

# **Ventana Medical Systems, Inc.**

**Q2 Earnings And Future Guidance**  
**Delivering Value Now and Into the Future**

**Christopher Gleeson, President & CEO**  
**Larry Mehren, CFO**

**July 20, 2007**

# Safe Harbor Statement

This presentation contains certain forward-looking statements within the meaning of the Federal Securities laws. Forward-looking statements in this presentation include, but are not limited to, statements regarding projected operating results, revenue and market growth and operating margins and anticipated product and technology development and placement. These forward-looking statements are subject to numerous risks and uncertainties, and actual results may vary materially. We may not achieve projected future operating results, and product and technology development activities may not be as successful as we expect, in terms of the timing of product availability to the market or customer rates of adoption. Ventana's projections, while presented with numerical specificity, are necessarily based on a variety of estimates and assumptions which, though considered reasonable by Ventana, may not be realized and are inherently subject to significant business, economic, competitive, industry, regulatory, market and financial uncertainties and contingencies, many of which are and will be beyond Ventana's control. Ventana cautions that no representations can be made or are made as to the accuracy of the projections or to Ventana's ability to achieve the projected results. Other risks and uncertainties include risks associated with the development, manufacturing, marketing, and sale of medical products, competitive factors, general economic conditions, legal disputes, and government actions, and those other risks and uncertainties contained in our most recent Annual Report filed with the Securities and Exchange Commission (SEC) on Form 10-K, and all subsequent SEC filings. Copies of filings made with the SEC are available through the SEC's electronic data gathering analysis retrieval system (EDGAR) at [www.sec.gov](http://www.sec.gov). We undertake no obligation following the date of this presentation to update or revise our forward-looking statements or to update the reasons actual results could differ materially from those anticipated in forward-looking statements. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as today's date. Past performance is not indicative of future results. We cannot guarantee any future operating results, activity, performance, or achievement.

VENTANA'S STOCKHOLDERS SHOULD READ THE COMPANY'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9, WHICH WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") ON JULY 11, 2007, AND ANY AMENDMENTS OR SUPPLEMENTS THERETO. THE COMPANY'S SOLICITATION/RECOMMENDATION STATEMENT SETS FORTH THE REASONS FOR THE RECOMMENDATION OF THE VENTANA BOARD AND RELATED INFORMATION. THE SOLICITATION/RECOMMENDATION STATEMENT AND OTHER PUBLIC FILINGS MADE FROM TIME TO TIME BY THE COMPANY WITH THE SEC ARE AVAILABLE WITHOUT CHARGE FROM THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV), AT VENTANA'S WEBSITE AT [WWW.VENTANAMED.COM](http://WWW.VENTANAMED.COM) OR FROM VENTANA'S INFORMATION AGENT, INNISFREE M&A INCORPORATED AT (888) 750-5834.

# Who Is Ventana?

**The global leader in tissue-based cancer diagnostics  
with a unique market position creating  
extraordinary value through...**

- Superior technologies with leading market share and unrivaled functionality
- A proven track record of innovation and execution
- Strong momentum in core advanced staining business
- Significant near-term opportunities for growth and for driving future market share
- An optimal position in the emerging companion diagnostics market

