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Tektronix Reports Results for Second Quarter Fiscal 2003

BEAVERTON, Ore., December 19, 2002 – Tektronix, Inc. (NYSE: TEK) today reported net sales of $204.6 million and net earnings from continuing operations, before non-recurring items, of $10.2 million or $0.12 per share, for the second quarter ending November 30, 2002. This compares with net sales of $207.6 million and net earnings from continuing operations, before non-recurring items, of $10.2 million or $0.11 per share, for the same period last year. Including non-recurring items, net income from continuing operations for the second quarter was $6.9 million or $0.08 per share, as compared with $7.4 million or $0.08 per share, for the same period a year ago.

"We continue to operate in a difficult environment. With little notable improvement in our markets, we continue to drive profitability and generate cash – as can be seen by our solid results again this quarter," said Rick Wills, Tektronix Chairman and CEO. "We believe our long-standing investment in product development, which enabled us to be the first to market on performance leading products, has positioned us well to take market share in our core market areas."

"We continued to sharpen our focus with the completion of several strategic transactions. During the quarter, we completed the transaction to acquire Sony's interest in our Japanese joint venture, Sony/Tektronix, a long-term strategic investment that will give us better access to the Japanese market and enable us to leverage engineering resources. We divested non-strategic businesses with the sale of our VideoTele.com subsidiary and the sale of selected optical test products. And, as we have throughout the downturn, we remain committed to making further investments in the areas where we have particular strength," said Wills.

“Although the downturn is longer and steeper than we originally anticipated, we continue to structure our business to drive operational efficiency and increase market share,” concluded Wills.

For the third quarter of fiscal 2003, the company expects sales to be down approximately 3%, compared to the same period a year ago. Operating margins are expected to be in the low-to-mid single digits, excluding non-recurring items of around $15 million. The company expects non-recurring costs in the third quarter largely associated with reductions in staffing levels in Japan.

Quarter Highlights

During the second quarter of fiscal 2003, the company announced the following:

- The completion of the acquisition to obtain Sony’s interest in its Japanese joint venture, Sony/Tektronix. The new company, now solely owned by Tektronix, is now conducting business as Tektronix Japan.
- The sale of its optical transmission test product family to Digital Lightwave® for $10 million in cash and the transfer of the lease on its Chelmsford, Massachusetts facility.
- The sale of its subsidiary, VideoTele.com, to Tut Systems, Inc. for stock and a note valued at approximately $7 million.
- The introduction of the TDS6404 digital storage oscilloscope (DSO) for digital engineers developing fast serial buses for computing, networking, and communications devices. With 4 GHz bandwidth, the TDS6404 complements Tektronix’ portfolio of signal integrity measurement and analysis tools.
- The introduction of the MTM400 MPEG transport stream monitor that can proactively detect video signal degradations before they become quality issues. The next-generation video monitoring tool incorporates an optional user-defined template that provides for video content verification.
- Important new options for its proven base transceiver station (BTS) tool that address the latest third-generation (3G) technology -- CDMA 1x Evolution-Data Optimized (1x EV-DO). Options CDE and CRE for the NetTek® BTS field tools enable easy transition and successful deployment for CDMA operators.
- A major sale of a variety of lab instruments to Taiwan’s Micro-Star International, Ltd., a leading provider of motherboards, servers, and related products for prominent clients in the PC industry worldwide.
- The purchase of Net-7™ networking monitoring systems by OMNITEL, the leading GSM mobile operator in the Baltic States, which will enable OMNITEL to proactively manage Quality of Service issues.

Tektronix will be discussing its second quarter results and future guidance on a conference call today, beginning at 1:30 p.m. Pacific Standard Time (PST). A live Webcast of the conference call will be available at www.tektronix.com/ir. A replay of the Webcast will be available at the same Web site through January 3, 2003.

Statements and information in this press release that relate to future events or results (including the Company’s expectations as to sales, operating margins, expenses, including non-recurring items, market position, new products and expected benefits from the acquisition of Sony/Tektronix) are based on the Company’s current expectations.

They constitute forward-looking statements subject to a number of risk factors, which could cause actual results to differ materially from those currently expected or desired. Those factors include: worldwide economic and geopolitical business conditions in the electronics, communications, computer and advanced technologies industries, including the length and severity of the current downturn, which is unknown, and in particular, the current downturn in the telecommunications industry, including but not limited to the optical segment, which has experienced a more dramatic decline than other industries; the ability to reduce expenditures to adjust to the current downturn while at the same time maintaining the capacity and resources to quickly ramp up if and when a recovery occurs; changes in order rates and customer cancellations, including changes in seasonal buying habits; competitive factors, including pricing pressures, technological developments and new products offered by competitors; changes in product and sales mix, and the related effects on gross margins; the Company's ability to deliver a timely flow of competitive new products, and market acceptance of these products; the availability of parts and supplies from third-party suppliers on a timely basis and at reasonable prices; inventory risks due to changes in market demand or the Company's business strategies; resolution of indemnities relating to certain acquisitions and divestitures; changes in effective tax rates; currency fluctuations; the ability to develop effective sales channels; the ability to successfully integrate the Sony/Tektronix and Profile acquisitions; and, generally, the Company's ability to execute successfully during the current downturn. Further information on factors that could cause actual results to differ from those anticipated is included in filings made by the Company from time to time with the Securities and Exchange Commission, including but not limited to, annual reports on Form 10-K and the quarterly reports on Form 10-Q.

