

TO
our
SHAREHOLDERS
—
Jerome J. Meyer

QUARTERLY REPORT
1 9
9 4
to SHAREHOLDERS

WE'RE PLEASED TO REPORT that Tektronix earnings in the first quarter improved significantly over a year ago despite difficult economic conditions in several of our major markets worldwide.

Earnings were up 21 percent excluding accounting and tax gains that affected results in both quarters. Net earnings for the period were \$9.7 million or \$0.32 per share, compared with \$9.5 million or \$0.32 per share in first quarter 1993. However, current quarter results include a gain of \$2.2 million or \$0.07 per share from one-time tax-related gains. First quarter fiscal 1993 results include a gain of \$3.3 million or \$0.11 per share, representing the net impact of accounting changes. Excluding these one-time gains, earnings for the current quarter would have been \$7.5 million or \$0.25 per share, compared with first quarter 1993 earnings of \$6.2 million or \$0.21 per share.

Consistent with our range of expectations, net sales for first quarter 1994 were \$290.1 million, compared with \$304.6 in fiscal 1993. Recessionary conditions in Europe and Japan were a major contributor to our sales results.

The fact that earnings improved despite moderately lower revenues is testimony to the impact of our ongoing program to increase shareholder value. We continue to aggressively pursue expense control measures, building on the progress we made in fiscal 1993 in removing \$30 million from our administrative cost run rate. First quarter operating expenses were \$121.2 million compared with \$131.2 for the period last year.

Looking inside the company, our Computer Graphics business continues to grow nicely. Sales were up 15 percent over last year, with both printers and X terminals reporting strong growth. Test and Measurement faced increased weakness in recessionary economies overseas and some of its major industrial markets. Television sales also were affected by difficult economic conditions, as well as the fact that last year's quarter reflected high initial shipments of the Model 3000 digital switcher.

During the quarter we strengthened our competitive position in the X terminal market with the introduction of the XP350 Series of high-speed RISC-based X terminals that set new performance standards at midrange price levels. We garnered another editorial award for our printers — *PC Computing* named the Phaser 200i "best" in a field of color printers. And for our efforts in broadcast, Tektronix received its eighth Emmy. The award from the National Academy of Television

Arts and Sciences recognized our contributions in serial digital technology.

We continue to improve our balance sheet. The company completed a refinancing during the quarter, issuing \$100 million of 7.5% 10-year notes. Taken with earlier actions, Tektronix has lessened its dependence on short-term debt and reduced the interest rates paid on long-term notes.

Annual Meeting

Five directors were elected at the Tektronix annual meeting of shareholders held on September 23, 1993. Paul E. Bragdon, Paul C. Ely, Jr. and Andrew V. Smith were elected for three-year terms; Richard W. Sonnenfeldt was elected to a one-year term; and Delbert W. Yocam was elected to a two-year term. We outlined the areas that will receive corporate-wide attention this year: working capital improvement, continued attention to costs, further globalization, employee motivation programs and initiatives designed to return Tektronix to sales growth.

At its meeting on the same day, the Board of Directors declared a dividend of 15 cents per share payable on October 25, 1993 to shareowners of record on October 8, 1993.

New Officers

We welcomed three new executives and promoted a long-time Tektronix manager. Rudi Lamprecht joins us on November 1, 1993 as Vice President and President of our European Operations. Europe presents both challenge and opportunity, and this position allows us to bring greater focus to our efforts in the company's second largest market. Lamprecht hails from a 20-year career in European sales management at Hewlett-Packard.

Additionally, Vincent Chiappetta was named Vice President and General Operations Counsel in September. With tenure at Levi Strauss, Apple Computer and the law firm of Meyer, Hendricks, Victor, Osborne & Maledon of Phoenix, he has extensive experience in international law, product distribution and intellectual property. Gerald Perkel, head of our Network Displays business, was promoted to Vice President and General Manager of the division in August. The promotion came in recognition of Perkel's leadership in developing a world-class X terminal family. Shelley Potter joined the company in June as Vice President, Corporate Communications. Potter brings us the benefit of 15 years of communications management experience, most recently at Wyse Technology and Honeywell.

While we remain concerned about the worldwide economic climate, our first quarter results give us confidence that the measures we are taking to improve shareholder returns are moving the company in the right direction.

