

Closer to the Heart®





Closer to the Heart

For over 20 years, Masimo has been the leader in developing breakthrough noninvasive monitoring technologies. But what sets Masimo apart is not just what we do, but *why* and *how* we do it. We call it staying “Closer to the Heart”, an attitude and philosophy that permeates everything we do.

Closer to the Heart means always doing what is right in our hearts – not just what is immediately rewarding. By staying Closer to the Heart, we remain focused on:

- > **Solving unsolvable problems** by getting to the heart of the issue
- > **Protecting patients** by having the heart to go after the clinical solutions that are needed – even when the path is long and uncharted
- > **Innovating for the future** to allow clinicians to get at the heart of what is wrong with their patients

A Letter from the Chairman & CEO

DELIVERING ON OUR MISSION AND GUIDING PRINCIPLES

Over 20 years ago, Masimo started with a bold mission to improve patient outcomes and reduce the cost of care by taking noninvasive monitoring to new sites and applications. We also set forth guiding principles that stay with us today:

- > 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

In Masimo's 20th anniversary year, we celebrated by launching more breakthrough noninvasive measurements, growing the number of customers and partners, and expanding the markets for our products. In the process, we delivered record 2009 financial results in a challenging global economy.

STAYING CLOSER TO THE HEART

Much has changed since 1989, when I founded Masimo in my home. But after two decades of technical innovation, broad clinical impact, and solid growth, one very important thing has remained the same – our commitment to staying Closer to the Heart. From the outset, Masimo resolved to be different from any other company. We didn't just set out to create breakthrough technologies, we also wanted to impact patient lives more significantly than any patient monitoring company. And at the same time, by the way we conducted ourselves, we truly hoped to improve the way business is practiced in our industry.

By standing and striving for truth while relentlessly pursuing our mission and adhering to our guiding principles, we have remained Closer to the Heart and focused on solving unsolvable problems, protecting patients, and innovating for the future. In the process, we have built an enterprise in which over 2,000 talented people deliver on their promises in an environment where fascination, accomplishment, and fun can thrive.

'89 Company founded by Massi Joe E. Kiani. Mohamed Diab joins six months later and Masimo ("Massi" + "Mo") is formed

20 YEARS OF FIRSTS

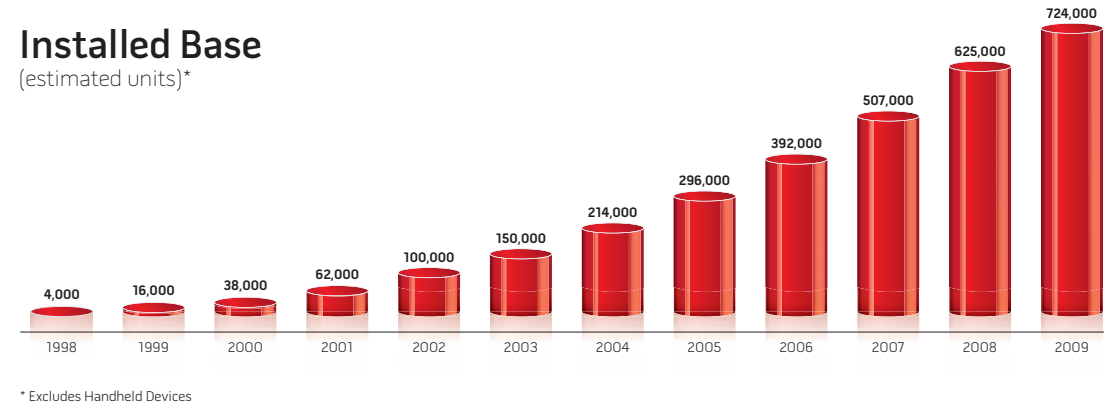
Masimo's innovation engine has fueled many industry firsts over the past 20 years, significantly improving patient care in the process



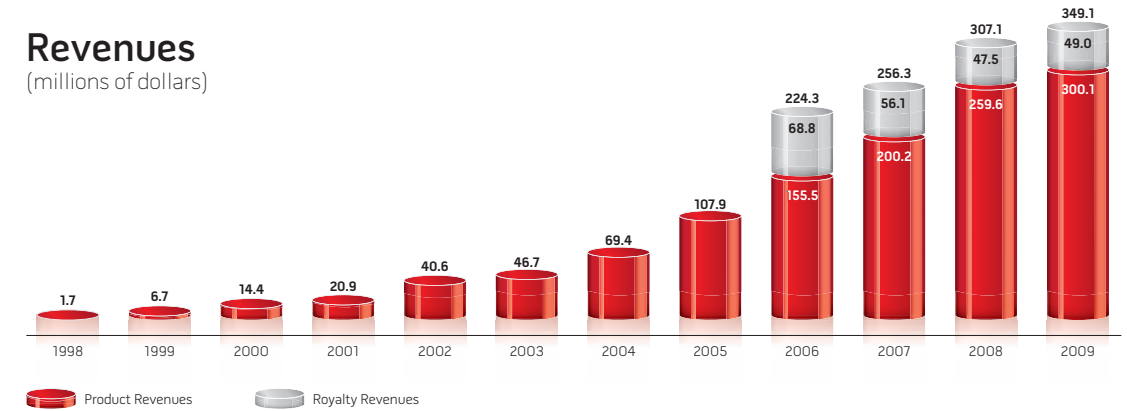
Joe Kiani
Chairman & CEO



Installed Base (estimated units)*



Revenues (millions of dollars)



PROVING WE MEAN IT

The pages of this annual report are full of innovations that are testaments to everything we originally set out to accomplish. It has been said that the true test of character is what you do when no one else is looking. While less noticeable, there have been many other things that happened along Masimo's journey that also stand as proud examples of the promises we made to ourselves 20 years ago.

When we discovered our Rad-9® product (acquired in 2002 from one of our OEMs) could visually but not audibly alarm if a sensor failed, we proactively issued a recall for the device to ensure the highest level of patient safety – while the FDA stated it didn't require one as the behavior met industry standards. When no other pulse oximetry company put two speakers in their devices to ensure that patient alarms would be heard, even in the rarest cases of component failure, we looked beyond product costs and did it for all of our bedside devices anyway. When we won the patent infringement

lawsuit against Nellcor, we received enough funds to take advantage of the automatic stock redemption of early investors. While this would have resulted in great personal gain to some insiders, we instead let stockholders keep their preferred shares and fully benefit from a large dividend while we geared up to take our company public.

