

Powered by **Fascination**SM





Powered by
Fascination

As a company that is powered by fascination and accomplishment, Masimo develops breakthrough noninvasive patient monitoring solutions that elude others—resulting in innovative technologies that solve “unsolvable” clinical problems. That’s because when you focus on fascination and open yourself up to the unbridled exploration of what could be, the results transcend what others believe is possible. From the invention and launch of the world’s first measure-through motion and low perfusion pulse oximetry technology in 1995, to the introduction of noninvasive and continuous hemoglobin monitoring in 2008, we have been continually driven to find new ways to do what is best for patient care.



Joe E. Kiani
Chairman & CEO
Masimo Corporation

A LETTER FROM THE CHAIRMAN

As we approach the two-year anniversary of our successful IPO, we are focusing attention on one of our five guiding principles—thrive on fascination and accomplishment, not on greed and power—to showcase how this simple approach to business has allowed us to solve some very complex clinical and technological problems that others believed were unsolvable.

A YEAR OF INNOVATION AND GROWTH

2008 was a year of continued innovation and growth for Masimo, beginning with the first quarter unveiling of what we believe to be the world's first noninvasive hemoglobin monitor at the World Congress of Anesthesia in South Africa. Using more than seven wavelengths of light and a single sensor, Masimo Rainbow SET technology can now measure hemoglobin noninvasively, continuously and immediately—without a painful needle stick or time-consuming laboratory analysis. We launched noninvasive

hemoglobin (SpHb) under a limited market release in the third quarter of 2008, immediately generating significant interest. By early 2009, 50 hospitals around the world had realized the value of this breakthrough technology and integrated it into their clinical practice.

In addition to the excitement generated by SpHb, prior Masimo innovations continue to fuel our growth and expand our market potential. Masimo PVI, an innovative noninvasive measurement launched in 2007, was shown in multiple 2008 studies to help predict fluid responsiveness during surgery.

Also in 2008, key standards bodies in both the U.S. and the United Kingdom established guidelines to make carbon monoxide screening with Masimo Rainbow SET a standard of care in fire department and emergency medical services (EMS) markets. Clinicians around the world continue to report how this technology

Our latest breakthrough technologies enabled us to achieve record results as we helped clinicians around the world provide better care for their patients

is responsible for helping them identify carbon monoxide poisoning and save lives.

In 2008, the breakthrough measure-through motion and low perfusion performance of Masimo Rainbow SET pulse oximetry, along with the Masimo Patient SafetyNet remote monitoring and clinician notification system was shown to improve clinical outcomes, increase patient safety and reduce costs on hospital general care floors and in post-acute care facilities.

DELIVERING RECORD RESULTS

These and other milestones, built on the solid foundation of our gold standard pulse oximetry business, drove our strong financial performance in 2008—allowing us to achieve record revenues as we helped clinicians around the world provide better care for their patients. Our product revenues increased nearly 30% to a record \$258.9 million and we generated \$50.2 million

in cash, after repaying \$30.4 million to virtually eliminate all of our debt.

I am particularly proud that our accomplishments were achieved by adhering to our guiding principles and staying focused on our long-standing mission of “improving patient outcomes and reducing cost of care by taking noninvasive monitoring to new sites and applications.” By remaining dedicated to innovation and patient care, we have continually overcome technological challenges to develop important new noninvasive measurements and dramatically improve existing ones by making them more accurate, reliable, and clinically relevant than thought possible.

Our innovations have not only helped health care professionals save the lives of patients—and the eyesight of premature infants—but have also opened up new markets for us. According to industry analysts, our new technologies have

The Masimo Product Offering:



CIRCUIT BOARDS

Pulse CO-Oximetry and the leading measure-through motion and low perfusion pulse oximetry solution, available in more than 100 OEM monitors from over 50 leading brands.



MONITORS

A complete line of bedside and handheld devices delivering Masimo SET pulse oximetry and Masimo Rainbow SET Pulse CO-Oximetry to clinicians in acute care, alternate care, and EMS/fire settings.



PATIENT SAFETYNET SYSTEM

Our innovative new wireless patient monitoring and clinician notification system, along with Rainbow Masimo SET, has been shown to help keep patients safe on general care floors.



SENSORS/CABLES

Available for either single-patient or multi-patient use, we offer more than 100 different sensor and cable combinations for virtually any clinical need.

allowed us to expand our total market potential from \$1 billion with pulse oximetry in the critical care environments to as much as \$4 billion by expanding adoption of pulse oximetry into general care areas and adding new measurements like noninvasive carboxyhemoglobin (SpCO), methemoglobin (SpMet), fluid volume status (PVI) and hemoglobin (SpHb).

A COMPANY POWERED BY FASCINATION

Every day at Masimo, our talented team of "purists"—people who do what they do because of the passion they have for their chosen field, not merely for financial gain—looks at the world from a different perspective than most. Powered by a keen sense of fascination, they go above and beyond what is expected to deliver solutions to what many have considered to be unsolvable problems. This has led to a level of innovation and impact in noninvasive patient monitoring technologies that is unmatched in the industry.

It all started with Masimo SET, the technology that solved pulse oximetry's "unsolvable" problems of inaccurate arterial oxygen saturation and pulse rate measurements during motion and low perfusion.

Our team built on this success with the development of Masimo Rainbow SET, the first and only technology to noninvasively measure

blood constituents and fluid volume status that previously required invasive procedures. In both cases, our dedicated team—with a shared passion, vision, and single-minded focus to do what is best for patient care—went beyond what others thought possible.

This team is not confined within the walls of Masimo, but is comprised of an extended group of purists including passionate clinical researchers, clinicians, biomedical engineers, administrators, OEM partners and other stakeholders who love what they do and strive to improve patient care. As we continue to grow and expand, our greatest focus will be to continue to retain and attract Masimo purists.

NEW MARKETS, SITES, AND APPLICATIONS

Each day, all over the world, our noninvasive blood constituent and hemodynamic monitoring technologies are helping caregivers save, extend, and improve the lives of people of all ages, in all walks of life.

As we continue to drive global adoption of these and other technologies for the betterment of patient care, we have implemented a new international business organization and structure to better serve and support our customers outside the United States. In the fourth quarter of 2008, we realigned our international operations, including the establishment of a new

subsidiary in Neuchatel, Switzerland. By doing so, we believe we will be able to develop a more efficient and scalable international organization under one centralized management structure to better serve our customers.