# Leadership in the Rapidly Growing Tissue-Based Cancer Diagnostics Market

**\$1.6B**  
**2006**

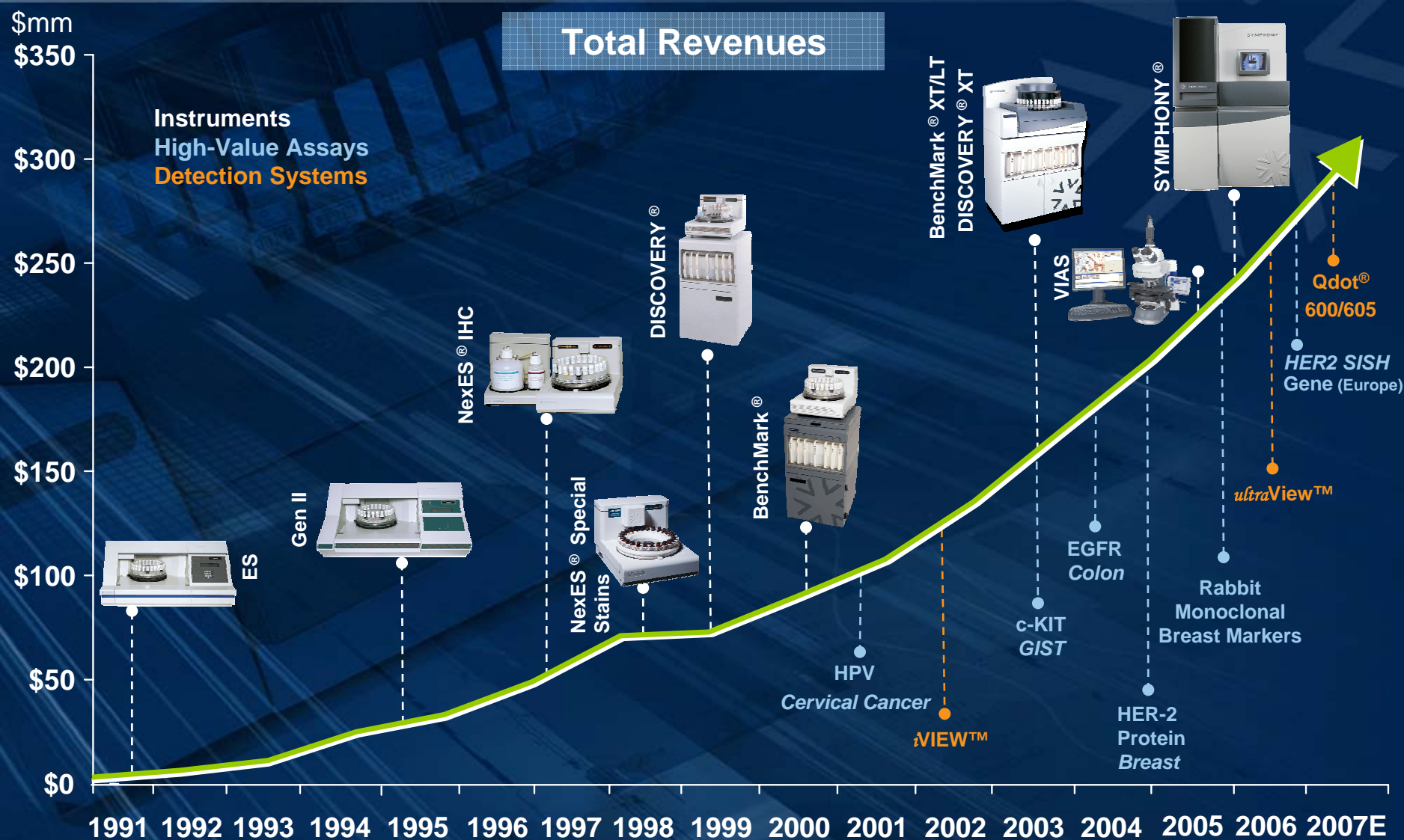
**15% CAGR**

**\$3.2B**  
**2011**

## Market Growth Drivers

- Aging population
- Increasing number of cancer cases
- Laboratory labor shortages driving automation
- Favorable reimbursement
- High-value diagnostic tests
- Targeted therapeutics/companion Dx

# Continuous Innovation Drives Rapid Growth



Source: Ventana Website and Management

# Leadership Through Global Distribution

## Accelerated Sales and Support Investment

- ~215 sales representatives, the largest direct sales force in the sector
- ~200 technical support personnel
- Creates substantial capacity for sales of additional instruments and diagnostic tests

## Significant Market Penetration

- Largest installed base in the industry
- Enables rapid market adoption of new instruments and diagnostic tests



# Leadership Yields Exceptional Financial Performance

**Intense focus on one of the fastest growing markets in diagnostics**

- Strong brand
- Leading market share
- Superior technologies with unrivaled functionality