About Tektronix

Tektronix, Inc. is a test, measurement, and monitoring company providing measurement solutions to the communications, computer, and semiconductor industries worldwide. With more than 55 years of experience, Tektronix enables its customers to design, build, deploy, and manage next-generation global communications networks and advanced technologies. Headquartered in Beaverton, Oregon, Tektronix has operations in more than 20 countries worldwide. Tektronix' Web address is www.tektronix.com.

Consolidated Statements of Operations

(In thousands, except per share amounts)	Quarter Ended November 30, 2002	Quarter Ended November 24, 2001	Two Quarters Ended November 30, 2002	Two Quarters Ended November 24, 2001
Net sales	$ 204,580	$ 207,578	$ 405,944	$ 415,262
Cost of sales	103,513	104,481	205,157	208,616
Gross profit	101,067	103,097	200,787	206,646
Research and development expenses	25,090	29,958	49,962	62,166
Selling, general and administrative expenses	63,826	59,274	120,162	114,084
Equity in business ventures' loss	1,440	623	2,893	1,605
Business realignment costs	3,259	4,444	12,824	12,372
Acquisition related costs	1,832	-	1,832	-
(Gain) loss on sale of assets	(492)	3,441	(507)	3,831
Operating income	6,112	5,357	13,621	12,588
Non-operating income, net	4,510	5,954	9,494	9,702
Earnings before taxes	10,622	11,311	23,115	22,290
Income tax expense (benefit)	3,718	3,959	(4,410)	7,801
Net earnings from continuing operations	6,904	7,352	27,525	14,489
Discontinued operations:				
Loss on sale of VideoTele.com (less applicable income tax benefit of $210)	(390)	-	(390)	-
(Loss) earnings from operations of VideoTele.com (less applicable income tax (benefit) expense of ($960), $311, ($1,413) and $412)	(1,782)	577	(2,624)	765
Gain on sale of Color Printing and Imaging division (less applicable income tax expense of $505)	-	-	-	937
Net earnings	$ 4,732	$ 7,929	$ 24,511	$ 16,191
Earnings per share from continuing operations - basic and diluted	$ 0.08	$ 0.08	$ 0.31	$ 0.16
(Loss) earnings per share from discontinued operations - basic and diluted	$ (0.02)	$ 0.01	$ (0.03)	$ 0.02
Earnings per share - basic and diluted	$ 0.05	$ 0.09	$ 0.28	$ 0.18
Weighted average shares outstanding - basic	87,127	91,531	88,343	91,786
Weighted average shares outstanding - diluted	87,335	91,969	88,625	92,437

Consolidated Balance Sheets

(In thousands)	November 30, 2002	May 25, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 170,241	$ 262,994
Short-term marketable investments	171,369	193,644
Trade accounts receivable, net	103,915	100,325
Inventories	112,814	125,086
Other current assets	72,020	65,107
Total current assets	630,359	747,156
Property, plant and equipment, net	164,039	143,251
Long-term marketable investments	371,440	301,104
Deferred tax assets, net	89,433	64,522
Other long-term assets	139,599	128,156
Total assets	$ 1,394,870	$ 1,384,189
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 140,037	$ 155,953
Accrued compensation	59,258	57,562
Current portion of long-term debt	57,675	41,765
Deferred revenue	16,454	18,103
Total current liabilities	273,424	273,383
Long-term debt	54,063	57,302
Other long-term liabilities	176,981	126,348
Shareholders' equity:		
Common stock	224,834	231,035
Retained earnings	739,448	774,282
Accumulated other comprehensive loss	(73,880)	(78,161)
Total shareholders' equity	890,402	927,156
Total liabilities and shareholders' equity	$ 1,394,870	$ 1,384,189
Shares outstanding	86,938	90,509

