

VARIAN MEDICAL SYSTEMS INC  
Form 10-Q  
May 12, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 3, 2015

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

VARIAN MEDICAL SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 94-2359345  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

3100 Hansen Way, 94304-1038  
Palo Alto, California (Zip Code)  
(Address of principal executive offices)  
(650) 493-4000  
(Registrant's telephone number, including area code)

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 that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated filer

Non-Accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 99,797,043 shares of common stock, par value \$1 per share, outstanding as of May 1, 2015.

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VARIAN MEDICAL SYSTEMS, INC.  
 FORM 10-Q for the Quarter Ended April 3, 2015  
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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

VARIAN MEDICAL SYSTEMS, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
 (Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Revenues:				
Product	\$513,765	\$541,940	\$989,595	\$1,023,376
Service	245,641	236,566	507,665	466,632
Total revenues	759,406	778,506	1,497,260	1,490,008
Cost of revenues:				
Product	330,458	344,512	636,275	643,046
Service	106,410	105,684	211,439	209,073
Total cost of revenues	436,868	450,196	847,714	852,119
Gross margin	322,538	328,310	649,546	637,889
Operating expenses:				
Research and development	59,312	60,677	116,388	118,680
Selling, general and administrative	117,190	114,959	257,672	224,541
Litigation settlement	—	25,130	—	25,130
Total operating expenses	176,502	200,766	374,060	368,351
Operating earnings	146,036	127,544	275,486	269,538
Interest income	3,044	2,458	6,084	4,723
Interest expense	(2,001 )	(1,855 )	(4,046 )	(3,748 )
Earnings before taxes	147,079	128,147	277,524	270,513
Taxes on earnings	41,110	35,359	78,241	79,765
Net earnings	\$105,969	\$92,788	\$199,283	\$190,748
Net earnings per share - basic	\$1.06	\$0.89	\$1.99	\$1.82
Net earnings per share - diluted	\$1.05	\$0.88	\$1.97	\$1.79
Shares used in the calculation of net earnings per share:				
Weighted average shares outstanding - basic	100,157			

**UNITED STATES CELLULAR CORPORATION**  
**AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH  
FLOWS

Unaudited

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(As</b>	<b>(As</b>
	<b>Restated)</b>	<b>Restated)</b>
	<b>(Dollars in thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 19,565	\$ 9,404
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	127,493	114,018
Deferred income taxes	11,506	9,984
Investment income	(14,440)	(13,784)
Distributions from unconsolidated entities	1,394	3,541
Minority share of income	2,534	2,187
Gain on assets held for sale		(143)
Gain on investments	(551)	
Bad debts expense	6,445	9,683
Other noncash expense	1,616	4,826
Changes in assets and liabilities		
Change in accounts receivable	4,713	4,060
Change in inventory	7,167	15,120
Change in accounts payable	(55,387)	(68,648)
Change in accrued interest	8,678	2,919
Change in accrued taxes	8,725	5,632
Change in customer deposits and deferred revenues	3,603	6,437
Change in other assets and liabilities	(20,188)	(14,291)
	<b>112,873</b>	<b>90,945</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(112,775)	(101,459)
Cash received from sale of assets		96,932
Acquisitions, excluding cash acquired	(120,924)	(40,367)
Other investing activities	(1,042)	(481)
	<b>(234,741)</b>	<b>(45,375)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of notes payable	165,000	230,000
Repayment of notes payable	(60,000)	(145,000)
Repayment of long-term debt affiliated		(105,000)
Common shares reissued	6,836	388

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Other financing activities	(61)	(620)
	111,775	(20,232)

NET INCREASE  
(DECREASE) IN CASH  
AND CASH

EQUIVALENTS	(10,093)	25,338
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CASH AND CASH  
EQUIVALENTS-

Beginning of period	41,062	10,029
End of period	\$ 30,969	\$ 35,367

The accompanying notes to consolidated financial statements are an integral part of these statements.

