

## TO OUR SHAREHOLDERS:

As you can see from the financial tables, the quarter was a good one. Caution should be exercised, however, in comparing it with the corresponding quarter of the preceding year, since that quarter was below average.

On September 18 the annual shareholders meeting was held. With 92 per cent of the outstanding shares voting, the present directors were reelected and Haskins & Sells selected as independent auditors for the current year.

Financial results for the fiscal year and the quarter covered by this report were presented and discussed by Don A. Ellis, treasurer.

The president's report discussed primarily three subjects—employee profit sharing; formation of a division to engineer, manufacture and market devices utilizing the Tektronix storage tube in the field of information and display; and brief descriptions of some of the instruments recently introduced, with emphasis on their significance in pointing up trends in instrumentation.

Regarding employee profit sharing, it was pointed out that it is a basic part of a variable compensation plan which has been in effect at Tektronix for 18 years. Base pay is set below that which would be paid if there were no profit share. Thus, in periods of loss or low profits, wage costs are decreased. When the company is profitable, pay is higher than it would have been with a fixed compensation plan. It was also pointed out that the 35 per cent of profits distributed to employees includes our retirement provision as well as the pay differential just discussed.

While it may be argued that not every employee is in a position to influence profits, the profit-consciousness and expense-consciousness which develops creates a very favorable climate for profitable operations. Employees are not tolerant of waste, unnecessary expense or fellow employees who do less than their best. I firmly believe employee profit sharing has been a significant factor in the above-average earnings Tektronix has achieved for many years.

As a result of our efforts to build an oscilloscope which retains the image of a transient signal on the screen, a new and proprietary storage cathode-ray tube was developed. In addition to use in oscilloscopes, these tubes have obvious applications in the field of information display. One such is displaying the output of a computer. Another growing need is transmission of printed material between locations. Conventional closed-circuit TV does this, but requires a wide-band transmission circuit since the information must be repeated many times a second. Using the storage tube, the information need be transmitted only once for viewing for as long as desired, and in addition can be done slowly, thus not needing the costly wide-band circuit. The ability

to transmit drawings or other non-verbal data is a valuable characteristic of these systems. If a paper copy of the data is needed, photographic recording of the storage-tube image is of course, possible.

For the past year an engineering and marketing feasibility project has been undertaken, resulting in a decision to put effort on developing a group of products in the area. Since these products are more in the nature of office equipment than electronic instruments, we are organizing a new division within Tektronix to engineer, manufacture and market them. At present this consists primarily of people who have worked on the feasibility study, but it will be expanded as the program develops.

I would like to emphasize that, while this project has excellent possibilities, it is only in the development stage and will take several years before it could be of significance financially—perhaps it may never be.

Regarding the new instruments which have been so well received in the market, it was pointed out that two portable oscilloscopes, our types 422 and 453, meet a growing need for rugged, lightweight, high-performance instruments for service of complex electronic installations such as computers. . . . Another newly introduced instrument of significance is our type 549 storage oscilloscope, having many advanced performance features and operating conveniences, plus the ability to utilize the many existing letter[1] series plug-ins. . . . Color television has sharply increased demand for monitor oscilloscopes. Our type 529, the latest in a series of television waveform monitors, has been well received by the TV industry. The Tektronix line of spectrum-analyzer plug-ins is growing and finding very good acceptance in a market not previously served by us.

Among the instruments showing most clearly the trend to more automatic operation, two new plug-ins were demonstrated which can sense the signal applied and, with a push of a single button, adjust themselves to present an optimum display of the input signal. They can also be programmed by an auxiliary unit to any desired series of settings. Two pulse generators having remote programming capability were shown as further evidence of this trend. In general, it is clear that trends favor small size, increased reliability, easier information readout and increased operator convenience. Generally, these features result in higher unit prices, but more customer value per dollar.

Again, we invite you to visit Tektronix if you are in the Portland-Beaverton area.