When other companies refused to provide their pulse oximeters for use in home care because of the potential liabilities vis-à-vis high-risk patients, we decided to make our products available because we knew they provided the best and sometimes only solution possible for patient care. When we won the antitrust lawsuit against Nellcor in Federal Court, we kept fighting for a final ruling so our case could help other companies avoid what we experienced – instead of focusing on a possible large settlement. And when the final rulings were in, instead of banking the legal proceeds, we used a significant portion of those funds to set up the Masimo Foundation for Ethics, Innovation, and Competition in Healthcare.

CONTINUING INNOVATION

Masimo's innovation engine has fueled many industry firsts over the past 20 years, which have significantly improved patient care and reduced costs. Masimo SET® overcame the

technological limitations of conventional pulse oximetry and made pulse oximetry accurate during challenging conditions. Masimo's success in solving this previously "unsolvable" problem resulted in earning the trust and confidence of clinicians worldwide. Approximately 10 years after the introduction of Masimo SET, Masimo Rainbow® SET has ushered in noninvasive and continuous measurements that previously required invasive procedures, allowing clinicians to make earlier and better decisions to care for patients in ways they never thought possible.

Masimo SET overcame the technological limitations of conventional pulse oximetry and made pulse oximetry accurate during challenging conditions.

In early 2009, we continued to enhance the value of our Masimo Rainbow SET technology platform by adding new measurements, starting with the full market release of the

first-ever noninvasive and continuous total hemoglobin (SpHb®) and oxygen content (SpOC™) monitor, which we believe will have a profound impact on healthcare by reducing unnecessary blood transfusions and allowing earlier detection of bleeding for more timely intervention. At the end of 2009, we received FDA clearance for our breakthrough Masimo Rainbow Acoustic Monitoring™ technology, which provides noninvasive and continuous respiration rate (RRa™) monitoring that is accurate, easy-to-use, and enhances patient compliance. We believe Rainbow Acoustic Monitoring will make a significant difference in the way healthcare is provided by allowing more patients in all areas of the hospital to be monitored more safely than ever before.

As 2009 drew to a close, we also received word that a landmark study would soon be published showing that Masimo SET pulse oximetry and Patient SafetyNet™ helped clinicians caring for post-surgical patients on the general floor dramatically improve patient care, decreasing rescue events and intensive care transfers while also providing a significant positive financial impact. We know that many lives will be saved and unnecessary costs avoided as Masimo's technologies are used on the general floor in hospitals worldwide.



'95

Masimo SET Pulse Oximetry

First Measure-through Motion and Low Perfusion pulse oximetry – debuts at the Society for Technology in Anesthesia and wins Excellence in Technology Innovation Award

'95

MS-1 Board™



'95

Diagnostic-Quality Pleth Waveform

First true diagnostic-quality pleth waveform

PI

'95

Perfusion Index

First accurate quantification of amplitude of the pleth waveform to 0.02%

THE MASIMO PRODUCT OFFERING



CIRCUIT BOARDS

The leading pulse oximetry solution, available in more than 100 OEM monitors from 50 leading brands.



MONITORS

A complete line of bedside and handheld monitors for clinicians in acute and alternate care settings.



PATIENT SAFETYNET SYSTEM

Wireless remote monitoring and clinician notification system designed to keep patients safe on general care floors.



SENSORS/CABLES

Available for either single- or multi-patient use with over 100 different sensor and cable combinations for virtually every clinical need.

INCREASING MARKET ADOPTION FOR BETTER CARE AT A LOWER COST

Hospitals around the world continue to see significant advantages provided by Measure-through Motion and Low Perfusion Masimo SET pulse oximetry. We shipped 111,000 drivers in 2009, increasing our estimated worldwide installed base to over 700,000 drivers. We believe we will see increased growth in our installed base as more clinicians choose the Masimo Rainbow SET platform.

We estimate that U.S. hospitals alone could save over \$5 billion when their clinicians use Masimo technologies to their fullest potential.

Masimo SET has been proven to help clinicians reduce retinopathy of prematurity and detect congenital heart

disease in newborns, reduce medical errors in critical care, wean patients from the ventilator faster, improve fluid management, and save lives and costs on the general floor. These improvements in the process of care have resulted in real cost savings to hospitals using Masimo technologies. In total, we estimate that U.S. hospitals alone could save over \$5 billion when their clinicians use Masimo technologies to their fullest potential.

EXPANDING TO NEW MARKETS

Masimo SET has allowed pulse oximetry to succeed in markets where conventional pulse oximetry has failed, including home and long-term acute care facilities. Rainbow measurements have also allowed us to increasingly extend Masimo's reach beyond the hospital, from the detection of carbon monoxide poisoning at the scene of a fire to hemoglobin spot-check testing in the physician office. And as more healthcare professionals gain access to our products, we know that more lives will be improved and saved.

Rainbow measurements have also allowed us to increasingly extend Masimo's reach beyond the hospital.

GROWING OUR INTERNATIONAL FOOTPRINT

Recognizing the growing international demand for our products, we opened our new international operations center in Neuchâtel, Switzerland in 2009. Staffed with a dedicated team in key business areas – all focused exclusively on servicing our growing international customer base – Neuchâtel will be the nerve center of our international operations. Ultimately, this will ensure that we are proactively and aggressively working to meet the needs of healthcare providers and patients in international markets.

PERFORMING IN A CHALLENGING CLIMATE

By helping clinicians improve the quality and efficiency of patient care, we delivered another year of record financial

results in what proved to be a challenging global economy. Our total revenues grew to \$349.1 million while product revenues rose 16% to \$300.1 million and Rainbow revenues rose 46% to \$19.5 million. Net income grew from \$31.9 million or \$0.53 per diluted share in 2008 to \$53.2 million or \$0.88 per diluted share in 2009. We anticipate that our core business in Masimo SET pulse oximetry will continue to grow steadily while Rainbow Pulse CO-Oximetry™ and Rainbow Acoustic Monitoring will increasingly contribute to our growth as more OEM partners integrate and more hospitals adopt Rainbow technologies.

LOOKING TO THE FUTURE, BUILT ON THE SOLID FOUNDATION OF THE PAST

With a 20-year track record of industry firsts, a talented and dedicated team of individuals, and a continued commitment to staying Closer to the Heart, we are confident our greatest contributions lie ahead. Today we renew our pledge made in 1989 – to impact patient lives in a way that no patient monitoring company has done before and to continue to change the way business is practiced in our industry.