PATIENT-FOCUSED INNOVATION

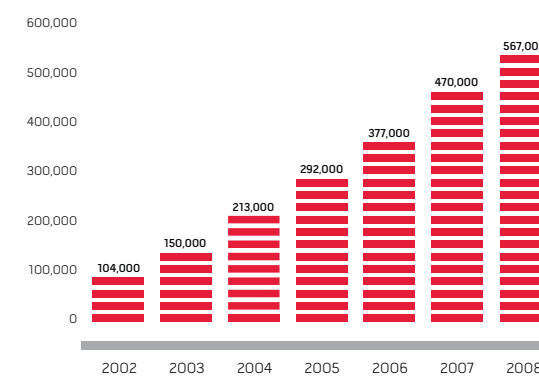
At Masimo, we know that we are in the business of patient care. We are cognizant of our business goals but remain passionate and disciplined in conducting our business from the perspective of the patient. We never lose sight of the fact that what we do has an impact on patients' lives and as a result we continually elevate the standards to which we hold ourselves accountable.

Looking ahead, we anticipate that our latest revolutionary noninvasive technologies will make significant clinical contributions in the hands of caring clinicians.

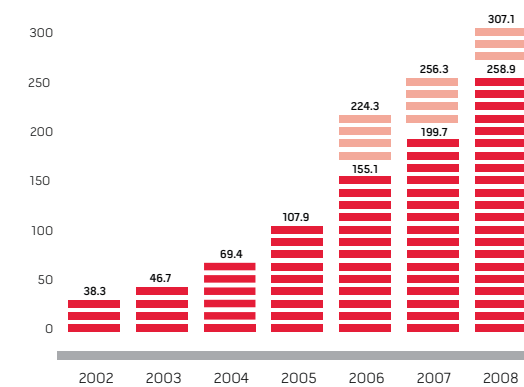
Our guiding principles, breakthrough technologies, and business model have allowed us to build a solid business. At the heart of our business is a great innovation engine with a bright and talented team of purists eager to break new ground in noninvasive monitoring and do what is best for patient care. In so doing, we will continue to expand our total market opportunity and increase Masimo's value to our customers, employees and shareholders.



Joe E. Kiani
Chairman and CEO



Masimo SET Installed Base (estimated units)*
* Excludes Handheld Devices

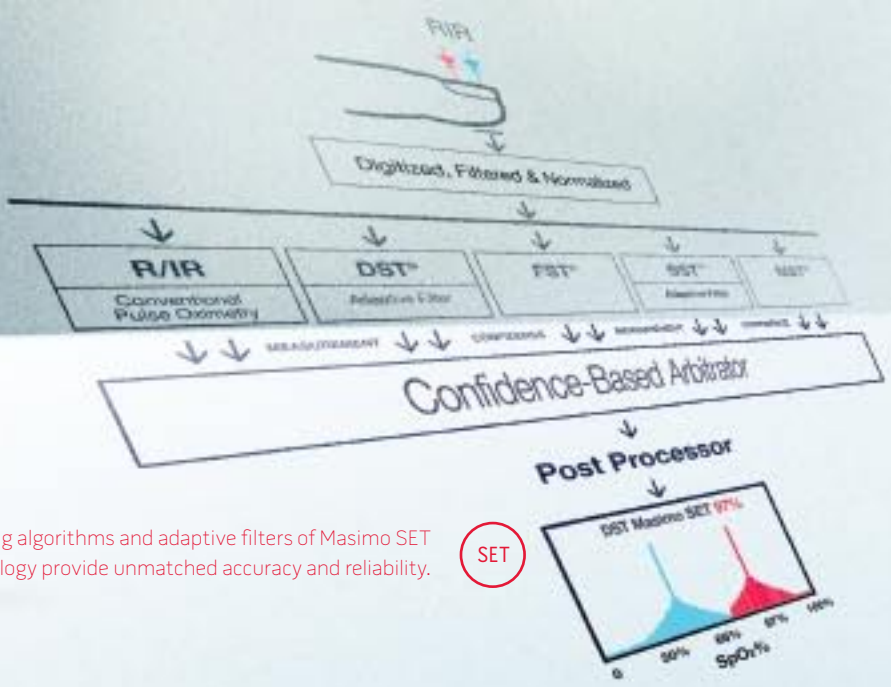


Revenues (millions)
Legend: Royalty Revenues (light red), Product Revenues (dark red)



Fascination leads to Discovery

The most complex discoveries often start with a very simple question: Why? Almost twenty years ago, two young engineers asked why pulse oximetry wouldn't work during patient motion and low perfusion—and why clinicians had to be plagued by false alarms as a result. They wondered if employing advanced signal processing technologies similar to those used in anti-submarine warfare could free clinicians from these limitations and allow pulse oximetry to become a useful tool across a broad spectrum of clinical applications. As a result of their curiosity, determination and hard work, Masimo was born and one of the most daunting challenges in noninvasive patient monitoring was solved with the introduction of Masimo SET, the world's first measure-through motion and low perfusion pulse oximetry technology.



The uninhibited exploration of ideas and a focused sense of determination can lead to unexpected discoveries.

The breakthrough parallel processing algorithms and adaptive filters of Masimo SET pulse oximetry technology provide unmatched accuracy and reliability.



Proven clinical performance leads top hospitals around the world to choose Masimo SET

As the gold standard in pulse oximetry, Masimo SET is at work in the world's most demanding clinical settings. Because of its unmatched accuracy and reliability, more than half of the top hospitals in the United States listed on the *US News & World Report* Honor Roll (including eight of the top ten) have adopted Masimo SET as their primary pulse oximetry platform.

To provide maximum clinical flexibility, Masimo offers the largest array of sensors and multiple handheld and bedside devices in addition to being integrated into more than 100 multiparameter monitors and 50 monitoring brands.

An Initial Focus on Fascination Leads to the “Gold Standard” in Pulse Oximetry—Masimo SET



Clinicians around the world trust Masimo SET to help them improve outcomes, efficiency and patient safety while at the same time decreasing costs.

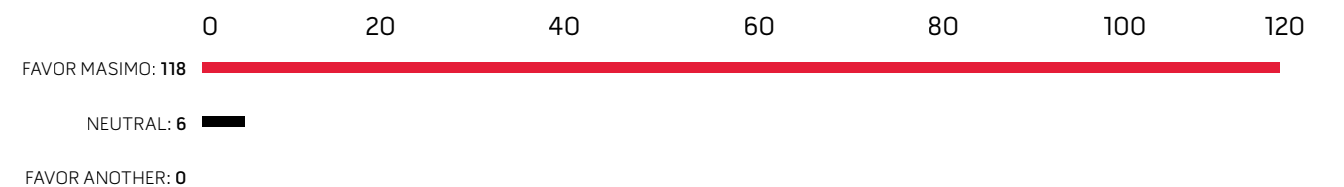
After more than six years of determination and perseverance, we debuted Masimo SET measure-through motion and low perfusion pulse oximetry in 1995, and were rewarded for our efforts with the prestigious Excellence in Technology Innovation award from the Society for Technology in Anesthesia (STA).

