FORM 10-K

VARIAN MEDICAL SYSTEMS INC - VAR

Filed: December 19, 1997 (period: September 26, 1997)

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 26, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from____________ to____________

COMMISSION FILE NUMBER: 1-7598

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER:
VARIAN ASSOCIATES, INC.

STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION:	IRS EMPLOYER IDENTIFICATION NO.:
DELAWARE	94-2359345

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES:
3050 Hansen Way, Palo Alto, California 94304-1000
(650) 493-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock,	New York Stock Exchange
$1 par value	Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the Registrant's voting stock held by non-affiliates as of December 1, 1997 was $1,735,425,000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of December 1, 1997: 30,093,000 shares of $1 par value common stock.

An index of exhibits filed with this Form 10-K is located on pages 15 through 16.

DOCUMENTS INCORPORATED BY REFERENCE:

DOCUMENT DESCRIPTION	10-K PART
Certain sections, identified by caption and page number, of the Registrant's Annual Report to Stockholders for the fiscal year ended September 26, 1997 (the "Annual Report")	I, II, IV
Certain sections, identified by caption, of the Proxy Statement for the Registrant's 1998 Annual Meeting of Stockholders (the "Proxy Statement").......	III

PART I

Item 1. Business

Varian Associates, Inc. together with its subsidiaries (hereinafter referred to as "Varian", the "Company" or the "Registrant") is a high-technology enterprise which was founded in 1948. It is engaged in the research, development, manufacture, and marketing of products and services for health care, industrial, scientific and industrial research, and environmental monitoring. The Company's principal business segments are health care systems, instruments, and semiconductor production equipment. Its foreign subsidiaries engage in some of the aforementioned businesses and market the Company's products outside the United States. As of September 26, 1997, Varian employed approximately 6,500 people worldwide.

The Company sells its products throughout the world and has 28 field sales offices in the U.S. and 64 sales offices in other countries. In general, its markets are quite competitive, characterized by the application of advanced technology and by the development of new products and applications. Many of the Company's competitors are large, well-known manufacturers, but there is no competitor which competes across all of the Company's segments.

There were no material changes in the kinds of products produced or in the methods of distribution since the beginning of the fiscal year other than the completion of the sale of the Thin Film Systems operations as described under the caption "Sale of Business and Discontinued Operation" on page 31 of the Annual Report, which information is incorporated herein by reference. The Company anticipates adequate availability of raw materials.

The Company's sales to customers outside of the U.S. for fiscal 1997 were $720 million. The profitability of such sales is subject to greater fluctuation than U.S. sales because of generally higher marketing costs and changes in the relative value of currencies. Additional information concerning the method of accounting for Varian's foreign currency translation is set forth under the headings "Foreign Currency Translation" and "Forward Exchange Contracts", on pages 22 and 25-26, respectively, of the Annual Report, which information is incorporated herein by reference.

The Company's operations are grouped into three segments. These segments, their products, and the markets they serve are described in the following paragraphs.

The Health Care Systems business manufactures, sells, and services linear accelerators, simulators for planning cancer treatments, brachytherapy systems, and data management systems for radiation oncology centers. Sales for this class of products and services were $340 million, $321 million, and $343 million for fiscal 1997, 1996, and 1995, respectively. It also designs and manufactures a wide range of X-ray generating tubes for the medical diagnostic imaging market worldwide. Linear accelerators are used in cancer therapy and for industrial radiographic applications. The Company's CLINAC(R) series of medical linear accelerators, marketed to hospitals and clinics worldwide, generates therapeutic X-rays and radiation beams for cancer treatment. LINATRON(R) linear accelerators are used in industrial applications to X-ray heavy metallic structures for quality control. The Company manufactures tubes for four primary medical X-ray imaging applications: CT scanner; diagnostic radiographic/fluoroscopic; special procedures; and mammography. During 1997, Varian received U.S. Food and Drug Administration approval of new oncology products including a three-dimensional cancer treatment planning system, and an advanced multileaf collimator used to more precisely direct electron beams for cancer treatment. Backlog for the Health Care Systems business amounted to $344 million and $341 million at the end of fiscal 1997 and 1996, respectively.

The Instruments business manufactures, sells, and services a variety of scientific instruments for analyzing chemical substances including metals, inorganic materials, organic compounds, polymers, natural substances, and biochemicals. The products include liquid and gas chromatographs, gas chromatograph/mass spectrometers, NMR spectrometers, ultraviolet visible near infrared spectrometers, atomic absorption spectrometers, inductively coupled plasma spectrometers, inductively coupled plasma/mass spectrometers, data systems, and small, disposable tools used to prepare chemical samples for analysis. Typical applications are found in biochemical and organic chemical research, measurement of the chemical composition of mixtures, studies of the chemical structure of pure compounds, quality control of manufactured materials, chemical analysis of natural products, and environmental monitoring and measurement. The major segments served are environmental laboratories; pharmaceutical and chemical industries; chemical, life science, and academic research; government laboratories; and specific areas of the health care industry. The Instruments business also manufactures vacuum products and accessories for industrial and scientific applications. Its vacuum products and helium leak detectors are utilized in such applications as semiconductor and automotive manufacturing, high-energy physics, surface analysis, space research, and petrochemical refining. The Instruments business includes a facility which fabricates circuit boards and sub-assemblies for customers inside and outside the Company. Backlog for the Instruments business amounted to $132 million and $110 million at the end of fiscal 1997 and 1996, respectively.

The Company's Semiconductor Equipment business manufactures, sells, and services processing systems which are essential to making integrated circuits. Primary products are ion implantation systems used in wafer fabrication facilities. Sales for this class of products and services were $345 million, $474 million, and $357 million for fiscal 1997, 1996, and 1995, respectively. In June, the Company completed the sale of the Thin Film Systems unit, the smaller of its Semiconductor Equipment operations, as described under the caption "Sale of Business and Discontinued Operation" on page 31 of the Annual Report, which information is incorporated herein by reference. Backlog for the Semiconductor Equipment business amounted to $151 million and $203 million at the end of fiscal 1997 and 1996, respectively.

Additional information regarding the Company's lines of business and international operations are incorporated herein by reference from the information provided under the headings "Industry Segments" and "Geographic Segments" on pages 32-33 of the Annual Report.

The Company employs in-house patent attorneys, holds numerous patents in the United States and in other countries, and has many patent applications pending in the U.S. and in other countries. The Company considers the development of patents through creative research and the maintenance of an active patent program to be advantageous in the conduct of its business, but does not regard the holding of any particular patent as essential to its operations. The Company grants licenses to reliable manufacturers on various terms and enters into cross-licensing arrangements with other parties. Information regarding Varian's research and development costs is incorporated herein by reference from the information provided under the heading "Research and Development" on page 23 of the Annual Report.

The Company's operations are subject to various federal, state, and/or local laws regulating the discharge of materials to the environment or otherwise relating to the protection of the environment. The Company is also involved in various stages of environmental investigation and/or remediation under the direction of or in consultation with federal, state, and/or local agencies at certain current or former Company facilities (see the information provided under the

headings "Management's Discussion and Analysis" and "Contingencies" on pages 13-16 and 30-31, respectively, of the Annual Report, which information is incorporated herein by reference). The Company has established what it believes to be adequate reserves for these matters. Based on information currently available, management believes that the Company's compliance with laws which have been adopted regulating the discharge of materials to the environment or relating to the protection of the environment is otherwise not reasonably likely to have a material adverse effect on the capital expenditures, earnings or competitive position of the Company. Also, estimated capital expenditures for environmental control facilities are not expected to be material in fiscal 1998, nor are they expected to be material in fiscal 1999.

Executive Officers of the Registrant

The following table sets forth the names and ages of the Registrant's executive officers, together with positions and offices held within the last five years by such executive officers. Officers are appointed to serve until the meeting of the Board of Directors following the next Annual Meeting of Stockholders and until their successors have been elected and have qualified. Ages are as of December 15, 1997.

Name	Age	Position	Term
J. Tracy O'Rourke (Director)	62	Chairman of the Board and Chief Executive Officer	1990-Present
Richard A. Aurelio	53	Executive Vice President	1992-Present
Allen J. Lauer	60	Executive Vice President	1990-Present
Richard M. Levy	59	Executive Vice President	1990-Present
Timothy E. Guertin	48	Corporate Vice President	1992-Present
		President, Oncology Systems	1990-Present
Robert A. Lemos	56	Vice President, Finance and Chief Financial Officer	1986-Present
		Treasurer	1995-Present
Joseph B. Phair	50	Secretary	1991-Present
		Vice President and General Counsel	1990-Present
Wayne P. Somrak	52	Vice President	1991-Present
		Controller	1995-Present,

		1985-1994
	Treasurer	1995

There is no family relationship between any of the executive officers.

Item 2. Properties

The Company's executive offices and principal research and manufacturing facilities are located in Palo Alto, California, on 45 acres of land held under leaseholds which expire in the years 2012 through 2058. These facilities are owned by the Company, and provide floor space totaling 641,316 square feet. The following is a summary of the Company's properties at September 26, 1997:

	Land (Acres)		Buildings (000's Sq. Ft.)		Number of Buildings	
	Owned	Leased	Owned	Leased	Owned	Leased
United States	100	45	1,509	445	19	45
International	27	--	351	325	6	69
	127	45	1,860	770	25	114

Utilization of facilities by segment is shown in the following table:

	Buildings (000's Sq. Ft.)				
	Manufacturing, Administrative and Research & Development				
	U.S.	Non-U.S.	Total	Marketing and Service	Total
Health Care Systems	540	43	583	180	763
Instruments	456	188	644	359	1,003
Semiconductor Equipment	284	52	336	118	454
Other Operations	46	--	46	--	46
Total Operations	1,326	283	1,609	657	2,266
Other					364
Total					2,630

Other Operations includes manufacturing support.

The capacity of these facilities is sufficient to meet current demand. The Company owns substantially all of the machinery and equipment in use in its plants. It is the Company's policy to maintain its plants and equipment in excellent condition and at a high level of efficiency.

Item 2. (continued)

Manufacturing sites by geographical location are as follows:

Health Care Systems	California, Illinois, South Carolina, Utah, England, Finland, France, Switzerland
Instruments	California, Colorado, Massachusetts, Arizona, Australia, Italy

Semiconductor Equipment Massachusetts, Korea

Company-owned and staffed sales offices throughout the world are located in North and South America: Argentina, Brazil, Venezuela, Canada, Mexico, United States; Europe: Austria, Belgium, Denmark, France, Italy, the Netherlands, Spain, Sweden, Switzerland, Finland, England, Scotland, Germany, India, Russia; and Pacific Basin: Australia, People's Republic of China, Hong Kong, Japan, Korea, Singapore, Taiwan and Thailand.

Item 3. Legal Proceedings

Information required by this Item is incorporated herein by reference from the information provided under the heading "Contingencies" on pages 30-31 of the Annual Report.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The information required by this Item is incorporated herein by reference from the information provided under the heading "Common Stock Prices (Unaudited)" on page 34 of the Annual Report, and the information provided under the heading "Long-Term Debt" on page 25 of the Annual Report.

The Company's common stock is listed on the New York and Pacific Stock Exchanges under the trading symbol VAR.

There were 5,950 holders of record of the Company's common stock on December 1, 1997.