Best personal regards,

Joe Kiani
Chairman & CEO



'96

LNOP® Sensors

Highest signal-to-noise ratio sensor with non-absorbent material, rejuvenating adhesive, and replaceable tapes – minimizing waste



Study shows Masimo SET sensitivity and specificity exceeds competing pulse oximeter technologies¹




Study shows Masimo LNOP sensors last nearly twice as long as the market leading adhesive disposable sensors²



'98

IVY 2000™ Pulse Oximeter
First blue LCD display

A man and a woman are embracing on a beach. The man, on the left, has grey hair and is wearing a blue button-down shirt. The woman, on the right, has long blonde hair and is wearing a white top. They are both smiling and looking towards each other. They are wrapped in a light-colored blanket. The background shows a sandy beach, the ocean with white waves, and a clear blue sky. A red object, possibly a beach umbrella, is partially visible on the left side.

Closer to the
Heart
of Solving
Unsolvable
Problems

Signal Extraction Technology®: Solving the “Unsolvable”

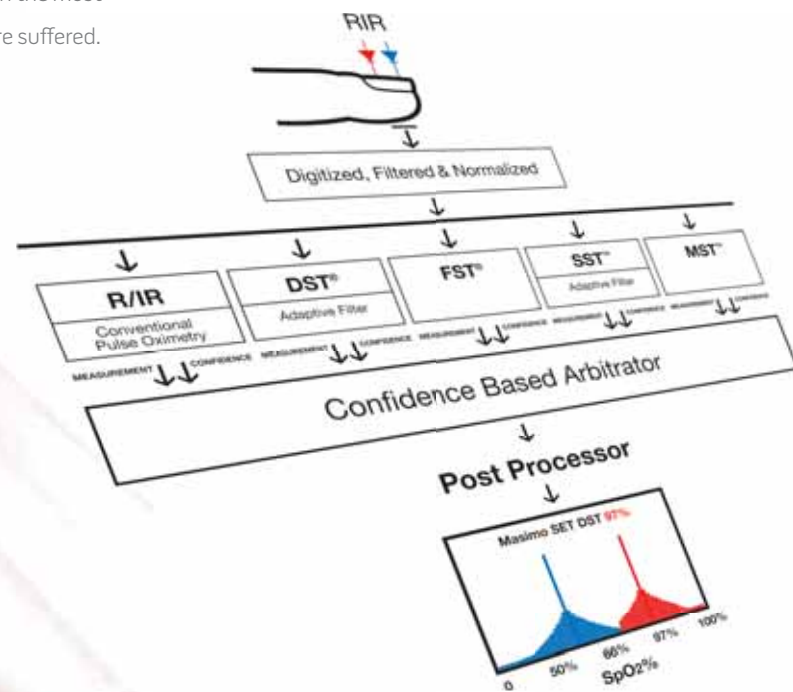
Twenty years ago, two young engineers asked themselves why pulse oximetry wouldn't work during patient motion and low perfusion – and by doing so, set a new course that created a revolution in patient monitoring.

OVERCOMING THE LIMITATIONS OF CONVENTIONAL PULSE OXIMETRY

Since its inception, pulse oximetry was plagued by unreliability when it was needed most – during patient motion and low perfusion. The industry had given up and considered the problem “unsolvable”. Clinicians were forced to live with the results – excessive false alarms, delayed notification due to long averaging times, inaccurate data, and an inability to obtain data on the most critical patients. Patient care suffered.

Conventional pulse oximetry works under the assumption that by looking at only the pulse and normalizing the pulsating signal over the non-pulsating signal, oxygen saturation (SpO₂) can be measured without calibration. Although this was a big step forward in the evolution of pulse oximetry, it has one major flaw – it assumes the only

pulsating component is arterial blood. Unfortunately for conventional pulse oximetry, venous blood moves every time the patient moves or breathes. This causes conventional pulse oximeters to display false low or high SpO₂ and pulse rates – resulting in false alarms as high as 90% in ICUs and recovery rooms.



'98 SmarTone™
Ability to maintain saturation tones with variable pitch during low signal-to-noise conditions

95%
FALSE ALARM REDUCTION

97%
TRUE ALARM DETECTION

“Conventional pulse oximeters are a fair-weather friend. Masimo SET is a foul-weather friend.”

JEREMY SWAN, MD
Former Chairman of Masimo's Scientific Advisory Board and Chairman Emeritus
Cedars-Sinai Medical Center's Division of Cardiology

UNLEASHING BREAKTHROUGH PERFORMANCE

When Joe Kiani and Mohamed Diab looked at the same pulse oximetry signal differently than anyone had before, they created possibilities that never before existed. By employing advanced signal processing techniques – including parallel engines and adaptive filters – they believed they could find the true arterial signal that would allow accurate monitoring of arterial oxygen saturation and pulse rate even during the most challenging conditions. Signal Extraction Technology, or Masimo SET, assumes that both the arterial and venous blood can move and uses parallel signal processing engines – DST, SST, FST, and MST – to separate the arterial signal from sources of noise (including the venous signal) to measure SpO₂ and pulse rate accurately, even during motion.

Excellence in Technology Innovation Award. Thereafter, skeptical clinicians around the world sought actively to compare Masimo SET to the best pulse oximetry technologies other companies had to offer. But in study after study, the breakthrough signal processing of Masimo SET consistently resulted in significantly fewer false alarms and far superior true alarm detection.

With Masimo SET, false alarms have been reduced by over 95% while true alarm detection has increased to over 97%³ – even during the challenging conditions of motion and low perfusion.

After six years of dedicated and focused research and development, Masimo SET debuted in 1995 at the Society for Technology in Anesthesia and won the prestigious

'98 First FDA 510K clearance for Measure-through Motion pulse oximetry



'98 Datascope, along with multiple OEMs, begins worldwide commercialization of Masimo SET integrated in their patient monitors



'98 SofTouch™ First sensors designed for sensitive skin of neonates

The Gold Standard Pulse Oximetry Solution

Masimo SET is the world's leading pulse oximetry technology, proven by both independent and objective research and the real-world success of our customers and partners.

THE CHOICE OF CLINICIANS IN THE WORLD'S LEADING HOSPITALS

Because of its unmatched accuracy and reliability, clinicians at well over 2,000 hospitals around the world count on Masimo SET every day to help them care for patients. And while more than half the hospitals on the U.S. News & World Report Honor Roll – including four of the top five – have already integrated

Masimo SET pulse oximetry technology, more are converting every day. These hospitals and clinicians trust Masimo SET to help them deliver the most effective and efficient patient care possible. With significantly fewer false alarms, clinicians can focus on

the patients who need the most attention. With more trustworthy measurements, clinicians can more tightly control oxygenation levels. And with more timely detection of true events, clinicians can intervene earlier for better patient outcomes and improved patient safety.

