



# Letter to our shareholders

**Fiscal 2004** was a very successful year on many fronts—the investments we made during the downturn enabled us to capitalize early in the recovery cycle in a number of ways. Our continued investments enabled us to bring new products to market and address customer needs head-on. We continued to streamline operations, evolve manufacturing, develop management depth, strengthen our sales channels, and make significant progress in next-generation product development—paving the way for a number of exciting advancements that will be appearing in new products.

### Financial Highlights

We delivered great results for the year with sales of \$920.6 million, 16% above fiscal 2003, and full-year orders of \$907.8 million, or growth of 21% over the previous year. This increase reflected a strengthening economy, growth in our markets and the strength of the products we brought to market.

In addition, we continued to drive profitability and positive cash flow. Our focus on increasing gross margins and discipline in managing our cost structure allowed us to grow operating margins and earnings per share from continuing operations. Operating margins increased from 2% last year to more than 15% this year, clearly demonstrating the leverage in our model. Earnings per share from continuing operations more than tripled from \$.40 in fiscal 2003 to \$1.37 in fiscal 2004. The strong earnings growth combined with tight working capital management allowed us to grow operating cash flow almost 90% to over \$130 million for fiscal year 2004.

For Years Ending	2004	2003	2002
Orders	\$ 907,757	\$ 750,257	\$ 687,381
Net Sales	920,620	791,048	810,300
Gross Profit	523,043	405,743	400,624
Operating Income	141,790	15,928	31,498
Income from Continuing Operations	118,225	35,148	33,556
EPS from Continuing Operations	\$ 1.37	\$ 0.40	\$ 0.36

### FINANCIAL HIGHLIGHTS



## Winning a Product Category at a Time

We executed to our strategy of winning a leading position in our markets a product category at a time with strong performance across all of our primary product categories, and all-time record performance in our logic analyzer and mobile protocol test products. We introduced new capabilities for our high-performance TLA700 Series logic analyzers and also introduced our next-generation midrange logic analyzer, the TLA5000 Series. We raised the bar for protocol analysis and performance with the introduction of the K15, a new protocol test platform equipped with application software to support the latest mobile communication protocols and a variety of network interfaces.

Our oscilloscopes continued to lead the market. In our performance oscilloscopes category, we introduced the 8GHz TDS6000B Digital Storage Oscilloscope Series, an ultra-high performance real-time oscilloscope with industry-leading signal fidelity. The announcement of the TDS7000B Series Digital Phosphor Oscilloscope took the award-winning oscilloscope to a new performance level, solving the most demanding high-speed measurement problems. In the midrange, we introduced the TDS5000B Series, featuring MyScope™, the industry's first customizable user interface with innovative features that are intuitive, easy-to-use, and allow more efficient design validation, measurements and tests. We also introduced our P7380 active differential probe using 7HP—IBM's new 0.18 micron Silicon Germanium technology. This is our first use of this technology in a test product, which, when used with Tektronix' ultra-high performance oscilloscopes, provides the highest signal fidelity and acquisition performance in the industry and represents a continuation of performance leadership from Tektronix.

Our video products continued to provide broadcasters and system integrators with the tools to support the conversion to digital. We launched a software waveform monitor that is used in an industry-leading nonlinear editing and finishing system to verify signal and picture quality. We also introduced new design verification tools for the latest video compression technologies for our leading MPEG Transport Stream Test System. These new tools enable video equipment manufacturers to perform software and hardware verification of designs using emerging technologies.



## Managing Our Product Portfolio

We made good progress in our two new product categories. In signal sources, we launched new products, made excellent progress in future core technologies and saw significant sales growth. In radio frequency or RF test, we introduced new products that provide engineers who develop RF technologies with the unique ability to trigger, capture, and analyze time-varying RF signals. These products are used in cutting-edge RF technologies ranging from RF identification tags to sophisticated radar applications.

We exited the distribution business at the close of the year to focus on our core product strategy when Rohde and Schwartz, whose products we distributed in the United States and Canada, began selling their products directly in those markets. The relationship was mutually beneficial, and helped Tektronix develop customer relationships and a direct sales force in support of our strategy to expand our RF product offerings.

Following the close of the year, we announced our agreement to acquire Inet Technologies, a leading global provider of communications software solutions. We expect Inet to bring a complementary product line to our mobile protocol test business, and together, we become one of the most complete end-to-end providers of network monitoring and protocol analysis solutions. Closing of this transaction is expected to be in the second quarter of fiscal 2005 and is subject to a number of contingencies, including regulatory and shareholder approval.

## Strong Global Operations

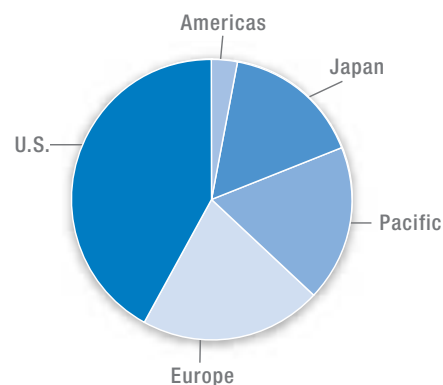
Many of the investments that we made in previous years have delivered strong returns with several notable examples. Fiscal 2004 was the first full year for our operations in Japan following the acquisition of a joint venture in fiscal 2003. Our Japan operation delivered very strong results in both end-user sales and in new product development. In addition, our China manufacturing center, also opened in late fiscal year 2003, is up and running extremely well during the first full year of operation—we continue to strategically develop this facility as one of our two primary manufacturing centers.

