ONCOLOGY SYSTEMS 2004 HIGHLIGHTS

Varian Oncology Systems is the leading supplier of radiotherapy systems for treating cancer. Its products include linear accelerators, simulators, and the broadest range of accessories and interconnected software tools for planning, verifying, and delivering the most sophisticated radiation and radiosurgical treatments available to patients. During fiscal year 2004, the business unit also supplied linear accelerators and components for nondestructive testing, industrial inspection, and cargo screening.

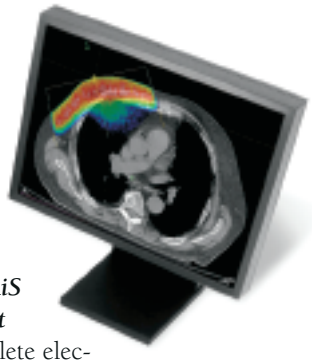
Record orders, revenues, and profits. Annual net orders increased 20 percent to $1.2 billion, while revenues increased by 20 percent to $1 billion.

The world's first clinically practical, automated On-Board Imager™ device and supporting software for medical linear accelerators. This accessory enables clinicians to track and adjust for normal tumor movements using smaller, more accurately targeted beams. The On-Board Imager accessory's capabilities were expanded during the year to encompass radiographic, fluoroscopic, and cone-beam CT imaging modes. Customers placed more than 80 orders for the new imaging device.

Introduction of the Trilogy™ linear accelerator, a multipurpose platform for conventional and advanced radiotherapy and for radiosurgery. The introduction marked Varian's entry into radiosurgery. Customers placed 27 orders for Trilogy units in the product's first nine months on the market.

The iX Series of Clinac® accelerators. This product provides a more compact control system, built-in imaging electronics, and a modular design, allowing easy upgrades for implementing modern treatment processes.

Two new dose-calculation algorithms enhancing treatment planning software. The electron Monte Carlo algorithm calculates doses for treating superficial tumors with electrons. The AAA algorithm generates plans for treating tumors in heterogeneous tissues of differing densities.



New clinical management tools for VARiS Vision™ radiation oncology management software. This product provides a complete electronic health record that can facilitate the adoption of a paperless and filmless environment at treatment centers.

New cone-beam CT 3D imaging capabilities on the Acuity™ planning, simulation, and verification device.

The acquisition of OpTx® assets. The OpTx medical oncology management software complements the VARiS Vision information system to create a full-featured information system for comprehensive cancer clinics.

The acquisition of Zmed®. Zmed products add ultrasonic positioning capabilities for IGRT and planning technologies for radiosurgery.

The acquisition of Mitsubishi Electric Corporation's linear accelerator sales and service business in Japan. Varian is now servicing an additional 400 linear accelerators in Japan and other parts of Asia.

ONCOLOGY SYSTEMS

(Dollars in millions)	**04**	03	02
Net orders	**$1,170**	$977	$825
Revenues	**$1,031**	$856	$725
Operating earnings	**$250**	$200	$159
Operating earnings as a percentage of revenues	**24.2%**	23.4%	22.0%
Backlog	**$911**	$771	$650
Capital expenditures	**$16**	$8	$14
Depreciation and amortization	**$13**	$8	$8

ONCOLOGY SYSTEMS PRODUCTS AND SERVICES

Oncology systems

Clinac® and Trilogy™ medical linear accelerators

On-Board Imager™ accessories

Millennium™ multileaf collimators (MLCs)

Exact™ treatment couches

Acuity™ treatment planning, simulation, and verification imagers

Eclipse™/Helios™, FastPlan™, ImMerge®, and GrassFire™ treatment planning software

PortalVision™ digital imaging devices

VARiS Vision™ radiation oncology clinical data and image management software

RPM™ respiratory gating systems

Z-Scape™ image management and viewing software

Linac Scalpel™ stereotactic radiosurgery planning and positioning accessories

SonArray® ultrasound patient positioning platforms

Customer service, educational programs, and product support

Industrial inspection and security systems

Linatron® linear accelerators

FACILITIES

Ashland, Massachusetts

Baden, Switzerland

Buc, France

Crawley, England

Helsinki, Finland

Las Vegas, Nevada

Milpitas, California

Palo Alto, California (headquarters)

Tokyo, Japan

Winnipeg, Canada

Zug, Switzerland

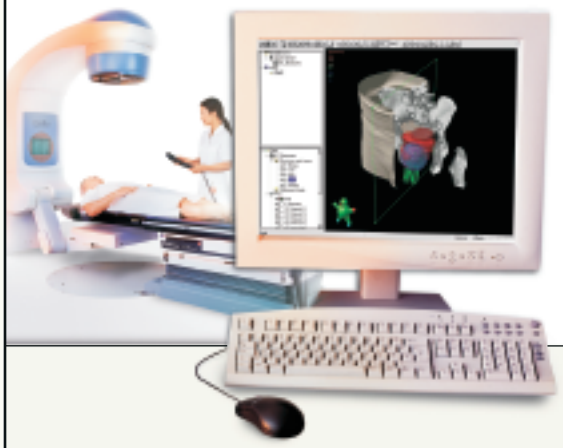
BRACHYTHERAPY 2004 HIGHLIGHTS

Varian's BrachyTherapy operation supplies products for treating cancer from the inside out by placing small radiation sources within tumors or into the area where a tumor has been surgically removed.

Record orders, revenues, and profits. Annual net orders increased 31 percent to $43 million, while revenues increased by 21 percent to $37 million.

Two new applicators for specialized delivery of high-dose-rate brachytherapy. These enhance treatment of uterine and cervical cancer, and early-stage breast cancer.

The MammoSource™ afterloader. A single-channel device for accelerated partial-breast brachytherapy was introduced.



Three image-guided brachytherapy suites using Varian's Acuity™ simulator. Shared use of planning and verification devices such as Acuity enhance cooperation among medical specialties.

BRACHYTHERAPY PRODUCTS AND SERVICES

VariSource™, GammaMedPlus™, and MammoSource™ high-dose-rate brachytherapy delivery systems

VariSeed™ brachytherapy treatment planning software for prostate seed implants

BrachyVision™ treatment planning software for high- and low-dose-rate brachytherapy

FACILITIES

Charlottesville, Virginia

Crawley, England

Haan, Germany

Mountain View, California (headquarters)