INTEGRATED IN MORE INDUSTRY-LEADING PRODUCTS THAN ANY OTHER PULSE OXIMETRY TECHNOLOGY

Each company manufacturing multiparameter monitors has a choice as to which pulse oximetry technologies it offers in its products. Today, Masimo SET is integrated in more industry-leading products than any other pulse oximetry technology

– available in more than 100 OEM monitors from 50 leading brands. In many of these monitors, Masimo SET is the only pulse oximetry technology provided.



Radical® Pulse Oximeter
First 3-in-1 pulse oximeter – standalone device for bedside monitoring with detachable handheld unit with built-in rotational display for portable monitoring, and SatShare interface to upgrade conventional pulse oximetry in multi-parameter patient monitors to Masimo SET

'98 Max™ Sensitivity Setting
Allowing reliable measurement in the most challenging conditions of low perfusion

'99 First FDA 510K clearance for Measure-through Low Perfusion pulse oximetry

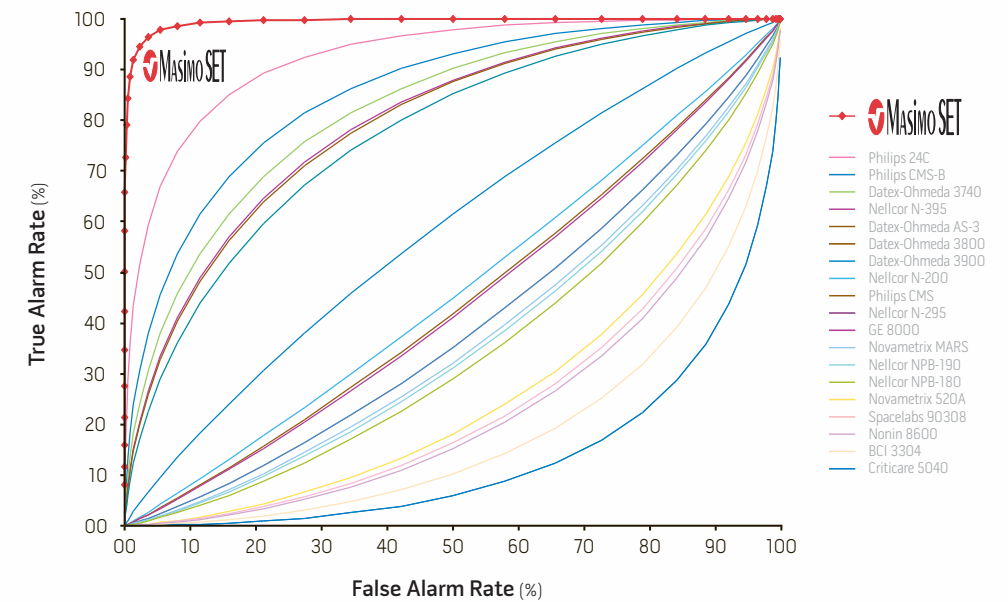
'00 Signal IQ®
First to quantify signal quality and give clinicians confidence in the displayed SpO₂ and pulse rate values, even during motion and low perfusion

'00 FastSat®
Enabling accurate tracking of rapid saturation changes

VALIDATED BY INDEPENDENT AND OBJECTIVE RESEARCH

To date, more than 100 independent and objective peer-reviewed studies have shown that Masimo SET outperforms all other pulse oximetry technologies,

providing clinicians with unmatched sensitivity and specificity to make critical patient care decisions.



True and false SpO₂ alarm rate of Masimo SET versus 19 competing pulse oximetry technologies.⁴

“ Masimo SET is advantageous because even though it significantly reduces false alarms, it doesn't do that by ignoring physiological changes. ”

CHRISTIAN POETS, MD
Director, Neonatal Intensive Care Medical School, Hanover, Germany

Helping Change an Industry

Masimo has also helped change and improve healthcare by being a champion for free choice in the market and the protection of new technology development.

FREEING HOSPITALS TO CHOOSE THE BEST TECHNOLOGY FOR PATIENT CARE

GROUP PURCHASING REFORM

A short decade ago, many hospitals wanted to choose Masimo SET pulse oximetry to provide the best care for their patients, but could not do so because their group purchasing organization (GPO) did not offer Masimo SET – instead engaging in exclusive arrangements with a competitor which inhibited Masimo's innovative technology from entering the market. The struggles that hospitals endured fighting to choose Masimo created broader awareness of the need for GPO reform – leading to fewer exclusive arrangements for higher-priced and sometimes even inferior products.

FIGHTING ANTICOMPETITIVE BEHAVIOR

When large medical technology companies tie discounts of unrelated products to the exclusive purchase of their products across multiple categories, it can be considered anticompetitive if it is done in a large enough market. Masimo has fought hard to prevent this type of behavior, testifying twice at Senate Hearings regarding these practices

and bringing a successful antitrust suit against Nellcor, a division of Tyco Healthcare (now Covidien). Masimo has also worked diligently to overcome the decision of some patient monitoring companies to limit access to technologies with proven patient care benefits.

“ Masimo has led the industry's efforts to encourage innovation and free choice by healthcare providers. ”

MARK LEAHEY

President & CEO of the Medical Device Manufacturers Association

These efforts are just a few examples of how Masimo has stood for transparency and truth to open markets so that medical products are judged on their individual merits rather than on artificial restraints on hospital purchasing. With open competition in the pulse oximetry market, pulse oximetry pricing has decreased by an estimated 30% or more over the last decade while in the previous decade prices were estimated to have hardly changed. But more importantly, countless lives have either been saved or improved as a direct result of access to Masimo SET.

“ Masimo's victory against Nellcor buttresses the importance of patenting in guarding the innovations of the emerging companies against established market participants. ”

FROST AND SULLIVAN



ENABLING INNOVATION THROUGH PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Innovation can flourish if companies have the ability to protect their inventions for the term of their patents. The patent system is designed to protect intellectual property rights, but some companies still infringe on legitimate patents of small companies who are unable to defend themselves. While Masimo made its revolutionary Masimo SET pulse oximetry available to every company,

some chose to mimic Masimo technology instead. Masimo was forced to defend its intellectual property from Nellcor, and the court ruled that Nellcor infringed on Masimo's patents and ordered that Nellcor's infringing products should be enjoined. The decision for Masimo served as a larger victory for stimulating innovation that is critical to advancing patient care in the future.