Since then, Masimo SET has transformed the clinical landscape, using breakthrough signal-processing technologies—including parallel engines and adaptive filters—to deliver the

most accurate and reliable SpO₂ and pulse rate measurements. Masimo SET has reduced false alarms by more than 90% while detecting true alarms more than 97% of the time, even during the most challenging clinical conditions.

More than 100 independent and objective peer-reviewed studies have shown that Masimo's revolutionary Signal Extraction Technology outperforms all other pulse oximetry technologies, providing clinicians with unmatched specificity and sensitivity.

Summary of Independent and Objective Studies Involving Masimo SET Pulse Oximetry



Detecting Congenital Heart Disease in the Tiniest Patients

Congenital heart disease (CHD) in neonatal patients is often difficult for clinicians to detect. Although some infants with CHD do not have signs or symptoms in the newborn period, they will need immediate intervention because of the severity of their disease.

Up to 30% of all CHD deaths occurring in the first year of life are unrecognized at hospital discharge after birth. Routine neonatal examination cannot detect all cases of CHD, but additional screening using echocardiography is not feasible due to time and cost.¹

While pulse oximetry offers a potential method to screen newborns for CHD, only Masimo SET pulse oximetry has been shown to be accurate and reliable enough for detection of critical

CHD^{2,3} and has been clinically proven to help clinicians improve CHD detection.

In a recent study by researchers in Sweden, Masimo SET was applied to 40,000 newborns and results were compared to a cohort group of 100,000 newborns who were screened without any pulse oximetry.⁴

Researchers said, “no baby died from undiagnosed duct dependent circulation” in the Masimo group, while five babies from the cohort group died during the same period. Previous efforts at screening newborns for CHD with another pulse oximetry technology failed due to the inability to provide accurate oxygen saturation measurements during motion and low perfusion.

“Screening all well babies in maternity units with Masimo SET pulse oximetry significantly improves detection of duct dependent CHD.”

Dr. Anne de-Wahl Granelli, et al.



The Only Logical Choice for Cyanotic Infant Monitoring

Caring for cyanotic infants presents unique challenges. This special population demands accurate and reliable pulse oximetry to titrate therapies and maintain target oxygen saturation at low levels. Unfortunately, newborns with cyanotic cardiac lesions have unique physiology

that creates significant challenges for conventional pulse oximetry technologies. Masimo SET with the Masimo Blue Sensor is the only system designed for use with cyanotic neonates, infants, and children—with validated accuracy in oxygen saturations as low as 60%.⁵

Helping Clinicians Preserve Premature Infants' Fragile Eyesight through More Efficient Oxygen Management

The fragile nature of a premature baby's eyesight makes careful management of oxygen critical to avoid blindness caused by retinopathy of prematurity (ROP).⁶

According to Vermont-Oxford Network, as many as 12% of all babies in the neonatal intensive care unit (NICU) develop ROP, which is believed to be caused by an inability to sustain therapeutically appropriate levels of oxygen.

Using Masimo SET, researchers showed that ROP could be reduced from 15% to 0% on infants between 750 and 1,249 grams and from 38% to 10% on those weighing between 100 and 749 grams.⁶ Recently, another study showed that using Masimo SET in conjunction with a change in clinical practice to control O₂ delivery helped reduce ROP by 40% compared to a 0% reduction in ROP with the same practice change using another pulse oximetry technology.⁷

¹ Mellander M, et al. Failure to Diagnose Critical Heart Malformations in Newborns Before Discharge - An Increasing Problem? *Acta Paediatrica* 2006; 95:407-13.

² de Wahl Granelli A, et al. Screening for Duct-Dependent Congenital Heart Disease with Pulse Oximetry: A Critical Evaluation of Strategies to Maximize Sensitivity. *Acta Paediatrica* 2005; 94: 1590-1596.

³ Granelli AW, et al. Noninvasive Peripheral Perfusion Index as a Possible Tool for Screening for Critical Left Heart Obstruction. *Acta Paediatrica* 2007; 96:1455-1459.

⁴ de Wahl Granelli A, et al. Impact of Pulse Oximetry Screening on the Detection of Duct Dependent Congenital Heart Disease: a Swedish Prospective Screening Study in 39,821 newborns. *BMJ*; 2009; 338; a3037.

⁵ Tsutumi T, et al. Clinical evaluation of accuracy of Masimo LNOP blue sensor in cyanotic infants. *Critical Care Medicine* 2006; 34(12): A56.

⁶ Chow Lily C., et al. Can Changes in Clinical Practice Decrease the Incidence of Severe Retinopathy of Prematurity in Very Low Birth Weight Infants? *Pediatric Research* 2001; 49(4):400A/2081

⁷ Castillo Armando R., et al. Clinical Practice and SpO₂ Technology in the Prevention of ROP in ELBW Infants. Publication 8440.7; 2007 Pediatric Academic Societies.



Discovery leads to Innovation

Making a breakthrough discovery only leads to continued innovation when it changes the way you look at things. At Masimo, developing the world's first measure-through motion and low perfusion pulse oximetry allowed us to approach the challenge of developing other noninvasive physiological measurements without being constrained by prior conceptions of what is or is not possible. In 2005, after more than 10 years of research, we launched Masimo Rainbow SET Pulse CO-Oximetry, the first and only technology to noninvasively and continuously measure blood constituents and fluid responsiveness that previously required invasive procedures and time-consuming laboratory analysis. Masimo Rainbow SET builds on the gold standard Masimo SET pulse oximetry technology to give clinicians an unprecedented level of real-time information to make more informed and timely clinical decisions.

Innovation comes from looking beyond the obvious to find solutions to challenges and problems that others can't see.

With breakthrough noninvasive measurements not available from any other company, Masimo innovations provide maximum clinical impact.



Turning multiple wavelengths of light into breakthrough noninvasive measurements

Masimo Rainbow SET technology is based on the solid foundation of Masimo SET pulse oximetry. But instead of using two wavelengths of light to determine arterial oxygen saturation levels (SpO₂) like Masimo SET does, Rainbow SET uses more than seven wavelengths of light housed in a single, simple-to-apply sensor to monitor a broad spectrum of clinically-useful blood constituents. In addition to SpO₂ and pulse rate, Masimo Rainbow SET provides a range of measurements including:

- > **Total Hemoglobin (SpHb)**—may help clinicians better manage blood transfusions, identify occult bleeding and detect anemia.
- > **Oxygen Content (SpOC)**—gives clinicians a more complete picture of their patients' oxygenation status, not just their O₂ saturation level.
- > **Fluid Responsiveness (PVI)**—helps clinicians noninvasively and continuously determine whether to administer fluids.
- > **Methemoglobin (SpMet)**—noninvasively and immediately diagnose, monitor, and treat patients with acquired methemoglobinemia from drugs commonly used in the hospital, such as benzocaine and dapsone.
- > **Carboxyhemoglobin (SpCO)**—allows clinicians and first responders to noninvasively and immediately diagnose, monitor, and treat carbon monoxide poisoning.

