

VARIAN
medical systems



A partner for **life**

**Annual Shareholder Meeting
February 15, 2007**

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Elisha Finney
Senior Vice President and Chief Financial Officer

Forward-Looking Statements and Non-GAAP Reconciliation

Except for historical information, the information that follows contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include the matters described in the risk factors section of our information statement and other risks detailed from time to time in the company's filings with the Securities and Exchange Commission.

The company makes reference to certain financial results in the first quarter of fiscal year 2006 which would have been consistent with GAAP if presented in prior quarters, but which are now inconsistent with GAAP due to changes in accounting standards. These results were reached by excluding non-cash, share-based compensation expenses. The company references those results to allow a better comparison of results in the current period to those in prior periods. The company's reference to these results should be considered in addition to results that are prepared under current accounting standards but should not be considered a substitute for results that are presented as consistent with GAAP. A reconciliation between GAAP and Non-GAAP numbers appears at the end of the financial section of this presentation.

VMS FY06 Profile

Orders: \$1.8 B

Sales: \$1.6 B

EPS: \$1.85

Operating Earnings % 22%

Employees: 3,935

NYSE Symbol: VAR

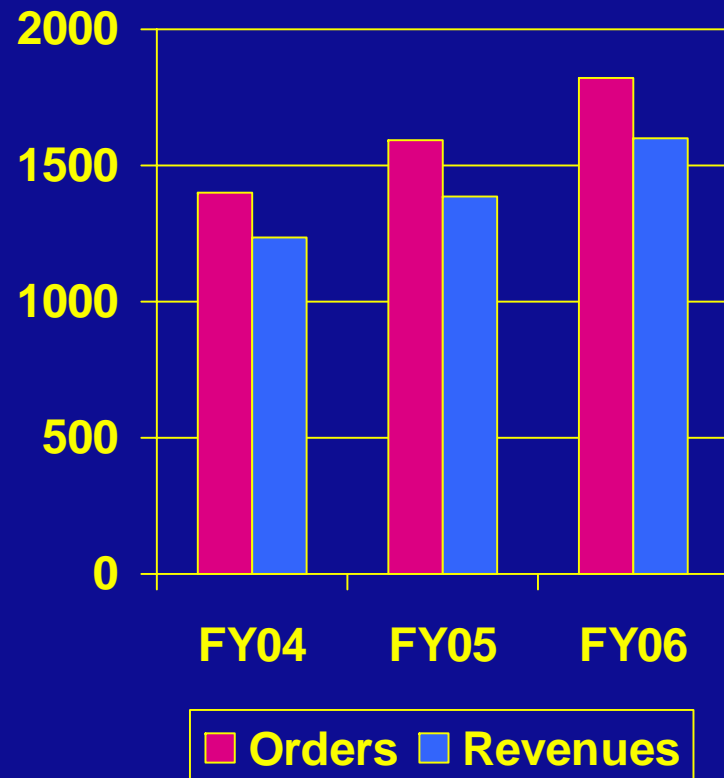
Note:

(1) FY06 EPS excludes amounts for the incremental stock options and other share-based compensation expenses, a tax benefit related to the repatriation of foreign earnings, a deferred tax asset adjustment and discontinued operations (Non-GAAP)

(2) FY06 Op Earnings excludes amounts for the incremental stock options and other share-based compensation expenses (Non-GAAP)

Financial Summary

In millions

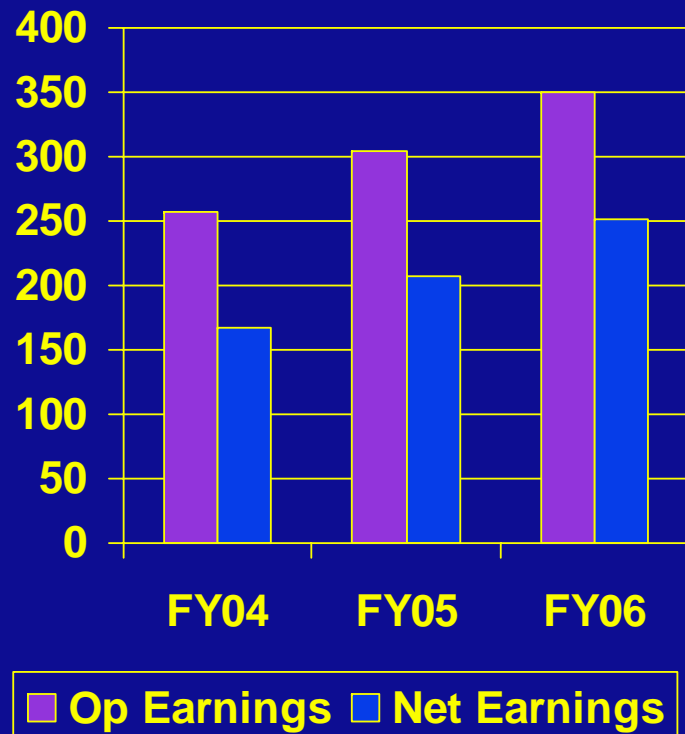


FY06

- **Orders increased 14%**
OSB +13%; XRP +19%
- **Revenues increased 16%**
OSB +16%; XRP +17%

Note: OSB Orders and Revenues have been adjusted to include Brachytherapy and exclude Security Inspection Products.

Financial Summary



FY06

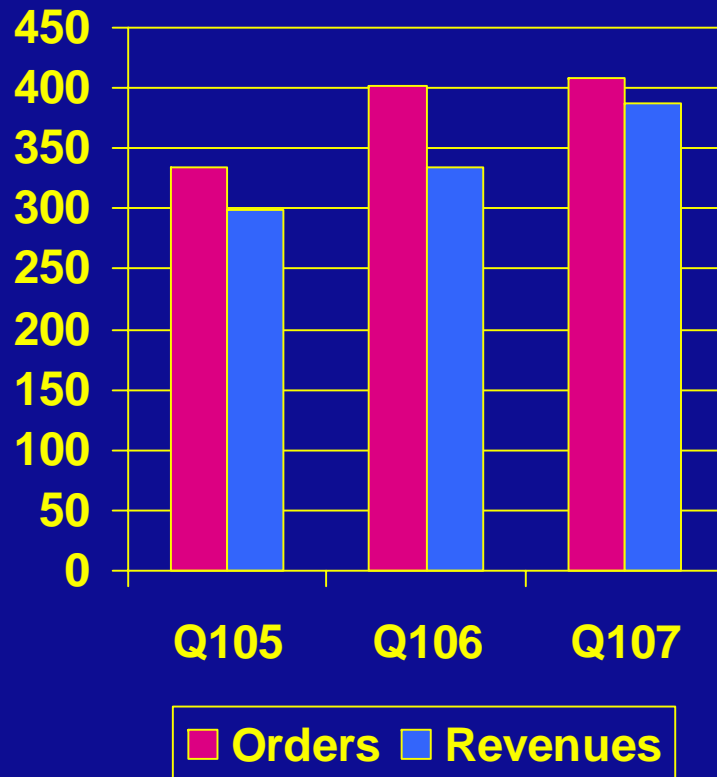
- Operating margin flat at 22%
- Operating Earnings up 15% to \$350M
- Net Earnings up 22% to \$251M

Note:

- (1) FY03 and FY04 adjusted to reflect the change from the LIFO method to the FIFO method of accounting for inventories.
- (2) FY06 Op Earnings excludes amounts for the incremental stock options and other share-based compensation expenses (Non-GAAP)
- (3) FY06 Net Earnings excludes amounts for the incremental stock options and other share-based compensation expenses, a tax benefit related to the repatriation of foreign earnings, a deferred tax asset adjustment and discontinued operations (Non-GAAP).