ITEM 6. SELECTED FINANCIAL DATA

	FISCAL YEARS				
(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	1997	1996	1995	1994	1993
SUMMARY OF OPERATIONS					
Sales	$1,425.8	1,599.4	1,575.7	1,313.4	1,061.9
Earnings from Continuing Operations before Taxes	$ 177.8	189.2	165.3	109.1	60.1
Taxes on earnings	$ 62.2	67.1	59.5	41.5	22.8
Earnings from Continuing Operations	$ 115.6	122.1	105.8	67.6	37.3
Earnings from Discontinued Operations, Net of Taxes	$ --	--	33.5	11.8	8.5
NET EARNINGS	$ 115.6	122.1	139.3	79.4	45.8
NET EARNINGS PER SHARE - FULLY DILUTED					
Net Earnings Continuing Operations	$ 3.66	3.81	3.01	1.90	1.03
Net Earnings Discontinued Operations	$ --	--	0.95	0.32	0.23
NET EARNINGS PER SHARE	$ 3.66	3.81	3.96	2.22	1.26
DIVIDENDS DECLARED PER SHARE	$ 0.350	0.310	0.270	0.230	0.195
FINANCIAL POSITION AT YEAR END					
Total assets	$1,104.3	1,018.9	1,003.8	962.4	878.7
Long-term debt (excluding current portion)	$ 73.2	60.3	60.3	60.4	60.5

This selected financial data should be read in conjunction with the related consolidated financial statements and notes thereto, incorporated herein by reference pursuant to Item 8.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this Item is incorporated herein by reference from the information provided under the heading "Management's Discussion and Analysis" on pages 13-16 of the Annual Report.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is incorporated herein by reference from the Report of Independent Accountants on page 35 of the Annual Report and the Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and Supplementary Data on pages 18-34 of the Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item with respect to the Company's executive officers is incorporated herein by reference from the information under Item 1 of Part I of this Report. The information required by this Item with respect to the Company's directors is incorporated herein by reference from the information provided under the heading "Election of Directors" of the Proxy Statement which will be filed with the Commission. The information required by Item 405 of Regulation S-K is incorporated herein by reference from the information provided under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference from the information provided under the heading "Certain Executive Officer Compensation and Other Information" of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is incorporated herein by reference from the information provided under the heading "Stock Ownership of Certain Beneficial Owners" of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated herein by reference from the information provided under the headings "Management Indebtedness and Certain Transactions" and "Change in Control Arrangements" of the Proxy Statement.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

(1) Financial Statements The following financial statements of the Registrant and its subsidiaries, and Report of Independent Accountants, are incorporated herein by reference from pages 18 through 33 and page 35 of the Annual Report:

Consolidated Financial Statements:

Consolidated Statements of Earnings for fiscal years 1997, 1996, and 1995

Consolidated Balance Sheets at fiscal year-end 1997 and 1996

Consolidated Statements of Stockholders' Equity for fiscal years 1997, 1996, and 1995

Consolidated Statements of Cash Flows for fiscal years 1997, 1996, and 1995

Notes to the Consolidated Financial Statements

Report of Independent Accountants

(2) Financial Statement Schedule The following financial statement schedule of the Registrant and its subsidiaries for fiscal years 1997, 1996, and 1995, and the related Report of Independent Accountants are filed as a part of this Report and should be read in conjunction with the Consolidated Financial Statements of the Registrant and its subsidiaries which are incorporated herein by reference.

Schedule		Page
--	Report of Independent Accountants on Financial Statement Schedule	13
II	Valuation and Qualifying Accounts	14

All other required schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or the notes thereto.

Item 14. (continued)

(3) Exhibits:

3-a	Registrant's Restated Certificate of Incorporation (incorporated herein by reference to the Registrant's Form 10-K for the year ended September 27, 1996).
3-b	Registrant's Bylaws (incorporated herein by reference to the Registrant's Form 10-K for the year ended October 2, 1992).
10.1	Registrant's Omnibus Stock Plan, as amended and restated effective as of September 27, 1997.
10.2	Registrant's 1982 Non-Qualified Stock Option Plan (incorporated herein by reference to Exhibit 4.6 to the Registration Statement on Form S-8; File No. 33-33660).
10.4	Registrant's Management Incentive Plan (incorporated herein by reference to Registrant's Form 10-Q for the quarter ended March 31, 1995).
10.5	Registrant's Supplemental Retirement Plan (incorporated herein by reference to Registrant's Form 10-Q for the quarter ended June 30, 1995).
10.6	Registrant's form of Indemnity Agreement with Directors and Executive Officers (incorporated herein by reference to Registrant's Form 10-K for the year ended October 1, 1993).
10.7	Registrant's form of Change in Control Agreement with Executive Officers other than the Chief Executive Officer (incorporated herein by reference to Registrant's Form 10-K for the year ended October 1, 1993).
10.8	Registrant's Change in Control Agreement with J. Tracy O'Rourke (incorporated herein by reference to Registrant's Form 10-K for the year ended October 1, 1993).
10.9	Description of Certain Compensatory Arrangements between Registrant and Directors (incorporated herein by reference to Registrant's Form 10-Q for the quarter ended December 31, 1993).
10.10	Description of Certain Compensatory Arrangements between Registrant and Executive Officers (incorporated herein by reference to Registrant's Form 10-K for the year ended September 30, 1994).

Item 14. (continued)

10.11	Description of Certain Relocation Arrangements between Registrant and Executive Officers

	(incorporated herein by reference to Registrant's Form 10-Q for the quarter ended December 30, 1994).
11	Computation of net earnings per share.
13	Registrant's 1997 Annual Report to Stockholders (furnished for the information of the Securities and Exchange Commission only and not deemed to be filed except for those portions expressly incorporated by reference herein).
21	Subsidiaries of the Registrant.
23	Consent of Independent Accountants.
24	Power of Attorney by directors of the Company authorizing certain persons to sign this Annual Report on Form 10-K on their behalf.
27	Financial Data Schedule for the fiscal year ended September 26, 1997 (EDGAR filing only).

(b) Reports on Form 8-K:

A report on Form 8-K was filed on October 2, 1997, regarding the Registrant's offer to purchase the radiotherapy service operation of General Electric Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Varian Associates, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VARIAN ASSOCIATES, INC.
(Registrant)

Dated: December 10, 1997 By: /s/ Robert A. Lemos

Robert A. Lemos
Vice President, Finance,
Chief Financial Officer,
and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ J. Tracy O'Rourke J. Tracy O'Rourke	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	December 14, 1997
/s/ Robert A. Lemos Robert A. Lemos	Vice President, Finance, Chief Financial Officer and Treasurer (Principal Financial Officer)	December 10, 1997
/s/ Wayne P. Somrak Wayne P. Somrak	Vice President and Controller (Principal Accounting Officer)	December 10, 1997
Ruth M. Davis *	Director	
Robert W. Dutton	Director	
Samuel Hellman *	Director	
Terry R. Lautenbach *	Director	
Angus A. MacNaughton *	Director	
David W. Martin, Jr. *	Director	
John G. McDonald	Director	
Wayne R. Moon *	Director	
Gordon E. Moore *	Director	
David E. Mundell *	Director	
Burton Richter *	Director	
Elizabeth E. Tallett *	Director	
Jon D.Tompkins	Director	
Richard W. Vieser *	Director	

By /s/ Robert A. Lemos

Robert A. Lemos,
Attorney-in-Fact **

December 10, 1997

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** By authority of powers of attorney filed herewith.

REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of
Varian Associates, Inc.

Our report on the consolidated financial statements has been incorporated by reference in this Form 10-K from page 35 of the 1997 Annual Report to Stockholders of Varian Associates, Inc. and Subsidiaries. In connection with our audits of such financial statements, we have also audited the related Financial Statement Schedule listed in the index on page 9 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.

San Jose, California
October 15, 1997

SCHEDULE II

VARIAN ASSOCIATES, INC. AND SUBSIDIARY COMPANIES
VALUATION AND QUALIFYING ACCOUNTS (1)
for the fiscal years ended 1997, 1996, and 1995
(Dollars in Thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions: Description	Deductions: Amount	Balance at End of Period
ALLOWANCE FOR DOUBTFUL NOTES & ACCOUNTS RECEIVABLE:					
Fiscal Year Ended 1997	$ 2,309	$ 1,468	Write-offs & Adjustments	$ 1,062	$ 2,715
Fiscal Year Ended 1996	$ 2,316	$ 876	Write-offs & Adjustments	$ 883	$ 2,309
Fiscal Year Ended 1995	$ 2,422	$ 330	Write-offs & Adjustments	$ 436	$ 2,316
ESTIMATED LIABILITY FOR PRODUCT WARRANTY:					
Fiscal Year Ended 1997	$ 49,251	$ 42,994	Actual Warranty Expenditures	$ 54,625(2)	$ 37,620

Fiscal Year Ended 1996	$ 48,076	$ 52,680	Actual Warranty Expenditures	$ 51,505	$ 49,251
	========	========		========	========
Fiscal Year Ended 1995	$ 41,682	$ 61,954	Actual Warranty Expenditures	$ 55,560	$ 48,076
	========	========		========	========

(1) As to column omitted the answer is "none."
(2) Includes a $5,226 deduction due to the sale of Thin Film Systems.

INDEX OF EXHIBITS

Exhibit Number	
3-a	Registrant's Restated Certificate of Incorporation (incorporated herein by reference to the Registrant's Form 10-K for the year ended September 27, 1996).
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INDEX OF EXHIBITS

10.11	Description of Certain Relocation Arrangements between Registrant and Executive Officers (incorporated herein by reference to Registrant's Form 10-Q for the quarter ended December 30, 1994).
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EXHIBIT 10.1

VARIAN ASSOCIATES, INC.
OMNIBUS STOCK PLAN
(as amended and restated effective as of September 27, 1997)

1. PURPOSE

The purpose of the Plan is to provide a vehicle under which a variety of stock-based incentive and other awards may be granted to employees and directors of the Company and its Subsidiaries to promote the Company's success.

2. DEFINITIONS

A. "Award" means any form of stock option, restricted stock, stock appreciation right, long-term incentive award or other incentive award granted under the Plan.

B. "Award Notice" means any written notice from the Company to a Participant or agreement between the Company and a Participant that establishes the terms applicable to an Award.

C. "Board of Directors" means the Board of Directors of the Company.

D. "Code" means the Internal Revenue Code of 1986, as amended.

E. "Committee" means the Organization and Compensation Committee of the Board of Directors, or such other committee designated by the Board of Directors, which is authorized to administer the Plan under Section 3 hereof. The Committee shall be comprised solely of Directors who are both (i) non-employee directors under Rule 16b-3, and (ii) outside directors under Section 162(m) of the Code.

F. "Common Stock" means common stock of the Company.

G. "Company" means Varian Associates, Inc.

H. "Director" means a member of the Board of Directors.

I. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

J. "Fair Market Value" means, as of a specified date, the mean of the high and the low sales price of the Common Stock on the composite tape for the New York Stock Exchange-listed securities, or if not traded on that date, then on the date last traded. If for any reason the Company's stock ceases to be listed on the New York Stock Exchange, the Committee shall establish the method for determining the Fair Market Value of the Common Stock.

K. "Key Employee" means any employee of the Company or a Subsidiary whose performance the Committee determines can have a significant effect on the success of the Company.

L. "Participant" means any individual to whom an Award is granted under the Plan.

M. "Plan" means this Plan, which shall be known as the Varian Associates, Inc. Omnibus Stock Plan.

N. "Return on Equity" means the Company's annual earnings expressed as a percentage of the Company's annual average shareholders equity, as reported in the Company's Annual Report to Stockholders.

O. "Return on Net Assets" means annual operating earnings expressed as a percentage of annual average net assets. Return on Net Assets for a multi-year performance period means the average of Return on Net Assets calculated separately for each fiscal year of such multi-year period.

P. "Revenue Growth" means growth in revenues during a specified period expressed as a percentage of revenues in a prior period.

Q. "Rule 16b-3" means Rule 16b-3 issued under the Exchange Act, or any successor rule.

R. "Subsidiary" means a corporation or other business entity (i) of which the Company directly or indirectly has an ownership interest of 50% or more, or (ii) of which it has a right to elect or appoint 50% or more of the board of directors or other governing body.