## **Razor/Razorblade model**

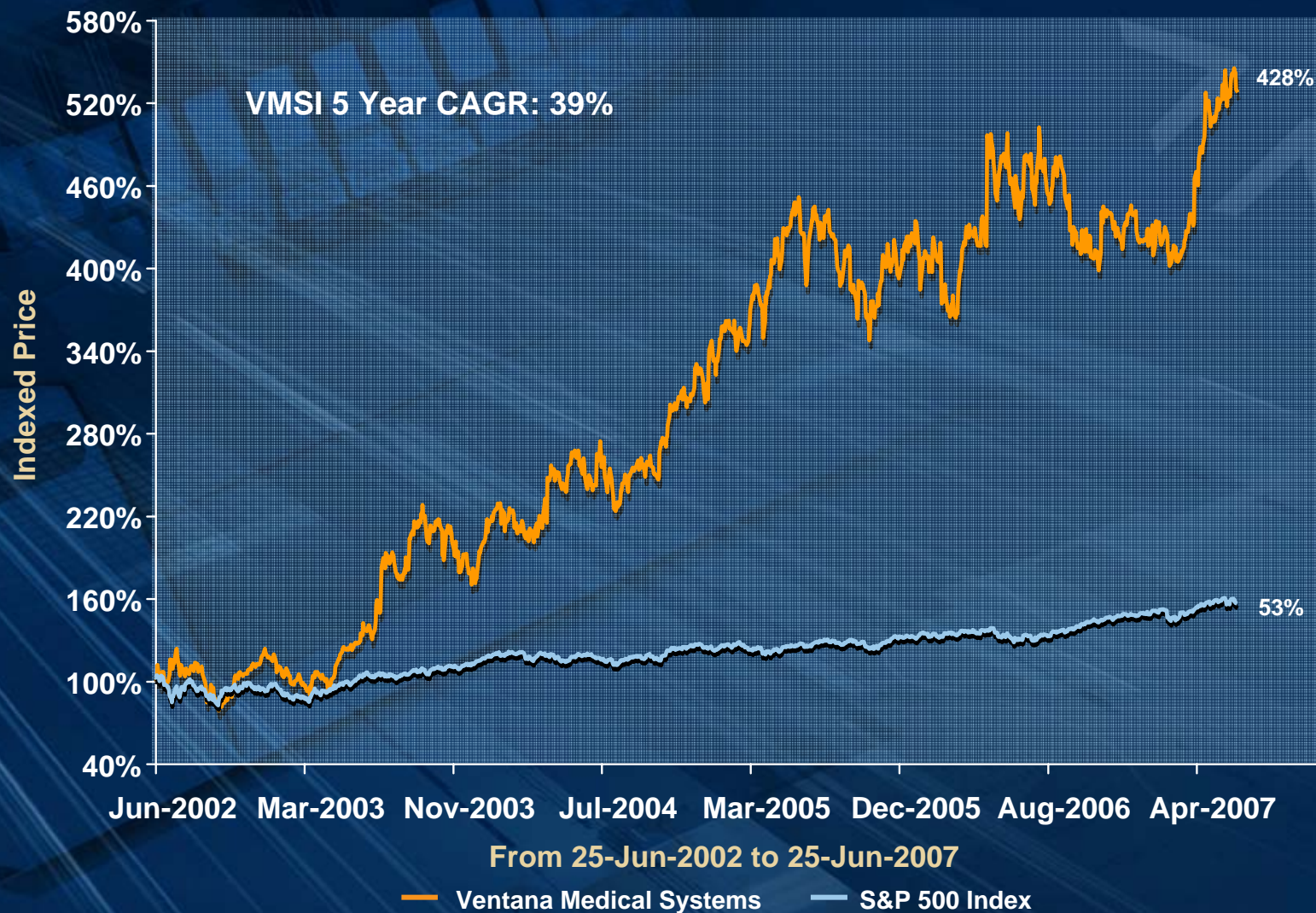
- 78% of sales from reagents / consumables
- Premium pricing
- High gross margins
- Significant room for operating margin expansion

### Compounded Annual Growth from 2001 - 2007



\* Excludes Roche advisory expenses

# Execution Delivers Superior Shareholder Value



Source: Market weighted Dataset as of 25-Jun-2007

# Summary Q2 2007 Results

	GAAP	Pro forma*
Total Revenue	\$71.8	\$71.8
<i>% Growth</i>	<b>21.4%</b>	<b>21.4%</b>
Gross Profit	\$54.0	\$54.0
<i>% Margin</i>	<b>75.3%</b>	<b>75.3%</b>
Operating Income	\$10.4	\$11.5
<i>% Margin</i>	<b>14.5%</b>	<b>16.0%</b>
Diluted EPS	\$0.20	\$0.22
<i>% Growth</i>	-	<b>10.0%</b>
New SYMPHONY® Orders	15	
Installed Base	~6,600	
Avg. Consumable Annuity	\$31.5	
<i>% Growth</i>	<b>11.0%</b>	

\* Excludes Roche advisory expenses

## Highlights

- **Strong growth across reagents and instruments**
- **SYMPHONY® on track**
- **Accelerated investment in R&D and sales force using Vision proceeds**
  - Adjusted pro forma operating margin: 19.5%
  - Adjusted pro forma diluted EPS: \$0.26