First Quarter FY07 (ended 12/29/06)

In millions



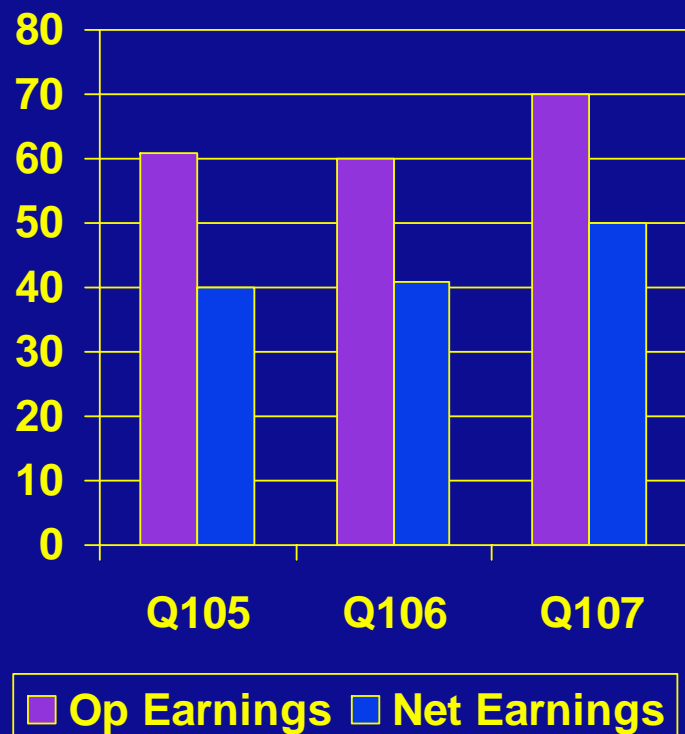
Q1 FY07

- **Orders increased 1%**
OSB +1%; XRP +22%
- **Revenues increased 16%**
OSB +15%; XRP +19%

Note: OSB Orders and Revenues have been adjusted in FY05 to include BrachyTherapy and exclude Security Inspection Products

First Quarter FY07 (ended 12/29/06)

Q1 FY07



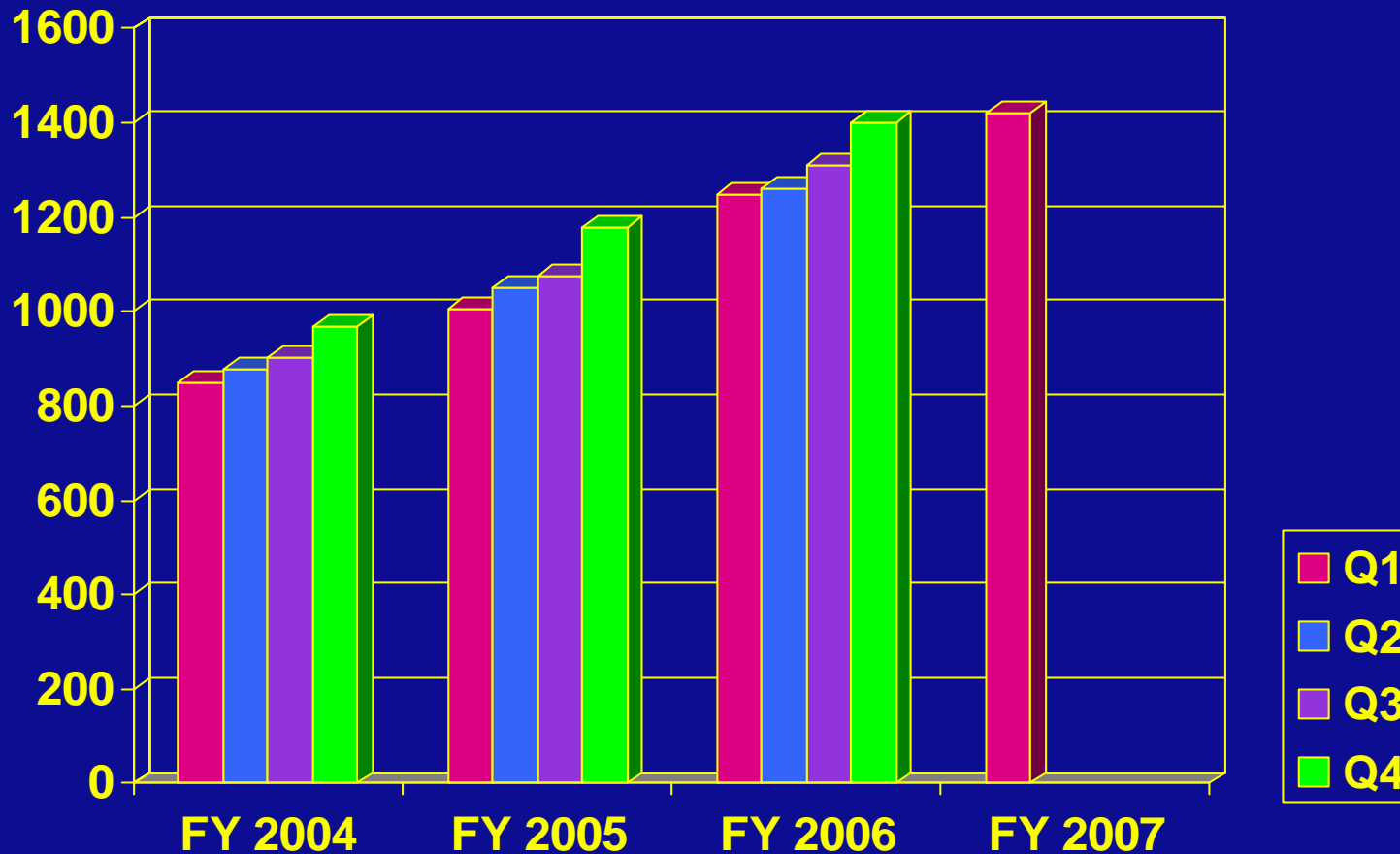
- Operating Margin flat at 18%
- Operating Earnings up 17% to \$70M
- Net Earnings up 20% to \$50M

Note: Q1 FY07 and Q1 FY06 include amounts for total share-based compensation expense and its related tax benefits (GAAP)

Backlog

Record \$1,421M

(As of 12/29/06)