3. ADMINISTRATION

A. The Plan shall be administered by the Committee. The Committee shall have the authority to:

(i) interpret and determine all questions of policy and expediency pertaining to the Plan;

(ii) adopt such rules, regulations, agreements and instruments as it deems necessary for its proper administration;

(iii) select Key Employees to receive Awards;

(iv) determine the form and terms of Awards;

(v) determine the number of shares or other consideration subject to Awards (within the limits prescribed in the Plan);

(vi) determine whether Awards will be granted singly, in combination, in tandem, in replacement of, or as alternatives to, other grants under the Plan or any other incentive or compensation plan of the Company, a Subsidiary or an acquired business unit;

(vii) grant waivers of Plan or Award conditions (other than Awards intended to qualify under Section 162(m) of the Code);

(viii) accelerate the vesting, exercise or payment of Awards (but with respect to Awards intended to qualify under Section 162(m) of the Code, only as permitted under that Section);

(ix) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award Notice;

(x) establish and administer Awards in addition to the types specifically enumerated in Section 2.A. which the Committee determines are consistent with the Plan's purpose; and

(xi) take any and all other actions it deems necessary or advisable for the proper administration of the Plan.

B. The Committee may adopt such Plan amendments, procedures, regulations, subplans and the like as it deems are necessary to enable Key Employees and Directors who are foreign nationals or employed outside the United States to receive Awards.

C. The Committee may delegate its authority to grant and administer Awards to a separate committee; however, only the Committee may grant and administer Awards (i) with respect to persons who are subject to Section 16 of the Exchange Act, and (ii) which are intended to qualify as performance-based compensation under Section 162(m) of the Code.

4. ELIGIBILITY

A. Any Key Employee is eligible to become a Participant in the Plan.

B. Directors who are not employees of the Company or a Subsidiary shall receive Awards in accordance with Section 7.

5. SHARES AVAILABLE

A. Subject to Section 15, the maximum number of shares of Common Stock available for Award grants (including incentive stock options) during each fiscal year shall be 5% of the total outstanding shares of the Company on the last business day of the preceding fiscal year. The maximum number of shares of Common Stock available for incentive stock option grants under the Plan is 6,000,000.

B. The shares of Common Stock available under the Plan may be authorized and unissued shares or treasury shares.

6. TERM

The Plan as amended shall become effective as of September 27, 1997, and shall continue in effect until terminated by the Board of Directors. However, Awards under Section 10 which are intended to qualify under Section 162(m) of the Code shall be conditional upon approval of Sections 2.P. and 10.C. of the Plan by the Company's stockholders not later than the 1998 annual meeting of stockholders.

7. AWARDS TO NON-EMPLOYEE DIRECTORS

Directors who are not employees of the Company or a Subsidiary shall receive Awards in accordance with the following terms:

A. On the first business day following initial adoption of this Plan by the Board of Directors, and thereafter on the first business day of each fiscal year, each such director shall receive (i) a fully vested grant of 200 shares of Common Stock, subject to payment to the Company of the aggregate par value of such shares in cash, and (ii) a non-qualified stock option for 2,000 shares.

B. Options to such directors shall be subject to the following terms: (i) the exercise price shall be equal to 100% of the Fair Market Value of the shares on the date of the grant, payable in accordance with all the alternatives stated in Sections 8.B.(ii) and (iii); (ii) the term of the options shall be 10 years; (iii) the options shall be exercisable beginning 12 months after the date of the grant; and (iv) the options shall be subject to Section 13.

8. STOCK OPTIONS

A. Awards may be granted in the form of stock options. Stock options may be incentive stock options within the meaning of Section 422 of the Code or non-qualified stock options (i.e., stock options which are not incentive stock options). During any fiscal year of the Company, no Participant shall be granted options for more than 1,000,000 shares.

B. Subject to Section 8.C. relating to incentive stock options, options shall be in such form and contain such terms as the Committee deems appropriate. While the terms of options need not be identical, each option shall be subject to the following terms:

(i) The exercise price shall be the price set by the Committee but may not be less than 100% of the Fair Market Value of the shares on the date of the grant.

(ii) The price shall be paid in cash (including check, bank draft, or money order), or at the discretion of the Committee, all or part of the purchase price may be paid by delivery of the optionee's full recourse promissory note, delivery of Common Stock already owned by the Participant for at least 6 months and valued at its Fair Market Value, or any combination of the foregoing methods of payment, provided no less than the par value of the stock is paid in cash. In the case of incentive stock options, the terms of payment shall be determined at the time of grant.

(iii) Promissory notes given as payment of the price, if permitted by the Committee, shall contain such terms as set by the Committee which are not inconsistent with the following: the unpaid principal shall bear interest at a rate set from time to time by the Committee; payments of principal and interest shall be made no less frequently than annually; no part of the note shall be payable later than 10 years from the date of purchase of the shares; and the optionee shall give such security as the Committee deems necessary to ensure full payment.

(iv) The term of an option may not be greater than 10 years from the date of the grant.

(v) Neither a person to whom an option is granted nor his legal representative, heir, legatee or distributee shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such option unless and until he has exercised his option.

C. The following special terms shall apply to grants of incentive stock options:

(i) No incentive stock option shall be granted after the 10th anniversary of the date the Plan was initially adopted by the Board of Directors.

(ii) Subject to Section 8.C.(iii), the price under each incentive stock option shall not be less than 100% of the Fair Market Value of the shares on the date of the grant.

(iii) No incentive stock option shall be granted to any employee who directly

or indirectly owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, unless at the time of such grant the option price is at least 110% of the Fair Market Value of the stock subject to the option and such option is not exercisable after the expiration of 5 years from the date of the grant.

(iv) No incentive stock option shall be granted to a person in his capacity as a Key Employee of a Subsidiary if the Company has less than a 50% ownership interest in such Subsidiary.

(v) The Fair Market Value (determined on the date(s) of grant) of the shares subject to incentive stock options which first become exercisable during any calendar year shall not exceed $100,000 for any employee.

(vi) Options shall contain such other terms as may be necessary to qualify the options granted therein as incentive stock options pursuant to Section 422 of the Code, or any successor statute.

9. RESTRICTED STOCK

A. Awards may be granted in the form of restricted stock. During any fiscal year of the Company, no Participant shall be granted more than 25,000 shares of restricted stock.

B. Grants of restricted stock shall be awarded in exchange for consideration equal to an amount from 0 to 50% of the aggregate Fair Market Value of such stock, as determined by the Committee. The price, if any, of such restricted stock shall be paid in cash, or at the discretion of the Committee, all or part of the purchase price may be paid by delivery of the Participant's full recourse promissory note, delivery of Common Stock already owned by the Participant for at least 6 months and valued at its Fair Market Value, or any combination of the foregoing methods of payment, provided no less than the par value of the stock is paid in cash, or the Participant has rendered no less than 3 months' prior service to the Company.

C. Restricted stock awards shall be subject to such restrictions as the Committee may impose including, if the Committee shall so determine, restrictions on transferability and restrictions relating to continued employment. For purposes of qualifying restricted stock as performance-based compensation under Section 162(m) of the Code, the Committee may in its discretion determine that grants of restricted stock shall be conditioned on the achievement of pre-established Company goals for Return on Equity. The target goals for Return on Equity and the number of shares which may be awarded upon achievement of such target goals, shall be set by the Committee on or before the latest date permissible so as to qualify under Section 162(m) of the Code. In granting restricted stock which is intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it to be necessary or appropriate to ensure such qualification. No restricted stock award intended to qualify under Section 162(m) of the Code shall be paid unless and until the Committee certifies in writing that the pre-established performance goals have been satisfied.

D. The Committee, in its discretion, may reduce or eliminate a Participant's restricted stock award at any time before it is granted, whether or not calculated on the basis of pre-established performance goals or formulas.

E. The Committee shall have the discretion to grant to a Participant receiving restricted shares all or any of the rights of a stockholder while such shares continue to be subject to restrictions.

10. LONG-TERM INCENTIVE AWARDS

A. Awards may be granted in the form of long-term incentive awards, which shall be made on the basis of Company and/or business unit performance goals and formulas determined by the Committee in its sole discretion. In the discretion of the Committee, long-term incentive awards may be paid in cash and/or shares of Common Stock having an equivalent value (based on Fair Market Value on the date that a cash payment otherwise would have been made to the Participant).

B. During any fiscal year of the Company, no Participant shall receive a long-term incentive award of more than (i) 200% of that Participant's annual base salary at the end of the applicable performance period, or (ii) $5,000,000, whichever of these amounts is lower. In applying this limit, any shares of Common Stock paid in satisfaction of a long-term incentive award shall be valued at Fair Market Value on the date that the cash payment otherwise would have been made to the Participant. Total aggregate long-term incentive awards for any performance period shall not exceed five percent of the Company's pre-tax operating earnings (before incentive compensation) for the last fiscal year of the performance period. If total aggregate long-term incentive awards calculated for a performance period would exceed this aggregate limitation, all long-term incentive awards for that performance period shall be pro-rated on an equal basis among all Participants according to a formula established by the Committee.

C. For purposes of qualifying long-term incentive awards as performance-based compensation under Section 162(m) of the Code, the Committee may in its discretion determine that such awards shall be conditioned on the achievement of pre-established Company and/or business unit goals for Return on Net Assets and/or Revenue Growth, provided that any such goals for purposes of an Award to the Company's Chief Executive Officer shall be Company goals for Return on Net Assets and/or Revenue Growth. The target goals for Return on Net Assets and/or Revenue Growth and the amounts which may be awarded upon achievement of such target goals, shall be set by the Committee on or before the latest date permissible so as to qualify under Section 162(m) of the Code. In granting long-term incentive awards which are intended to qualify under Section 162(m) of the Code, the Committee shall follow any procedures determined by it to be necessary or appropriate to ensure such qualification. No long-term incentive award intended to qualify under Section 162(m) of the Code shall be paid unless and until the Committee certifies in writing that the pre-established performance goals have been satisfied.

D. The Committee, in its discretion, may reduce or eliminate a Participant's long-term incentive award at any time before it is paid, whether or not calculated on the basis of pre-established performance goals or formulas.

11. STOCK APPRECIATION RIGHTS

A. Awards may be granted in the form of stock appreciation rights. Stock appreciation rights may be awarded in tandem with a stock option, in addition to a stock option, or may be free-standing and unrelated to a stock option. During any fiscal year of the Company, no Participant shall be granted stock appreciation rights for more than 1,000,000 shares.

B. A stock appreciation right entitles the Participant to receive from the Company an amount equal to the positive difference between (i) the Fair Market Value of Common Stock on

the date of exercise of the stock appreciation right and (ii) the grant price or some lesser amount as the Committee may determine either at the time of grant or prior to the time of exercise.

C. Settlement of stock appreciation rights may be in cash, in shares of Common Stock, or a combination thereof, as determined by the Committee.

12. DEFERRAL OF AWARDS

At the discretion of the Committee, payment of an Award, dividend equivalent, or any portion thereof may be deferred until a time established by the Committee. Deferrals shall be made in accordance with guidelines established by the Committee to ensure that such deferrals comply with applicable requirements of the Code and its regulations. Deferrals shall be initiated by the delivery of a written, irrevocable election by the Participant to the Committee or its nominee. Such election shall be made prior to the date specified by the Committee. The Committee may also (A) credit interest on cash payments that are deferred and set the rates of such interest and (B) credit dividends or dividend equivalents on deferred payments denominated in the form of shares.

13. EXERCISE OF STOCK OPTIONS UPON TERMINATION OF EMPLOYMENT OR SERVICES

A. Options granted under Section 7 shall be exercisable upon the Participant's termination of service within the following periods only. Stock options to other Participants may permit the exercise of options upon the Participant's termination of employment within the following periods, or such shorter periods as determined by the Committee at the time of grant:

(i) if on account of death, within 18 months of such event by the person or persons to whom the Participant's rights pass by will or the laws of descent or distribution.

(ii) if on account of disability (as defined in Section 22(e)(3) of the Code or any successor statute), non-qualified stock options may be exercised within 18 months of such termination and incentive stock options within 12 months.

(iii) if on account of retirement (as defined from time to time by Company policy), non-qualified stock options may be exercised within 36 months of such termination and incentive stock options within 3 months.

(iv) if on account of resignation, options may be exercised within 1 month of such termination.

(v) if for cause (as defined from time to time by Company policy), no unexercised option shall be exercisable to any extent after termination.