These measurements provide clinicians with an enhanced level of clinical data upon which to make more informed and timely decisions.

The Innovation of Masimo Rainbow SET Allows Clinicians to See More, Do More for Their Patients

Our noninvasive monitoring technologies provide clinicians with valuable physiological data that they use to make more informed clinical decisions that save lives.

As the first and only technology to both noninvasively and continuously measure blood constituents and blood volume status that previously required invasive procedures, the launch of Masimo Rainbow SET in 2005 changed expectations of what could be measured by a noninvasive sensor.

Starting with the ability to noninvasively and continuously measure carboxyhemoglobin

(SpCO), methemoglobin (SpMet) and PVI in addition to oxygen saturation, pulse rate, and perfusion index, Rainbow SET gave clinicians a more complete picture of their patients' true physiological status.

This picture became even clearer with the limited market release of hemoglobin (SpHb) and oxygen content (SpOC) in 2008.

Initial research shows that the availability of reliable noninvasive hemoglobin monitoring may allow clinicians to make earlier and better clinical decisions, improve patient safety and decrease costs.



Masimo Rainbow SET gives clinicians a more complete picture of their patients' true physiological status.

Noninvasive, Continuous and Immediate Hemoglobin Makes its Debut in 2008

The Masimo Rainbow SET technology platform provides clinicians with access to real-time trending and tracking of a patient's total hemoglobin status, helping them to more quickly and efficiently identify conditions of anemia or blood loss.

When patients undergo blood transfusions, clinicians are expected to be able to use Masimo Rainbow SET SpHb to more effectively titrate blood and maintain hemoglobin levels within acceptable ranges.

Additionally, continuous monitoring of hemoglobin levels may provide clinicians with an early warning of possible internal hemorrhaging in the ICU, emergency, trauma and post-operative settings.

The availability of noninvasive and continuous hemoglobin monitoring with the Masimo Rainbow SET platform promises to make hemoglobin testing more convenient and broadly available to medical personnel in both the acute and outpatient care settings.

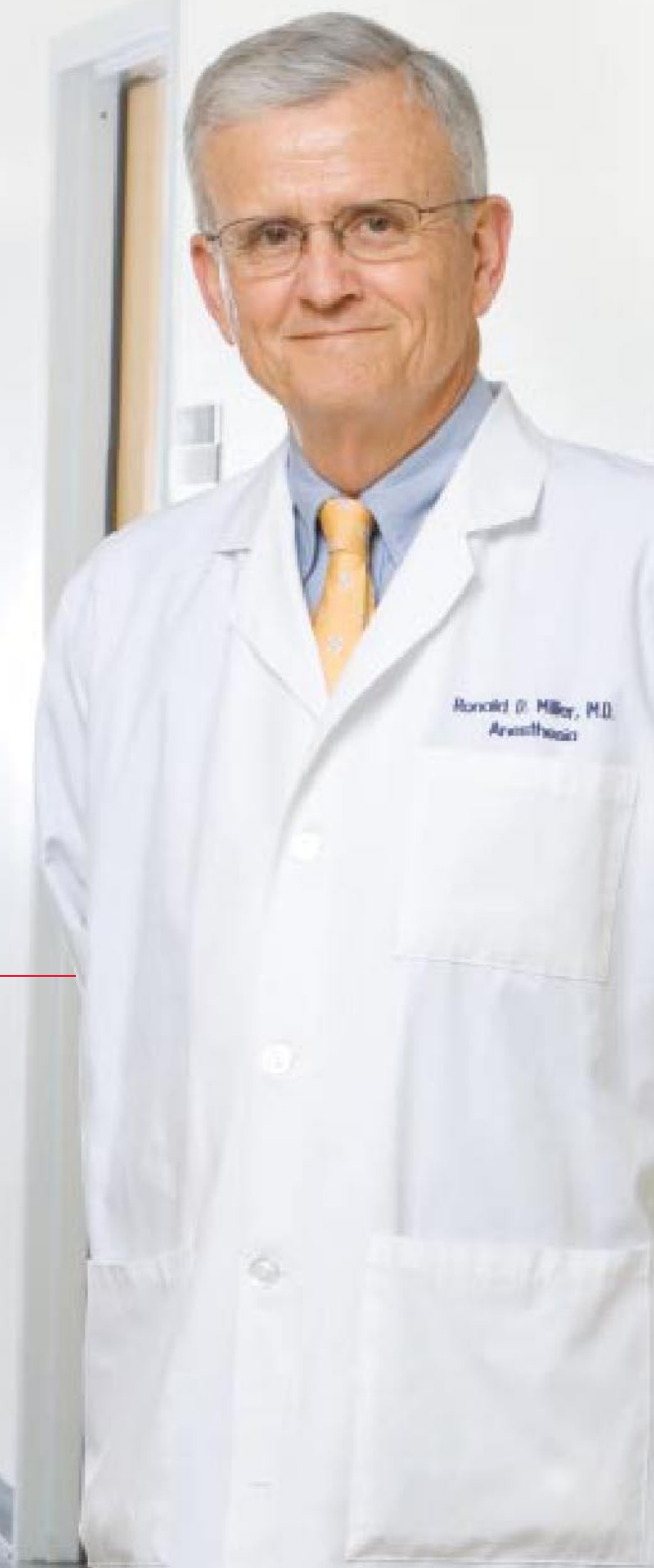
It is estimated that more than 400 million hemoglobin tests are done each year in the U.S. alone. Prior to Masimo Rainbow SET, invasive and time-consuming blood tests were the only method available to determine total hemoglobin levels, providing delayed and intermittent data.



“Masimo SpHb is an impressive new tool that helps us to more safely guide patients in surgery through to recovery. The ability to identify an upward or downward hemoglobin trend in real time on a continual basis should be of tremendous value to us.”

Ronald D. Miller, MD, Professor and Chairman of the Dept. of Anesthesia and Perioperative Care at the University of California, San Francisco

Masimo SpHb will provide clinicians with noninvasive real-time information on their patients' hemoglobin levels for the first time ever.





Innovation leads to Opportunity

True innovation lights up the darkness in understanding, and illuminates pathways to create unexpected solutions to problems. Masimo develops new and innovative noninvasive monitoring technologies that help clinicians around the world provide better care to a wide range of patients in diverse clinical settings. Whether it is keeping a firefighter safe by noninvasively measuring the carbon monoxide levels in his blood right after he comes out of the fire, or performing a pain-free blood test on an expectant mom in a physician's office by measuring her hemoglobin levels without drawing a drop of blood, our new technologies are making a difference in the lives of patients while creating continued opportunities for growth. With more than 260 patents issued and another 178 pending worldwide, *The Wall Street Journal* in 2008 said the industry impact of Masimo's patent portfolio is "by far the highest among all medtech companies, not to mention one of the highest among all companies tracked by the Patent Board across 17 industries."