Q1 FY07 Balance Sheet / Cash Flow

Conservative balance sheet

\$363M cash and marketable securities

\$57M total debt

\$799M shareholder equity

Spent \$77M on stock buy-back

***DSO 93 days – up 1 day from year ago quarter**

Strong cash flow

\$83M cash flow from operations

**Repurchase 1.5M shares during the quarter
concluding the previously-announced 6.0M share repurchase
program in effect through December 31, 2006**

**Board Authorization to repurchase another 4.5M shares
through September 27, 2007**

**Days Sales Outstanding*

FY06 Non-GAAP to GAAP Reconciliation

Consolidated Statements of Earnings (unaudited)		
	09/29/06 GAAP	09/29/06 Non-GAAP
Operating earnings	\$309.4	\$349.8
As a percent of revenues	19.4%	21.9%
Net earnings	\$245.1	\$251.0

Cash Flows From Operating Activities (unaudited)	
	Q4 YTD 09/29/06
GAAP cash flows from operating activities	\$201.8
Excess tax benefits from share-based payments (1)	\$51.9
Non-GAAP cash flows from operating activities	\$253.7
(1) Excess tax benefits from share-based payments represent excess windfall tax benefits that are being reported as a cash inflow in financing activities and as a cash flow in operating activities under SFAS 123(R).	

Note: Dollars in millions

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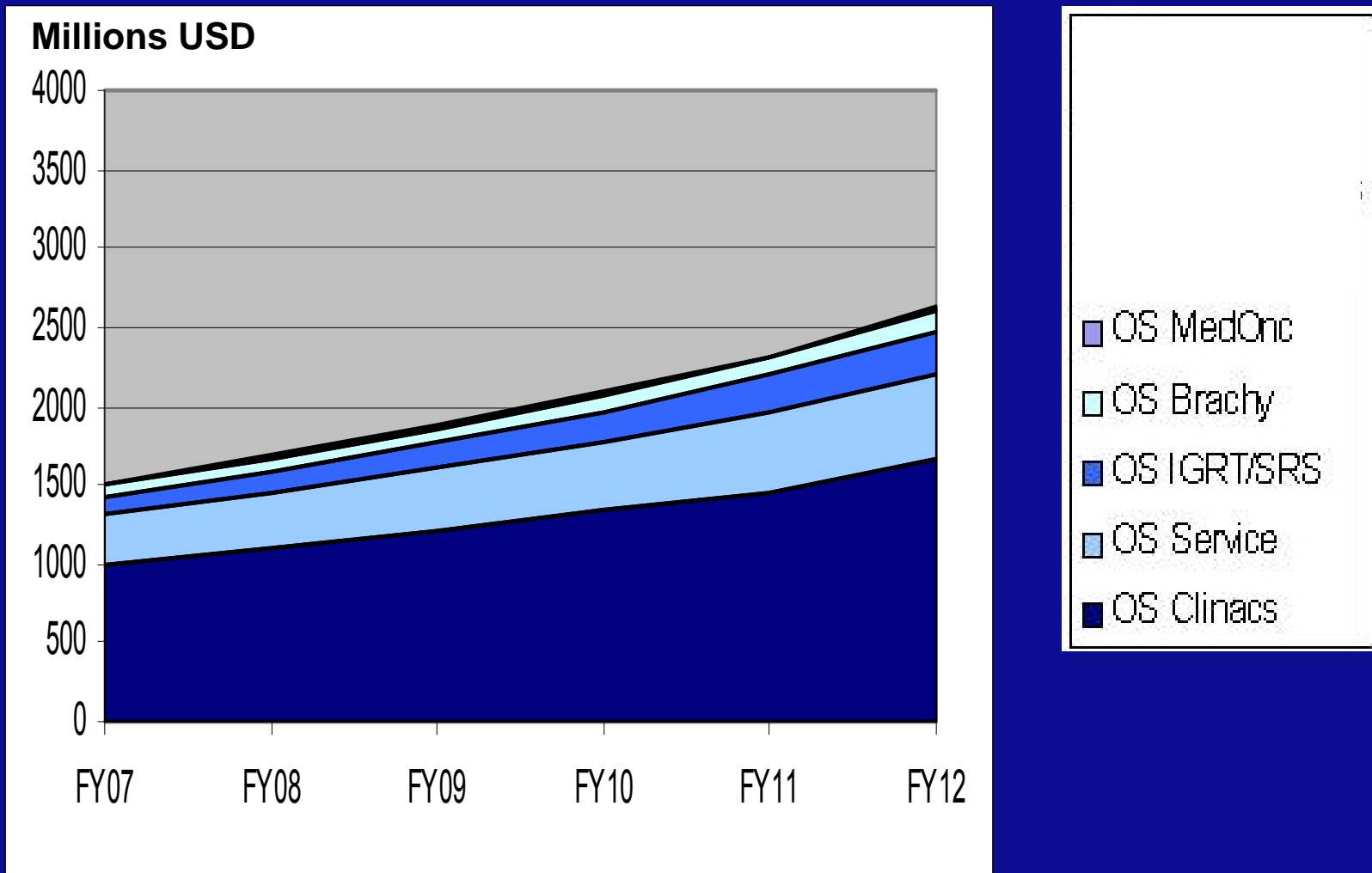
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Tim Guertin
President and Chief Executive Officer