Thank you for your continued support.

Jerome J. Meyer
JEROME J. MEYER
Chairman of the Board and Chief Executive Officer

**CONSOLIDATED
STATEMENTS
of
OPERATIONS**

[In thousands, except per share amounts. Unaudited.]

| | 13 weeks to August 28, 1993 | 13 weeks to August 29, 1992 |
|--|-----------------------------------|-----------------------------------|
| Net sales | \$ 290,070 | \$ 304,624 |
| Operating costs and expenses: | | |
| Cost of sales | 154,201 | 160,118 |
| Research and development | 36,132 | 38,045 |
| Selling, general, and administrative | 83,932 | 91,693 |
| Total operating costs and expenses | 274,265 | 289,856 |
| Equity in joint venture losses | (1,117) | (1,453) |
| Operating income | 14,688 | 13,315 |
| Other expenses | 3,393 | 3,986 |
| Earnings before taxes | 11,295 | 9,329 |
| Income taxes | 1,564 | 3,172 |
| Earnings before cumulative effects of accounting changes | 9,731 | 6,157 |
| Cumulative effects of accounting changes: | | |
| Income taxes | — | 38,100 |
| Postretirement benefits (net of tax) | — | (34,775) |
| Net earnings | \$ 9,731 | \$ 9,482 |
| Earnings per share before cumulative effects of accounting changes | \$ 0.32 | \$ 0.21 |
| Earnings per share | 0.32 | 0.32 |
| Dividends per share | 0.15 | 0.15 |
| Average shares outstanding | 30,518 | 29,698 |
| Selected Supplemental Information | | |
| Test and Measurement sales | \$ 140,764 | \$ 157,493 |
| Computer Graphics sales | 87,006 | 75,707 |
| Television Systems sales | 62,300 | 71,424 |
| United States sales | 168,401 | 169,109 |
| International sales | 121,669 | 135,515 |
| Facilities expenditures | 16,305 | 14,148 |
| Depreciation expense | 13,925 | 15,518 |
| Dividends | 4,549 | 4,420 |

**CONSOLIDATED
BALANCE SHEETS**

[In thousands.
Unaudited.]

| | August 28, 1993 | May 29, 1993 |
|---|--------------------|-----------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 29,634 | \$ 30,004 |
| Accounts receivable – net | 211,052 | 248,514 |
| Inventories | 187,097 | 171,416 |
| Other current assets | 59,278 | 65,778 |
| Total current assets | 487,061 | 515,712 |
| Property, plant, and equipment | 788,712 | 793,174 |
| Accumulated depreciation and amortization | (556,392) | (557,340) |
| Property, plant, and equipment – net | 232,320 | 235,834 |
| Property held for sale | 39,125 | 38,489 |
| Long-term deferred tax assets | 90,934 | 88,629 |
| Other long-term assets | 110,511 | 105,841 |
| Total assets | \$ 959,951 | \$ 984,505 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Short-term debt | \$ 51,041 | \$ 69,481 |
| Accounts payable | 141,499 | 157,555 |
| Accrued compensation | 78,978 | 106,464 |
| Total current liabilities | 271,518 | 333,500 |
| Long-term debt | 100,073 | 70,073 |
| Other long-term liabilities | 146,271 | 145,988 |
| Shareholders' equity: | | |
| Common stock | 194,057 | 190,984 |
| Retained earnings | 198,403 | 193,221 |
| Currency adjustment | 49,629 | 50,739 |
| Total shareholders' equity | 442,089 | 434,944 |
| Total liabilities and shareholders' equity | \$ 959,951 | \$ 984,505 |
| Number of shares outstanding | 30,595 | 30,483 |
| Number of employees | 9,663 | 9,840 |

orders were up significantly as well. During the quarter, we introduced an 11x17-inch dye sublimation color printer and the TekXpress XP100 X terminal family. We expect the Phaser 480, which provides color printing for graphic arts, engineering/scientific and other applications that need fast, photorealistic output, to build on the market leadership we have established in letter-sized dye sublimation printers. Our new XP100 Series X terminals offer a leading price/performance ratio in the industry, making them well-suited for a variety of commercial applications.