(vi) if for any reason other than death, disability, retirement, resignation, or cause, options may be exercised within 3 months of such termination.

B. An unexercised option shall be exercisable only to the extent that such option was exercisable on the date the Participant's employment or service terminated. However, terms relating to the exercisability of options may be amended by the Committee before or after such termination, except in respect to options granted under Section 7.

C. In no case may an unexercised option be exercised to any extent by anyone after expiration of its term.

14. NONASSIGNABILITY

The rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. During the lifetime of the person to whom a stock option or similar right (including a stock appreciation right) is granted, he or she alone may exercise it. No Participant may create a lien on any funds, securities, rights or other property to which he or she may have an interest under the Plan, or which is held by the Company for the account of the Participant under the Plan.

15. ADJUSTMENT OF SHARES AVAILABLE

The Committee shall make appropriate and equitable adjustments in the shares available for future Awards, the numerical limitations set forth in Sections 8.A., 9.A. and 11.A., future Awards under Section 7.A., and the number of shares covered by unexercised, unvested or unpaid Awards upon the subdivision of the outstanding shares of Common Stock; the declaration of a dividend payable in Common Stock; the declaration of a dividend payable in a form other than Common Stock in an amount that has a material effect on the price of the shares of Common Stock; the combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a lesser number of shares of Common Stock; a recapitalization; or a similar event.

16. PAYMENT OF WITHHOLDING TAXES

As a condition to receiving or exercising an Award, as the case may be, the Participant shall pay to the Company or the employer Subsidiary the amount of all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to receipt or exercise of the Award. The Company shall deduct such withholding taxes from any Award paid in cash.

17. AMENDMENTS

The Board of Directors may amend the Plan at any time and from time to time. Rights and obligations under any Award granted before amendment of the Plan shall not be materially altered or impaired adversely by such amendment, except with consent of the person to whom the Award was granted.

18. REGULATORY APPROVALS AND LISTINGS

Notwithstanding any other provision in the Plan, the Company shall have no obligation to issue or deliver certificates of Common Stock under the Plan prior to (A) obtaining approval from any governmental agency which the Company determines is necessary or advisable, (B) admission of such shares to listing on the stock exchange on which the Common Stock may be listed and (C) completion of any registration or other qualification of such shares under any state or federal law or ruling of any governmental body which the Company determines to be necessary or advisable.

19. NO RIGHT TO CONTINUED EMPLOYMENT OR GRANTS

Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Company or any Subsidiary. Further, the adoption of this Plan shall not be deemed to give any Key Employee or other individual the right to be selected as a Participant or to be granted an Award.

20. NO RIGHT, TITLE, OR INTEREST IN COMPANY ASSETS

No Participant shall have any rights as a stockholder of the Company until he acquires an unconditional right under an Award to have shares of Common Stock issued to him. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

21. GOVERNING LAW

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

EXHIBIT 11

VARIAN ASSOCIATES, INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF NET EARNINGS PER SHARE IN ACCORDANCE
WITH INTERPRETIVE RELEASE NO. 34-9083

(Shares in Thousands)	1997	1996	1995
Actual weighted average shares outstanding for the period	30,451	31,024	33,648
Dilutive employee stock options	1,136	1,051	1,554
Weighted average shares outstanding for the period	31,587	32,075	35,202

(Dollars in millions, except per share amounts)			
Net earnings from continuing operations	$ 115.6	$ 122.1	$ 105.8
Net earnings from discontinued operations	--	--	33.5
Net earnings applicable to fully diluted earnings per share	$ 115.6	$ 122.1	$ 139.3
Net earnings per share based on SEC interpretive release No. 34-9083:			
Net earnings from continuing operations	$ 3.66	$ 3.81	$ 3.01
Net earnings from discontinued operations	--	--	0.95
Net earnings per share - Fully Diluted(1)	$ 3.66	$ 3.81	$ 3.96

(1) There is no significant difference between fully diluted net earnings per share and primary net earnings per share.

1

EXHIBIT 13

VARIAN ASSOCIATES, INC.

FY 1997 ANNUAL REPORT
TO STOCKHOLDERS

2

Exhibit 13

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

In fiscal 1997, the Company earned $115.6 million compared to $122.1 million in 1996. Earnings per share of $3.66 declined from the prior year's $3.81. As the result of the June sale of the Company's Thin Film Systems (TFS) business, earnings for 1997 include a $33.2 million ($1.06/share) gain, net of taxes, on the TFS sale, as well as a $4 million ($0.14/share) loss from the TFS operation. Earnings per share for fiscal 1997 were $2.74 after adjusting for the TFS divestiture. Fiscal 1997 orders totaled $1.546 billion, down 5% from 1996. However, orders rose 2% on a TFS-adjusted basis. Sales declined 11% from the previous year at $1.426 billion and declined 5% from the prior year's level after adjusting for the TFS sale. Order backlog at year-end 1997 totaled $615 million compared to $619 million at the end of 1996.

In the fourth quarter of 1997, net earnings increased to $33.0 million, up 13% from the year-ago's $29.2 million. Earnings per share of $1.06 were up 15% from the $0.92 earned in the final quarter of 1996. Orders for the fourth quarter of fiscal 1997 rose 15% on a year-to-year basis to a record $469 million, and were up 32% from the third quarter. After adjustments for the June sale of TFS, fourth-quarter orders rose 25% from the year-ago quarter and 38% over the prior quarter. Fourth-quarter sales of $406 million declined 2% from the year-ago period, but rose 13% from the prior quarter. On a TFS-adjusted basis, sales were up 12% from the 1996 fourth quarter and 18% from the previous three months.

The principal factors in the Company's fiscal year results were the strong fourth-quarter posted by its Health Care Systems segment and the generally good performance of its Semiconductor Equipment and Instruments businesses. Although orders in the Company's Health Care Systems business fell short of last year's all-time record of $203 million, fourth-quarter orders for that segment were very strong, increasing 73% over the prior quarter. While the sharpest improvement was posted in Health Care Systems, all three of Varian's business segments contributed to the sequential orders growth.

The Company's Health Care Systems orders were flat for the year at $529 million versus the year-ago's $534 million. Full-year sales of $472 million rose 2% over the year-ago period. Record fourth-quarter sales of $158 million, rose sharply from the third quarter, growing 43% above that period. Backlog for Health Care Systems rose to $344 million, a new year-end high. Operating margins for fiscal 1997 declined to $64 million from $68 million in fiscal 1996. Fourth-quarter Health Care Systems operating margins improved modestly on a year-to-year basis and were up significantly over the prior quarter.

Varian's Instruments business posted record full-year orders of $553 million, a 12% gain over the prior year, with all products contributing to the higher bookings. Sales rose 10% to a new high of $527 million. For fiscal 1997, operating earnings of $43 million increased over the prior year's $33 million. Fourth-quarter Instruments orders and sales also set new records at $147 million and $141 million, respectively. While analytical orders were up by nearly 10%, the Company's Nuclear Magnetic Resonance and Vacuum Products lines accounted for the majority of the fourth-quarter orders improvement. Backlog for this business rose 20% to a record $132 million.

Fiscal 1997 orders for the Varian's Semiconductor Equipment segment declined 30% to $438 million, and were off 17% after adjusting for the TFS divestiture. Fourth quarter orders of $112 million rose 36% from the year-ago quarter. On a TFS-adjusted basis, fourth quarter orders more than doubled the prior year's quarter. Full-year sales declined 35% to $424 million, and were down 28% on a TFS-adjusted basis. Sales of $107 million in the fourth-quarter declined 27% from the year-ago period, but grew 12% over 1996 on a TFS-adjusted basis. Backlog of $151 million was up 7% following the TFS adjustment. Although fiscal 1997 operating earnings declined from fiscal 1996, fourth-quarter operating margins improved over the year-ago quarter as well as the previous three months.

For the Company overall, spending on research and development remained level with the prior year , increasing $0.6 million to $110.8 million, or 8% of revenue, compared with 7% of revenue in 1996 and 6% in 1995.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The continuing operations effective tax rate for 1997 was 35.0%, compared to 35.5% for 1996 and 36% for 1995. (See Notes to the Consolidated Financial Statements.)

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS 128, "Earnings per Share." SFAS 128 is effective for the first quarter of the Company's fiscal year 1998. SFAS 128 requires the computation of earnings per share under two methods, basic and diluted, and that prior periods be restated to conform to that revised presentation and calculation. Early adoption of SFAS 128 is not permitted. The impact of its implementation on the consolidated financial statements of the Company has not yet been determined.

In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. It is effective for the Company's fiscal year 1999. The impact of its implementation on the consolidated financial statements of the Company has not yet been determined.

In June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS 131 changes current practice under SFAS 14 by establishing a new framework on which to base segment reporting (referred to as the "management" approach) and also requires interim reporting of segment information. It is effective for the Company's fiscal year 1999. The Company has not determined the impact of its implementation on the reporting of the Company's segment information.

During 1997, the Company adopted the AICPA's SOP 96-1, "Environmental Remediation Liabilities." As a result of the adoption of SOP 96-1, the Company increased the reserve for environmental liabilities by $8.8 million.

See Summary of Significant Accounting Policies in Notes to the Consolidated Financial Statements.

FINANCIAL CONDITION

The Company's financial condition remained strong during 1997. Operating activities provided cash of $44.9 million compared to $87.4 million in 1996. Investing activities in 1997 provided $49.7 million inclusive of $145.5 million in proceeds from the sale of TFS, offset by the purchase of businesses of $34.3 million and the purchase of property, plant, and equipment of $55.1 million . Investing activities in the same period last year used $73.4 million, mainly for the purchase of $67.7 million in property and equipment and the purchase of a business for $4.4 million. Financing activities in 1997 used $40.0 million with $56.5 million used to buy back shares of the Company's stock, including shares purchased to offset the issuance of stock to employees, and $10.4 million used for payment of dividends, offset by $25.0 million of additional long-term borrowings. Financing activities in 1996 used $56.6 million, with $49.5 million used to buy back shares of the Company's stock, including shares purchased to offset the issuance of stock to employees, and $9.3 million used for payment of dividends.

Total debt as a percent of total capital increased to 14.9% from 12.1% a year ago. Cash and cash equivalents of $142.3 million exceeded short- and long-term debt of $91.9 million at fiscal year-end 1997. The ratio of current assets to current liabilities was 1.75 and 1.65 at fiscal year-end 1997 and 1996, respectively. Quarterly dividends were increased from $0.08 to $0.09 per share in the second quarter of fiscal 1997. The Company has $50 million available in unused committed lines of credit.

On June 20, 1997, the Company completed the sale of TFS. Total proceeds received from the sale were $145.5 million in cash. A $51.5 million reserve was recorded to cover, among other items, retained liabilities, transaction costs, employee terminations, facilities separation costs, indemnification obligations, litigation expense, and other contingencies. The gain on the sale was $33.2 million (net of income taxes of $17.8 million).

ENVIRONMENTAL MATTERS

The Company's operations are subject to various federal, state, and/or local laws regulating the discharge of materials to the environment or otherwise relating to the protection of the environment. This includes discharges to soil, water, and air, and the generation, handling, storage, transportation, and disposal of waste and hazardous substances. These laws have the effect of increasing costs and potential liabilities associated with the conduct of such operations. The Company has also been named by the U.S. Environmental Protection Agency or third parties as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, at eight sites where the Company is alleged to have shipped manufacturing waste for recycling or disposal. The Company is also involved in various stages of environmental investigation and/or remediation under the direction of, or in consultation with, federal, state, and/or local agencies at certain current or former Company facilities (including facilities disposed of in connection with the Company's sale of its Electron Devices business during 1995, and the sale of TFS during 1997). Expenditures for environmental investigation and remediation amounted to $2.3 million in 1997 compared with $5.2 million in 1996.