**UNITED STATES CELLULAR CORPORATION  
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETSASSETSUnaudited

	<b>March 31, 2005 (As Restated)</b>	<b>December 31, 2004 (As Restated)</b>
	<b>(Dollars in thousands)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 30,969	\$ 41,062
Accounts Receivable		
Customers, less allowance of \$9,720 and \$10,820, respectively	245,838	248,383
Roaming	23,039	26,421
Other	40,600	41,632
Inventory	69,751	76,918
Prepaid expenses	33,273	31,764
Deferred tax asset	62,142	73,216
Other current assets	13,639	24,951
	519,251	564,347
<b>INVESTMENTS</b>		
Licenses	1,358,725	1,228,801
Goodwill	445,202	445,212
Customer lists, net of accumulated amortization of \$36,930 and \$34,630, respectively	22,615	24,915
Marketable equity securities	274,079	282,829
Investments in unconsolidated entities	169,634	155,519
Notes and interest receivable long-term	4,778	4,885
	2,275,033	2,142,161
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
In service and under construction	4,219,311	4,133,471
Less accumulated depreciation	1,789,552	1,692,751
	2,429,759	2,440,720
<b>OTHER DEFERRED CHARGES</b>		
	31,627	32,807
<b>TOTAL ASSETS</b>	<b>\$ 5,255,670</b>	<b>\$ 5,180,035</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.





UNITED STATES CELLULAR CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETSLIABILITIES AND SHAREHOLDERS' EQUITYUnaudited

	March 31, 2005 (As Restated) (Dollars in thousands)	December 31, 2004 (As Restated)
<b>CURRENT LIABILITIES</b>		
Notes payable	\$ 135,000	\$ 30,000
Accounts payable		
Affiliated	5,412	5,314
Trade	203,682	259,167
Customer deposits and deferred revenues	107,997	104,394
Accrued taxes	88,972	80,512
Accrued compensation	25,921	49,116
Other current liabilities	32,011	20,829
	598,995	549,332
<b>DEFERRED LIABILITIES AND CREDITS</b>		
Net deferred income tax liability	668,006	670,250
Derivative liability	66,800	70,796
Other deferred liabilities and credits	104,302	99,222
	839,108	840,268
<b>LONG-TERM DEBT</b>	1,160,900	1,160,786
<b>MINORITY INTEREST IN SUBSIDIARIES</b>	42,504	40,052
<b>COMMON SHAREHOLDERS' EQUITY</b>		
Common Shares, par value \$1 per share; authorized 140,000,000 shares; issued 55,045,684 shares	55,046	55,046
Series A Common Shares, par value \$1 per share; authorized 50,000,000 shares; issued and outstanding 33,005,877 shares	33,006	33,006
Additional paid-in capital	1,292,859	1,305,249
Treasury Shares, at cost, 1,441,069 and 1,716,658 Common Shares, respectively	(79,229)	(99,627)
Accumulated other comprehensive income	29,796	32,803

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Retained earnings	1,282,685	1,263,120
	2,614,163	2,589,597
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 5,255,670	\$ 5,180,035

The accompanying notes to consolidated financial statements are an integral part of these statements.

UNITED STATES CELLULAR CORPORATION  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL  
STATEMENTS

1. Basis of Presentation

The accounting policies of United States Cellular Corporation ( U.S. Cellular ) conform to accounting principles generally accepted in the United States of America ( U.S. GAAP ). The consolidated financial statements include the accounts of U.S. Cellular, its majority-owned subsidiaries since acquisition, general partnerships in which U.S. Cellular has a majority partnership interest and any entity where U.S. Cellular has a variable interest that will absorb a majority of the entity's expected gains or losses, or both. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements included herein have been prepared by U.S. Cellular, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although U.S. Cellular believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in U.S. Cellular's latest annual report on Form 10-K/A. (See discussion of Restatement below).

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items unless otherwise disclosed) necessary to present fairly the financial position as of March 31, 2005, the results of operations for the three months ended March 31, 2005 and 2004, and the cash flows for the three months ended March 31, 2005 and 2004. The results of operations for the three months ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year.

Certain amounts reported in the prior year have been reclassified to conform to current period presentation. The reclassifications had no impact on previously reported net income.

### **Restatement**

U.S. Cellular and its audit committee concluded on November 9, 2005, that U.S. Cellular would amend its Annual Report on Form 10-K for the year ended December 31, 2004 to restate its financial statements and financial information for each of the three years in the period ended December 31, 2004, including quarterly information for 2004 and 2003, and certain selected financial data for the years 2001 and 2000. U.S. Cellular and its audit committee also concluded that U.S. Cellular would amend its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2005 and June 30, 2005 to restate the financial statements and financial information included therewith.

On November 11, 2005, U.S. Cellular announced that the staff of the Midwest Regional Office of the Securities and Exchange Commission ( SEC ) had advised U.S. Cellular that it was conducting an investigation into the restatement of financial statements announced by U.S. Cellular on November 10, 2005. U.S. Cellular intends to cooperate fully with the SEC staff in this investigation.

