RUSSELL K. HANDLEY, *Materials Management*
FRANK KOPRA, *Quality Assurance*
DERROL PENNINGTON, *Component Manufacturing*
KENNETH F. SPOONER, *Product Manufacturing*
OTTO ZACH, *Manufacturing Planning*

ADMINISTRATION

F. W. BEICHLEY, *Facilities*
FRANK CONSALVO, *Data Systems and Planning*
GUYOT FRAZIER, *Personnel*

OFFICE OF INTERNATIONAL OPERATIONS

DONALD ALVEY, *International Marketing Manager*
FRANK DOYLE, *Tektronix Ltd. (Guernsey)*
NORMAN T. GWYNN, *Tektronix Guernsey Ltd.*
HERMANN HARRI, *International Finance Manager*
THOMAS W. MacLEAN, JR., *Tektronix Holland N.V.*
S. H. PYLE, *International Marketing*
HARRY SELLERS, *Tektronix U.K. Ltd.*
RAOUL STEFFEN, *Tektronix International A.G.*
EBERHARD vonCLEMM, *Tektronix Canada Ltd.*
EARL WANTLAND, *International Manufacturing Manager*
ROBERT JAMES YOUNG, *Tektronix Australia Pty Ltd.*



EXPLANATION OF FINANCIAL CONDITION STATEMENT

The \$59,146,962 total resources (assets) used in the business (consisting of facilities, investments, intangible assets and current assets) does not show on the statement, because we feel the working-capital presentation better represents the strength of the company.

\$39,063,647	CURRENT ASSETS —Those assets likely to be converted to cash in the ordinary operation of the business, made up of:
3,007,724	Cash—Mostly in checking accounts or deposits in transit.
970,324	Time deposits—Cash in savings accounts earning interest.
1,986,840	US Treasury Bills—Cash earning interest for short periods.
12,810,437	Accounts receivable—Amounts due from sales to customers on credit.
(130,890)	Allowance for doubtful accounts—Estimate of erosion in value of accounts receivable because customers may not pay us.
551,546	Supplies—Items consumed in operating offices, maintaining facilities and running manufacturing plants.
741,515	Prepaid expenses—Amounts paid for things that will not be used until the following year, including unexpired insurance premiums.
19,126,151	Inventories—The cost of products finished but not yet sold; purchased materials to be fabricated and assembled into products; and the materials, payroll costs and other costs accumulated in the process of manufacturing products not yet completed.
14,396,976	CURRENT LIABILITIES —Obligations due to be paid within one year, including:
68,879	Notes payable—Amounts borrowed for less than one year.
26,410	Current portion of long-term indebtedness—Installment payment due within one year on indebtedness described below.
3,051,153	Accounts payable—Amounts due suppliers for materials bought on credit.
4,912,996	US, state and foreign income taxes—Taxes not yet paid.
3,536,519	Employee profit sharing—Due employees and their retirement trusts.
1,816,304	Payroll and payroll taxes—Amounts due employees next payday, and taxes due on or withheld from pay.
839,309	Vacations—Amounts earned by employees for their vacations, but not yet used or paid.
145,406	Interest and miscellaneous taxes—Interest, property taxes, sales taxes collected, etc., owed but not yet paid.
24,666,671	WORKING CAPITAL —The excess of current assets over current liabilities.
19,515,873	FACILITIES —Depreciated cost—the cost of buildings, machinery, equipment, furniture, etc. used in the business, reduced by the amount of depreciation in value for use, wear and age which has been claimed as an expense of doing business.
157,275	INTANGIBLE ASSETS —Amounts paid and not yet deducted as a cost of doing business for patents; trademarks; formation of subsidiary corporations, and the excess paid over the value on its books for the acquisition of Pentrix Corporation.
410,167	INVESTMENTS —The cost of half the ownership of Sony/Tektronix plus cost of land, mostly in Tektronix Industrial Park, not used in business.
(475,380)	LONG-TERM INDEBTEDNESS —Less current portion—The unpaid portion minus the \$26,410 due within a year shown above on the \$528,200 borrowed from the City of Heerenveen, The Netherlands, in 1961, secured by a mortgage on the building used by Tektronix Holland N.V.
44,274,606	SHAREHOLDERS' EQUITY —The net assets or book value owned by shareholders. This is equal to the total assets (above) minus the total liabilities (current liabilities and long-term indebtedness). Shareholders' equity is made up of:
5,997,118	Common shares—The amount the company received for issuance of common shares.
(1,455,161)	Treasury shares—The cost of Tektronix, Inc. common shares repurchased by the company (and held in the company treasury). These shares were purchased in anticipation of exercise of employee stock options.
39,732,649	Retained earnings—The accumulation of earnings that has been retained.