For certain of these facilities, various uncertainties make it difficult to assess the likelihood and scope of further investigation or remediation activities or to estimate the future costs of such activities if undertaken. As of September 26, 1997, the Company nonetheless estimated that the Company's future exposure for environmental related investigation and remediation costs for these sites ranged in the aggregate from $17.4 million to $44.7 million. The time frame over which the Company expects to incur such costs varies with each site, ranging up to 30 years as of September 26, 1997. Management believes that no amount in the foregoing range of estimated future costs is more probable of being incurred than any other amount in such range and therefore accrued $17.4 million in estimated environmental costs as of September 26, 1997. The amount accrued has not been discounted to present value.

As to other facilities, the Company has gained sufficient knowledge to be able to better estimate the scope and costs of future environmental activities. As of September 26, 1997, the Company estimated that the Company's future exposure for environmental related investigation and remediation costs for these sites ranged in the aggregate from $46.5 million to $72.0 million. The time frame over which the Company expects to incur such costs varies with each site, ranging up to 30 years as of September 26, 1997. As to each of these sites, management determined that a particular amount within the range of estimated costs was a better estimate of the future environmental liability than any other amount within the range, and that the amount and timing of these future costs were reliably determinable. Together, these amounts totaled $54.2 million at September 26, 1997. The Company accordingly accrued $22.8 million, which represents this best estimate of the future costs discounted at 4%, net of inflation. This reserve is in addition to the $17.4 million described above.

At September 26, 1997, the Company's reserve for environmental liabilities, based upon future environmental related costs estimated by the Company as of that date, was calculated as follows:

(Dollars in millions)

Year	Recurring Costs	Non-Recurring Costs	Total Anticipated Future costs
1998	$2.2	$2.2	$4.4
1999	2.4	1.8	4.2
2000	2.4	0.3	2.7
2001	2.4	0.2	2.6
2002	2.2	0.0	2.2
Thereafter	53.2	2.3	55.5
Total costs	$64.8	$6.8	$71.6
Less imputed interest(at 7%)			(31.4)
Reserve amount			$40.2

The amounts set forth in the foregoing table are only estimates of anticipated future environmental related costs, and the amounts actually spent in the years indicated may be greater or less than such estimates. The aggregate range of cost estimates reflects various uncertainties inherent in many environmental investigation and remediation activities and the large number of sites where the Company is undertaking such investigation and remediation activities. The Company believes that most of these cost ranges will narrow as investigation and remediation activities progress. The Company believes that its environmental reserves are adequate, but as the scope of its obligations becomes more clearly defined, these reserves may be modified and related charges against earnings may be made.

Although any ultimate liability arising from environmental related matters described herein could result in significant expenditures that, if aggregated and assumed to occur within a single fiscal year, would be material to the Company's financial statements the likelihood of such occurrence is considered remote. Based on information currently available to management and its best assessment of the ultimate amount and timing of environmental related events, the Company's management believes that the costs of these environmental related matters are not reasonably likely to have a material adverse effect on the consolidated financial statements of the Company.

The Company evaluates its liability for environmental related investigation and remediation in light of the liability and financial wherewithal of potentially responsible parties and insurance companies where the Company believes that it has rights to contribution, indemnity, and/or reimbursement. Claims for recovery of environmental investigation and remediation costs already incurred, and to be incurred in the future, have been asserted against various insurance companies and other third parties. In 1992, the Company filed a lawsuit against 36 insurance companies with respect to most of the above-referenced sites. The Company received certain cash settlements during fiscal 1995, 1996,and 1997 from defendants in that lawsuit, and has a $0.5 million receivable in Other Current Assets at September 26, 1997. The Company has also reached an agreement with another insurance company under which the insurance company has agreed to pay a portion of the Company's past and future environmental related expenditures, and the Company therefore has a $5.5 million receivable in Other Assets at September 26, 1997. Although the Company intends to aggressively pursue additional insurance recoveries, the Company has not reduced any liability in anticipation of recovery with respect to claims made against third parties.

FORWARD LOOKING INFORMATION

Except for historical information, this Management's Discussion and Analysis contains forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: product demand and market acceptance risks; the effect of general economic conditions and foreign currency fluctuations; the impact of competitive products and pricing; new product development and commercialization; the timing of renewed growth in worldwide health care and semiconductor equipment demand; the impact of managed care initiatives in the United States; the continued improvement of the various instruments markets the Company serves; the ability to increase operating margins on higher sales; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

CONSOLIDATED STATEMENTS OF EARNINGS

Varian Associates, Inc. and Subsidiary Companies

	Fiscal Years		
(Dollars in thousands except per share amounts)	1997	1996	1995
SALES	$ 1,425,824	$ 1,599,361	$ 1,575,742
OPERATING COSTS AND EXPENSES			
Cost of sales	902,733	995,668	1,024,539
Research and development	110,750	110,140	90,964
Marketing	199,167	200,333	187,148
General and administrative	83,249	103,128	106,170
Total operating costs and expenses	1,295,899	1,409,269	1,408,821
OPERATING EARNINGS	129,925	190,092	166,921

Interest expense	(7,783)	(6,375)	(6,936)
Interest income	4,604	5,526	5,315
Gain on Sale of Thin Film Systems	51,039	--	--
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	177,785	189,243	165,300
Taxes on earnings	62,225	67,180	59,510
EARNINGS FROM CONTINUING OPERATIONS	$ 115,560	$ 122,063	$ 105,790
EARNINGS FROM DISCONTINUED OPERATIONS NET OF TAXES	--	--	33,496
NET EARNINGS	$ 115,560	$ 122,063	$ 139,286
NET EARNINGS PER SHARE - FULLY DILUTED			
Continuing operations	$ 3.66	$ 3.81	$ 3.01
Discontinued operations	--	--	0.95
NET EARNINGS PER SHARE	$ 3.66	$ 3.81	$ 3.96

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
Varian Associates, Inc. and Subsidiary Companies

	Fiscal Year-End	
(Dollars in thousands except par values)	1997	1996
ASSETS		
Current Assets		
Cash and cash equivalents	$ 142,298	$ 82,675
Accounts receivable	418,978	380,330
Inventories	159,598	189,882
Other current assets	92,596	91,010
Total Current Assets	813,470	743,897
Property, Plant, and Equipment	460,251	473,852
Accumulated depreciation and amortization	(264,612)	(261,766)
Net Property, Plant, and Equipment	195,639	212,086
Other Assets	95,224	62,938
TOTAL ASSETS	$ 1,104,333	$ 1,018,921

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Notes payable	$ 18,668	$ 4,362
Accounts payable - trade	83,771	75,745
Accrued expenses	269,067	264,565
Product warranty	37,620	49,251
Advance payments from customers	55,184	56,071
Total Current Liabilities	464,310	449,994
Long-Term Accrued Expenses	35,752	29,007
Long-Term Debt	73,186	60,258
Deferred Taxes	6,508	11,753
Total Liabilities	579,756	551,012
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Authorized 1,000,000 shares, par value $1, issued none	--	--
Common stock		
Authorized 99,000,000 shares, par value $1, issued and outstanding 30,108,000 shares (1997), 30,646,000 shares (1996)	30,108	30,646
Retained earnings	494,469	437,263
Total Stockholders' Equity	524,577	467,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,104,333	$ 1,018,921

</TABLE>

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Varian Associates, Inc. and Subsidiary Companies

(Dollars in thousands except per share amounts)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock at Cost	Total
BALANCES, FISCAL YEAR-END, 1994	$ 33,979	$ --	$ 415,474	$ --	$ 449,453
Net earnings for the year	--	--	139,286	--	139,286
Issuance of stock under omnibus stock, stock option, and employee stock purchase plans (including tax benefit of $10,548)	1,445	41,059	--	--	42,504
Purchase of common stock	--	--	--	(227,372)	(227,372)
Retirement of treasury stock	(4,372)	(41,059)	(181,941)	227,372	--
Dividends declared ($0.27 per share)	--	--	(8,942)	--	(8,942)
BALANCES, FISCAL YEAR-END, 1995	31,052	--	363,877	--	394,929
Net earnings for the year	--	--	122,063	--	122,063
Issuance of stock under omnibus stock, stock option, and employee stock purchase plans (including tax benefit of $10,084)	1,213	38,623	--	--	39,836
Purchase of common stock	--	--	--	(79,296)	(79,296)
Retirement of treasury stock	(1,619)	(38,623)	(39,054)	79,296	--
Dividends declared ($0.31 per share)	--	--	(9,623)	--	(9,623)
BALANCES, FISCAL YEAR-END, 1996	30,646	--	437,263	--	467,909
Net earnings for the year	--	--	115,560	--	115,560
Issuance of stock under omnibus stock, stock option, and employee stock purchase plans (including tax benefit of $8,299)	1,221	45,261	--	--	46,482
Purchase of common stock	--	--	--	(94,730)	(94,730)

Retirement of treasury stock	(1,759)	(45,261)	(47,710)	94,730	--
Dividends declared ($0.35 per share)	--	--	(10,644)	--	(10,644)
BALANCES, FISCAL YEAR-END, 1997	$ 30,108	$ --	$ 494,469	$ --	$ 524,577

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Varian Associates, Inc. and Subsidiary Companies

	Fiscal Years		
(Dollars in thousands)	1997	1996	1995
OPERATING ACTIVITIES			
Net Cash Provided by Operating Activities	$ 44,939	$ 87,437	$ 127,938
INVESTING ACTIVITIES			
Proceeds from sale of property, plant, and equipment	2,220	4,781	4,394
Proceeds from sale of Businesses	145,500	--	191,347
Purchase of property, plant, and equipment	(55,087)	(67,736)	(65,404)
Purchase of businesses, net of cash acquired	(34,272)	(4,396)	(12,686)
Other	(8,685)	(5,999)	7,985
Net Cash Provided (Used) by Investing Activities	49,676	(73,350)	125,636
FINANCING ACTIVITIES			
Net borrowings (payments) on short-term obligations	2,305	2,607	(3,061)
Proceeds from long-term borrowings	25,000	--	--
Principal payments on long-term debt	(71)	(71)	(70)
Proceeds from common stock issued to employees	38,183	29,752	31,956
Purchase of common stock	(94,730)	(79,296)	(227,372)
Dividends paid	(10,399)	(9,341)	(8,819)
Other	(245)	(282)	(123)
Net Cash Used by Financing Activities	(39,957)	(56,631)	(207,489)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	4,965	2,491	(2,229)
Net Increase (Decrease) in Cash and Cash Equivalents	59,623	(40,053)	43,856
Cash and Cash Equivalents at Beginning of Fiscal Year	82,675	122,728	78,872
Cash and Cash Equivalents at End of Fiscal Year	$ 142,298	$ 82,675	$ 122,728
DETAIL OF NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Earnings	$ 115,560	122,063	$ 139,286
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation	45,649	42,918	49,997
Gain on sale of businesses	(51,039)	--	(40,965)
Deferred taxes	(9,703)	1,113	(27,083)
Changes in assets and liabilities:			
Accounts receivable	(61,312)	(38,677)	(37,595)
Inventories	(5,586)	(17,415)	(33,009)
Other current assets	3,770	17,847	(19,362)
Accounts payable - trade	10,479	(6,516)	10,711
Accrued expenses	(24,859)	(40,658)	53,187
Product warranty	(2,666)	1,137	10,678
Advance payments from customers	3,633	5,411	(6,159)
Long-term accrued expenses	11,251	(19)	29,026
Other	9,762	233	(774)
Net Cash Provided by Operating Activities	$ 44,939	$ 87,437	$ 127,938

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See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year
The Company's fiscal years reported are the 52- or 53- week periods which ended on the Friday nearest September 30.

Principles of Consolidation
The consolidated financial statements include those of the Company and its subsidiaries. Significant intercompany balances, transactions, and stock holdings have been eliminated in consolidation. Investments in less-than-majority-owned affiliated companies are stated at equity in the net assets of these companies.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Currency Translation
For non-U.S. operations, the U.S. dollar is the functional currency. Monetary assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates. Nonmonetary assets such as inventories and property, plant, and equipment are translated at historical rates. Income and expense items are translated at effective rates of exchange prevailing during each year, except that inventories and depreciation charged to operations are translated at historical rates. The aggregate exchange loss included in general and administrative expenses for 1997, 1996, and 1995 was $5.9 million, $1.1 million, and $0.8 million, respectively.