The restatement adjustments principally correct items that were recorded in the financial statements previously but not in the proper periods and certain income tax errors. Correction of the errors, with the exception of income taxes discussed below, individually did not have a material impact on income before income taxes and minority interest, net income or earnings per share; however, when aggregated, the items were considered to be material. The restatement adjustments to correct income tax accounting had a material impact individually on net income and earnings per share in prior periods. The restated financial statements are adjusted to record certain obligations in the periods such obligations were incurred and, correct the timing of the reversal of certain tax liabilities and record revenues in the periods such revenues were earned. The adjustments are described below.

Income taxes U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. In the restatement, U.S. Cellular corrected its income tax expense, federal and state taxes payable, liabilities accrued for tax contingencies, deferred income tax assets and liabilities and related disclosures for the first quarter of 2005 and the years ended December 31, 2004, 2003 and 2002 for items identified based on a reconciliation of income tax accounts. The reconciliation compared amounts used for financial reporting purposes to the amounts used in the preparation of the income tax returns, and took into consideration the results of federal and state income tax audits and the resulting book/tax basis differences which generate deferred tax assets and liabilities. In addition, a review of the state deferred income tax rates used to establish deferred income tax assets and liabilities identified errors in the state income tax rate used which resulted in adjustments to correct the amount of deferred income tax assets and liabilities recorded for temporary differences between the timing of when certain transactions are recognized for financial and income tax reporting.

Federal universal service fund ( USF ) contributions In 2004 and 2003, Universal Service Administrative Company ( USAC ) billings to U.S. Cellular for USF contributions were based on estimated revenues reported to USAC by U.S. Cellular in accordance with USAC 's established procedures. However, U.S. Cellular 's actual liability for USF is based upon its actual revenues and USAC 's established procedures provide a method to adjust U.S. Cellular 's estimated liability to its actual liability. In the first six months of 2005 and the full years of 2004 and 2003, U.S. Cellular 's actual revenues exceeded estimated revenues reported to USAC on an interim basis. As a result, additional amounts were due to USAC in 2005 and 2004 based on U.S. Cellular 's annual report filings. Such additional amounts were incorrectly expensed when the invoices were received from USAC rather than at the time the obligation was incurred. In the third quarter of 2005, U.S. Cellular corrected its accounting for USF contributions to record expense reflecting the estimated obligation incurred based on actual revenues reported during the period. Accordingly, in the restatement, U.S. Cellular has adjusted previously reported USF contributions expense to reflect the estimated liability incurred during the period.

Customer contract termination fees In the fourth quarter of 2003, U.S. Cellular revised its business practices related to the billing of contract termination fees charged when a customer disconnected service prior to the end of the customer 's contract. This change resulted in an increase in amounts billed to customers and revenues even though a high percentage of the amounts billed were deemed uncollectible. At the time of the change in business practice, U.S. Cellular incorrectly recorded revenues related to such fees at the time of billing, as generally accepted accounting principles ( GAAP ) would preclude revenue recognition if the receivable is not



reasonably assured of collection. In the first quarter of 2005, U.S. Cellular corrected its accounting to record revenues related to such fees only upon collection, in recognition of the fact that the collectibility of the revenues was not reasonably assured at the time of billing. In the restatement, U.S. Cellular made adjustments to properly reflect revenues for such fees upon collection beginning on October 1, 2003.

Leases and contracts U.S. Cellular has entered into certain operating leases (as both lessee and lessor) that provide for specific scheduled increases in payments over the lease term. In the third quarter of 2004, U.S. Cellular made adjustments for the cumulative effect which were not considered to be material to either that quarter or to prior periods to correct its accounting and to recognize revenues and expenses under such agreements on a straight-line basis over the term of the lease in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 13, Accounting for Leases, as amended, and related pronouncements. In addition, the accounting for certain other long-term contracts, for which a cumulative effect adjustment was made in the first quarter of 2005, was corrected to recognize expenses in the appropriate periods. The restatement adjustments reverse the cumulative amounts previously recorded in the third quarter of 2004 and the first quarter of 2005, and properly record such revenues and expenses on a straight-line basis in the appropriate periods.

Promotion rebates From time to time, U.S. Cellular's sales promotions include rebates on sales of handsets to customers. In such cases, U.S. Cellular reduces revenues and records a liability at the time of sale reflecting an estimate of rebates to be paid under the promotion. Previously, the accrued liability was not adjusted on a timely basis upon expiration of the promotion to reflect the actual amount of rebates paid based upon information available at the date the financial statements were issued. In the restatement, U.S. Cellular has corrected revenues and accrued liabilities to reflect the impacts associated with promotion rebates in the appropriate periods.