# 2007-2009 Growth and Margin Drivers

## Growth Drivers

- **18-22% annual revenue growth in advanced staining**
- **Accelerated launch of UltraPlex™, SISH and Qdots® due to increased investment**
- **Ramp in SYMPHONY® revenues to over \$70mm by 2009**
- **Influx of business development and partnership revenues**

## Margin Drivers

- **Gross margin expansion**
  - Introducing higher margin products
  - Benefit from increasing consumable pull-through
- **One-time operating margin decline in 2007**
  - SYMPHONY rollout
  - Accelerated R&D and sales force investments
- **Significant leverage achieved in 2008 - 2009 from infrastructure investment**

# Revised 2007 Guidance

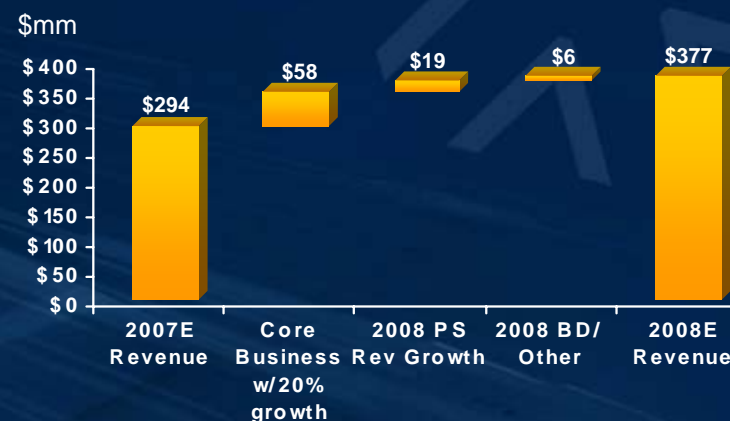
	Wall Street Consensus	New Guidance*	Increase
<b>Total Revenue</b>	<b>\$286</b>	<b>\$292 - \$296</b>	<b>\$8 (+3%)</b>
<b>% Growth</b>	<b>20%</b>	<b>23% - 24%</b>	
<b>Gross Profit</b>	<b>\$218</b>	<b>\$221 - \$226</b>	<b>\$6 (+3%)</b>
<b>% Margin</b>	<b>76.2%</b>	<b>75.7% - 76.4%</b>	
<b>Operating Income</b>	<b>\$50</b>	<b>\$51 - \$52</b>	<b>\$2 (+4%)</b>
<b>% Margin</b>	<b>17.5%</b>	<b>17.5% - 17.6%</b>	
<b>Diluted EPS</b>	<b>\$1.27</b>	<b>\$1.31</b>	<b>\$0.04 (+3%)</b>
<b>% Growth</b>	<b>46%</b>	<b>51%</b>	
<b>SYMPHONY® Placement</b>	<b>40 – 60</b>	<b>55 – 65</b>	

\* Excludes Roche advisory expenses

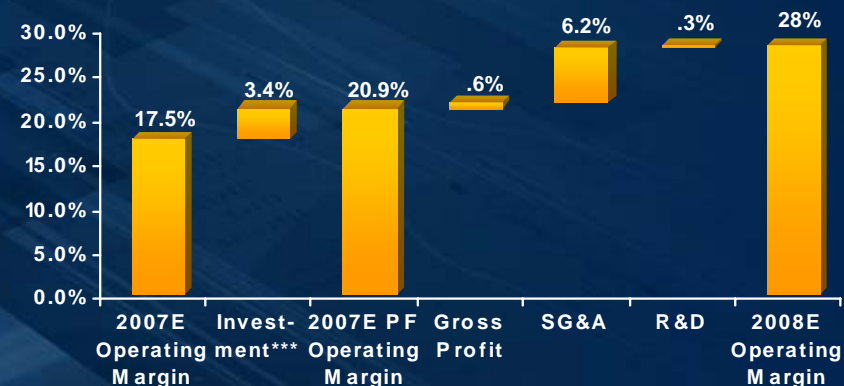
# 2008 Guidance

	Wall Street Consensus	New Guidance*	Increase
<b>Total Revenue</b>	<b>\$349</b>	<b>\$370 - \$385</b>	<b>+8%</b>
<b>% Growth</b>	<b>22%</b>	<b>26% - 31%</b>	
<b>Gross Profit</b>	<b>\$267</b>	<b>\$282 - \$295</b>	<b>+8%</b>
<b>% Margin</b>	<b>76.5%</b>	<b>76.2% - 76.6%</b>	
<b>Operating Income</b>	<b>\$81</b>	<b>\$103 - \$109</b>	<b>+31%</b>
<b>% Margin</b>	<b>23.2%</b>	<b>27.8% - 28.3%</b>	
<b>Diluted EPS</b>	<b>\$1.49</b>	<b>\$1.86 - \$1.96</b>	<b>+28%</b>
<b>% Growth</b>	<b>17%</b>	<b>42% - 50%</b>	