Explanation of earnings statement is under front cover flap, and explanation of resources statement is on page 31.

TEKTRONIX CONSOLIDATED FINANCIAL STATISTICS
(DOLLARS AND SHARES IN THOUSANDS)

Fiscal Year ending in May	1965	1964	1963	1962	1961	1960	1959
NET SALES	81,099	75,503	70,451	60,136	50,278	43,006	31,593
EARNINGS	7,319	6,308	5,771	4,607	4,909	4,568	3,652
% of Sales	9.0%	8.4%	8.2%	7.7%	9.8%	10.6%	11.6%
Per Share	91¢	78¢	72¢	58¢	62¢	57¢	46¢
INCOME BEFORE INCOME TAXES	13,566	12,200	11,433	9,787	10,448	9,668	7,819
% of Sales	16.7%	16.2%	16.2%	16.3%	20.8%	22.5%	24.7%
PAYROLL BEFORE PROFIT-SHARE	26,018	26,146	26,143	21,978	16,520	12,318	9,071
EMPLOYEE PROFIT-SHARE	7,553	6,509	6,488	5,179	5,889	5,708	4,334
INTEREST EXPENSE	289	485	496	507	355	183	49
DEPRECIATION EXPENSE	2,342	2,301	2,194	1,783	1,189	843	943
ANNUAL INVESTMENT IN FACILITIES	3,910	3,043	2,749	4,600	6,486	4,233	3,806
FACILITIES	30,712	27,123	24,623	22,139	17,970	12,366	8,153
ACCUMULATED DEPRECIATION	11,196	9,031	7,009	4,913	3,426	2,442	1,613
TOTAL ASSETS	59,147	55,322	51,329	45,627	37,384	27,054	22,072
ACCOUNTS RECEIVABLE—NET	12,680	10,801	8,958	8,401	6,436	5,345	4,595
INVENTORY	19,126	19,913	20,554	16,807	14,500	10,717	9,307
CURRENT ASSETS	39,064	36,857	33,318	27,995	22,404	17,130	15,532
CURRENT LIABILITIES	14,397	12,762	14,138	16,683	13,075	11,583	11,132
WORKING CAPITAL	24,667	24,095	19,180	11,312	9,329	5,547	4,400
LONG-TERM BORROWINGS	502	4,728	7,128	4,528	4,000	—	—
COMMON SHARES OUTSTANDING	8,008	8,073	7,980	7,980	7,980	7,980	7,980
SHAREHOLDERS' EQUITY	44,275	38,258	30,463	24,815	20,309	15,471	10,940
COMMON SHARE CAPITAL	5,997	5,844	3,990	3,990	3,990	3,990	3,990
RETAINED EARNINGS	39,733	32,414	26,473	20,825	16,319	11,481	6,950
Employees at Year End	4,982	4,910	5,430	5,285	4,330	3,515	2,950

Statistics for years prior to fiscal 1959 are illustrated in the charts and were included in the 1964 annual report.

TEKTRONIX MARKETING FACILITIES

UNITED STATES

★**Tektronix, Inc.**, Beaverton, Oregon—Headquarters

- | | | | |
|--|--|---|---|
| <ul style="list-style-type: none"> ★ Albuquerque, N. M. ● ★ Atlanta, Ga. ★ Baltimore, Md. ★ Boston, Mass. Buffalo, N. Y. ● ★ Chicago, Ill. Cleveland, Ohio Columbus, Ohio ● ★ Dallas, Texas Dayton, Ohio | <ul style="list-style-type: none"> Denver, Colo. ★ Detroit, Mich. ★ Endicott, N. Y. ★ Greensboro, N. C. Hinsdale, Ill. Houston, Texas Huntsville, Ala. Indianapolis, Ind. Kansas City, Kan. | <ul style="list-style-type: none"> ● ★ Long Island, N. Y. ● Los Angeles, Cal. Minneapolis, Minn. ★ Orange, Cal. ★ Orlando, Fla. ● ★ Palo Alto, Cal. Pasadena, Cal. ● ★ Philadelphia, Pa. Phoenix, Ariz. Pittsburgh, Pa. | <ul style="list-style-type: none"> ★ Poughkeepsie, N. Y. San Diego, Cal. Seattle, Wash. Stamford, Conn. ● ★ Syracuse, N. Y. ★ Union, N. J. ★ Van Nuys, Cal. Walnut Creek, Cal. ★ Washington, D. C. |
|--|--|---|---|