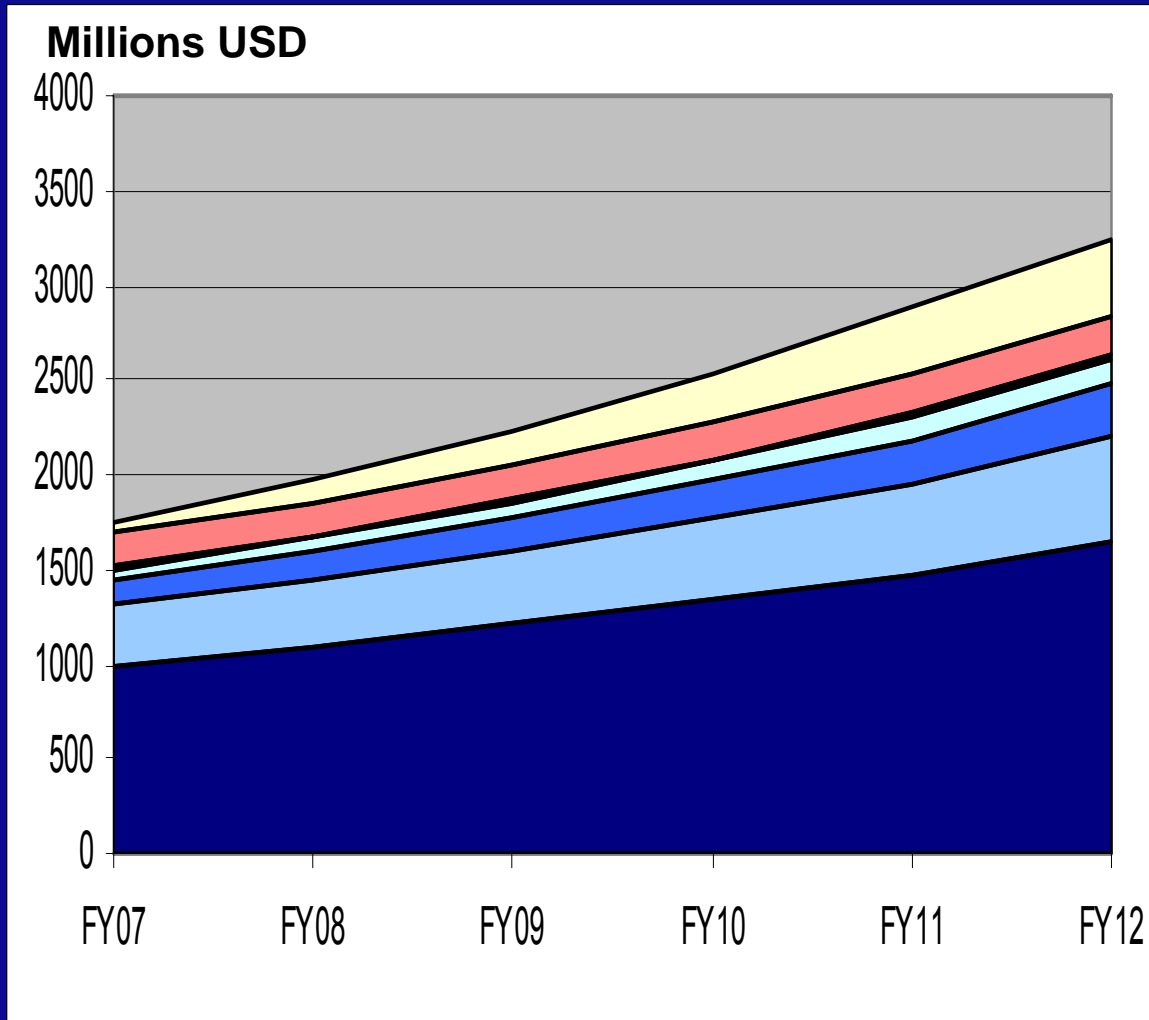
Business Segments - Orders

	<u>FY06</u>	<u>%</u>
<u>Oncology Systems</u>	\$1,535M	85%
Radiation Therapy		
Brachytherapy		
radiosurgery		
<u>X-Ray Products</u>	\$ 242M	13%
Tubes		
Flat Panel Imagers		
<u>Other</u>	\$ 43M	<u>2%</u>
Ginzton Technology Center		
Security and Inspection Products		
TOTAL	\$ 1,820M	100%