2007 - 2008 Revenue Bridge\*\*



2007 - 2008 Operating Margin Bridge\*\*



\*Dollars based on growth applied to midpoint of 2007 guidance range.

\*\* Estimated based on midpoint of 2007 and 2008 guidance range.

\*\*\* Based on \$10 million accelerated R&D and SG&A investment.

# 2009 Guidance

**Total Revenue**  
*% Growth*

## New Guidance\*

\$470 - \$490  
**25% - 30%**

---

**Gross Profit**  
*% Margin*

\$360 - \$378  
**76.6% - 77.1%**

---

**Operating Income**  
*% Margin*

\$145 - \$153  
**30.9% - 31.2%**

---

**Diluted EPS**  
*% Growth*

\$2.62 - \$2.76  
**37% - 45%**

*\*Dollars based on growth applied to midpoint of 2008 guidance range.*

# How We Will Deliver

	Current	2008 - 2011	2011+
Advanced Staining	<ul style="list-style-type: none"> <li>■ BenchMark®</li> <li>■ XT and other legacy systems</li> <li>■ Routine diagnostic tests</li> <li>■ <i>ultraView</i>™ &amp; Rabbit Monoclonals</li> </ul>	<ul style="list-style-type: none"> <li>■ UltraPlex™ (2008)/NexGen (2010)</li> <li>■ High value molecular and protein tests using Qdot®/SISH technology</li> <li>■ Integrated information management system – V-Link™ (2008)</li> <li>■ Expanded image analysis</li> </ul>	<ul style="list-style-type: none"> <li>■ NexGen expansion</li> <li>■ Molecular menu expansion</li> <li>■ Global market share: 47%+</li> </ul>
Primary Staining	<ul style="list-style-type: none"> <li>■ SYMPHONY®</li> <li>■ Limited roll out</li> <li>■ Establishing value proposition</li> <li>■ Growing installed base</li> </ul>	<ul style="list-style-type: none"> <li>■ SYMPHONY expansion</li> <li>■ Clinical Papers</li> <li>■ Reimbursement</li> <li>■ 2011 installed base: 900 – 1000</li> </ul>	<ul style="list-style-type: none"> <li>■ Global market share: 10%+</li> </ul>
Companion Dx	<ul style="list-style-type: none"> <li>■ HER-2</li> <li>■ c-Kit</li> <li>■ 22 current programs with 9 major pharma partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Expansion of pharma partnerships</li> <li>■ Genentech collaboration</li> </ul>	<ul style="list-style-type: none"> <li>■ Deepen leadership position</li> <li>■ Multiple large collaborations</li> <li>■ Significant economics</li> <li>■ Assisting pharma in driving personalized medicine</li> </ul>

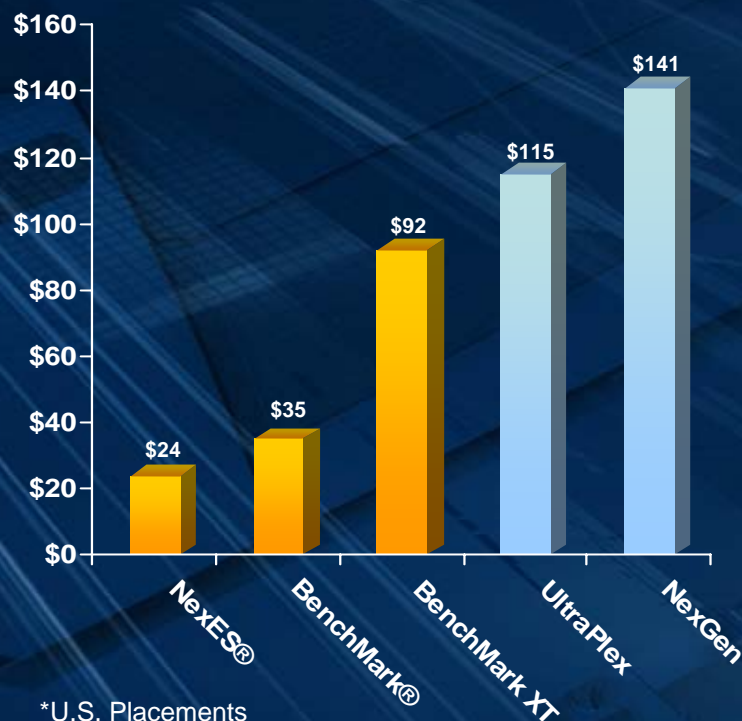
# Continually Redefining the Advanced Staining Market...