Bright ideas get attention and provide the chance to explore new and exciting opportunities.

Breakthrough measurements allow Masimo to continue to bring noninvasive monitoring to new sites and new applications.

SpCO

SpHb



Making a difference in more care areas than ever before

Masimo technologies are at work around the world in a diverse range of clinical settings. From our traditionally strong positions in critical care—from surgery, to post-anesthesia care, to intensive care and neonatal intensive care units—we have expanded our market presence by remaining true to our mission of bringing noninvasive monitoring to new sites and new applications.

Today, you'll find Masimo products and technologies at work throughout the hospital—including the emergency department and the general ward—and in non-hospital settings like physicians' offices, ambulatory surgery centers, outpatient clinics, long-term acute care facilities, and home care settings, as well as fire and EMS departments.

New Sites and New Applications Provide Opportunities to Enhance Patient Care

Masimo's focus on fascination, and the breakthrough innovations that have resulted because of it, provides opportunities to positively impact patient care in new and exciting ways.

Sometimes it is by bringing an existing technology to a new care area. The sensitivity and specificity of Masimo SET virtually eliminates false alarms, now making it possible to monitor patients in a hospital's general wards, where previous attempts have failed because of excessive false alarms.

And sometimes it is by inventing new noninvasive measurements. Masimo Rainbow SET noninvasively detects carbon monoxide in the blood and determines a patient's hemoglobin levels without a painful needle stick or time-consuming laboratory analysis. This gives clinicians a chance to make more timely and informed decisions that impact the lives of patients in a wide range of clinical settings.

Both are examples of Masimo's long-standing mission of taking noninvasive monitoring to new sites and new applications.



The ability to take noninvasive hemoglobin measurements (SpHb) with Masimo Rainbow SET provides real-time availability of one of the most frequently ordered blood measurements in the world.

Noninvasive Carbon Monoxide Monitoring Becoming Standard of Care in Fire and Emergency Medical Services Departments

As the recognition of the dangers of misdiagnosing carbon monoxide poisoning in patients and firefighters grows, many leading industry groups are advocating adoption of Masimo Rainbow SET technology as a new standard of care to fight this silent killer.

The organizations advocating the adoption of this life-saving technology include:

- > National Association of Emergency Medical Technicians (NAEMT)

- > National Fire Protection Association (NFPA)
- > International Association of Firefighters (IAFF)
- > National Association of EMS Educators (NAEMSE)
- > UK House of Commons All Party Parliamentary Gas Safety Group (APPGSG)

With these recommendations, more firefighters and emergency medical professionals will gain access to our life-saving technology.

The ability to noninvasively and immediately measure carbon monoxide levels in the blood helps clinicians speed treatment and save lives.



In addition to fire and EMS applications, leading medical professionals around the world are calling for the adoption of routine CO screening with Masimo Rainbow SET in the emergency departments of hospitals in order to improve detection and treatment of CO poisoning in patients who present with ambiguous flu-like symptoms that might otherwise be misdiagnosed.

“Carbon monoxide is a silent killer—the ability to detect CO noninvasively with Masimo Rainbow SET provides us with significant clinical benefits that will help save lives.”

Neil B. Hampson, M.D., Pulmonologist,
Department of Hyperbaric Medicine,
Virginia Mason Medical Center





Masimo Provides Patient SafetyNet on General Care Floors

With the Masimo Patient SafetyNet system, qualified clinicians are instantly alerted to potentially deadly changes in their patients' condition, allowing for more timely and appropriate intervention while reducing ICU transfers.

The last thing you expect when patients are admitted to the hospital for routine procedures is that they won't go home due to a sentinel event—an unobserved, unexpected death. Unfortunately, an increase in patient-controlled analgesics and a reduction in direct patient observation due to lower staff-to-patient ratios make it less likely that a clinician will be there to observe an avoidable adverse event.

With Masimo Rainbow SET measure-through motion and low perfusion pulse oximetry and the Masimo Patient SafetyNet remote monitoring and clinician notification system,

clinicians and their patients can rest easier knowing that if an unobserved patient is in trouble, accurate, actionable alarms will instantly be sent directly to assigned clinicians, allowing for more timely and appropriate clinical intervention.

Upgrading the Patient SafetyNet system to enable Masimo Rainbow SET noninvasive hemoglobin (SpHb) monitoring through a simple software upgrade may further improve patient safety by providing clinicians with an earlier indication of undetected internal bleeding.

Masimo Patient SafetyNet Shown to Significantly Reduce Distress Codes, Rescue Activations and ICU Transfers