Operations of consolidated partnerships managed by a third party Historically, U.S. Cellular recorded the results of operations of certain consolidated partnerships managed by a third party on an estimated basis, and adjusted such estimated results to the actual results upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize results of operations in the appropriate period based on the partnerships' actual results of operations reported for such periods.

Investment income from entities accounted for by the equity method Historically, U.S. Cellular recorded an estimate each quarter of its proportionate share of net income (loss) from certain entities accounted for by the equity method, and adjusted such estimate to the actual share of net income (loss) upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize investment income in the appropriate period based on the entities' actual net income (loss) reported for such periods.

Consolidated statements of cash flows In the restatement, the classification of cash distributions received from unconsolidated entities has been corrected to properly reflect cash received, which represents a return on investment in the unconsolidated entities, as cash flows from operating activities; previously, the cash received on such investments was classified as cash flows from investing activities. Also, the classification of certain noncash stock-based compensation expense has been corrected to properly reflect such noncash expense as an

adjustment to cash flows from operating activities; previously, such expense was classified as cash flows from financing activities.

Other items In addition to the adjustments described above, U.S. Cellular recorded a number of other adjustments to correct and record revenues and expenses in the periods in which such revenues and expenses were earned or incurred. These adjustments were not significant, either individually or in aggregate.

The table below summarizes the impact on income before income taxes and minority interest as a result of the restatement.

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Increase (decrease) dollars in thousands)</b>	
Income Before Income Taxes and Minority Interest, as previously reported	\$ 32,205	\$ 23,005
Federal universal service fund contributions	(1,431)	1,591
Customer contract termination fees	3,468	(151)
Leases and contracts	2,238	(686)
Promotion rebates	(446)	
Operations of consolidated partnerships managed by a third party	(454)	270
Investment income from entities accounted for by the equity method	522	(504)
Other items	(69)	(281)
<b>Total adjustment</b>	<b>3,828</b>	<b>239</b>
Income Before Income Taxes and Minority Interest, as restated	\$ 36,033	\$ 23,244

The table below summarizes the impact on net income and earnings per share as a result of the restatement.

	<b>Three Months Ended March 31,</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Diluted</b>	<b>Diluted</b>	<b>Diluted</b>	<b>Diluted</b>
	<b>Net</b>	<b>Earnings</b>	<b>Net</b>	<b>Earnings</b>
	<b>Income</b>	<b>Per</b>	<b>Income</b>	<b>Per</b>
	<b>(loss)</b>	<b>Share</b>	<b>(loss)</b>	<b>Share</b>
	<b>(Increase (decrease) dollars in thousands, except per share amounts)</b>			
As previously reported	\$ 16,898	\$ 0.19	\$ 9,232	\$ 0.11
Federal universal service fund contributions	(829)	(0.01)	928	0.01
Customer contract termination fees	1,942	0.02	(85)	

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Leases and contracts	1,356	0.02	(403)	(0.01)
Promotion rebates	(250)			
Operations of consolidated partnerships managed by a third party	(200)		120	
Investment income from entities accounted for by the equity method	316		(305)	
Income taxes	370		76	
Other items	(38)		(159)	
Total adjustment	2,667	0.03	172	
As restated	\$ 19,565	\$ 0.22	\$ 9,404	\$ 0.11

The effect of the restatement on the previously reported Consolidated Statements of Operations is as follows:

	Three Months Ended March 31,			
	2005		2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated
(Dollars in thousands, except per share amounts )				
<b>OPERATING REVENUES</b>				
Service	\$ 668,792	\$ 671,639	\$ 619,382	\$ 614,951
Equipment Sales	39,643	39,432	38,268	38,224
Total Operating Revenues	708,435	711,071	657,650	653,175
<b>OPERATING EXPENSES</b>				
System Operations (exclusive of depreciation, amortization and accretion shown separately below)	140,066	138,471	137,523	139,608
Cost of equipment sold	126,893	127,248	119,888	119,818
Selling, general and administrative expense	277,989	278,330	258,206	250,793
Depreciation, amortization and accretion expense	127,250	127,493	113,894	114,018
Gain on assets held for sale			(143)	(143)
Total Operating Expenses	672,198	671,542	629,368	624,094
Operating Income	36,237	39,529	28,282	29,081
Investment and Other Income (Expense)				
Investment income	13,919	14,440	14,287	13,784