Selected Additional Financial Data

(Dollars in thousands, except per share amounts)	Quarter Ended % Growth		Quarter Ended November 30, 2002		Quarter Ended November 24, 2001	Two Quarters Ended % Growth		Two Quarters Ended November 30, 2002		Two Quarters Ended November 24, 2001
Product Orders and Sales Data:										
Orders	0%	$	181,000	$	180,300	8%	$	371,900	$	344,900
U.S.	(8%)		74,000		80,100	8%		154,300		142,700
International	7%		107,000		100,200	8%		217,600		202,200
Net Sales	(1%)	$	204,580	$	207,578	(2%)	$	405,944	$	415,262
U.S.	1%		95,564		94,313	(9%)		187,026		204,443
International	(4%)		109,016		113,265	4%		218,918		210,819
Effect of Non-recurring Items:										
Net earnings from continuing operations		$	6,904	$	7,352		$	27,525	$	14,489
Business realignment costs			3,259		4,444			12,824		12,372
Acquisition related costs			1,832		-			1,832		-
Reversal of tax reserve			-		-			(12,500)		-
Tax effect of non-recurring items			(1,782)		(1,555)			(5,130)		(4,330)
Net income excluding non-recurring items		$	10,213	$	10,241		$	24,551	$	22,531
Diluted earnings per share excluding non-recurring items		$	0.12	$	0.11		$	0.28	$	0.24
Income Statement Items as a Percentage of Net Sales:										
Cost of sales			51%		50%			51%		50%
Research and development expenses			12%		14%			12%		15%
Selling, general and administrative expenses			31%		29%			30%		27%
Equity in business ventures' loss			1%		0%			1%		0%
Business realignment costs			2%		2%			3%		3%
(Gain) loss on sale of assets			0%		2%			0%		1%
Operating income			3%		3%			3%		3%
Capital Expenditures and Depreciation:										
Capital expenditures		$	5,117	$	3,364		$	7,837	$	10,144
Depreciation expense		$	8,377	$	9,534		$	16,400	$	19,229

		Quarter Ended November 30, 2002		Year Ended May 25, 2002
Balance Sheet:				
Cash and Marketable Investments:				
Cash and cash equivalents	$	170,241	$	262,994
Short-term marketable investments		171,369		193,644
Long-term marketable investments		371,440		301,104
Cash and Marketable Investments	$	713,050	$	757,742
Accounts receivable as a percentage of annualized net sales		12.7%		11.9%
Days sales outstanding		46.2		43.4
Accounts receivable turnover		48.4		52.7
Inventory as a percentage of annualized net sales		13.8%		14.8%
Inventory turns		3.7		3.1

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Tektronix Second Quarter 2003 Results - Consolidation of Tektronix Japan

	Second Quarter FY 2002	Second Quarter FY 2003			
(In thousands, except per share amounts)	Tektronix	Tektronix	Tektronix Japan	Eliminations	Tektronix Consolidated
Orders	$ 180,300	$ 173,800	$ 19,700	$ (12,500)	$ 181,000
Net sales	$ 207,578	$ 198,410	$ 19,046	$ (12,876)	$ 204,580
Cost of sales	104,481	103,374	13,015	(12,876)	103,513
Gross profit	103,097	95,036	6,031	-	101,067
Research and development expenses	29,958	23,355	1,735	-	25,090
Selling, general and administrative expenses	59,274	56,090	7,736	-	63,826
Equity in business ventures' loss	623	1,835	-	(395)	1,440
Business realignment costs	4,444	3,259	-	-	3,259
Acquisition related costs	-	325	1,507	-	1,832
(Gain) loss on sale of assets	3,441	(492)	-	-	(492)
Operating income	5,357	10,665	(4,948)	395	6,112
Non-operating income (expense), net	5,954	4,522	(12)	-	4,510
Earnings (loss) before taxes	11,311	15,187	(4,960)	395	10,622
Income tax expense (benefit)	3,959	5,315	(1,736)	138	3,718
Net earnings (loss) from continuing operations	7,352	9,872	(3,224)	257	6,904
Discontinued operations:					
Loss on sale of VideoTele.com (less applicable income tax benefit of ($210))	-	(390)	-	-	(390)
Earnings (loss) from operations of VideoTele.com (less applicable income tax expense (benefit) of $311, ($960) and ($960))	577	(1,782)	-	-	(1,782)
Gain on sale of Color Printing and Imaging division (less applicable income tax expense of $505)	-	-	-	-	-
Net earnings (loss)	$ 7,929	$ 7,700	$ (3,224)	$ 257	$ 4,732
Earnings (loss) per share from continuing operations - basic and diluted	$ 0.08	$ 0.11	$ (0.04)	$ 0.00	$ 0.08
Earnings (loss) per share from discontinued operations - basic and diluted	$ 0.01	$ (0.02)	$ -	$ -	$ (0.02)
Earnings (loss) per share - basic and diluted	$ 0.09	$ 0.09	$ (0.04)	$ 0.00	$ 0.05
Weighted average shares outstanding - basic	91,531	87,127	87,127	87,127	87,127
Weighted average shares outstanding - diluted	91,969	87,335	87,335	87,335	87,335

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