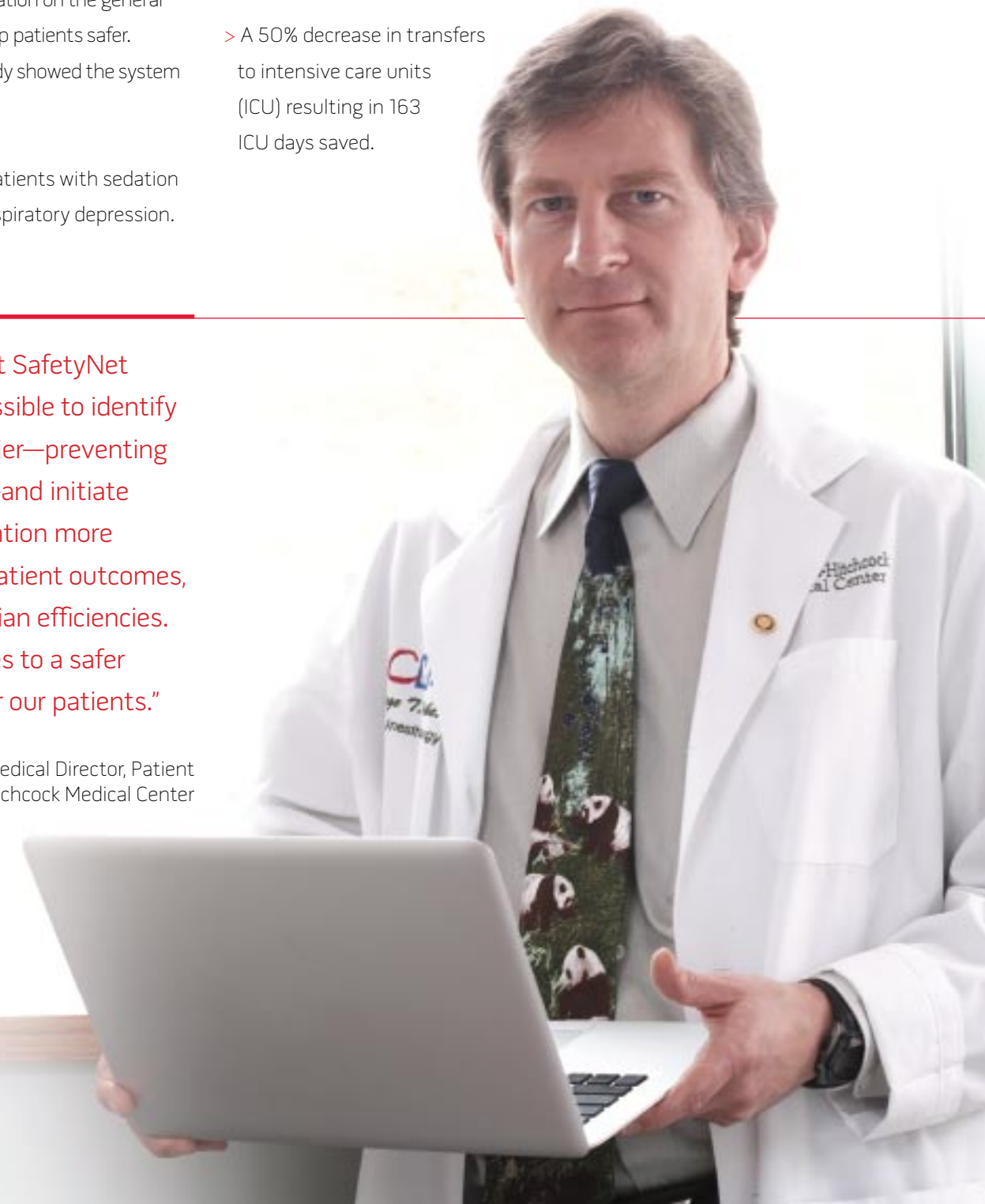
A comprehensive evaluation by a team of clinicians at Dartmouth-Hitchcock Medical Center, covering 2,841 patients over 9,978 monitoring days, showed that the Masimo Patient SafetyNet system provides early warning detection of impending patient deterioration on the general care floor, which helped keep patients safer. Specific findings of the study showed the system provided:

- > Early identification of patients with sedation or analgesia-induced respiratory depression.

- > Accurate identification of cardiac abnormalities.
- > A 70% decrease in distress codes and rescue activations.
- > A 50% decrease in transfers to intensive care units (ICU) resulting in 163 ICU days saved.

"The Masimo Patient SafetyNet system makes it possible to identify patient distress earlier—preventing codes and rescues—and initiate appropriate intervention more rapidly to improve patient outcomes, recoveries and clinician efficiencies. All of this contributes to a safer general care floor for our patients."

George T. Blike, M.D., Medical Director, Patient Safety, Dartmouth-Hitchcock Medical Center



Products & Technology Overview

MASIMO'S MISSION

"Improving patient outcomes and reducing the cost of care by taking noninvasive monitoring to new sites and new applications."

MASIMO'S GUIDING PRINCIPLES

- > Remain faithful to your promises and responsibilities.
- > Thrive on fascination and accomplishment and not on greed and power.
- > Strive to make each year better than the year before both personally and for the team.
- > Make each day as fun as possible.
- > Do what is best for patient care.

MASIMO TECHNOLOGIES:



Masimo SET®

Measure-through motion and low perfusion pulse oximetry.

- > Oxygen Saturation (SpO₂)
- > Pulse Rate (PR)
- > Perfusion Index (PI)
- > Fluid Responsiveness (PVI™)



Masimo Rainbow SET®

Noninvasive blood constituent and functional hemodynamic monitoring.

- > Oxygen Saturation (SpO₂), Pulse Rate (PR), Perfusion Index (PI), Fluid Responsiveness (PVI), plus:
- > Hemoglobin (SpHb™)
- > Oxygen Content (SpOC™)
- > Carboxyhemoglobin (SpCO*)
- > Methemoglobin (SpMet*)

MASIMO MONITORS:



Masimo Radical-7™ Color Screen

Complete Masimo Rainbow SET capability, upgradable, full color auto rotational screen with SatShare and detachable handheld unit



Masimo Radical-7 Blue Screen

Complete Masimo Rainbow SET capability, upgradable, monochrome blue auto rotational screen with SatShare and detachable handheld unit



Masimo Rad-87™

Complete Masimo Rainbow SET capability, upgradable, bright white LED display



Masimo Rad-8®

Masimo SET, LED display



Masimo Rad-57™

Masimo Rainbow SET, SpCO, SpMet



Masimo Rad-5®

Masimo SET



Masimo Rad-5v

Masimo SET

PATIENT SAFETYNET FOR GENERAL WARDS:



Masimo Patient SafetyNet™

Remote monitoring and clinician notification system designed to keep patients safe on general care floors

MASIMO SENSORS:



Masimo SET Sensors:

SpO₂, Pulse Rate, Perfusion Index, PVI



Masimo Rainbow SET Sensors:

SpO₂, Pulse Rate, Perfusion Index, PVI, SpCO, SpMet



Masimo Rainbow SET SpHb Sensors:

