

### ■ *Sales and Earnings Decline from Last Year*

For the twelve weeks ended November 16, 1985, Tektronix' sales were down 4% from the comparable quarter a year ago, and earnings were 36% below last year. The company's order rate continues to be affected by the slowdown in many electronic equipment markets.

Earnings for the quarter were \$12,794,000, compared with \$20,039,000 in last year's second quarter. Earnings per share were \$0.62, down from \$0.99 a year ago.

Consolidated net sales for the quarter were \$322,422,000, compared with \$336,156,000 in last year's second quarter. Sales to customers in the United States decreased 6% from \$217,954,000 to \$205,630,000, and made up 64% of the total. International sales decreased 1% from \$118,202,000 to \$116,792,000.

Instrument sales in the quarter were \$135,786,000, or 3% below the \$139,290,000 recorded a year ago. Design Automation and Information Display sales declined 2% from the prior year's \$135,280,000 to \$132,882,000. Communications product sales were \$53,754,000, down 13% from \$61,586,000 in last year's second quarter.

All financial results from last year have been restated to reflect the acquisition in March 1985 of CAE Systems, Inc.

Beginning with the first quarter of fiscal 1986, purchasing expenses are included in cost of sales rather than administrative expense. To make the prior year's results comparable with this year, purchasing expenses of \$2,906,000 for the twelve weeks ended November 10, 1984 and \$5,651,000 for the 24 weeks ended November 10, 1984 have been reclassified from administrative expense to cost of sales.

### ■ *Expense and Asset Management*

Improvement in gross margins continued in the quarter. Manufacturing cost of sales in the second quarter was 49.6% of net sales, compared with 50.8% a year ago. The company has programs in place which are aimed at making further progress in the future.

A significant contributor to the improved cost of sales has been large reductions in the company's inventories. That trend continued in the most recent quarter. Inventories totalled \$189,871,000 at the end of the quarter, \$18,741,000 below the beginning of the quarter and \$44,832,000 below last year's level. Inventory turnover was 18% above last year's second quarter, despite the sales decline.

Growth in other operating expenses, particularly engineering and administrative expenses, slowed in this quarter.

Because orders and sales continue to be below planned levels, the company has taken measures to further reduce expenses. These include extension of the regularly scheduled holiday shutdown, hiring and pay freezes, and budget reductions.

Employment levels continue to be reduced through attrition. At the end of the quarter, the company had 20,094 employees, compared with 20,754 a year ago.

### ■ *Orders Remain Sluggish*

Customer orders in the quarter were \$322 million, down 4% from last year. U.S. and international order trends were approximately equal in the quarter. Communications orders showed modest growth, and the other product groupings registered declines in orders.

The backlog of unfilled orders at the end of the quarter was \$289 million, equal to the beginning of the quarter and 15% below the \$340 million reported at the end of last year's second quarter.

### ■ *New Director Elected*

In October, Robert W. Lundeen, Chairman of the Board of Dow Chemical Company, was elected to the Tektronix Board of Directors. He has been with Dow since 1946, and was elected Chairman in 1982 after four years as executive vice president.

### ■ *Share Repurchase; Dividend Declaration*

In September and October, the company purchased in the open market one million of its common shares. Subsequently, the Board of Directors authorized the purchase of up to 500,000 additional shares in the open market from time to time.

At its meeting on December 5, 1985, the Board of Directors declared a regular quarterly dividend of 25 cents per share, payable on February 10, 1986 to shareowners of record on January 24, 1986.

# Tektronix Consolidated Second Quarter

*unaudited in thousands*

<b>Income</b>						
12 Weeks to Nov. 10, 1984	12 Weeks to Nov. 16, 1985	24 Weeks to Nov. 10, 1984	25 Weeks to Nov. 16, 1985	52 Weeks to Nov. 10, 1984	53 Weeks to Nov. 16, 1985	
<b>\$336,156</b>	<b>\$322,422</b>	<b>\$643,176</b>	<b>\$624,906</b>	<b>\$1,425,035</b>	<b>\$1,419,812</b>	<b>Net Sales</b>
170,776	159,765	325,479	316,173	726,908	696,618	Cost of Sales
<b>165,380</b>	<b>162,657</b>	<b>317,697</b>	<b>308,733</b>	<b>698,127</b>	<b>723,194</b>	<b>Gross Income</b>
43,632	46,041	82,265	92,548	169,733	201,452	Engineering Expense
52,488	59,562	98,976	114,849	212,437	243,164	Selling Expense
29,263	31,635	55,253	62,718	126,402	134,569	Administrative Expense
11,710	8,609	25,368	15,065	54,843	48,720	Profit Sharing
<b>28,287</b>	<b>16,810</b>	<b>55,835</b>	<b>23,553</b>	<b>134,712</b>	<b>95,289</b>	<b>Operating Income</b>
4,682	3,614	10,454	7,373	24,508	16,257	Interest Expense
5,129	3,224	7,870	4,947	12,075	9,297	Non-Operating Income
<b>28,734</b>	<b>16,420</b>	<b>53,251</b>	<b>21,127</b>	<b>122,279</b>	<b>88,329</b>	<b>Income Before Taxes</b>
8,695	3,626	16,970	4,859	(1,760)	18,161	Income Taxes
<b>20,039</b>	<b>12,794</b>	<b>36,281</b>	<b>16,268</b>	<b>124,039</b>	<b>70,168</b>	<b>Earnings</b>
<b>\$0.99</b>	<b>\$0.62</b>	<b>\$1.79</b>	<b>\$0.79</b>	<b>\$6.28</b>	<b>\$3.41</b>	<b>Earnings Per Share</b>
0.25	0.25	0.50	0.50	1.00	1.00	Dividends Per Share
<b>336,000</b>	<b>322,000</b>	<b>645,000</b>	<b>634,000</b>	<b>1,417,000</b>	<b>1,368,000</b>	<b>Customer Orders</b>
340,000	289,000	340,000	289,000	340,000	289,000	Unfilled Orders at Period-end
139,290	135,786	273,324	271,384	591,734	613,401	Instrument Sales
135,280	132,882	256,950	246,199	585,860	555,866	Design and Display Sales
61,586	53,754	112,902	107,323	247,441	250,545	Communications Sales
217,954	205,630	412,735	400,151	918,887	911,090	United States Sales
118,202	116,792	230,441	224,755	506,148	508,722	International Sales