INTERNATIONAL

- | | | | |
|--|--------------------------------------|--|---|
| <p>England</p> <ul style="list-style-type: none"> ● ★ London | <p>Tektronix U.K. Ltd.,</p> | <p>Australia</p> <ul style="list-style-type: none"> ● ★ Sydney, Melbourne | <p>Tektronix Australia, Pty Ltd.,</p> |
| <p>Switzerland</p> <ul style="list-style-type: none"> ● ★ Zug | <p>Tektronix International A.G.,</p> | <p>Canada</p> <ul style="list-style-type: none"> ● ★ Montreal | <p>Tektronix Canada Ltd.,</p> <ul style="list-style-type: none"> ★ Toronto, Ottawa |

★ Indicates repair center. ● Indicates region office or international subsidiary headquarters office.

TEKTRONIX MARKETING REPRESENTATIVES

Products Supplied by — Tektronix Limited, Guernsey, Channel Islands

- Angola, Equipamentos Tecnicos, Lda., Luanda;
- Austria, Inglomark Markowitsch & Co., Vienna;
- Belgium, Regulation Mesure, SPRL, Brussels;
- Denmark, Tage Olsen, A.S., Copenhagen;
- Finland, Into O/Y, Helsinki;
- France, Relations Techniques Intercontinentales, S.A., Paris;
- Greece, Marios Dalleggio Representations, Athens;
- Israel, Eastronics Limited, Tel Aviv;
- Italy, Silverstar Ltd., Milan, Rome, Turin;
- Lebanon, Projects Consulting Engineers, Beirut;
- Norway, Morganstjerne & Company, Oslo;
- Portugal, Equipamentos de Laboratorio Lda., Lisbon;
- Republic of South Africa, Protea Physical & Nuclear Instrumentation (Pty) Ltd., Johannesburg;
- Spain, Carlos Rafael Mares, S.L., Barcelona;
- Sweden, Erik Ferner, A.B., Stockholm;
- The Netherlands, C. N. Rood, N.V., Rijswijk;
- Turkey, M. Suhyl Erkman, Istanbul;
- West Germany, Rohde & Schwarz Vertriebs-GmbH, Cologne, Hamburg, Munich, Berlin, Karlsruhe;

Products Supplied by — Tektronix, Inc., Beaverton, Ore.

- Argentina, Coasin S.A., Buenos Aires, Cordoba;
- Brazil, Importacao Industria E. Comercio Ambriex, S.A., Rio de Janeiro, Sao Paulo;
- Chile, Carlos Pentz Rettig, Santiago;
- Colombia, Manuel Trujillo Venegas & Cia, Ltda., Bogota;
- Federation of Malaysia, Mechanical & Combustion Engineering Co., Ltd., Singapore;
- Hong Kong & Macau, International Service Corporation Ltd., Hong Kong;
- India, Electronic Enterprises, Bombay;
- Japan, Midoriya Electric Co., Ltd., Tokyo;
- Mexico, Fredin S.A., Mexico City;
- New Zealand, W & K McLean, Ltd., Auckland, Wellington;
- Pakistan, Pak-Land Corporation, Karachi;
- Uruguay, Compania Uruguay de Rayos X y Electro-medica S. A., Montevideo;
- Venezuela, Tecnica Nuclear de Venezuela, C.A., Caracas, Maracaibo.

TEKTRONIX MANUFACTURING FACILITIES

- Tektronix, Inc.**, Beaverton, Oregon — Headquarters and Main Plant
- Tektronix Guernsey Limited**, Guernsey — Serving European Free Trade Association
- Tektronix Holland N.V.**, Heerenveen, The Netherlands — Serving European Common Market
- Sony/Tektronix Corporation**, Tokyo, Japan — Serving Japan and other Asian Markets

ELECTRONICS EMERGES TODAY NOT ONLY AS AN INDUSTRY BUT ALSO AN INFLUENCE. TECHNOLOGIES ALREADY EXIST THAT WILL ALLOW SUCH AN INTERWEAVING OF ELECTRONICS THROUGHOUT SOCIETY THAT IT WILL NO LONGER BE CORRECT TO SPEAK OF AN "ELECTRONICS INDUSTRY." WHEN THAT HAPPENS, THE SIZE OF THE MARKET FOR WAVEFORM MEASURING DEVICES MAY WELL BE INCONCEIVABLE. THE MOST IMPORTANT SUCH INSTRUMENT IS THE OSCILLOSCOPE.