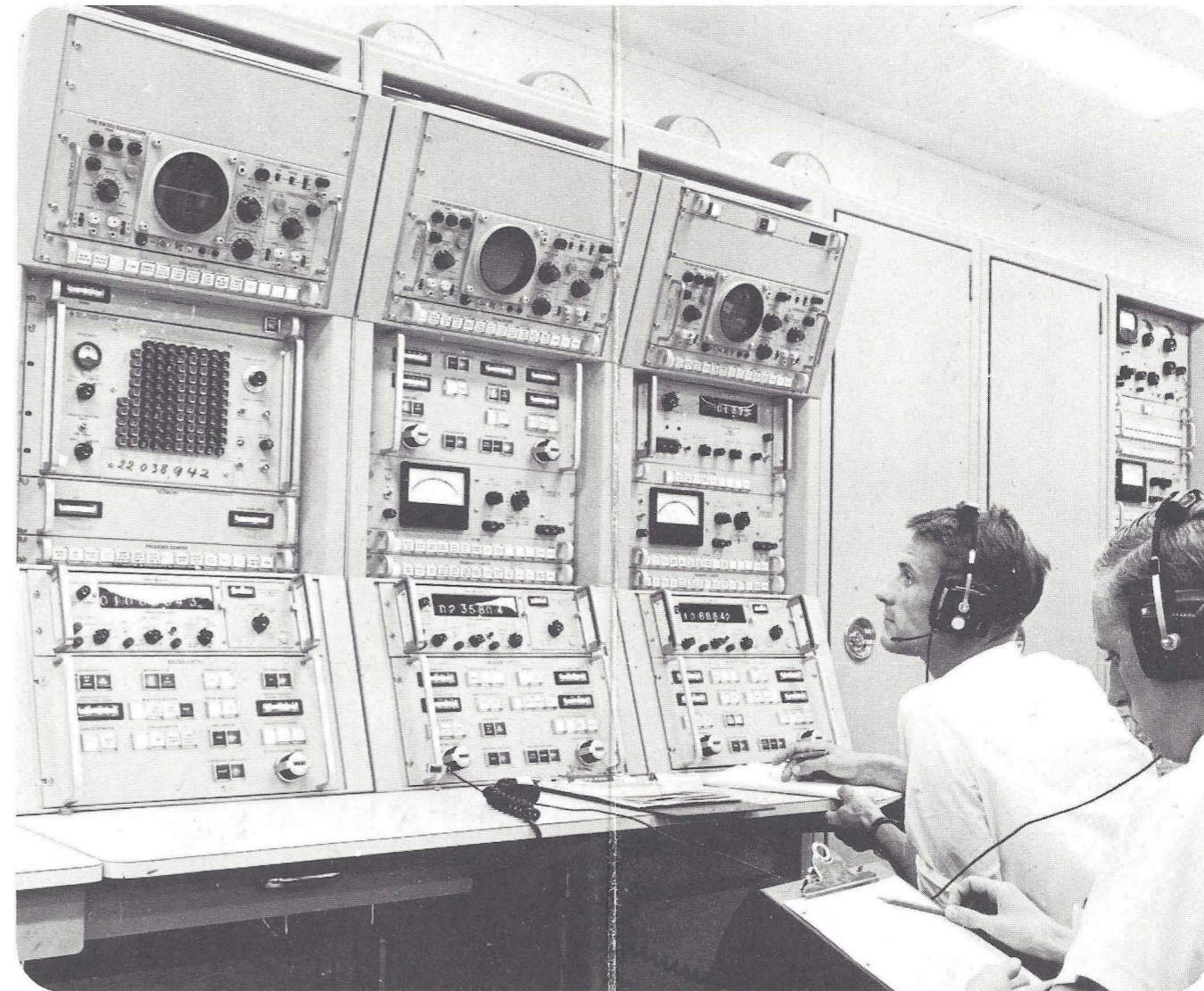
*Howard Vollum*

President



## INTERIM REPORT TEKTRONIX, INC. AUGUST 21, 1965

TEKTRONIX OSCILLOSCOPES—three rackmount models of which are pictured here—play a vital part in the US space program. Here at Tidbinbilla Deep Space Tracking Station near Canberra, Australia, technicians tracked the Mariner satellite, which sent back historic photographs of Mars over millions of miles of space. (Photo by Australian News and Information Bureau).



**TEKTRONIX, INC. CONSOLIDATED WITH SUBSIDIARIES**  
**UNAUDITED FINANCIAL STATEMENTS (THOUSANDS)**

OPERATION	12 weeks ended Aug. 21 1965	12 weeks ended Aug. 22 1964	52 weeks ended Aug. 21 1965	52 weeks ended Aug. 22 1964
NET SALES .....	\$19,999	\$16,581	\$84,516	\$73,557
MANUFACTURING COST OF SALES	8,393	7,238	36,988	33,284
GROSS PROFIT .....	11,606	9,343	47,528	40,273
EXPENSES .....	7,548	6,762	32,485	28,792
Selling .....	1,843	1,883	8,948	8,754
Research and development .....	1,833	1,549	7,544	6,939
Administration .....	1,694	1,641	7,747	6,562
Interest expense .....	7	220(A)	75	602(A)
Non-operating expense (income) .....	(31)	66	(181)	(241)
Employee profit share .....	2,202	1,403	8,352	6,176
INCOME BEFORE INCOME TAXES ....	4,058	2,581	15,043	11,481
PROVISION FOR INCOME TAXES .....	1,875	1,253	6,869	5,491
U. S. income taxes .....	1,588	1,130	5,754	4,719
State income taxes .....	131	89	517	385
Foreign income taxes .....	156	34	598	387
EARNINGS .....	2,183	1,328(A)	8,174	5,990(A)
EARNINGS PER SHARE .....	27.4¢	16.4¢	\$1.026	74.1¢
Depreciation of facilities .....	564	518	2,388	2,323
Orders received .....	23,942	17,938	90,696	75,115