Five Year Growth Opportunity

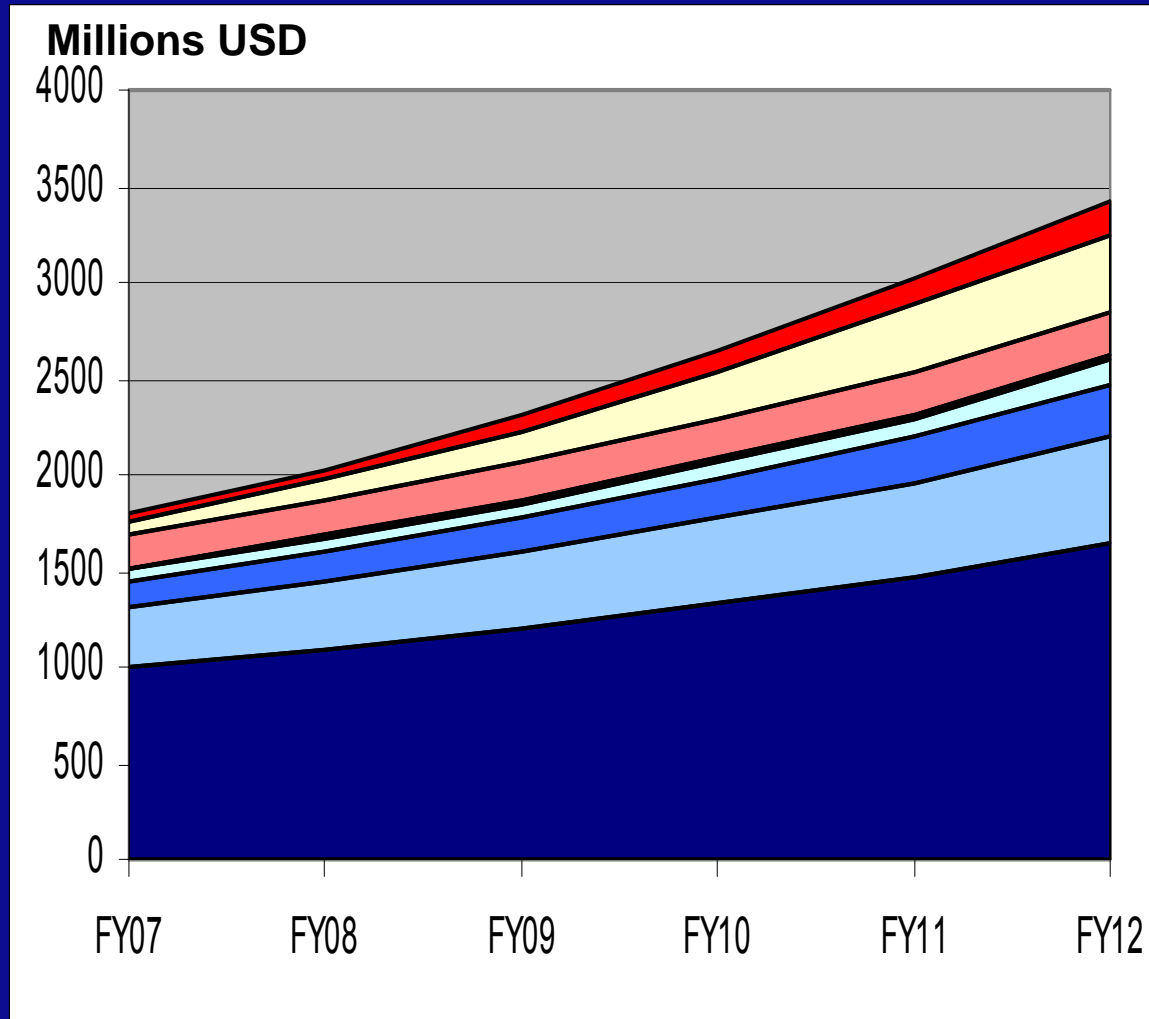


Five Year Growth Opportunity



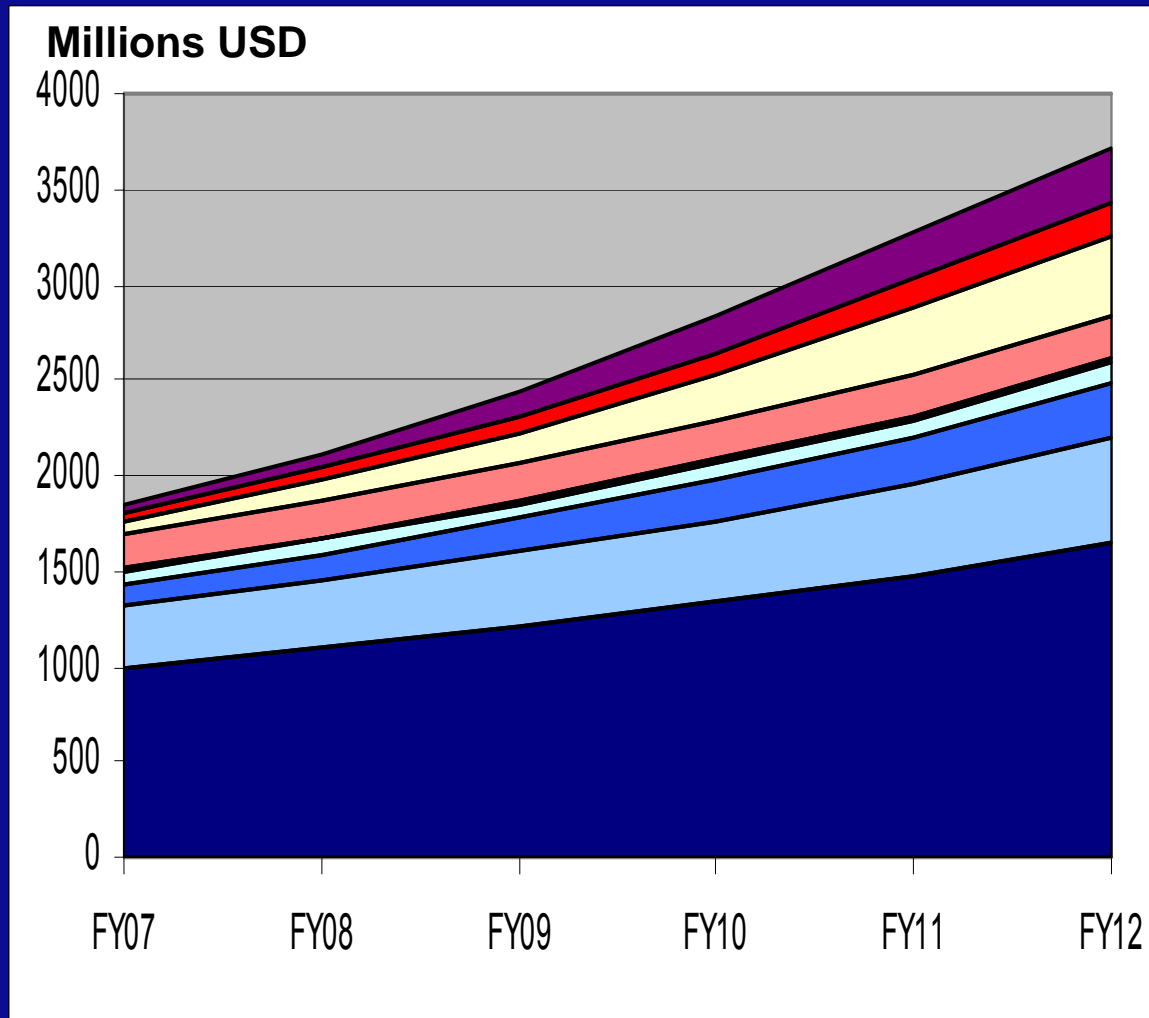
- X-ray Flat Panels
- X-ray Tubes
- OS MedOnc
- OS Brachy
- OS IGRT/SRS
- OS Service
- OS Clinacs

Five Year Growth Opportunity



- Security
- X-ray Flat Panels
- X-ray Tubes
- OS MedOnc
- OS Brachy
- OS IGRT/SRS
- OS Service
- OS Clinacs

Five Year Growth Opportunity



Oncology Growth Drivers

- Cancer Incidence Rising
- Global Market Underserved
- Better Technology, Better Pricing

Sustaining 10%-15% Global Growth in Varian Oncology Systems

Incidence of Cancer

- **Cancer incidence rising**
 - 1.4 M new patients/yr in US.
 - 2.9 M new patients/yr in EU25
 - 6.6 M new patients/yr ROW
- **Aging Population**
 - US: 36M over 65 (4000 linacs)
 - EU25: 78M over 65 (2500 linacs)
 - China: 102M > 65 (700 linacs + 300 cobalt)

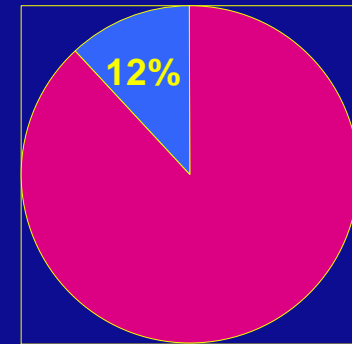
US Market Growth – 2000 to 2015

Drivers

- Growing, aging population
- Healthcare cost pressures

Rising needs: 2005 to 2015

- 13 → 15 machines per million pop.
- 3600 → 4700 machines
 - 1100 new installations
 - 3600 replacements

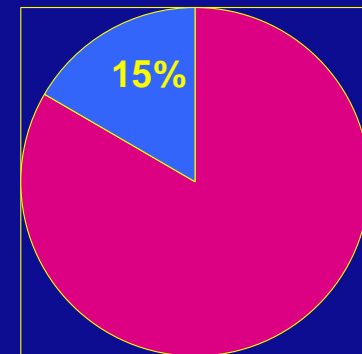


■ 0-64 ■ 65+

2000 – 282 Million

U.S. Population

2015 – 323 Million



■ 0-64 ■ 65+

Sources: US Census, IMV Rad. Onc. Census Report

The Conformality Continuum

Late 1990s

IMRT

2004

IGRT

2004

**Stereotactic
Treatments**

2006

Proton

TREND - IMPROVING PRECISION →



Average sales price:

\$1.9 million

\$2.4 million

\$3 million

\$25-150 million

Varian's Leadership in IGRT

- 400 shipments & installations as of Q4 FY06
- Only system with kV radiographic, fluoroscopic, gated fluoroscopic, automatic marker detection, 3D CBCT, ultrasound
- Respiratory gated imaging and treatment
- Fully automated, remotely controlled, robotic imaging and delivery system



The only fully automated process
2-4 minutes: Can be done in standard appointment

Top 50 Cancer Centers 2006

(Varian=78% Siemens=10% Elekta=12%)