NEW PRODUCTS, ALLIANCES FOR T&M While soft conditions in certain geographic and industrial markets continued to impact our Test and Measurement sales and orders, we expect major new products we are introducing this quarter, as well as alliances we established in the first half of the fiscal year, to help toward fulfilling our two-pronged strategy of transformation and consolidation for this business. Our joint distribution agreement with Rohde & Schwarz, the European market leader in mobile radio test equipment, became fully operational in the second quarter. This agreement and the Advantest alliance announced in June expand our product offerings and extend our geographic reach. We intend to transform by aggressively pursuing growth segments of test and measurement, such as hand-held electronic tools and transmission test equipment for the burgeoning telecommunications market. We are introducing significant new products in these areas as this letter goes to press and will report on them in our third quarter letter to you.

Difficult economic conditions also put pressure on sales and orders for Television Systems in the second quarter. During the period, our Television Products Division signed distribution agreements with Snell & Wilcox Ltd. and BARCO NV to further enhance our strong offerings in cable and video test and measurement products. Moving forward, we expect this business area to also benefit from new products slated for introduction in the next two quarters.

Robert Vance joined us during the quarter as Vice President and Chief Information Officer. Bob hails from Conner Peripherals, where he served in the same post and led Conner's strategic use of management information systems through a period of explosive growth for that company. The quarter also saw the promotion of Douglas Shafer, formerly U.S. Treasurer, to Treasurer. An outstanding 12-year Tektronix employee, Doug has made significant contributions to the many improvements in our balance sheet, working capital and cash management over the last three years.

Thank you for your continued support.


JEROME J. MEYER
Chairman and Chief Executive Officer
December 23, 1993

Exchange Listings:
Stock Symbol: TEK
New York Stock Exchange
Pacific Stock Exchange

Transfer Agent and Registrar:
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Shareholder Information:
Shareholders needing information relating to their shareholdings in Tektronix should contact the Company's Transfer Agent and Registrar at the address or telephone number noted above.







TO
our
SHAREHOLDERS
—
Jerome J. Meyer

QUARTERLY REPORT

1 9
9 4

to SHAREHOLDER

OUR AGGRESSIVE EFFORTS to transform Tektronix into a company that delivers greater shareholder value continue to have a positive effect on earnings, which increased 37 percent over a year ago. Net earnings for the second quarter fiscal 1994 were \$11.5 million, or \$0.37 a share, up from \$8.4 million, or \$0.28 a share, in second quarter fiscal 1993. However, a mixed world economic picture continues to impact sales. Net sales for the quarter were \$317.2 million, compared with \$333.5 million in the prior year's quarter.

Consistent with our commitment in fiscal 1993 to reduce our annual administrative cost run rate by \$30 million, operating expenses for the first six months of the fiscal year were \$28 million lower than first half fiscal 1993. We are nearly at our annual goal in just six months and expect the actions we continue to take to produce further improvement in this area. We are making excellent progress with the different programs we announced in June to increase focus on core businesses and drive greater operating efficiencies. Efforts continue to divest non-strategic businesses, consolidate facilities around the world and prune the Test and Measurement product line by discontinuing older items. During the quarter, Sony/Tektronix acquired a 30 percent equity interest in CAChe Scientific, Inc., reducing our ownership and providing CAChe with capital to help fund product flow.

Earnings in the period also reflected a gain of \$2.2 million from the sale of a portion of our interest in TriQuint Semiconductor, Inc. In addition, we realized a gain of approximately \$3.5 million on the sale of 500,000 of our shares in TriQuint's December 13, 1993 initial public offering for \$11 a share. The second gain will be reflected in our third quarter 1994 results.

Difficult economic conditions in certain markets, such as Germany and Japan, led to a weakness in international sales, which, combined with continued changes in product mix and a stronger yen, had a negative impact on gross margins.

PRODUCT ORDERS UP We are cautiously optimistic about the sales outlook for the balance of the fiscal year. Overall, product orders for the second quarter were up slightly over the year ago quarter, and we saw an improved order rate near the end of the quarter.

Good color printer and X terminal sales continue to drive growth in Computer Graphics, where second quarter

**CONSOLIDATED
STATEMENTS
of
OPERATIONS**

[In thousands, except per
share amounts.]

13 weeks to
Nov. 27,
1993

13 weeks to
Nov. 28,
1992

26 weeks to
Nov. 27,
1993

26 weeks to
Nov. 28,
1992

**CONSOLIDATED
BALANCE SHEETS**

[In thousands.]