CONDITION	Aug. 21 1965	May 29 1965	Aug. 22 1964
CURRENT ASSETS .....	\$36,885	\$39,064	\$31,353
Cash .....	1,443	3,008	349
Time deposits .....	1,979	970	158
U. S. Treasury bills .....	—	1,987	—
Accounts receivable — net .....	12,619	12,679	9,555
Finished inventory .....	4,603	4,733	6,584
Other inventory .....	15,583	14,945	14,041
Prepaid expenses .....	658	742	666
CURRENT LIABILITIES .....	10,938	14,397	9,794
Indebtedness .....	151	95	490
Accounts payable .....	1,523	3,051	1,483
Income taxes .....	4,924	4,913	4,355
Accrued expenses .....	4,340	6,338	3,466
WORKING CAPITAL .....	25,947	24,667	21,559
FACILITIES at depreciated cost .....	19,546	19,516	18,211
INTANGIBLE ASSETS .....	154	157	178
INVESTMENTS at cost .....	410	410	271
LONG-TERM INDEBTEDNESS—less current portion .	(475)	(475)	(502)
SHAREHOLDERS' EQUITY .....	45,582	44,275	39,717
Common shares .....	5,997	5,997	5,975
Less treasury shares at cost .....	(2,331)	(1,455)	—
Retained earnings .....	41,916	39,733	33,742
Common shares outstanding .....	7,964	8,008	8,081
Number of employees .....	5,333	4,982	4,871

NOTE A: Earnings would have been higher for the periods ending August 22, 1964 if two prepayments of long-term indebtedness amounting to \$5,800,000 had not been made to reduce interest costs. For the 12-week period earnings would have been \$1,390 thousand except for the \$192 thousand cost (before profit share and income taxes) of prepayment premium and accelerated amortization of loan costs for prepaying \$3,800,000. The 52-week earnings would have been \$6,083 thousand except for the \$289 thousand cost of both prepayments.

## TO OUR SHAREHOLDERS:

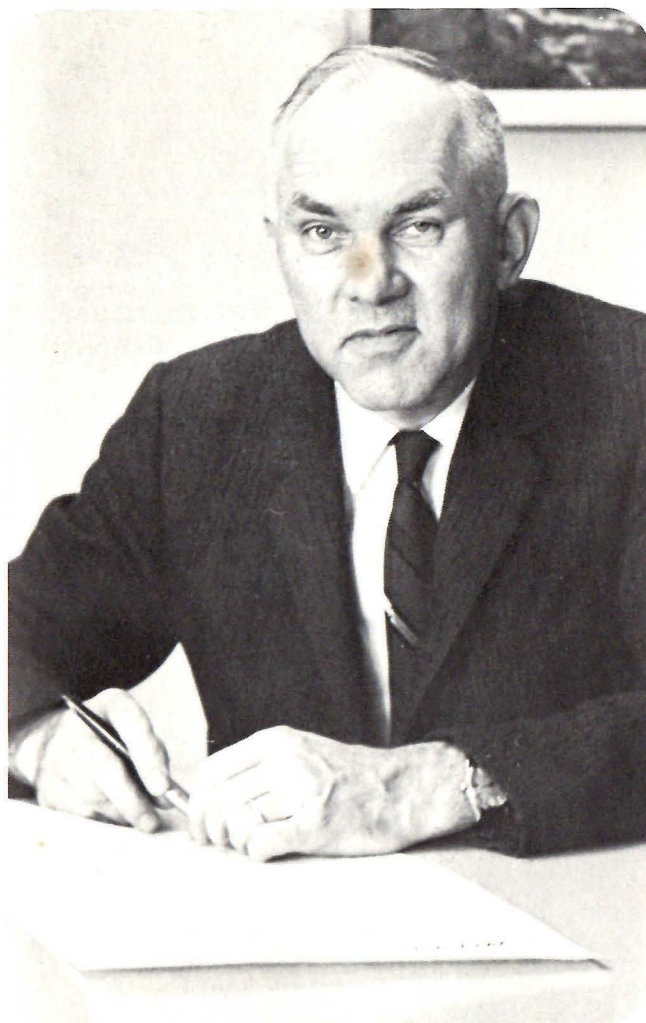
Again it is a pleasure to report the continuing high level of orders, sales and earnings.