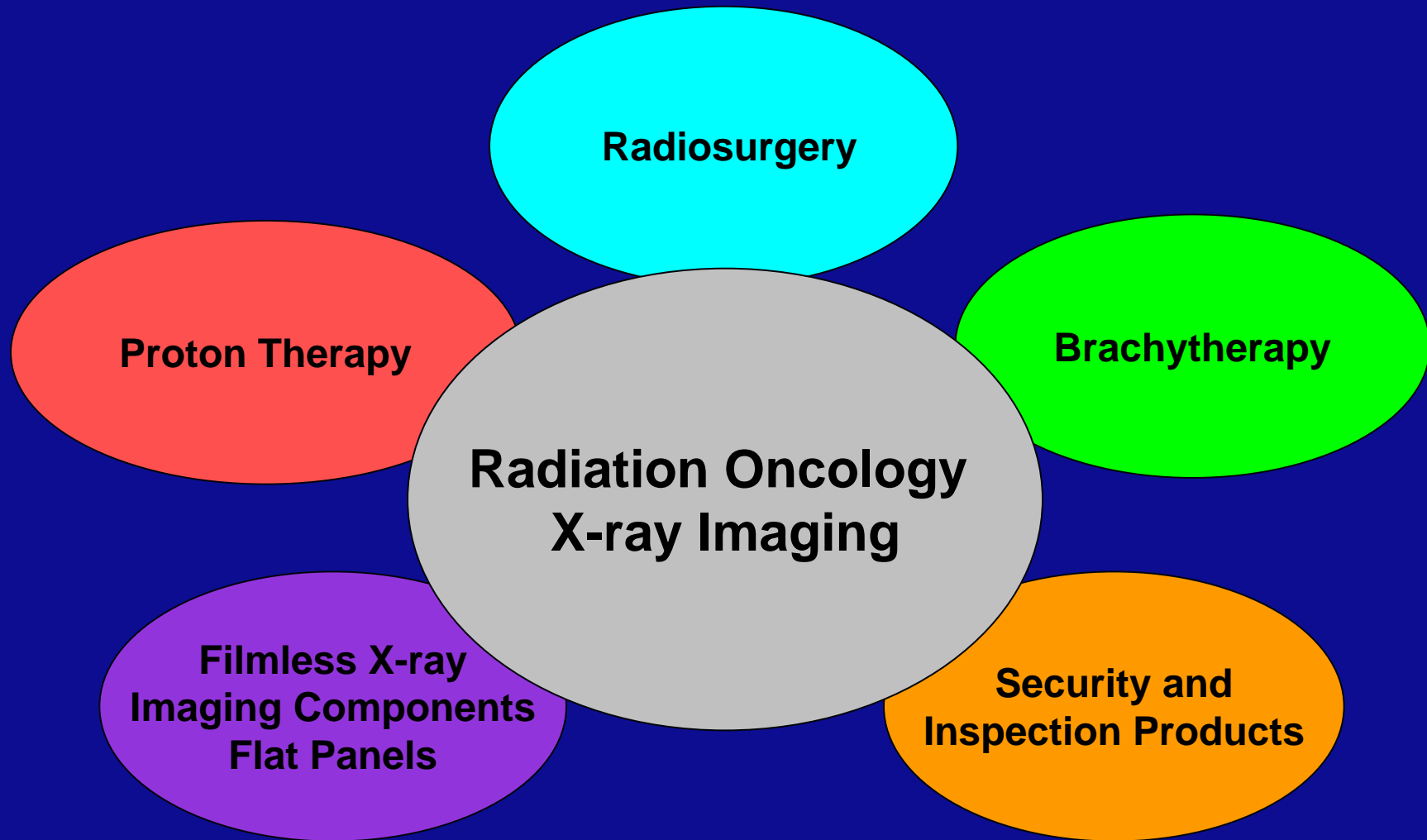
1. Memorial Sloan - Kettering Cancer Center
2. University of Texas, M. D. Anderson Cancer Center
3. Johns Hopkins Hospital, Baltimore
4. Mayo Clinic, Rochester, Minn.
5. Dana - Farber Cancer Institute, Boston
6. University of Washington Medical Center, Seattle
7. Duke University Medical Center, Durham, N.C.
8. University of Chicago Hospitals
9. UCLA Medical Center, Los Angeles
10. University of California, San Francisco Med Ctr
11. H. Lee Moffitt Cancer Center and Research Inst
12. University of Pittsburgh Medical Center
13. Cleveland Clinic
14. Stanford Hospital and Clinics, Stanford, Calif.
15. Massachusetts General Hospital, Boston
16. Fox Chase Cancer Center, Philadelphia
17. Barnes - Jewish Hospital/Washington University
18. University of Michigan Medical Center, Ann Arbor
19. Hospital of the University of Pennsylvania
20. Vanderbilt University Medical Center, Nashville
21. Ohio State University James Cancer Hospital
22. University Medical Center, Tucson, Ariz.
23. University of Alabama Hospital at Birmingham
24. New York - Presbyterian Univ. Hosp. of Columbia and Cornell
25. University Hospitals of Cleveland
26. Yale - New Haven Hospital, New Haven, Conn.
27. Brigham and Women's Hospital, Boston
28. University of Wisconsin Hospital and Clinics
29. University of Minnesota Medical Center
30. University of California, Irvine Medical Center
31. University of Virginia Medical Center
32. University of Colorado Hospital, Denver
33. University of California, San Diego Medical Center
34. University of Utah Hospitals and Clinics
35. Rush University Medical Center, Chicago
36. William Beaumont Hospital, Royal Oak, Mich.
37. Northwest Community Hospital, Arlington Hgts.
38. Lehigh Valley Hospital, Allentown, PA
39. Henry Ford Hospital, Detroit
40. Advocate Lutheran General Hosp, Park Ridge, IL
41. University of North Carolina Hospitals, Chapel Hill
42. Oregon Health and Science University Hosp.
43. Beth Israel Deaconess Medical Center, Boston
44. Dartmouth - Hitchcock Medical Center
45. Evanston, Northwestern Healthcare
46. Riverside Methodist Hospital - Ohio Health
47. University Hospital, Albuquerque, NM
48. Harper University Hospital, Detroit
49. Greater Baltimore Medical Center
50. Sarasota Memorial Hospital, Fla.

Source: US News and World Report 2006

Varian centers in yellow



Growing Our Emerging Businesses



Emerging Businesses

Varian Surgical Sciences

- **~\$350 million market**
- **Varian advantages**
 - **Speed**
 - **Accuracy**
 - **Versatility**
 - **Cost Efficiency**



Competing Radiosurgical Technologies

	Gamma Knife	CyberKnife	Trilogy
Sites Treated	Intracranial only	Intracranial and extracranial	Intracranial and extracranial
On-Board Imaging	No	Yes	Yes
Immobilization	Frame	Frame and Frameless	Frame and Frameless
SRS Time	30-60 minutes	2-4 hours	< 30 minutes
Fractionated Therapy	Not available	Yes	Yes
Field shaping	Conical collimators	Conical collimators	Conical collimators and MLC
Multipurpose machine	Intracranial SRS only	SRS, SRT, IGRT	SRS, SRT, IMRS, 3DCRT, IMRT, IGRT, Electron RT, Gated RT, Conformal Arc Therapy

Source: *Dr. Kevin Murphy, Medical Director,
University of California at San Diego*