Revenue Recognition
Sales and related cost of sales are recognized primarily upon shipment of products. Sales and related cost of sales under long-term contracts to commercial customers and the U.S. Government are recognized primarily as units are delivered.

Statements of Cash Flows
The Company considers currency on hand, demand deposits, and all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate estimated fair value because of the short maturities of those financial instruments.

Accounts Receivable
Accounts receivable are stated net of allowances for doubtful accounts of $2.7 million at the end of fiscal year 1997 and $2.3 million at the end of fiscal year 1996.

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of trade accounts receivable. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company performs ongoing credit evaluations of its customers and generally does not require collateral from its customers.

Inventories
Inventories are valued at the lower of cost or market (realizable value) using last-in, first-out (LIFO) cost for the U.S. inventories of the Health Care Systems (except X-ray Tube Products), Instruments, and Semiconductor Equipment segments. All other inventories are valued principally at average cost. If the first-in, first-out (FIFO) method had been

used for those operations valuing inventories on a LIFO basis, inventories would have been higher than reported by $48.4 million in fiscal 1997, $46.8 million in fiscal 1996, and $45.6 million in fiscal 1995. The main components of inventories are as follows:

(Dollars in millions)	1997	1996
Raw materials and parts	$ 97.2	$112.3
Work in process	37.4	53.7
Finished goods	25.0	23.9
Total Inventories	$159.6	$189.9

The Company's inventories include high technology parts and components that may be specialized in nature or subject to rapid technological obsolescence. While the Company has programs to minimize the required inventories on hand and considers technological obsolescence in estimating the required allowance to reduce recorded amounts to market values, such estimates could change in the future.

Property, Plant, and Equipment
Property, plant, and equipment are stated at cost. Major improvements are capitalized, while maintenance and repairs are expensed currently. Plant and equipment are depreciated over their estimated useful lives using the straight-line method for financial reporting purposes and accelerated methods for tax purposes. Leasehold improvements are amortized using the straight-line method over their estimated useful lives, or the remaining term of the lease, whichever is less. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are removed from the accounts. Gains or losses resulting from retirements or disposals are included in earnings from continuing operations.

The main components of property, plant, and equipment are as follows:

(Dollars in millions)	1997	1996
Land and land leaseholds	$ 12.0	$ 11.3
Buildings	159.1	160.4
Machinery and equipment	277.9	291.7
Construction in progress	11.3	10.5
Total Property, Plant, and Equipment	$460.3	$473.9

Environmental Liabilities
Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

During 1997, the Company adopted the AICPA's SOP 96-1, "Environmental Remediation Liabilities." As a result of the adoption of SOP 96-1, the Company increased the reserve for environmental liabilities by $8.8 million.

Taxes on Earnings
The Company's provision for income taxes comprises its estimated tax liability currently payable and the change in its deferred income taxes. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

Research and Development
Company-sponsored research and development costs related to both present and future products are expensed currently. Costs related to research and development contracts are included in inventory and charged to cost of sales upon recognition of related revenue. Total expenditures on research and development for fiscal 1997, 1996, and 1995, were $115.5 million, $116.5 million, and $94.7 million, respectively, of which $4.7 million, $6.4 million, and $3.7 million, respectively, were funded by customers.

Computation of Net Earnings Per Share (Shares in thousands)
Earnings-per-share computations are based on the weighted average common shares outstanding and common share equivalents (dilutive stock options). The average number of common shares and common share equivalents used in the computation of earnings per share in fiscal 1997, 1996, and 1995, was 31,587, 32,075, and 35,202, respectively. There is no significant difference between fully diluted earnings per share and primary earnings per share.

Reclassification
Certain amounts in prior years have been reclassified to conform with the 1997 presentation. These reclassifications did not change previously reported total assets, liabilities, stockholders' equity or earnings from continuing operations.

RECENT ACCOUNTING PRONOUNCEMENTS

Earnings per Share
In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS 128, "Earnings per Share." SFAS 128 is effective for the first quarter of the Company's fiscal year 1998. SFAS 128 requires the computation of earnings per share under two methods, basic and diluted, and that prior periods be restated to conform to that revised presentation and calculation. Early adoption of SFAS 128 is not permitted. The impact of its implementation on the consolidated financial statements of the Company has not yet been determined.

Reporting Comprehensive Income
In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. It is effective for the Company's fiscal year 1999. The impact of its implementation on the consolidated financial statements of the Company has not yet been determined.

Disclosures About Segments of an Enterprise and Related Information
In June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS 131 changes current practice under SFAS 14 by establishing a new framework on which to base segment reporting (referred to as the "management" approach) and also requires interim reporting of segment information. It is effective for the Company's fiscal year 1999. The Company has not determined the impact of its implementation on the reporting of the Company's segment information.

ACCRUED EXPENSES

(Dollars in millions)	1997	1996
Taxes, including taxes on earnings	$ 33.5	$ 35.3
Payroll and employee benefits	90.3	108.8
Environmental	4.4	3.2
Estimated loss contingencies	59.2	34.0
Deferred income	22.6	23.7
Other	59.1	59.6
Total Accrued Expenses	$269.1	$264.6

SHORT-TERM DEBT

Short-term notes payable and the current portion of long-term debt amounted to $18.7 million and $4.4 million at the end of fiscal years 1997 and 1996, respectively. The weighted average interest rates on short-term borrowings were 5.6% and 3.7% at the end of fiscal years 1997 and 1996, respectively. Total debt is subject to limitations included in long-term debt agreements.

At fiscal year-end 1997, the Company had total unused committed lines of credit amounting to $50 million.

LONG-TERM ACCRUED EXPENSES

Long-term accrued expenses are comprised of accruals for environmental costs not expected to be expended within the next year. The current portion is recorded within Accrued Expenses.

LONG-TERM DEBT

(Dollars in millions)	1997	1996
Unsecured term loan, 7.29% due in semiannual installments of $6.0 payable fiscal 1998-2002	$60.0	$60.0
Unsecured term loan, 7.21% due in semiannual installments of $2.5 payable fiscal 2003-2007	25.0	--
Other debt	0.3	0.4
Long-term borrowings	85.3	60.4
Less current portion	12.1	0.1
Long-term Debt	$73.2	$60.3

The unsecured term loans contain covenants that limit future borrowings and require the Company to maintain certain levels of working capital and operating results. For fiscal year 1997, the Company was in compliance with all restrictive covenants of the loan agreements, including a restriction on payment of cash dividends. At September 26, 1997, approximately $103.9 million of retained earnings were unrestricted for payment of cash dividends.

The annual maturities of long-term debt (in millions) for fiscal years 1998 through 2002, are as follows: $12.1, $12.1, $12.1, $12.0 and $12.0.

Interest paid (in millions) on short and long-term debt was $7.6, $6.4, and $6.9, in fiscal 1997, 1996, and 1995, respectively.

Based on rates currently available to the Company for debt with similar terms and remaining maturities, the carrying amounts of long-term debt and notes payable approximate estimated fair value.

FORWARD EXCHANGE CONTRACTS

The Company enters into forward exchange contracts to mitigate the effects of operational (sales orders and purchase commitments) and balance sheet exposures to fluctuations in foreign currency exchange rates. When the Company's foreign exchange contracts hedge operational exposure, the effects of movements in currency exchange rates on these instruments are recognized in income when the related revenues and expenses are recognized. When foreign exchange contracts hedge balance sheet exposure, such effects are recognized in income when the exchange rate changes. Because the impact of movements in currency exchange rates on foreign exchange contracts generally offsets the related impact on the underlying items being hedged, these instruments do not subject the Company to risk that would otherwise result from changes in currency exchange rates. Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments also are deferred and are

recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Any deferred gains or losses are included in Accrued Expenses in the balance sheet. If a hedging instrument is sold or terminated prior to maturity, gains and losses continue to be deferred until the hedged item is recognized in income. If a hedging instrument ceases to qualify as a hedge, any subsequent gains and losses are recognized currently in income. At fiscal year-end 1997, the Company had forward exchange contracts with maturities of twelve months or less to sell foreign currencies totaling $88.9 million ($36.0 million of Japanese yen, $14.1 million of French francs, $10.7 million of Canadian dollars, $5.5 million of British pounds, $5.1 million of Italian lira, $4.5 million of German marks, $3.2 million of Spanish pesetas, $2.7 million of Norwegian krone, $2.0 million of Belgian francs, $1.9 million of Dutch guilders, $1.7 million of Taiwan dollars, $0.9 million of Finnish marks, $0.4 million of Portuguese escudos, and $0.2 million of Korean won) and to buy foreign currencies totaling $31.3 million ($8.8 million of British pounds, $8.8 million of German marks, $5.7 million of Australian dollars, $3.2 million of Swiss francs, $1.7 million of Japanese yen, $1.3 million of Canadian dollars, $1.0 million of Swedish krona, and $0.8 million of French francs). The face values of these foreign exchange contracts approximate estimated fair value based on the quoted market prices of these foreign currencies.

OMNIBUS STOCK AND EMPLOYEE STOCK PURCHASE PLANS (SHARES IN THOUSANDS)

Prior to fiscal 1991, the Company had in place the 1982 Non-Qualified Stock

Option Plan under which options are still exercisable. During fiscal 1991, the Company adopted the Omnibus Stock Plan (the Plan) under which shares of common stock can be issued to officers, directors, and key employees. The maximum number of shares of common stock available for awards under the Plan during each fiscal year (including incentive stock options) is 5% of the total outstanding shares of the Company on the last business day of the preceding fiscal year. The maximum number of shares of the common stock available for incentive stock option grants under the Plan is 6,000. The exercise price for incentive and nonqualified stock options granted under the Plan may not be less than 100% of the fair market value at the date of the grant. Options granted will be exercisable at such times and be subject to such restrictions and conditions as determined by the Organization and Compensation Committee of the Company's Board of Directors, but no option shall be exercisable later than ten years from the date of grant. Options granted are generally exercisable in cumulative installments of one-third each year, commencing one year following date of grant, and expire if not exercised within seven or ten years from date of grant. Restricted stock grants may be awarded at prices ranging from 0% to 50% of the fair market value of the stock and may be subject to restrictions on transferability and continued employment as determined by the Organization and Compensation Committee.

Option activity under the Plans is presented below:

	1997		1996		1995	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Beginning of fiscal year	3,877	$ 31.08	3,809	23.36	3,999	$ 18.77
Granted	1,089	48.89	1,159	48.57	1,111	36.25
Terminated or expired	(224)	45.75	(62)	40.24	(116)	28.49
Exercised	(1,000)	28.58	(1,029)	21.78	(1,185)	19.55
End of fiscal year	3,742	$ 36.43	3,877	31.08	3,809	$ 23.36
Shares exercisable	1,935	$ 26.58	1,869	$ 20.12	2,030	$ 17.66
Available shares remaining	667		456		703	

During fiscal years 1997, 1996, and 1995, 55, 69, and 63 shares, respectively, were awarded under restricted stock grants at no cost to the employees. The restricted stock grants vest generally over a three year period. Compensation expense from restricted stock was $2.7 million, $2.6 million, and $2.0 million, in fiscal years 1997, 1996, and 1995, respectively. The Employee Stock Purchase Plan (ESPP) covers substantially all employees in the United States and Canada. The participants' purchase price is the lower of 85% of the closing market price on the first trading day of the fiscal quarter or the first trading day of the next fiscal quarter. The discount is treated as equivalent to the cost of issuing stock for financial reporting purposes. During fiscal 1997, 1996, and 1995, 163 shares, 111 shares, and 205 shares were issued under the ESPP for $6.9 million, $4.7 million, and $7.0 million, respectively. At fiscal year-end 1997, the Company had a balance of 2,851 shares reserved for ESPP.

The following tables summarize information concerning outstanding and exercisable options at the end of fiscal 1997.