## Automated Platforms

Differentiated platforms and information management solutions

UltraPlex™ (2008) NexGen (2010)

Annuity Per Installation\*



\*U.S. Placements

## High-Value Assays

Gene and protein-based tests that are linked to drug therapy or improved disease diagnosis

SISH (2007/2008) Quantum Dots (2009+)

Average Price Per Test



# Extending Leadership Position in Advanced Staining

- Differentiated automated platforms drive placements and capture incremental market share
- Continued expansion of proprietary high-value diagnostic menu significantly increases annuity per installation
- Leverage established sales and customer service infrastructure to drive adoption at record levels



# Revolutionizing Primary Staining with SYMPHONY®

**Primary staining is highest volume tissue based diagnostic test**

- 20 X volume of advanced staining market

**SYMPHONY fully automates primary staining**

- Significant barriers to entry
- Proprietary technology

**SYMPHONY offers superior clinical utility, safety and productivity**

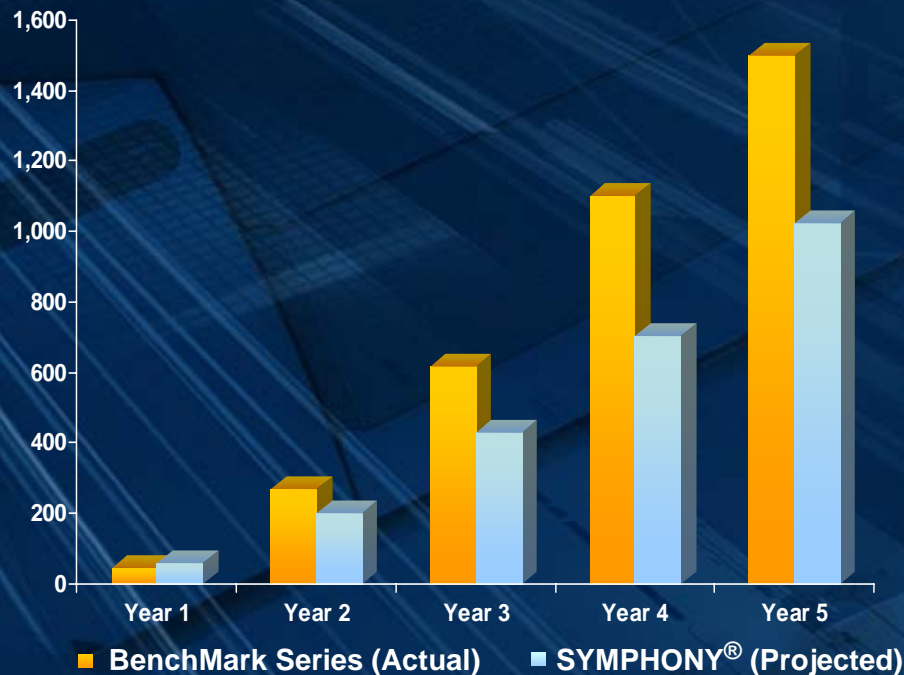
- Supports premium pricing
- Highest annuity per platform