## Changes in Financial Position

12 Weeks to Nov. 10, 1984	12 Weeks to Nov. 16, 1985	24 Weeks to Nov. 10, 1984	25 Weeks to Nov. 16, 1985	52 Weeks to Nov. 10, 1984	53 Weeks to Nov. 16, 1985	
<b>\$36,159</b>	<b>\$30,242</b>	<b>\$67,366</b>	<b>\$50,287</b>	<b>\$173,446</b>	<b>\$151,684</b>	<b>Funds From Operations</b>
20,039	12,794	36,281	16,268	124,039	70,168	Earnings
17,226	18,380	34,281	36,143	76,612	81,105	Depreciation Expense
(1,570)	(1,665)	(2,594)	(2,618)	(4,154)	(4,694)	Joint Venture Earnings—Net
464	733	(602)	494	(23,051)	5,105	Deferred Income Taxes
<b>(48,859)</b>	<b>(49,742)</b>	<b>(78,325)</b>	<b>(58,206)</b>	<b>(49,087)</b>	<b>(55,217)</b>	<b>Net Funds From Financing</b>
(5,599)	(737)	(11,009)	(8,034)	(17,899)	(6,517)	Short-Term Debt
(48,214)	(1,780)	(75,586)	(6,607)	(92,672)	(14,094)	Long-Term Debt Reductions
1,464	65	1,464	75	33,320	3,312	Long-Term Debt Additions
3,490	(47,290)	6,806	(43,640)	28,164	(37,918)	Common Shares
<b>(19,010)</b>	<b>(14,394)</b>	<b>(37,345)</b>	<b>(29,081)</b>	<b>(95,634)</b>	<b>(70,212)</b>	<b>Facilities Expenditures</b>
39,568	26,744	70,355	56,771	49,294	49,915	<b>Other Changes in Financial Position</b>
(4,840)	(5,059)	(9,664)	(10,241)	(19,270)	(20,253)	<b>Dividends</b>
<b>3,018</b>	<b>(12,209)</b>	<b>12,387</b>	<b>9,530</b>	<b>58,749</b>	<b>55,917</b>	<b>Changes in Cash and Investments</b>

## Financial Position

Nov. 10, 1984	March 2, 1985	May 25, 1985	August 24, 1985	Nov. 16, 1985	
<b>\$703,028</b>	<b>\$702,726</b>	<b>\$765,819</b>	<b>\$723,302</b>	<b>\$704,034</b>	<b>Current Assets</b>
186,170	192,245	232,557	245,296	242,087	Cash and Investments
246,267	241,190	279,771	225,465	234,705	Accounts Receivable
234,703	232,468	219,056	208,612	189,871	Inventories
35,888	36,823	34,435	34,929	37,371	Prepaid Expenses
<b>216,879</b>	<b>202,521</b>	<b>228,452</b>	<b>180,103</b>	<b>192,928</b>	<b>Current Liabilities</b>
18,036	19,142	19,553	12,256	11,519	Short-Term Debt
92,358	84,350	99,443	87,778	95,600	Accounts Payable
30,777	25,198	17,081	15,716	10,899	Income Taxes Payable
75,708	73,831	92,375	64,353	74,910	Accrued Compensation
<b>486,149</b>	<b>500,205</b>	<b>537,367</b>	<b>543,199</b>	<b>511,106</b>	<b>Working Capital</b>
408,216	401,676	398,524	396,425	390,152	Facilities Less Depreciation
59,141	58,907	60,029	60,955	67,557	Other Assets
96,353	88,866	92,103	87,286	85,571	Long-Term Debt
48,438	47,817	48,779	48,884	50,027	Other Liabilities
<b>808,715</b>	<b>824,105</b>	<b>855,038</b>	<b>864,409</b>	<b>833,217</b>	<b>Shareholders' Equity</b>
119,115	124,177	124,837	128,487	81,197	Common Shares
713,397	732,545	757,285	755,577	763,312	Reinvested Earnings
(23,797)	(32,617)	(27,084)	(19,655)	(11,292)	Currency Adjustment
20,365	20,650	20,701	20,760	19,827	Number of Shares Outstanding
20,754	20,730	20,525	20,404	20,094	Number of Employees