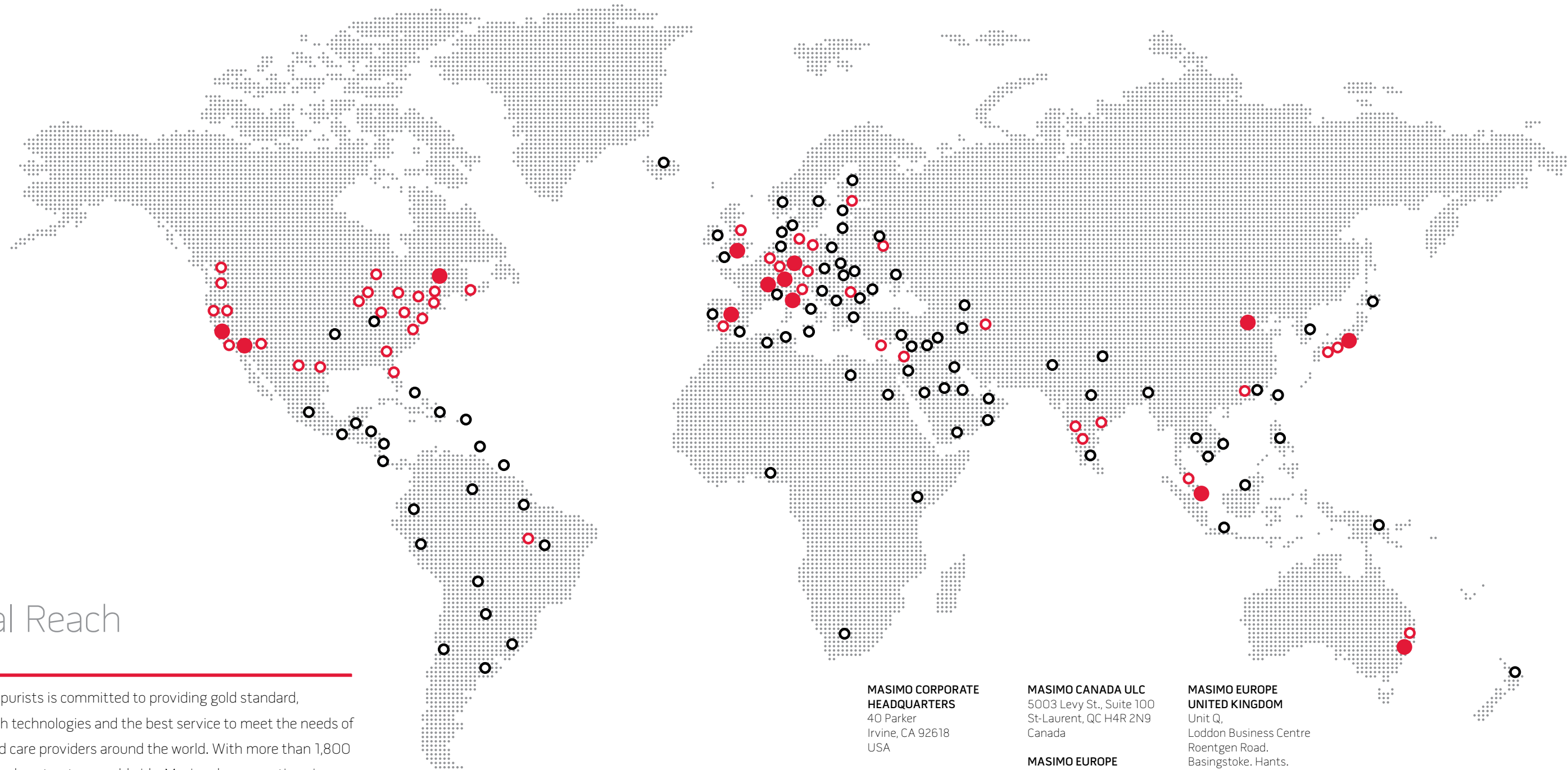
SpO₂, Pulse Rate, Perfusion Index, PVI, SpHb, SpOC, SpMet

SELECT MASIMO OEM PARTNERS

Because Masimo technology is integrated into more than 100 multiparameter monitors from more than 50 different monitoring brands, we're easy to integrate into virtually any clinical workflow—from EMS and transport to the ED, OR, ICU, step-down units and even general care floors. Some of our OEM Partners include:



- Masimo Facility
- OEM Partner Facility
- Distribution Partner



Masimo's Global Reach

Our team of purists is committed to providing gold standard, breakthrough technologies and the best service to meet the needs of clinicians and care providers around the world. With more than 1,800 employees and contractors worldwide, Masimo has operations in North America, Europe, Latin America, Asia, and Australia.

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Masimo Technologies Garner National and International Awards for Excellence

	1995 STA Excellence in Technology Innovation
	2000 SCCM Technology Excellence Award
	2000 Outstanding Medical Device Company
	2001 Audie Lewis Mark of Excellence (Independent Auditors)
	2001 Innovation Product / Technology
	2001 Distinguished Leadership Award
	2001 Excellence in Leadership Award
	2001 Medical Design Excellence Award
	2003 New Standard of Care Award
	2003 Technology of the Year Patient Monitoring Award
	2003 Platform ABBY for Innovations in Healthcare

	2005 Innovative Product / Technology
	2006 Application of Technology Award
	2006 Medical Design Excellence Award
	2007 STA Excellence in Technology Innovation
	2007 Groundbreaking Innovation of Rainbow SET Technology
	2007 Patient Monitoring Technology Leadership of the Year Award
	2007 Brand Development Strategy Leadership Award
	2008 Excellence in Medical Technology
	2008 Outstanding Growth Award
	2008 Outstanding Medical Device Company Award
	2008 Best in Class Award

Financial Performance

CONSOLIDATED BALANCE SHEETS (in thousands, except share information)

	January 3, 2009	December 29, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$146,910	\$96,733
Accounts receivable, net of allowance for doubtful accounts of \$1,300 and \$1,370 at January 3, 2009, and December 29, 2007, respectively	30,715	23,917
Royalties receivable	11,375	13,866
Accounts receivable from related parties	—	3,053
Inventories	27,400	23,110
Prepaid expenses	3,908	3,837
Prepaid income taxes	872	3,247
Deferred tax assets	10,511	14,334
Other current assets	551	1,543
Total current assets	<u>232,242</u>	<u>183,640</u>
Deferred cost of goods sold	28,431	26,249
Property and equipment, net	12,979	11,164
Deferred tax assets	8,781	5,332
Restricted cash	577	513
Intangible assets, net	7,410	5,589
Goodwill	448	448
Other assets	2,480	2,576
Total assets	<u>\$293,348</u>	<u>\$235,511</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$15,914	\$14,057
Accounts payable to related parties	—	583
Accrued compensation	15,607	12,409
Accrued liabilities	5,396	6,211
Dividends payable	170	183
Income taxes payable	10,862	—
Deferred revenue	17,233	16,827
Current portion of long-term debt	395	11,470
Current portion of long-term debt to related parties	—	7
Current portion of capital lease obligation	70	62
Total current liabilities	<u>65,647</u>	<u>61,809</u>
Deferred revenue	213	366
Long-term debt, less current portion	—	19,294
Capital lease obligation, less current portion	157	208
Other liabilities	7,940	3,768
Total liabilities	<u>73,957</u>	<u>85,445</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at January 3, 2009, and December 29, 2007; 0 shares issued and outstanding at January 3, 2009, and December 29, 2007	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized at January 3, 2009, and December 29, 2007, 57,326,527 and 54,692,232 shares issued and outstanding at January 3, 2009, and December 29, 2007, respectively	57	55
Treasury stock, 156,240 shares at January 3, 2009, and December 29, 2007	(1,209)	(1,209)
Additional paid-in capital	179,666	143,297
Accumulated other comprehensive loss	(7)	(1,034)
Retained earnings	40,884	8,957
Total stockholders' equity	<u>219,391</u>	<u>150,066</u>
Total liabilities and stockholders' equity	<u>\$293,348</u>	<u>\$235,511</u>

Financial Performance

CONSOLIDATED STATEMENTS OF INCOME (in thousands, except share information)