'00 **FastStart™**
SpO₂ value in less than 10 seconds from the time the instrument is turned on

'00 Study shows **Masimo SET** helps increase caregiver efficiency and reduce arterial blood gas measurements⁵

'02 Study shows **Masimo SET** helps wean patients from the ventilator faster and reduce FiO₂ levels⁶

'02 Study shows **Masimo SET** linked to reduced medical errors in critical care medicine⁷



Closer ^{to the}
Heart
^{of} Protecting
Patients

Focusing on the Most Vulnerable

From the very beginning, we have kept infants and children closest to our hearts and focused on how our technologies could improve their care – even though the market is considered small. As a result, Masimo leads the industry in solutions designed exclusively for these patients with the brightest future.

ENABLING CONGENITAL HEART DISEASE DETECTION

The breakthrough performance of Masimo SET is often most appreciated by the clinicians caring for fragile newborns. Up to 30% of all congenital heart disease (CHD) deaths occurring in the first year of life are unrecognized

at the time of hospital discharge after birth. While pulse oximetry offers a simple and cost-effective method to screen newborns for CHD, only Masimo SET pulse oximetry has been shown to reliably assist in the detection of CHD.⁸

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

ANNE DE-WAHL GRANELLI, PhD
Queen Silvia Children's Hospital
Gothenburg, Sweden



“ Masimo has helped save countless babies' lives and plays a critical role in helping to virtually eliminate severe infant eye damage. ”

AUGUSTO SOLA, MD
American Academy of Pediatrics Christopherson Award Winner
for his contributions to International Child Health



REAL-TIME NEWBORN MONITORING AND ASSESSMENT

When each second matters during newborn resuscitation, the Masimo Newborn Sensor ensures the fastest response time at the highest sensitivity – allowing clinicians to focus on real-time patient management instead of the device. In addition, Masimo SET is increasingly being used to supplement the standard APGAR score to more reliably assess general newborn health.

EMPOWERING CARE FOR THE TINIEST AND MOST FRAGILE PATIENTS

In cyanotic infants, only the Masimo Blue™ Sensor has been proven accurate in oxygen saturations as low as 60% – enabling accurate maintenance of targeted low saturation levels.⁹ And for very low birth weight babies, only the Masimo NeoPt-500™ Sensors are designed for both size and performance in infants as small as 500 grams.

PREVENTION OF RETINOPATHY OF PREMATURITY

Premature infants requiring neonatal intensive care need enough oxygen to preserve vital organ function, but too much oxygen can cause severe eye damage from retinopathy of prematurity (ROP). Using Masimo SET to help more tightly control oxygen therapy has been shown to help clinicians dramatically reduce ROP.¹⁰

| Center | Severe ROP (pre-policy change) | Severe ROP (post-policy change) | % Reduction in ROP |
|--------|--------------------------------|---------------------------------|--------------------|
| #1 | 11.1% with Nellcor | 6.0% with Masimo | 40% |
| #2 | 13.0% with Nellcor | 13.0% with Nellcor | 0% |

The protocol and caregivers were identical in each center, but only Center #1 switched to Masimo SET.¹⁰

| Birth Weight | Severe ROP (pre-policy change without Masimo) | Severe ROP (post-policy change with Masimo) |
|------------------|---|---|
| 500 to 749 g | 38% | 10 - 12% |
| 750 to 999 g | 12 - 15% | 0% |
| 1,000 to 1,249 g | 12 - 15% | 0% |

Study shows Masimo SET linked to reduced retinopathy of prematurity in neonatal patients¹¹



Rad-9® Pulse Oximeter

Adaptive Probe Off Detection™ (APOD™)
Reducing false display of SpO₂ values by 83% when the probe is not on the patient, compared to competing pulse oximeters

Improving Safety on the General Floor

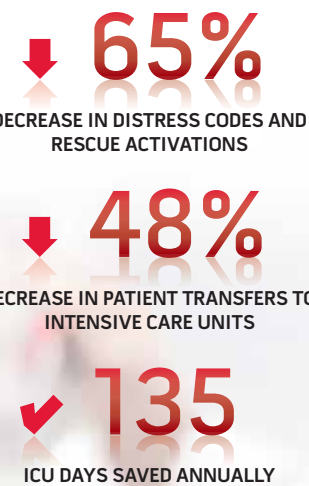
As part of our mission to take noninvasive monitoring to new sites and applications, Masimo SET has enabled accurate and reliable monitoring in care areas where conventional pulse oximetry has faltered, such as the general floor of hospitals.

REDUCING RESCUES AND ICU TRANSFERS

For many years, clinicians have understood the risks of not continuously monitoring patients on the general floor. However, excessive false alarms due to patient motion made improving the safety of these patients an elusive goal. In the last decade, Masimo SET has been shown in multiple studies to improve the process of care in neonates and pediatric patients due to its Measure-through Motion and Low Perfusion performance, but a recent landmark study was the first to show

that Masimo SET also improves clinical outcomes in adults. After implementing Masimo SET and Masimo Patient SafetyNet remote monitoring and wireless notification in a post-surgical floor where only intermittent spot checking was used before, Dartmouth-Hitchcock Medical Center achieved 65% fewer rescue events, 48% fewer ICU transfers, reduced annualized ICU time by 135 days, and had no sentinel events.¹² Just as pulse oximetry has become a standard of

care in the OR, PACU, and ICU, we now believe that pulse oximetry will become a standard of care on the general floor. With Masimo technologies on the general floor, clinicians can now be confident their patients are being watched even when they aren't at the bedside, while families can be assured their loved ones are receiving maximum protection.



“ In my opinion as Quality and Safety Officer, our study results strongly demonstrate that continuous patient surveillance with Masimo SET and Masimo Patient SafetyNet increases healthcare value by significantly improving clinical outcomes while reducing costs. ”

GEORGE BLIKE, MD
Dartmouth-Hitchcock Medical Center



PROVEN COST-EFFECTIVENESS

The landmark general floor study also demonstrated how Masimo helped hospitals improve outcomes and decrease the cost of care. When translated into financial benefits, the study showed that implementing Masimo SET and Masimo Patient SafetyNet to more safely monitor post-surgical patients could also have a significant impact on the hospital's bottom line by increasing ICU bed availability

and reducing costs associated with emergency rescue events.¹³ With both the clinical and financial rationale now in place, hospitals are increasingly implementing general floor monitoring with Masimo technologies.