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Interest and dividend income	2,036	2,025	378	370
Interest expense	(20,738)	(20,738)	(20,315)	(20,315)
Gain on investments	551	551		
Other income, net	200	226	373	324
Total Investment and Other Income (Expense)	(4,032)	(3,496)	(5,277)	(5,837)
Income (Loss) From Continuing Operations before Income Taxes and Minority Interest	32,205	36,033	23,005	23,244
Income tax expense (benefit)	12,803	13,934	11,661	11,653
Income (Loss) From Continuing Operations Before Minority Interest	19,402	22,099	11,344	11,591
Minority share of income	(2,504)	(2,534)	(2,112)	(2,187)
Net Income (Loss)	\$ 16,898	\$ 19,565	\$ 9,232	\$ 9,404
Basic Earnings per Share:	\$ 0.20	\$ 0.23	\$ 0.11	\$ 0.11
Diluted Earnings per Share:	\$ 0.19	\$ 0.22	\$ 0.11	\$ 0.11



The effect of the restatement on the previously reported Consolidated Statements of Cash Flows is as follows:

	Three Months Ended March 31,			
	2005 As Previously Reported	2005 As Restated	2004 As Previously Reported	2004 As Restated
(Dollars in thousands)				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 16,898	\$ 19,565	\$ 9,232	\$ 9,404
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, amortization and accretion	127,250	127,493	113,894	114,018
Deferred income taxes	10,374	11,506	9,991	9,984
Investment income	(13,919)	(14,440)	(14,287)	(13,784)
Distributions from unconsolidated entities		1,394		3,541
Minority share of income	2,504	2,534	2,112	2,187
Gain on assets held for sale			(143)	(143)
Gain on investments	(551)	(551)		
Bad debts expense		6,445		9,683
Other noncash expense	1,561	1,616	4,766	4,826
<b>Changes in assets and liabilities</b>				
Change in accounts receivable	12,700	4,713	11,796	4,060
Change in inventory	7,167	7,167	15,120	15,120
Change in accounts payable	(57,062)	(55,387)	(68,343)	(68,648)
Change in accrued interest	8,678	8,678	2,919	2,919
Change in accrued taxes	8,475	8,725	5,632	5,632
Change in customer deposits	3,331	3,603	6,730	6,437

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and deferred revenues				
Change in other assets and liabilities	(16,468)	(20,188)	(12,981)	(14,291)
	110,938	112,873	86,438	90,945

**CASH FLOWS FROM INVESTING ACTIVITIES**

Additions to property, plant and equipment	(112,243)	(112,775)	(100,535)	(101,459)
Cash received from sale of assets			96,932	96,932
Acquisitions, excluding cash acquired	(120,924)	(120,924)	(40,367)	(40,367)
Distributions from unconsolidated entities	1,394		3,541	
Other investing activities	(1,052)	(1,042)	(651)	(481)
	(232,825)	(234,741)	(41,080)	(45,375)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of notes payable	165,000	165,000	230,000	230,000
Repayment of notes payable	(60,000)	(60,000)	(145,000)	(145,000)
Repayment of long-term debt affiliated			(105,000)	(105,000)
Common shares reissued	6,892	6,836	449	388
Other financing activities	(61)	(61)	(620)	(620)
	111,831	111,775	(20,171)	(20,232)

**NET INCREASE (DECREASE) IN CASH AND CASH**

CASH	(10,056)	(10,093)	25,187	25,338
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**CASH AND CASH EQUIVALENTS-**

Beginning of period	40,922	41,062	9,848	10,029
End of period	\$ 30,866	\$ 30,969	\$ 35,035	\$ 35,367

The effect of the restatement on the previously reported Consolidated Balance Sheets is as follows:

	March 31, 2005		December 31, 2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated
(Dollars in thousands)				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 30,866	\$ 30,969	\$ 40,922	\$ 41,062
Accounts Receivable				
Customers	245,840	245,838	251,943	248,383
Roaming	23,039	23,039	26,421	26,421
Other	40,269	40,600	39,285	41,632
Inventory	69,751	69,751	76,918	76,918
Prepaid expenses	32,938	33,273	31,507	31,764
Deferred tax asset	72,667	62,142	83,741	73,216
Other current assets	14,998	13,639	28,214	24,951
	530,368	519,251	578,951	564,347
<b>INVESTMENTS</b>				
Licenses	1,358,725	1,358,725	1,228,801	1,228,801
Goodwill	425,908	445,202	425,918	445,212
Customer lists, net of accumulated amortization	22,615	22,615	24,915	24,915
Marketable equity securities	274,079	274,079	282,829	282,829
Investments in unconsolidated entities	176,367	169,634	162,764	155,519
Notes and interest receivable long-term	4,778	4,778	4,885	4,885
	2,262,472	2,275,032	2,130,112	2,142,161
<b>PROPERTY, PLANT AND EQUIPMENT</b>				