We successfully implemented a state-of-the-art supply chain enterprise resource planning system during the year continuing our commitment to manufacturing leadership. We made considerable progress in our initiative to improve gross margins, driving from 49.4% to 56.8% over the last two years.

We continue to evolve our global infrastructure and distribution channel to meet the changing needs and locations of our customers and believe that we have one of the broadest and most talented distribution networks in our industry. We strengthened our management team by promoting leaders from within our ranks and brought in top industry talent to fill key management posts.

In recognition of the capabilities of our products and our operational strength, Tektronix was named a recipient of Intel Corporation's Preferred Quality Supplier award for outstanding performance in providing products and services deemed essential to Intel's success.

We wouldn't have had this level of success without the dedication of our employees worldwide who embraced our efforts to elevate operational capabilities while strengthening relationships and meeting the needs of our customers.



REVENUE BY GEOGRAPHY

## Our Future

We ended fiscal year 2004 hitting on all cylinders. We have continued to invest in developing advanced technologies to meet the future road maps of our customers. We own a number one or strong number two position in each of our four core product categories and have excellent opportunities for growth in our two emerging product categories. The changes that we made to our cost structure contributed to growth in earnings per share of nearly 100% in fiscal year 2004, and should provide significant leverage in our model going forward.



Our focus in the future will be on creating and managing profitable growth and we believe we are well positioned to deliver on our objectives. The gains that we have made in our four core product categories and two emerging categories should further strengthen our leadership position. We remain focused on delivering the industry-leading products our customers demand, and will continue to manage our cost structure in a disciplined way.

**Rick Wills**  
Chairman, President, and CEO

# Corporate Information

## Board of Directors

### Richard H. Wills (2000)

*Chairman of the Board,  
President and Chief Executive Officer,  
Tektronix, Inc.*

### Pauline Lo Alker (1996)

*Retired, Former Chairman of the Board,  
Chief Executive Officer and President,  
Amplify.net*

### A. Gary Ames (1994)

*Retired, Former President and Chief Executive Officer,  
MediaOne International*

### Gerry B. Cameron (1997)

*Retired, Former Chairman of the Board  
and Chief Executive Officer  
US Bancorp*

### David N. Campbell (1998)

*Managing Director, Innovation Advisors,  
Former Chairman and Chief Executive Officer,  
Xpedior*

### Frank C. Gill (1999)

*Retired, Former Executive Vice President,  
Intel Corporation*

### General Merrill A. McPeak (Ret.) (1995)

*President, McPeak and Associates,  
Former Chief of Staff,  
United States Air Force,  
Chairman of the Board, Ethicspoint, Inc.*

### Cyril J. Yansouni (2003)

*Former Chairman of the Board, Read-Rite Corporation*

## Executive Officers

### Richard H. Wills

*Chairman of the Board,  
President and Chief Executive Officer*

### David S. Churchill

*Vice President and General Manager,  
Communications and Video Business Unit*

### James F. Dalton

*Vice President, Corporate Development,  
General Counsel and Secretary*

### Susan G. Kirby

*Vice President, Human Resources*

### John T. Major

*Vice President, Worldwide Manufacturing*

### Richard D. McBee

*Vice President, Worldwide Sales, Service and Marketing*

### Craig L. Overhage

*Vice President and General Manager,  
Instruments Business Unit*

### Colin L. Slade

*Senior Vice President and Chief Financial Officer*

## General Information

### Shareholders' Meeting

The annual meeting of shareholders of Tektronix, Inc., will be held Thursday, September 23, 2004, at 10:00 a.m. Pacific daylight time at Tektronix, Inc., Building 38, Beaverton, Oregon 97077-0001.

### Exchange Listings

Stock Symbol: TEK  
New York Stock Exchange

### Transfer Agent and Registrar

Mellon Investor Services LLC  
Shareholder Relations  
P.O. Box 3315  
South Hackensack, NJ 07606  
or  
85 Challenger Road  
Ridgefield Park, NJ 07660  
(800) 411-7025  
www.melloninvestor.com

TDD for Hearing Impaired:  
(800) 231-5469

Foreign Shareholders:  
(201) 329-8660

TDD Foreign Shareholders:  
(201) 329-8354

### Mailing Address

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P.O. Box 500  
14200 S.W. Karl Braun Drive  
Beaverton, OR 97077-0001  
(503) 627-7111

### Internet

www.tektronix.com

### 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.

### Investor Relations

Securities analysts and investors seeking additional information about the Company should contact Investor Relations at the mailing address above or at (503) 627-7727. Company information is also available on our website at [www.tektronix.com](http://www.tektronix.com)

The calendar year in ( ) indicates when the individuals became directors of Tektronix.

## About Tektronix

Founded in 1946, Tektronix is one of the world's leading test, measurement, and monitoring companies, providing measurement solutions to customers in many industries including computers, communications, and semiconductors worldwide. We enable our customers to design, build, deploy, and manage next-generation global communications networks and advanced technologies. Tektronix develops and markets a range of products, including oscilloscopes; logic analyzers; communications test equipment — including products for network monitoring, protocol and field test, and mobile protocol test; video test equipment; and related components, services, and accessories. Headquartered in Beaverton, Oregon, Tektronix (NYSE: TEK) has operations in more than 19 countries worldwide.

Statements made in this document are as of August 6, 2004. This document and any information included with this document that are not purely historical are forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of risks and uncertainties, including those described in the enclosed materials, in Company news releases, and in the Company's reports on Forms 10-K, 8-K, and 10-Q.

**Tektronix**  
Enabling Innovation