November 27,
1993

May 29,
1993

| | | | | |
|--|------------|------------|------------|------------|
| Net sales | \$ 317,165 | \$ 333,485 | \$ 607,235 | \$ 638,109 |
| Operating costs and expenses: | | | | |
| Cost of sales | 171,951 | 169,645 | 326,152 | 329,763 |
| Research and development | 37,105 | 39,998 | 73,237 | 78,043 |
| Selling, general, and administrative | 88,703 | 104,616 | 172,635 | 196,309 |
| Total operating costs and expenses | 297,759 | 314,259 | 572,024 | 604,115 |
| Equity in joint venture (losses) | (299) | (98) | (1,416) | (1,551) |
| Operating income | 19,107 | 19,128 | 33,795 | 32,443 |
| Other expense | 1,750 | 6,351 | 5,143 | 10,337 |
| Earnings before taxes | 17,357 | 12,777 | 28,652 | 22,106 |
| Income taxes | 5,902 | 4,344 | 7,466 | 7,516 |
| Earnings before cumulative effects of accounting changes | 11,455 | 8,433 | 21,186 | 14,590 |
| Cumulative effects of accounting changes: | | | | |
| Income taxes | — | — | — | 38,100 |
| Postretirement benefits (net of tax) | — | — | — | (34,775) |
| Net earnings | \$ 11,455 | \$ 8,433 | \$ 21,186 | \$ 17,915 |
| Earnings per share before cumulative effects of accounting changes | \$ 0.37 | \$ 0.28 | \$ 0.69 | \$ 0.49 |
| Earnings per share | 0.37 | 0.28 | 0.69 | 0.60 |
| Dividends per share | 0.15 | 0.15 | 0.30 | 0.30 |
| Average shares outstanding | 30,608 | 29,915 | 30,558 | 29,806 |
| Selected Supplemental Information | | | | |
| Test and Measurement sales | 159,523 | 177,171 | 300,287 | 334,664 |
| Computer Graphics sales | 97,257 | 90,486 | 184,263 | 166,193 |
| Television Systems sales | 60,385 | 65,828 | 122,685 | 137,252 |
| United States sales | 180,126 | 180,508 | 348,527 | 349,617 |
| International sales | 137,039 | 152,977 | 258,708 | 288,492 |
| Facilities expenditures | 10,767 | 11,524 | 27,072 | 25,672 |
| Depreciation expense | 13,698 | 15,254 | 27,623 | 30,772 |
| Dividends | 4,613 | 4,506 | 9,162 | 8,926 |

Assets

Current assets:

| | | |
|---|------------|------------|
| Cash and cash equivalents | \$ 27,528 | \$ 30,004 |
| Accounts receivable — net | 223,627 | 248,514 |
| Inventories | 182,077 | 171,416 |
| Other current assets | 55,967 | 65,778 |
| Total current assets | 489,199 | 515,712 |
| Property, plant, and equipment | 775,534 | 793,174 |
| Accumulated depreciation and amortization | (550,536) | (557,340) |
| Property, plant, and equipment — net | 224,998 | 235,834 |
| Property held for sale | 39,157 | 38,489 |
| Long term deferred tax assets | 90,954 | 88,629 |
| Other long-term assets | 99,164 | 105,841 |
| Total assets | \$ 943,472 | \$ 984,505 |

Liabilities and shareholders' equity

Current liabilities:

| | | |
|--|------------|------------|
| Short-term debt | \$ 41,552 | \$ 69,481 |
| Accounts payable | 132,056 | 157,555 |
| Accrued compensation | 78,610 | 106,464 |
| Total current liabilities | 252,218 | 333,500 |
| Long-term debt | 100,034 | 70,073 |
| Other long-term liabilities | 147,137 | 145,988 |
| Shareholders' equity: | | |
| Common stock | 193,041 | 190,984 |
| Retained earnings | 205,245 | 193,221 |
| Currency adjustment | 45,797 | 50,739 |
| Total shareholders' equity | 444,083 | 434,944 |
| Total liabilities and shareholders' equity | \$ 943,472 | \$ 984,505 |

| | | |
|------------------------------|--------|--------|
| Number of shares outstanding | 30,568 | 30,483 |
| Number of employees | 9,179 | 9,840 |