For the 12 weeks, sales were \$23,363,000, compared with \$18,813,000 for the same period a year earlier; net earnings \$2,491,000, up from \$1,892,000; per-share earnings 31.3 cents, compared with 23.4; and incoming orders \$25,906,000, an increase from \$18,868,000.

For the 52 weeks ended November 13, sales were \$89,066,000, an increase from \$75,646,000 a year earlier; net earnings \$8,773,000, up from \$6,640,000, and earnings per share \$1.10, compared with \$.82. Orders totaled \$97,734,000, compared with \$77,783,000.

New instruments introduced in the past year are contributing significantly. Particularly successful have been the new portable oscilloscopes, Types 422 and 453 in the computer and electronic equipment service field, and the Type 529 television waveform monitor in the TV broadcast station and network area. Sales of these three instruments have exceeded our forecasts.

As our four-story Technical Center nears completion, we are looking forward to bringing the major portion of our research, design and engineering activities into it early in 1966. Production of Tektronix instruments for the Japanese and Far East markets has begun by our 50%-owned subsidiary,



Sony/Tektronix. We are proud to see that these instruments are of the same high quality and workmanship as those produced at Beaverton or our European factories.

Again, we sincerely invite you to visit Tektronix if you are in the Portland-Beaverton area.

*Howard Vollum*

President



## INTERIM REPORT TEKTRONIX, INC.

NOVEMBER 13, 1965



DR. KURT SCHMIDT OF General Electric Co., one of the developers of GE's new Lucalox vapor light bulb, here uses a Tektronix oscilloscope as part of his test equipment.

**TEKTRONIX, INC. CONSOLIDATED WITH SUBSIDIARIES**  
**UNAUDITED FINANCIAL STATEMENTS (THOUSANDS)**

OPERATION	12 weeks ended Nov. 13 1965	12 weeks ended Nov. 14 1964	52 weeks ended Nov. 13 1965	52 weeks ended Nov. 14 1964
NET SALES .....	\$23,363	\$18,813	\$89,066	\$75,646
MANUFACTURING COST OF SALES	10,273	8,343	38,917	34,078
GROSS PROFIT .....	13,090	10,470	50,149	41,568
EXPENSES .....	8,435	7,133	33,789	29,321
Selling .....	1,996	2,063	8,880	8,687
Research and development .....	2,022	1,588	7,979	6,991
Administration .....	1,932	1,595	8,084	6,621
Interest expense .....	7	12	70	520
Non-operating expense (income) .....	(58)	63	(300)	(54)
Employee profit share .....	2,536	1,812	9,076	6,556
INCOME BEFORE INCOME TAXES ....	4,655	3,337	16,360	12,247
PROVISION FOR INCOME TAXES ....	2,164	1,445	7,587	5,607
U. S. income taxes .....	1,849	1,235	6,368	4,782
State income taxes .....	152	93	575	395
Foreign income taxes .....	163	117	644	430
EARNINGS .....	2,491	1,892	8,773	6,640
EARNINGS PER SHARE .....	31.3¢	23.4¢	\$1.101	82.2¢
Depreciation of facilities .....	571	531	2,428	2,348
Orders received .....	25,906	18,868	97,734	77,783

CONDITION	Nov. 13 1965	Aug. 21 1965	Nov. 14 1964
CURRENT ASSETS .....	\$42,952	36,885	32,582
Cash .....	1,685	1,443	23
Time deposits .....	4,014	1,979	—
Accounts receivable — net .....	14,130	12,619	11,712
Finished inventory .....	4,414	4,603	6,268
Other inventory .....	17,891	15,583	13,585
Prepaid expenses .....	818	658	994
CURRENT LIABILITIES .....	15,368	10,938	9,377
Indebtedness .....	153	151	490
Accounts payable .....	1,938	1,523	1,005
Income taxes .....	6,464	4,924	3,706
Accrued expenses .....	6,813	4,340	4,176
WORKING CAPITAL .....	27,584	25,947	23,205
FACILITIES at depreciated cost .....	20,483	19,546	18,460
INTANGIBLE ASSETS .....	154	154	175
INVESTMENTS at cost .....	410	410	271
LONG-TERM INDEBTEDNESS—less current portion .	(475)	(475)	(502)
SHAREHOLDERS' EQUITY .....	48,156	45,582	41,609
Common shares .....	5,997	5,997	5,975
Less treasury shares at cost .....	(2,248)	(2,331)	—
Retained earnings .....	44,407	41,916	35,634
Common shares outstanding .....	7,969	7,964	8,081
Number of employees .....	5,716	5,333	4,925