'04 **Rad-5® Handheld Pulse Oximeter**
First handheld incorporating Masimo SET



'04 **Blue™ Sensor**
First sensor for accurate measurements in cyanotic infants and children



'04 **Newborn™ Sensor**
First sensor designed for newborn monitoring

Expanding Impact Outside of the Hospital

Gold-standard Masimo SET is increasingly being used to enhance the quality of patient care outside of the hospital.

A NEW LEVEL OF CARE IN THE HOME

For pediatric patients with life-threatening conditions requiring continuous pulse oximetry monitoring at home, Masimo SET offers the best pulse oximetry monitoring for parents caring for special needs children – dramatically reducing false alarms that can complicate an already difficult situation.

“ I’m convinced that the Masimo Rad-8® saved my baby’s life. ”

TIFFANY KELLOGG
Mother of Grayson, a child with severe medical problems requiring home monitoring



“ Masimo technology has raised the bar in the quality of care that can be delivered in a post-acute setting – the right thing to do for patient safety. ”

GENE GANTT, RRT
Linde Respiratory Support Services



ADDING A SAFETY NET IN POST-ACUTE CARE

As hospital costs rise, more patients are receiving care in long-term acute care and skilled nursing facilities. A major challenge in these facilities is weaning patients off ventilator care, which can put patients at increased risk of adverse events. Post-acute

care facilities integrating Masimo SET bedside pulse oximeters and the Masimo Patient SafetyNet remote monitoring and notification system have experienced considerable reduction in rapid response activations as well as emergency “transfer outs”.

“ The sensitivity and motion artifact rejection characteristics of the non-Masimo SET pulse oximeters we tested were not adequate for a pediatric sleep laboratory setting. ”

BOB BROUILLETTE, MD
Montreal Children’s Hospital

RELIABLE SLEEP LAB MONITORING

During sleep lab monitoring, conventional pulse oximetry fails to provide the fidelity and accuracy required to help clinicians detect significant physiologic events. Masimo SET technology is integrated in leading sleep lab monitoring systems, enabling clinicians and patients to benefit from its unmatched reliability in this challenging environment.

04 **LNCS® Sensors**
Low noise cable sensor design enables mass market appeal sensor for standardized connections to Masimo, OEM, and a large number of competitor devices

05 **Rainbow SET in MX-1® Board**
First noninvasive blood constituent platform

Breakthrough Noninvasive Applications Made Possible

Our mission to take noninvasive monitoring to new sites and applications led us to invent Rainbow technology and with it, Pulse CO-Oximetry, using more than seven wavelengths of light and leveraging Masimo Signal Extraction Technology to detect new blood constituents that previously required invasive procedures.

A DEADLY POISON REVEALED WITH SpCO®

Carbon monoxide (CO) poisoning is the most common cause of poisoning in industrialized countries, but is often misdiagnosed because its symptoms are similar to the flu and moderate poisoning is possible with no symptoms at all. Our first Rainbow measurement was noninvasive carboxyhemoglobin (SpCO), enabling quick and easy assessment of CO levels in the blood and faster detection and treatment of CO poisoning.

SpCO is making an impact in emergency departments around the world, where many hospitals do not even have on-site access to a laboratory device that allows invasive CO measurement. And

for hospitals that do have invasive CO-testing capabilities, a large study showed that quick and painless SpCO assessment helped clinicians identify 60% more CO poisoning cases than with invasive testing alone.¹⁴

“ We believe that all 50+ people in the hotel would have been dead at dawn if it were not for this lifesaving intervention from Masimo. ”

SKIP KIRKWOOD, MS, JD, EMT-P
Chief, EMS Division, Wake County Dept. of Emergency Services



“ Any firefighter exposed to CO poisoning or presenting with... symptoms at an incident where CO is present should be assessed for CO poisoning with a Pulse CO-Oximeter. ”

NATIONAL FIRE PROTECTION ASSOCIATION
1584 FIRE REHAB STANDARDS

SAVING LIVES EVERY DAY

In emergency medical services, SpCO is helping protect both victims and first responders from the dangers of CO poisoning. SpCO allows paramedics and emergency medical technicians to quickly detect CO poisoning in homes, hotels, and places of work – enabling prompt treatment and removal of those exposed to deadly CO.

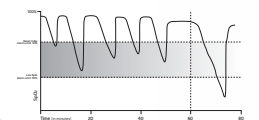
SpCO is also helping firefighters reduce the risk of CO poisoning that they face every day. Just one severe CO poisoning nearly doubles the risk of premature death and consistent CO exposure may cause long-term heart and

brain damage. When even mild levels of CO are circulating in the blood, the heart and brain are robbed of critical oxygen. This can cause mental confusion that leads to poor decision making and also increases the risk of heart disease or stroke – two conditions already accounting for nearly 50% of on-duty firefighter deaths. These factors are why industry leading organizations have recently lined up to support CO education and the National Fire Protection Association (NFPA) introduced a new fire rehabilitation standard – NFPA 1584 – that requires on-scene CO assessment of firefighters.

SpCO
First noninvasive carboxyhemoglobin

Rad-57™
First handheld capable of noninvasively measuring carbon monoxide levels in the blood

3D Desat Index Alarm™
First alarm to alert clinicians to patterns of transient desaturation that may predict respiratory depression



Keeping Patients Safe From Hidden Dangers

Rainbow technology is also shielding patients from the unintended consequences of drugs commonly given in hospitals and during certain procedures.

ADDRESSING THE RISK OF DANGEROUS DRUG REACTIONS

Many drugs commonly used in hospitals – such as lidocaine, benzocaine, dapsone, and nitrates – cause a dangerous reaction known as acquired methemoglobinemia that reduces the delivery of oxygen to the tissues. While methemoglobinemia can occur in all care areas and patients,

it is often unrecognized and undiagnosed. If not detected and treated immediately, it can result in avoidable injury or death.