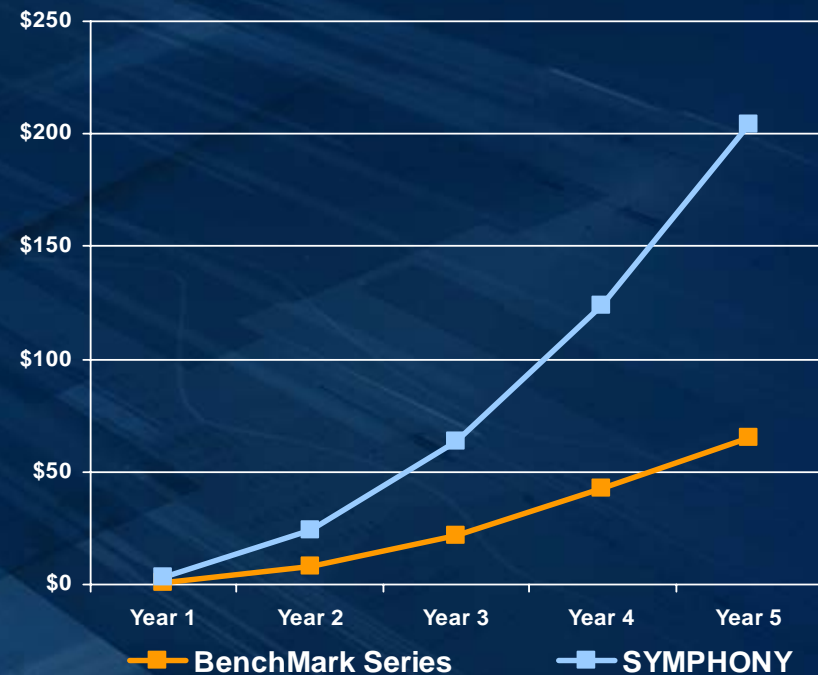
# Primary Staining Will Provide Accelerated Revenue Growth

- Existing customer base will allow accelerated market penetration
- Projected roll-out is conservative when viewed against BenchMark® actual ramp
- Substantially higher slide volume will yield greater revenue / customer

## Cumulative Placements



## Annual Revenue



# Prior Investment Generates Significant Operating Leverage

## R&D

- Next generation platforms leverage existing proprietary technology, reducing investment required
- Investment in 2008 tests and platforms substantially complete
- Represents 2% of leverage through 2009

## SG&A

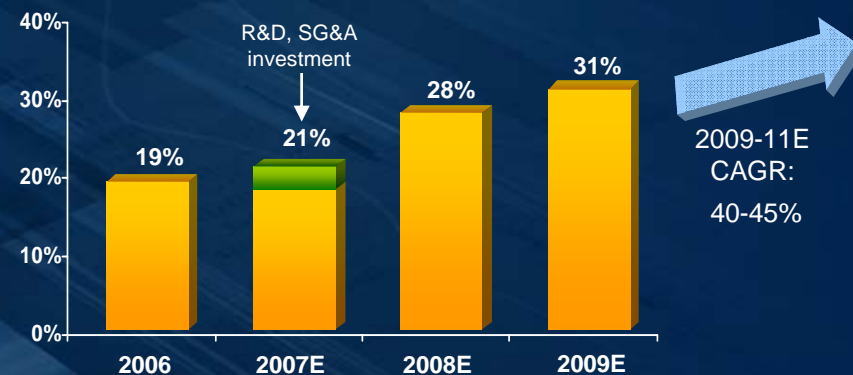
- Expanding product portfolio sold through existing sales force
- High-value tests expand annuity from advanced staining installed base and increase revenue per sales rep
- Accounts for 10% of leverage through 2009

- Next 5 years margin expansion to exceed that of the last 5 years
- Targeted margin in line with industry leaders

## Revenue per Sales Rep



## Operating Margin



# Outlook Perspective

- **Leadership in advanced staining equals unprecedented profitability**
  - High-value diagnostic tests across large installed base
- **Primary staining will significantly accelerate revenue growth**
  - Advanced staining provides the road map
  - Continued new product rollout to advance market share
- **Infrastructure in place to drive earnings expansion through 2011 and beyond**
- **Upside in Companion Dx**



# Companion Diagnostics

## A Key Success Factor for New Cancer Therapies

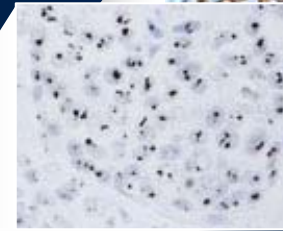
**The Potential Exists for Exceptional Patient Outcomes When Therapy is Matched with a Specific Diagnostic Test**

### **What the FDA says**

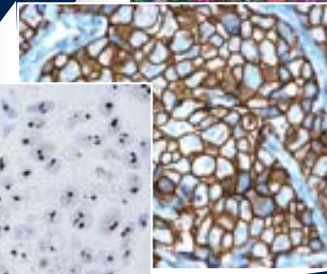
**Dr Mark McClellan, Former FDA Commissioner:** "... Certain new therapies will be developed along with genetic or phenotypic tests that can identify the responding sub-population, detect individuals who need a different dose, or find people who are prone to a certain toxic effect. Development of these test/ therapy combinations *must be facilitated*, because they have the potential to maximize drug benefits while minimizing toxicity."