Emerging Businesses

Varian- ACCEL Proton Therapy



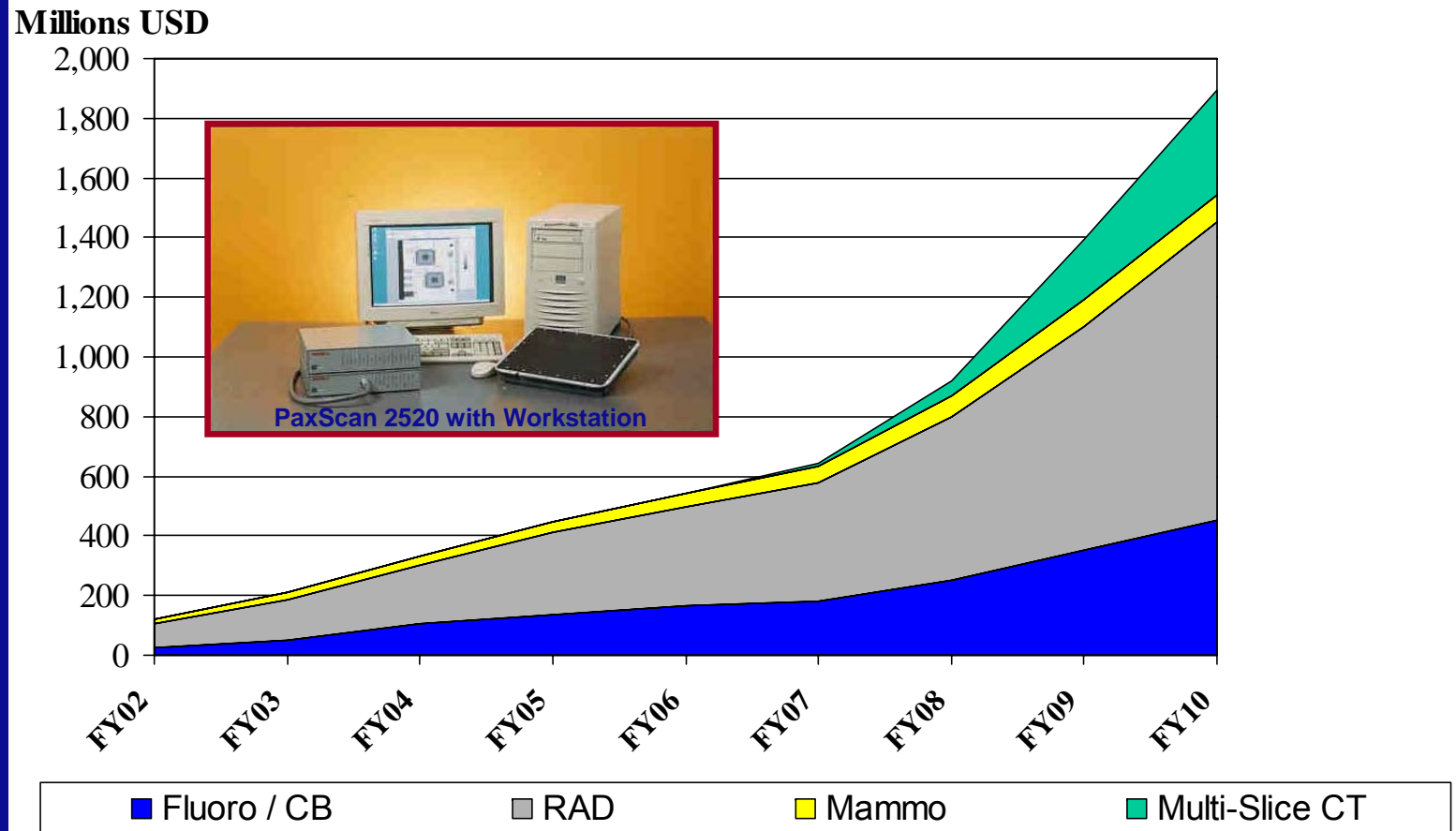
Superconducting Cyclotron



Proton Treatment Gantry

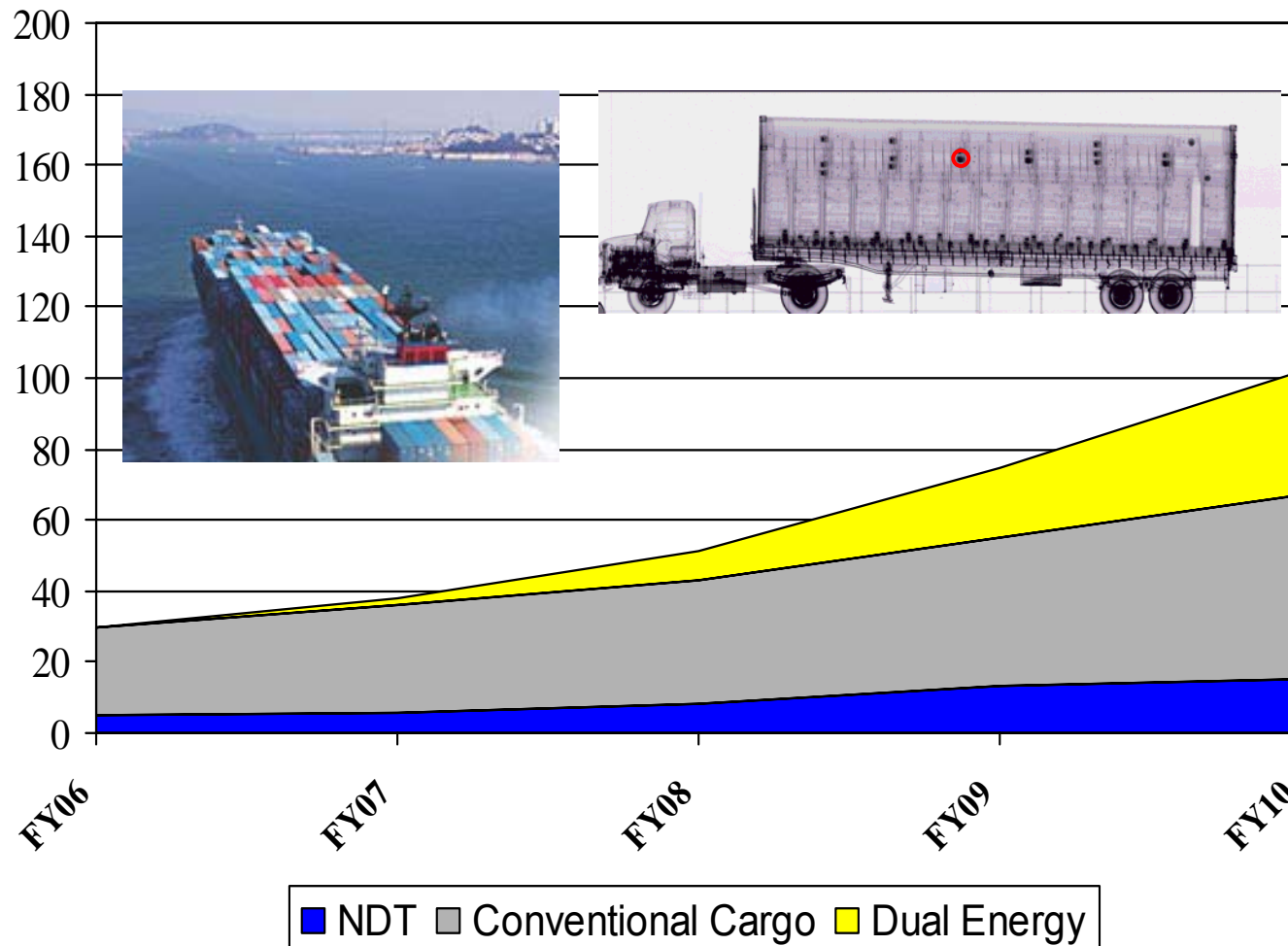
Emerging Businesses

Image Detectors for Filmless X-Ray