“ Acquired methemoglobinemia is fairly common and causes morbidity and mortality in both the inpatient and outpatient settings. Acquired methemoglobinemia is often unrecognized and thus untreated. ”

RACHEL ASH-BERNAL, MD¹⁵
and other researchers at Johns Hopkins Hospital

Medications Known to Cause Methemoglobinemia: Benzocaine, Cetacaine, Chloroquine, Dapsone, EMLA topical, Flutamide, Lidocaine, Metoclopramide, Nitrates, Nitric oxide, Nitroglycerin, Nitroprusside, Nitrous oxide, Phenazopyridine (Pyridium), Prilocaine, Primaquine, Riluzole, Silver Nitrate, Sodium Nitrate, Sulfonamides

ENABLING QUICK TREATMENT WITH SpMet®

Masimo noninvasive methemoglobin (SpMet) allows clinicians to rapidly detect methemoglobinemia and initiate immediate treatment to reduce patient risk – especially in care areas where drugs that cause

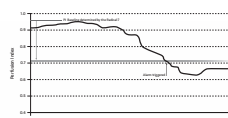
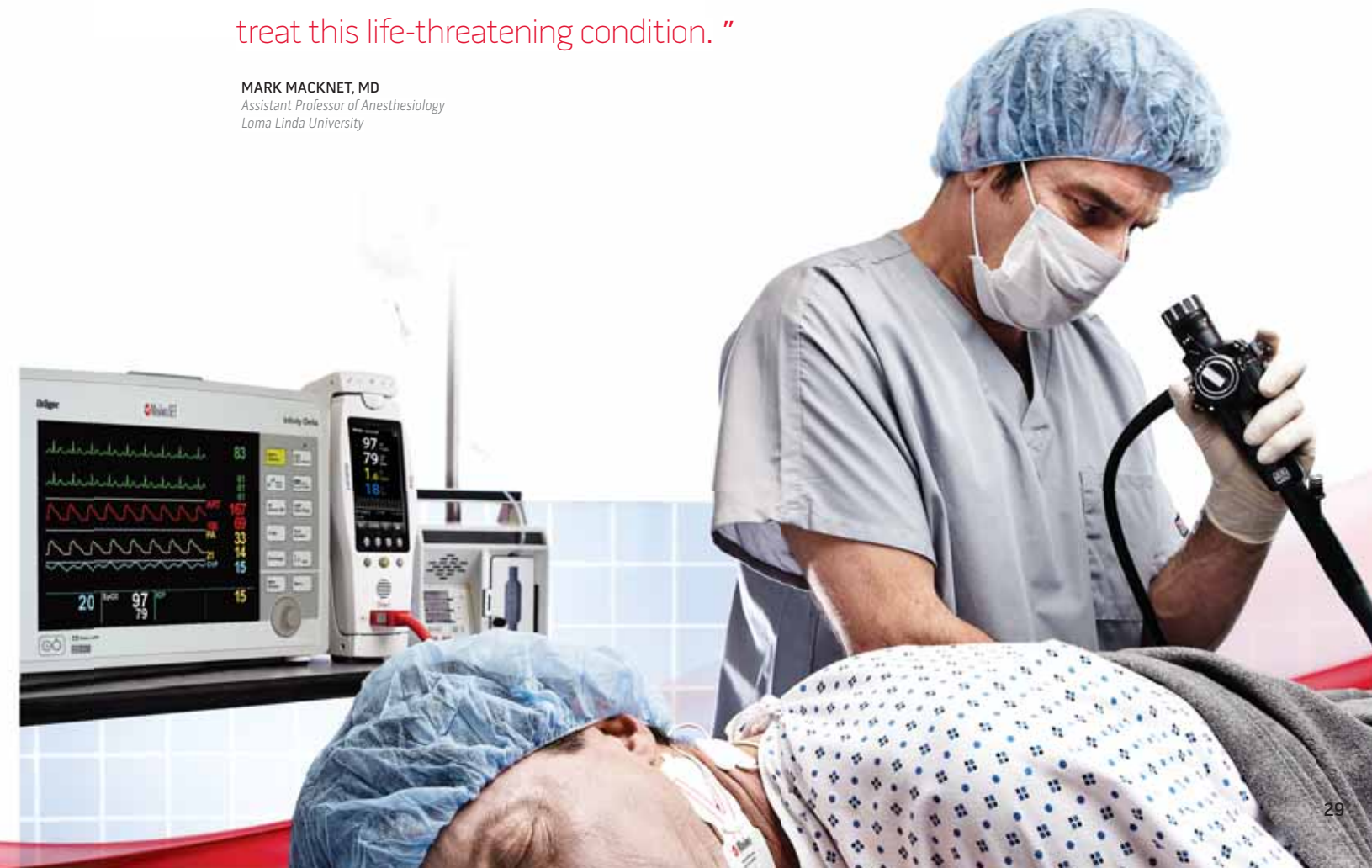
methemoglobinemia are used most often, such as procedure labs and the operating room. This enables them to quickly adjust exposure to the dangerous drug and initiate potentially life-saving treatment.

| # of Methemoglobinemia Cases | Patient Age | Care Areas | Fatalities |
|--|--------------------|---|-------------------------------|
| 138 <i>(2.5 cases per hospital per month)</i> | 4 days to 86 years | Surgery, intensive care, outpatient clinics, pediatrics, emergency department, cardiac cath lab | 1 fatality, 3 near fatalities |

Results from a retrospective study at two teaching hospitals over a 28-month period, using laboratory CO-oximeter results and patient electronic medical records.¹⁵

“ Masimo SpMet helps detect methemoglobinemia, allowing clinicians to accurately diagnose and treat this life-threatening condition. ”

MARK MACKNET, MD
Assistant Professor of Anesthesiology
Loma Linda University



'05 3D Perfusion Index Delta Alarm™
First alarm to alert clinicians of changing peripheral perfusion status that may indicate worsening condition



'05 Study shows screening with Masimo SET improves congenital heart disease detection in newborns®

SpMet

'06 SpMet®
First ever noninvasive methemoglobin



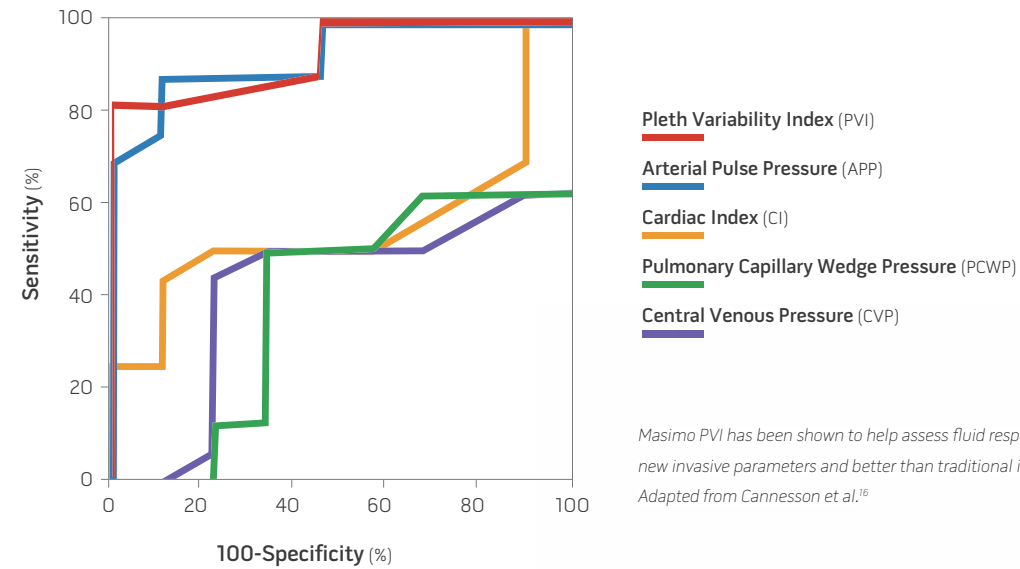
Helping Improve Fluid Management with PVI®