# Companion Diagnostics

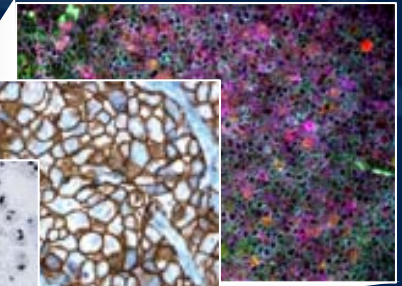
## Separates Likely Responders from Non-Responders



SISH Gene



IHC Protein

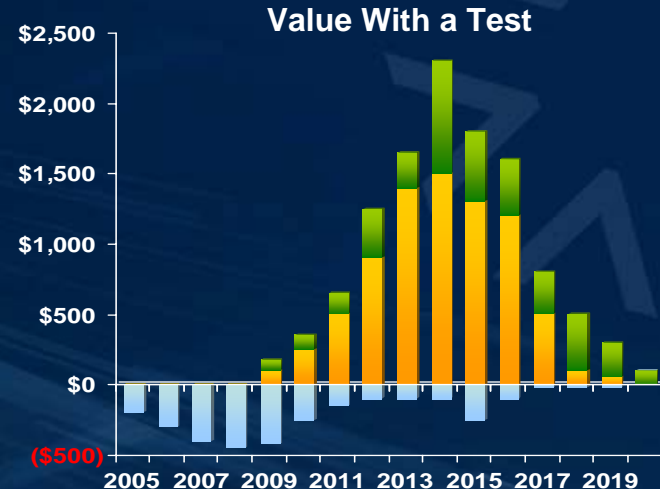
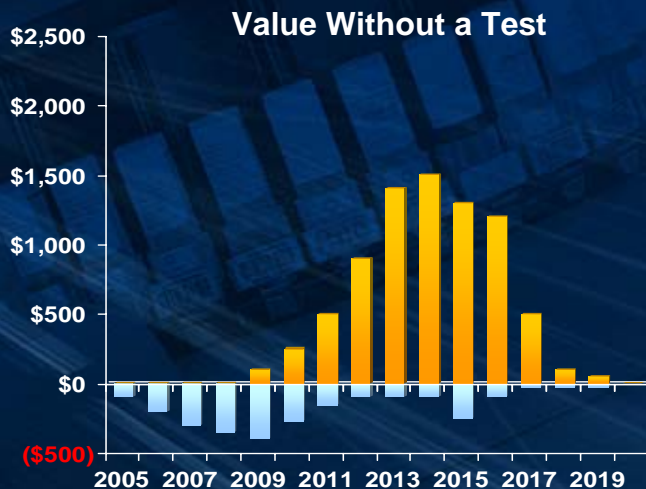


Qdots®



# Companion Diagnostics

## Creating Significant Value for Pharma and Ventana



Reduced Time to Peak Sales  
Enhanced Peak Sales  
Extended Life Cycle  
Decreased Costs  
Faster to Market

**\$1.8 Billion Value Creation Per Product**

Ventana  
Agreements  
Allow for Significant  
Capture of This Value

Source: Integrated Medicines Limited

**Ventana Diagnostic for a “Big 4” Cancer Provides \$150-\$200mm in Revenue**

# Ventana's Companion Diagnostic Pipeline

9 Pharmaceutical Partners – 22 Pharmaceutical Projects

**\$150-200 Revenue**

- IP Protection
- FDA Approval
- Big 4 Cancer

**\$50-100 Revenue**

- IP Protection
- FDA Approval
- Small market

**\$10-50 Revenue**

- Limited IP Protection
- FDA Approval
- Big 4 Cancer

Phase I

Phase II

Phase III

2015

2012

2011

2010

Pipeline value represents significant upside



# **In Summary - Ventana Performance will Deliver Superior Value**

**Near term Ventana performance delivers value significantly beyond Roche offer**

**Global leadership in tissue based cancer diagnostics; a unique market-leading asset in an accelerating market**

**Significant growth in core advanced staining franchise driven by new platform and test introductions**

**SYMPHONY® primary staining rollout in early stages, benefiting from industry leading advanced staining franchise**

**Past investments in R&D and SG&A infrastructure allows Ventana to experience accelerated margin expansion**

**Companion Dx will drive exponential future growth**