	Options Outstanding		
Range of Exercise prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$10.91-10.91	394	2.4	$10.91
15.16-19.50	433	1.7	18.49
21.41-25.35	425	3.3	25.29
32.81-36.00	593	4.1	35.97

36.12-48.31	901	8.1	47.79
48.38-61.31	996	9.1	49.08
Total	3,742	5.9	$36.43

	Options Exercisable	
Range of exercise Prices	Number Exercisable	Weighted Average Exercise Price
$10.91-10.91	394	$10.91
15.16-19.50	433	18.49
21.41-25.35	425	25.29
32.81-36.00	359	35.97
36.12-48.31	287	47.15
48.38-61.31	37	52.47
Total	1,935	$26.58

The Company has adopted the disclosure provision of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, the Company applies APB Opinion 25 and related Interpretations in accounting for its stock option plans. If the Company had elected, beginning in fiscal 1996, to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net earnings and net earnings per share would have been reduced to the pro forma amounts shown below:

(Dollars in thousands except per share amounts)	1997	1996
Net Earnings - as reported	$ 115,560	$ 122,063
Net Earnings - pro forma	$ 109,433	$ 119,271
Net Earnings per share - as reported	$ 3.66	$ 3.81
Net Earnings per share - pro forma	$ 3.45	$ 3.70

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Employee Stock Options		Employee Stock Purchase Plan	
	1997	1996	1997	1996
Expected dividend yield	0.8%	0.8%	0.8%	0.8%
Risk-free interest rate	6.4%	6.0%	5.3%	5.1%
Expected volatility	21.0%	21.0%	21.0%	21.0%
Expected life (in years):				
Employees	4	4	.25	.25
Executive Officers	7	7	.25	.25

The weighted average estimated fair values of employee stock options granted during fiscal 1997 and 1996 were $14.65 and $13.93 per share, respectively. The weighted average estimated fair values of Employee Stock Purchase Plan options issued during fiscal 1997 and 1996 were $11.77 and $9.06 per share, respectively.

The above pro forma disclosures are not likely to be representative of the effects on net earnings and net earnings per share in future years, because they do not take into consideration pro forma compensation expense related to grants made prior to the Company's fiscal year 1996.

RETIREMENT PLANS

The Company has defined contribution retirement plans covering substantially all of its United States and Canadian employees. The Company's major obligation is to contribute an amount based on a percentage of each participant's base pay. The Company also contributes 5% of its consolidated earnings from continuing operations before taxes, as adjusted for discretionary items, as retirement plan profit sharing. Participants are entitled, upon termination or retirement, to their portion of the retirement fund assets, which are held by a third-party trustee. In addition, a number of the Company's foreign subsidiaries have defined benefit retirement plans for regular full-time employees. Total pension expense for all plans amounted to $20.6 million, $23.6 million, and $21.1 million, for fiscal 1997, 1996, and 1995, respectively.

TAXES ON EARNINGS

Taxes on earnings from continuing operations are as follows:

(Dollars in millions)	1997	1996	1995
Current			
U.S. federal	$48.4	$42.3	$60.6
Non-U.S	16.0	13.8	14.8
State and local	7.5	9.9	11.2
Total current	71.9	66.0	86.6
Deferred			
U.S. federal	(10.4)	0.6	(26.6)
Non-U.S	.7	0.6	(0.5)
Total deferred	(9.7)	1.2	(27.1)
Taxes on Earnings	$62.2	$67.2	$59.5

Significant items making up deferred tax assets and liabilities are as follows:

(Dollars in millions)	1997	1996
Assets:		
Product warranty	$11.9	$16.2
Deferred compensation	7.0	10.1
Special provisions	34.8	23.1
Inventory adjustments	20.3	20.7
Deferred income	5.6	5.9
Deferred state taxes	2.4	--
State income tax	1.6	1.7
Other	5.3	4.5
	88.9	82.2
Liabilities:		
Accelerated depreciation	10.5	13.6
Unconsolidated affiliates	5.8	8.0
Other	2.6	0.3
	18.9	21.9
Net Deferred Tax Asset	$70.0	$60.3

The classification of the net deferred tax asset on the Consolidated Balance Sheet is as follows:

(Dollars in millions)	1997	1996
Net current deferred tax asset (included in Other Current Assets)	$76.5	$72.1
Net long-term deferred tax liability	(6.5)	(11.8)
Net Deferred Tax Asset	$70.0	$60.3

The effective tax rate on continuing operations differs from the U.S. federal statutory tax rate as a result of the following:

	1997	1996	1995
Federal statutory income tax rate	35.0%	35.0%	35.0%
State and local taxes, net of federal tax benefit	2.7	3.4	4.4
Foreign taxes, net	2.0	0.4	(1.2)
Foreign Sales Corporation	(2.3)	(2.8	(2.4)
Other	(2.5)	(0.5)	0.2
Effective Tax Rate	35.0%	35.5%	36.0%

Income taxes paid are as follows:

(Dollars in millions)	1997	1996	1995
Federal income taxes paid, net	$41.9	$63.6	$35.1
State income taxes paid, net	4.0	9.8	11.7
Foreign income taxes paid, net	18.3	21.2	24.0
Total Paid	$64.2	$94.6	$70.8

LEASE COMMITMENTS

At fiscal year-end 1997, the Company was committed to minimum rentals under noncancellable operating leases for fiscal years 1998 through 2002 and thereafter, as follows, in millions: $8.3, $6.7, $4.6, $2.9, $1.9, and $4.1. Rental expense for fiscal years 1997, 1996, and 1995, in millions, was $17.1, $18.4, and $18.6, respectively.

CONTINGENCIES

In February 1990, a purported class action was brought by Panache Broadcasting of Pennsylvania, Inc. on behalf of all purchasers of electron tubes in the U.S. against the Company and a joint-venture partner, alleging that the activities of their joint venture in the power-grid tube industry violated antitrust laws. The complaint seeks injunctive relief and unspecified damages, which may be trebled under the antitrust laws. In February 1993, the U.S. District Court in Chicago granted in part and denied in part the Company's motion to dismiss the complaint. Panache Broadcasting filed an amended complaint in March 1993. In October 1995, the Court affirmed a federal Magistrate's recommendation to grant in part and deny in part the Company's motion to dismiss the amended complaint. Also in October 1995, the Magistrate recommended denial of plaintiff's request to certify the purported class and recommended certification of a different and narrower class than that defined by plaintiff. The Company is appealing that proposed class certification to the District Court. Management believes that the Company has meritorious defenses to the Panache lawsuit.

In addition to the above-referenced matter, the Company is currently a defendant in a number of legal actions and could incur an uninsured liability in one or more of them. In the opinion of management, the outcome of the above litigation (including the Panache lawsuit) will not have a material adverse effect on the consolidated financial statements of the Company.

The Company has been named by the U.S. Environmental Protection Agency or third parties as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, at eight sites where the Company is alleged to have shipped manufacturing waste for recycling or disposal. The Company is also involved in various stages of environmental investigation and/or remediation under the direction of, or in consultation with, federal, state, and/or local agencies at certain current or former Company facilities (including facilities disposed of in connection with the Company's sale of its Electron Devices business during 1995, and the sale of TFS during 1997). Expenditures for environmental investigation and remediation amounted to $2.3 million in 1997 compared with $5.2 million in 1996, and $2.3 million in 1995.

For certain of these facilities, various uncertainties make it difficult to assess the likelihood and scope of further investigation or remediation activities or to estimate the future costs of such activities if undertaken. As of September 26, 1997, the Company nonetheless estimated that the Company's future exposure for environmental related investigation and remediation costs for these sites ranged in the aggregate from $17.4 million to $44.7 million. The time frame over which the Company expects to incur such costs varies with each site, ranging up to 30 years as of September 26, 1997. Management believes that no amount in the foregoing range of estimated future costs is more probable of being incurred than any other amount in such range and therefore accrued $17.4 million in estimated environmental costs as of September 26, 1997. The amount accrued has not been discounted to present value.

As to other facilities, the Company has gained sufficient knowledge to be able to better estimate the scope and costs of future environmental activities. As of September 26, 1997, the Company estimated that the Company's future exposure for environmental related investigation and remediation costs for these sites ranged in the aggregate from $46.5 million to $72.0 million. The time frame over which the Company expects to incur such costs varies with each site, ranging up to 30 years as of September 26, 1997. As to each of these sites, management determined that a particular amount within the range of estimated costs was a better estimate of the future environmental liability than any other amount within the range, and that the amount and timing of these future costs were reliably determinable. Together, these amounts totaled $54.2 million at September 26, 1997. The Company accordingly accrued $22.8 million, which represents this best estimate of the future costs discounted at 4%, net of inflation.
This reserve is in addition to the $17.4 million described above.

At September 26, 1997, the Company's reserve for environmental liabilities, based upon future environmental related costs estimated by the Company as of that date, was calculated as follows:

(Dollars in millions)

Year	Recurring Costs	Non-Recurring Costs	Total Anticipated Future costs
1998	$ 2.2	$2.2	$ 4.4
1999	2.4	1.8	4.2
2000	2.4	0.3	2.7
2001	2.4	0.2	2.6
2002	2.2	0.0	2.2
Thereafter	53.2	2.3	55.5
Total costs	$64.8	$ 6.8	$ 71.6
Less imputed interest (at 7%)			(31.4)
Reserve amount			$ 40.2

======

The amounts set forth in the foregoing table are only estimates of anticipated future environmental related costs, and the amounts actually spent in the years indicated may be greater or less than such estimates. The aggregate range of cost estimates reflects various uncertainties inherent in many environmental investigation and remediation activities and the large number of sites where the Company is undertaking such investigation and remediation activities. The Company believes that most of these cost ranges will narrow as investigation and remediation activities progress. The Company believes that its reserves are adequate, but as the scope of its obligations becomes more clearly defined, these reserves may be modified and related charges against earnings may be made.

Although any ultimate liability arising from environmental related matters described herein could result in significant expenditures that, if aggregated and assumed to occur within a single fiscal year, would be material to the Company's financial statements, the likelihood of such occurrence is considered remote. Based on information currently available to management and its best assessment of the ultimate amount and timing of environmental related events, the Company's management believes that the costs of these environmental related matters are not reasonably likely to have a material adverse effect on the consolidated financial statements of the Company.

The Company evaluates its liability for environmental related investigation and remediation in light of the liability and financial wherewithal of potentially responsible parties and insurance companies where the Company believes that it has rights to contribution, indemnity, and/or reimbursement. Claims for recovery of environmental investigation and remediation costs already incurred, and to be incurred in the future, have been asserted against various insurance companies and other third parties. In 1992, the Company filed a lawsuit against 36 insurance companies with respect to most of the above-referenced sites. The Company received certain cash settlements during 1995, 1996 and 1997 from defendants in that lawsuit, and has a $0.5 million receivable in Other Current Assets at September 26, 1997. The Company has also reached an agreement with another insurance company under which the insurance company has agreed to pay a portion of the Company's past and future environmental related expenditures, and the Company therefore has a $5.5 million receivable in Other Assets at September 26, 1997. Although the Company intends to aggressively pursue additional insurance recoveries, the Company has not reduced any liability in anticipation of recovery with respect to claims made against third parties.

Sale of Business and Discontinued Operation

On June 20, 1997, the Company completed the sale of its Thin Film Systems operations (a product line of the Semiconductor Equipment segment). Total proceeds received from the sale were $145.5 million in cash. A $51.5 million reserve was recorded to cover, among other items, retained liabilities, transaction costs, employee terminations,

facilities separation costs, indemnification obligations, litigation expense and other contingencies. The gain on the sale was $33.2 million (net of income taxes of $17.8 million).