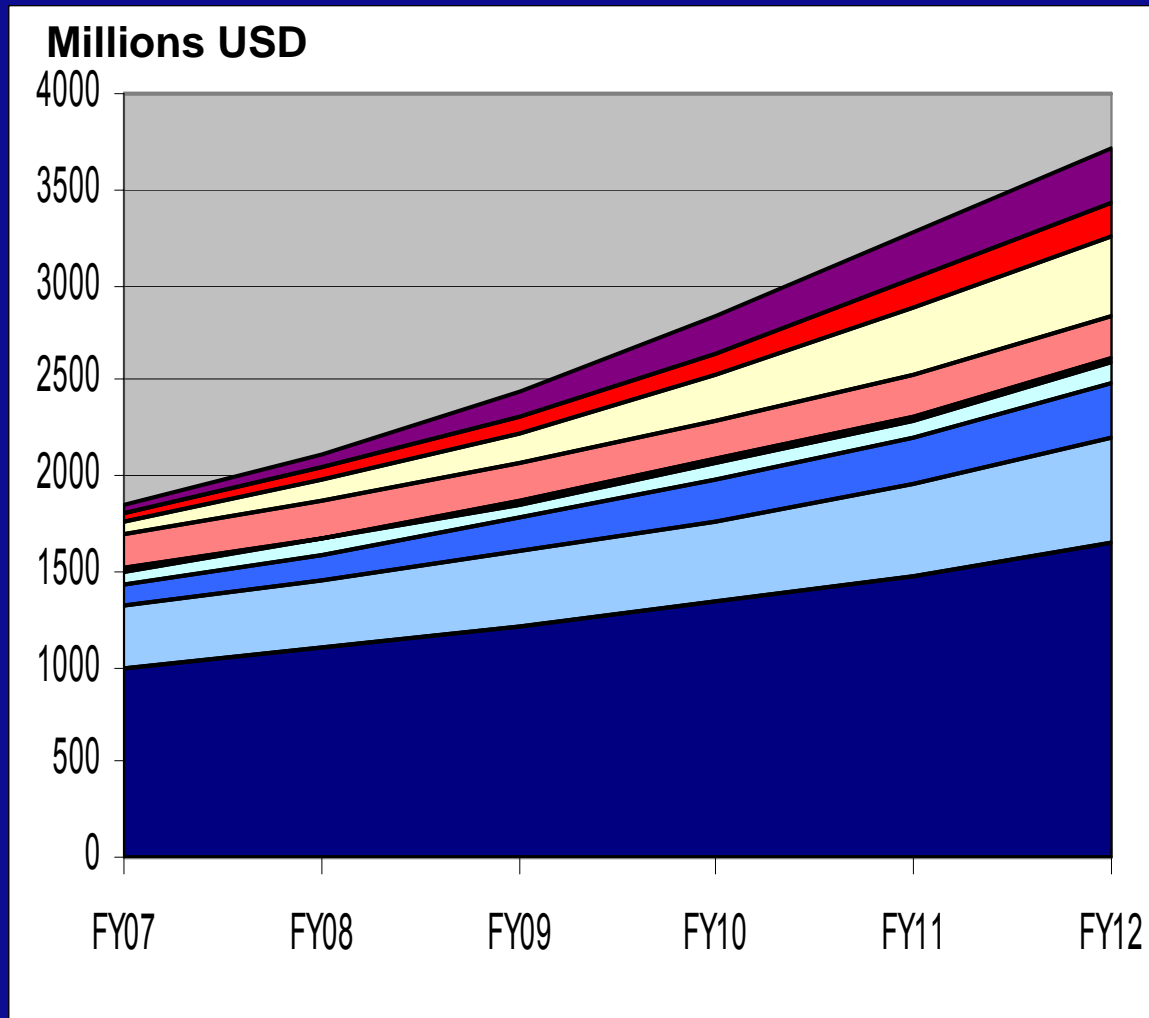


Emerging Businesses Security & Inspection Products

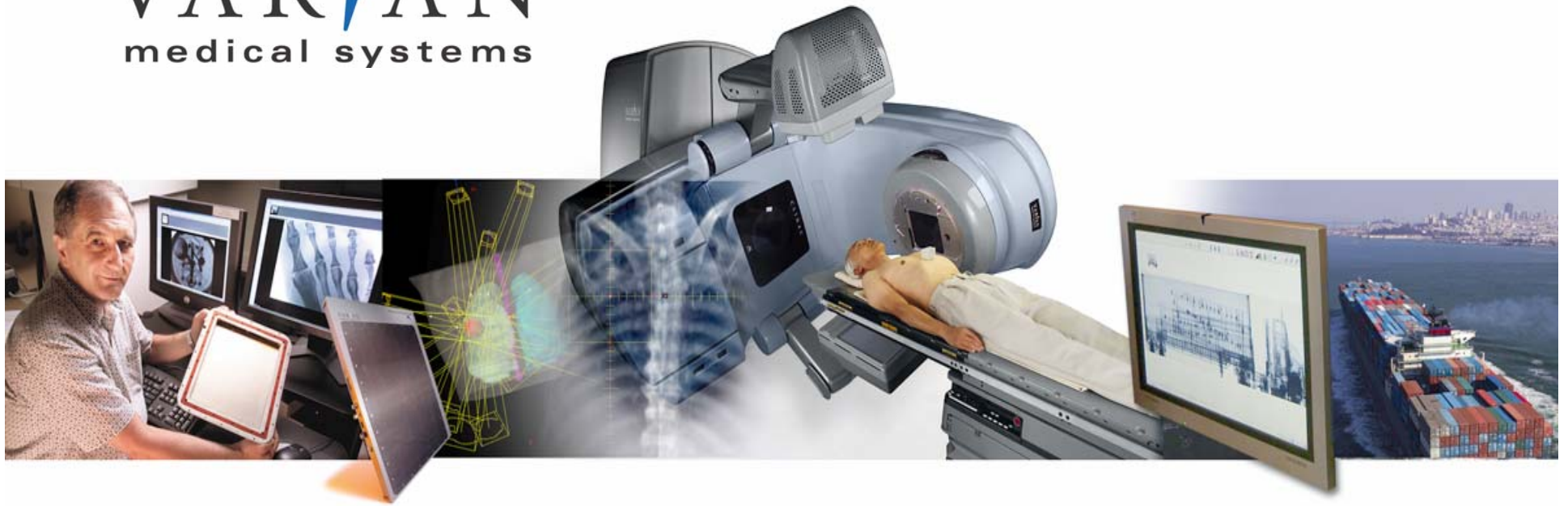
Millions USD



Five Year Growth Opportunity



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