	Year ended January 3, 2009	Year ended December 29, 2007
Revenue:		
Product ¹	\$258,895	\$199,684
Royalty and license fee ²	48,179	56,602
Total revenue	<u>307,074</u>	<u>256,286</u>
Cost of goods sold	89,454	73,606
Gross profit	<u>217,620</u>	<u>182,680</u>
Operating expenses:		
Research and development	25,495	22,960
Selling, general and administrative	120,069	91,234
Antitrust litigation	706	1,537
Total operating expenses	<u>146,270</u>	<u>115,731</u>
Operating income	71,350	66,949
Non-operating income (expense):		
Interest income	2,305	2,361
Interest expense	(753)	(2,475)
Other	(511)	1,287
Total non-operating income (expense)	<u>1,041</u>	<u>1,173</u>
Income before provision for income taxes	72,391	68,122
Provision for income taxes	40,464	25,867
Net income	<u>31,927</u>	<u>42,255</u>
Accretion of preferred stock	—	(4,837)
Undistributed income attributable to preferred stockholders	—	(14,339)
Net income attributable to common stockholders	<u>\$31,927</u>	<u>\$23,079</u>
Net income per common share:		
Basic	<u>\$0.57</u>	<u>\$0.71</u>
Diluted	<u>\$0.53</u>	<u>\$0.60</u>
Weighted-average number of common shares:		
Basic — Two class method	N/A	16,654,586
Diluted — Two class method	N/A	20,732,872
Basic — Single class method	56,320,712	54,660,216
Diluted — Single class method	<u>60,190,335</u>	<u>59,829,198</u>

¹ Includes related party product revenue of \$0, and \$20,100 for the years ended January 3, 2009, and December 29, 2007, respectively.

² Includes related party royalty revenue of \$0, and \$321 for the years ended January 3, 2009, and December 29, 2007, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year ended January 3, 2009	Year ended December 29, 2007
Cash flows from operating activities:		
Net income	\$31,927	\$42,255
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,745	5,263
Share-based payment	7,716	3,892
Loss on disposal of property and equipment	91	—
Provision for doubtful accounts	108	(25)
Provision for obsolete inventory	1,352	1,155
Provision for warranty costs	1,646	1,482
Provision for deferred income taxes	447	2,696
Income tax benefit from exercise of stock options	17,201	60
Excess tax benefits from share based payment arrangements	(1,889)	(144)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(6,244)	(3,269)
(Increase) decrease in royalties receivable	2,491	(12,577)
(Increase) decrease in accounts receivable from related parties	3,053	(953)
Increase in inventories	(5,588)	(7,021)
Increase in deferred cost of goods sold	(2,232)	(4,306)
Increase in prepaid expenses	(54)	(1,727)
(Increase) decrease in prepaid income taxes	2,376	(3,247)
(Increase) decrease in other assets	1,163	(2,210)
Increase in accounts payable	1,847	4,345
Increase (decrease) in accounts payable to related parties	(583)	99
Increase in accrued compensation	3,121	53
Increase (decrease) in accrued liabilities	(2,485)	19
Increase (decrease) in income taxes payable	12,754	(1,110)
Increase in deferred revenue	111	2,784
Increase in other liabilities	4,104	1,309
Net cash provided by operating activities	<u>78,178</u>	<u>28,823</u>
Cash flows from investing activities:		
Purchases of property and equipment	(6,852)	(5,325)
Increase in intangible assets	(2,523)	(1,641)
Increase in restricted cash	(67)	—
Cash paid for acquisition	—	(187)
Net cash used in investing activities	<u>(9,442)</u>	<u>(7,153)</u>
Cash flows from financing activities:		
Proceeds from initial public offering, net of proceeds	—	47,849
Proceeds from issuance of long-term debt	—	20,075
Repayments on long-term debt	(30,436)	(10,158)
Proceeds from issuance of common stock	9,755	831
Excess tax benefits from share based payment arrangements	1,889	144
Dividends paid	(13)	(37,350)
Purchase of treasury stock	—	(581)
Net cash provided by (used in) financing activities	<u>(18,805)</u>	<u>20,810</u>
Effect of foreign currency exchange rates on cash	246	(1,129)
Net increase in cash and cash equivalents	50,177	41,351
Cash and cash equivalents at beginning of period	96,733	55,382
Cash and cash equivalents at end of period	<u>\$146,910</u>	<u>\$96,733</u>

NOTE: The Consolidated Balance Sheets, Consolidated Statements of Income, and Consolidated Statements of Cash Flows are derived from our Audited Consolidated Financial Statements, as published in our Form 10-K filed with the Securities and Exchange Commission on March 4, 2009.

Forward-looking Statements

This document may include forward-looking statements. These statements include but are not limited to: statements regarding our goals and focus; estimates about our future market potential; our belief that we will continue to develop "breakthrough" technologies; and statements regarding expectations for total hemoglobin (SpHb). These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors, all of which are difficult to predict and many of which are beyond our control, including but not limited to: risks related to obtaining regulatory approval from the U.S. Food and Drug Administration (FDA) and other regulatory agencies; dependence on our patents and proprietary rights; the development or availability of competitive products or technologies; our assumption that Masimo SET and Masimo Rainbow SET will deliver a sufficient level of clinical improvement over alternative pulse oximetry and patient-monitoring systems to allow for rapid adoption of the technology; and other factors discussed in the "Risk Factors" section of our annual report on Form 10-K for the year ended January 3, 2009, filed with the Securities and Exchange Commission (SEC) on March 4, 2009. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update, amend, or clarify these forward-looking statements or the risk factors contained in our annual report on Form 10-K for the year ended January 3, 2009, whether as a result of new information, future events, or otherwise, except as may be required under the federal securities laws.

NOTE REGARDING THIS ANNUAL REPORT:

Please note that this annual report does not constitute the Company's "annual report to security holders" for purposes of the requirements of the Securities and Exchange Commission. For a copy of the Company's annual report to security holders required under Rule 14a-3 of Regulation 14A of the Securities Exchange Act of 1934, as amended, please refer to the Company's annual report on Form 10-K for the fiscal year ended January 3, 2009.



MASIMO EXECUTIVE MANAGEMENT TEAM

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Ammar Al-Ali
Chief Technical Officer

Olivier Berthon
President, Masimo Europe

Jon Coleman
President, International

Mark P. de Raad
Executive Vice President &
Chief Financial Officer

Rick Fishel
President of Masimo Americas &
Global OEM Business

David Goodman, MD, MSE
Executive Vice President,
Business Development

Paul Jansen
Executive Vice President, Marketing

Yongsam Lee
Executive Vice President, Operations
& Chief Information Officer

Tetsuro Maniwa
President, Masimo Japan

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General Counsel and Secretary;
Executive Vice President, Human
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Michael O'Reilly, MD, MS
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Anand Sampath
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