On August 11, 1995, the Company completed the sale of the Electron Devices business segment (not including the Tempe Electronics Center). The Tempe facility was retained as part of the Instruments business segment. The transaction was accounted for as a discontinued operation. The Company received $191.3 million net proceeds in cash. The gain on the sale was $25.3 million (net of income taxes of $15.6 million). Summary operating results of discontinued operations, excluding the above gain, are as follows:

(Dollars in millions)	1995
Sales	$205.1
Earnings Before Taxes	13.2
Taxes on Earnings	5.0
Net Earnings from Discontinued Operations Before Gain on Sale	$ 8.2

INDUSTRY SEGMENTS

The Company's operations are grouped into three business segments: Health Care Systems, Instruments, and Semiconductor Equipment. Indirect and common costs have been allocated through the use of estimates. Accordingly, the following information is provided for purposes of achieving an understanding of operations, but may not be indicative of the financial results of the reported segments were they independent organizations. In addition, comparisons of the Company's operations to similar operations of other companies may not be meaningful.

The Health Care Systems business includes linear accelerators used for cancer therapy, industrial testing, and inspection, as well as cancer treatment planning systems and data management systems for medical facilities. It also designs and manufactures a broad range of X-ray generating tubes for the medical diagnostic imaging market worldwide. The Instruments business consists of analytical instruments widely used in the fields of chemistry, environmental monitoring, biology, life sciences, and metallurgy. It also manufactures high vacuum pumps, instrumentation, gauges, components, and printed circuit boards. The Semiconductor Equipment business includes systems used for semiconductor wafer fabrication. Included in Eliminations and Other are certain insignificant support operations.

The Company operates various manufacturing and marketing operations outside the United States. For 1997, no single country outside the United States accounted for more than 10% of total sales. Sales to customers located in Korea were $177.9 million, and $183.8 million in fiscal 1996 and 1995, respectively. For fiscal 1997, 1996 and 1995, no single country outside the United States accounted for more than 10% of total assets. Sales between geographic areas are accounted for at cost plus prevailing markups arrived at through negotiations between independent profit centers. Related profits are eliminated in consolidation.

Included in the total of United States sales are export sales of $313 million in fiscal 1997, $496 million in fiscal 1996, and $420 million in fiscal 1995. Sales under prime contracts from the U.S. Government were approximately $14 million in fiscal 1997, $15 million in fiscal 1996, and $22 million in fiscal 1995.

INDUSTRY SEGMENTS

	Sales			Pretax Earnings			Identifiable Assets			Capital Expenditures			Depreciation		
(Dollars in millions)	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995
Health Care Systems	$ 472	$ 464	$ 482	$ 64	$ 68	$ 90	$ 326	$ 282	$ 254	$ 11	$ 13	$ 16	$ 13	$ 12	$ 11
Instruments	527	481	432	43	33	18	307	248	235	19	19	21	14	13	12
Semiconductor Equipment	424	650	659	70	135	99	175	262	227	12	24	15	11	11	9
Eliminations & Other	3	4	3	(12)	(12)	(11)	10	10	9	2	1	--	1	1	1
Total Industry Segments	1,426	1,599	1,576	165	224	196	818	802	725	44	57	52	39	37	33
General Corporate	--	--	--	16	(34)	(29)	286	217	279	12	12	10	7	6	6
Interest, Net	--	--	--	(3)	(1)	(2)	--	--	--	--	--	--	--	--	--
Continuing Operations	$1,426	$1,599	$1,576	$ 178	$ 189	$ 165	$1,104	$1,019	$1,004	$ 56	$ 69	$ 62	$ 46	$ 43	$ 39

General Corporate Pretax Earnings for 1997 include the gain on the sale of Thin Film Systems of $51 million.

GEOGRAPHIC SEGMENTS

	Sales to Unaffiliated Customers			Intergeographic Sales to Affiliates			Total Sales			Pretax Earnings			Identifiable Assets		
(Dollars in millions)	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995
United States	$995	$1,152	$1,175	$246	$256	$217	$1,241	$1,408	$1,392	$157	$200	$165	$565	$514	$496
International	429	444	398	60	61	54	489	505	452	20	36	42	243	278	220
Eliminations & Other	2	3	3	(306)	(317)	(271)	(304)	(314)	(268)	(12)	(12)	(11)	10	10	9

Total Geographic Segments	1,426	1,599	1,576	--	--	--	1,426	1,599	1,576	165	224	196	818	802	725
General Corporate	--	--	--	--	--	--	--	--	--	16	(34)	(29)	286	217	279
Interest, Net	--	--	--	--	--	--	--	--	--	(3)	(1)	(2)	--	--	--
Continuing Operations	$1,426	$1,599	$1,576	$--	$--	$--	$1,426	$1,599	$1,576	$178	$189	$165	$1,104	$1,019	$1,004

Total sales is based on the location of the operation furnishing goods and services. International sales based on final destination of products sold are $720 million, $918 million, and $797 million, in 1997, 1996, and 1995, respectively.

General Corporate Pretax Earnings for 1997 include the gain on the sale of Thin Film Systems of $51 million.

Quarterly Financial Data (Unaudited)

(Dollars in millions except per share amounts)	1997 First Quarter	1997 Second Quarter	1997 Third Quarter	1997 Fourth Quarter	1997 Total Year	1996 First Quarter	1996 Second Quarter	1996 Third Quarter	1996 Fourth Quarter	1996 Total Year
Sales	$ 322.0	338.1	359.9	405.8	1,425.8	$ 351.2	417.7	417.0	413.5	1,599.4
Gross Profit	$ 111.9	123.9	132.4	154.9	523.1	$ 133.1	154.2	157.1	159.3	603.7
Net Earnings	$ 12.8	17.4	52.4	33.0	115.6	$ 25.5	33.1	34.3	29.2	122.1
Net Earnings Per Share - Fully Diluted	$ 0.41	0.55	1.67	1.06	3.66	$ 0.79	1.03	1.07	0.92	3.81

The four quarters for net earnings per share may not add for the year because of the different number of shares outstanding during the year.

Third quarter 1997 net earnings includes a $33.2 million ($1.06 per share) after tax gain on the sale of the Thin Film Systems operations.

Common Stock Prices (Unaudited)

	1997 First Quarter	1997 Second Quarter	1997 Third Quarter	1997 Fourth Quarter	1996 First Quarter	1996 Second Quarter	1996 Third Quarter	1996 Fourth Quarter
Common Stock								
High	$51 7/8	59 1/2	56 1/4	62 1/8	$53 7/8	52 5/8	62 7/8	52 3/8
Low	$44 1/8	49	47 1/8	52 5/8	$42 1/2	43 1/4	49 1/4	40 1/2
Dividends Declared Per Share	$ 0.08	0.09	0.09	0.09	$ 0.07	0.08	0.08	0.08

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Varian Associates, Inc.

We have audited the accompanying consolidated balance sheets of Varian Associates, Inc. and its subsidiaries as of September 26, 1997 and September 27, 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three fiscal years in the period ended September 26, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Varian Associates, Inc. and its subsidiaries as of September 26, 1997, and September 27, 1996, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended September 26, 1997, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.
- -------------------------------
COOPERS & LYBRAND L.L.P.

San Jose, California
October 15, 1997

EXHIBIT 21

VARIAN ASSOCIATES, INC.
SUBSIDIARIES OF THE REGISTRANT
FISCAL 1997

	ORGANIZED UNDER LAWS OF	PERCENTAGE OF VOTING SECURITIES OWNED
VARIAN ASSOCIATES, INC. (REGISTRANT):		
Varian Sample Preparation Products, Inc.	California	100%
Varian Associates Limited	California	100%
Varian Inter-American Corp.	California	100%
Varian Investment Corporation	California	100%
Varian Realty Inc.	California	100%
Varian Asia, Ltd.	Delaware	100%
Varian China, Ltd.	Delaware	100%
Varian Biosynergy, Inc.	Delaware	100%
Varian Technologies, Inc.	Delaware	100%
Varian Japan Holdings, Ltd.	Delaware	100%
Varian Pacific, Inc.	Delaware	100%
Varian Instruments of Puerto Rico, Inc.	Delaware	100%
Varian Ltd.	Delaware	100%
Varian Argentina, Ltd.	Delaware	100%
Varian India Pvt., Ltd.	Delaware	100%
Mansfield Insurance Company	Vermont	100%
Varian Australia Pty., Ltd.	Australia	100%
Varian Holdings (Australia) Pty. Limited	Australia	100%
Varian Gesellschaft m.b.H	Austria	100%
Varian Belgium, N.V.	Belgium	100%
Varian Industria E Comercia Limitada	Brazil	100%
Intralab Instrumentacao Analytica Ltda.	Brazil	100%
Varian Canada, Inc.	Canada	100%
Varian AS	Denmark	100%
Varian - TEM Limited	England	100%
Varian S.A.	France	100%
Varian Medical France S.A.S	France	100%
Varian - Dosetek OY	Finland	100%
Varian GmbH	Germany	100%
Varian S.p.A.	Italy	100%
Varian Japan K.K.	Japan	100%
Varian Technologies Korea, Ltd.	Korea	100%
Varian, S.A.	Mexico	100%
Varian AB	Sweden	100%
Varian International AG	Switzerland	100%
Varian Nederland B.V.	The Netherlands	100%
Varian FSC B.V.	The Netherlands	100%
Varian Technologies, C.A.	Venezuela	100%
Varian Iberica, S.L.	Spain	70%
Varian Korea, Ltd.	Korea	61%
Nippon Oncology Systems, Ltd.	Japan	49%

</TABLE>

All of the above subsidiaries are included in the Company's consolidated financial statements. The names of certain consolidated subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not consitute a significant subsidiary.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Varian Associates, Inc. on Forms S-8 (Nos. 33-46000, 33-33661, 33-33660, 2-95139, and 33-1425) and Forms S-8 and S-3 (No. 33-40460) of our reports dated October 15, 1997, on our audits of the consolidated financial statements and financial statement schedule of Varian Associates, Inc. as of September 26, 1997 and September 27, 1996 and for each of the three fiscal years in the period ended September 26, 1997, which reports are included or incorporated by reference in this Form 10-K.

/s/ Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.

San Jose, California
December 18, 1997

Exhibit 24

POWER OF ATTORNEY

The undersigned directors of Varian Associates, Inc., a Delaware corporation ("Company"), hereby constitute and appoint Robert A. Lemos and Joseph B. Phair, and each of them with full power to act without the other, the undersigned's true and lawful attorney-in-fact, with full power of substitution and resubstitution, for the undersigned and in the undersigned's name, place and stead in the undersigned's capacity as a director of the Company, to execute in the name and on behalf of the undersigned of the Company's Annual Report on Form 10-K for the fiscal year ended September 26, 1997 ("Report"), under the Securities and Exchange Act of 1934, as amended, and to file such Report, with exhibits thereto and other documents in connection therewith and any and all amendments thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done and to take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required of, the undersigned, it being understood that the documents executed by such attorney-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion. This Power of Attorney may be executed in any number of counterparts, all of which together shall constitute one and the same Power of Attorney.

IN WITNESS WHEREOF, I have hereunto set my hand this __ day of _________________ , 1997.

/s/ Ruth M. Davis - -------------------------------- Ruth M. Davis	-------------------------------- Robert W. Dutton
/s/ Samuel Hellman - -------------------------------- Samuel Hellman	/s/ Terry R. Lautenbach -------------------------------- Terry R. Lautenbach
/s/ Angus A. MacNaughton - -------------------------------- Angus A. MacNaughton	/s/ David W. Martin -------------------------------- David W. Martin, Jr.
- -------------------------------- John G. McDonald	/s/ Wayne R. Moon -------------------------------- Wayne R. Moon
/s/ Gordon E. Moore - -------------------------------- Gordon E. Moore	/s/ David E. Mundell -------------------------------- David E. Mundell
/s/ Burton Richter - -------------------------------- Burton Richter	/s/ Elizabeth E. Tallett -------------------------------- Elizabeth E. Tallett
- -------------------------------- Jon D. Tompkins	/s/ Richard W. Vieser -------------------------------- Richard W. Vieser

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VARIAN ASSOCIATES, INC., AND SUBSIDARY COMPANIES, CONSOLIDATED BALANCE SHEETS, CONSOLIDATED STATEMENTS OF EARNINGS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, ALL CONTAINED WITHIN EXHIBIT 13, REGISTRANTS 1997 ANNUAL REPORT TO STOCKHOLDERS.
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