Fluid administration is one of the most common hospital interventions. Although it is critical to improving patient status and enabling end organ preservation, unnecessary fluid administration is associated with increased morbidity and mortality.

ASSESSING FLUID RESPONSIVENESS

Masimo continuous and noninvasive Pleth Variability Index (PVI) has been shown in multiple studies to help clinicians assess fluid responsiveness in adult surgical and intensive care patients under mechanical ventilation.^{16,17} PVI has also been shown

to help assess which patients will become hemodynamically unstable with the addition of Positive End Expiratory Pressure (PEEP), which may allow clinicians to more carefully select ventilator settings and monitor effects more closely.



Masimo PVI has been shown to help assess fluid responsiveness as reliably as new invasive parameters and better than traditional invasive parameters. Adapted from Cannesson et al.¹⁶

AIDING CLINICIANS IN PATIENT RISK REDUCTION

A recent randomized trial showed that compared to standard care without PVI, clinicians using PVI were able to improve fluid management and as a result, reduce patient

risk – as evidenced by lower lactate levels.¹⁸ By helping clinicians maintain appropriate fluid and oxygen levels in the blood, important organs are protected.

“ With Masimo PVI, I can predict when my patients will benefit from fluid administration – and when it might harm them. ”

MAXIME CANNESON, MD
University of California, Irvine



- '05 Radical-7™**
First bedside Pulse CO-Oximeter featuring color display screen
- '06**
First easy field upgradability of software through sensor port
- PVI Pleth Variability Index (PVI)®**
First noninvasive and continuous fluid responsiveness

Earlier and Better Decisions to Improve Patient Care

With the expansion of Rainbow measurements to include total hemoglobin, Masimo technologies can now aid some of the most common, costly, and critical decisions made in healthcare.

REDUCING UNNECESSARY BLOOD TRANSFUSIONS

While blood transfusions are critical to avoid organ damage and sustain life when hemoglobin levels are unstable or very low, mounting evidence shows that transfusions increase 30-day mortality by up to 38% and 30-day morbidity by up to 40%^{19,20} – with a cost up to \$1,200 per unit.²¹ Clinicians using Masimo SpHb report that it plays an important role in helping them continuously identify stable and safe hemoglobin levels that prevent unnecessary blood transfusions, especially during surgery.

“ Masimo SpHb is an impressive new tool. I believe that the ability to continuously trend hemoglobin will be of tremendous value to us and help us more safely guide patients in surgery through recovery. ”

RONALD D. MILLER, MD
Professor of Anesthesia & Perioperative Care,
University of California, San Francisco

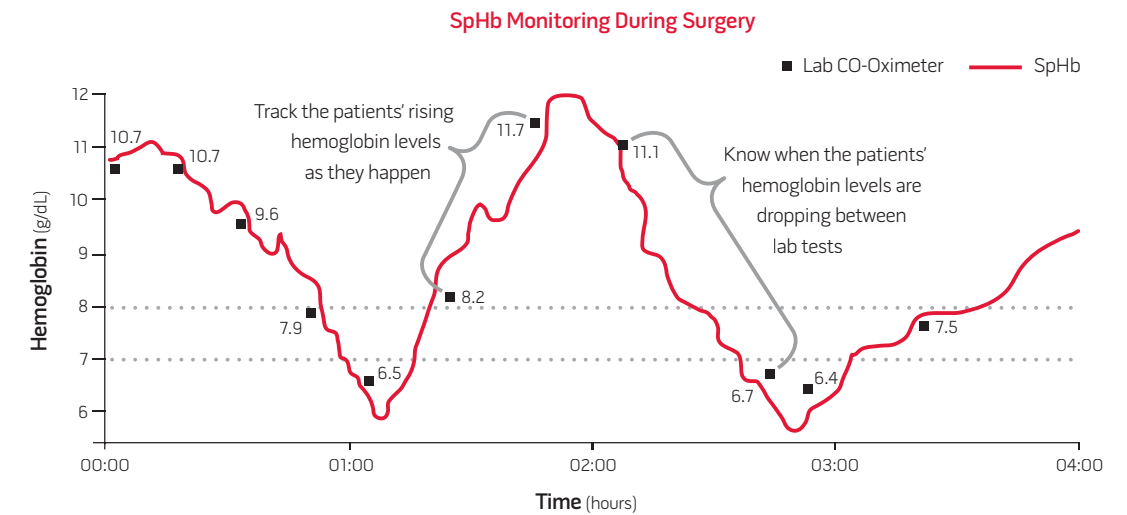
EARLIER INDICATION OF POTENTIAL BLEEDING

Total hemoglobin is among the most common invasive laboratory measurements performed in and out of the hospital and directly aids the assessment of blood loss. However, intermittent hemoglobin measurements often detect bleeding late, sometimes even hours or days after it has begun. For the first time, Masimo continuous and

noninvasive hemoglobin (SpHb) allows real-time hemoglobin assessment, which clinicians indicate has enabled them to more quickly identify blood loss. In these situations, earlier identification allows clinicians to act sooner to treat the patient, which can make an enormous difference in recovery and the ICU.

“ Masimo SpHb and PVI allow us to more tightly and proactively manage both hemoglobin and fluid levels, which optimizes surgical status and health management. ”

THOMAS CRIMI, MD
Director Blood Conservation Program
Brookdale University Hospital and Medical Center



Actual data from a liver transplant case shows the precision of Masimo SpHb, illustrating how real-time SpHb monitoring may facilitate earlier and better decision making. In this research case, SpHb values were blinded to the clinicians so that the frequency of lab measurements was unaffected.

“ In cases of severe hemorrhaging during and after childbirth, SpHb has enabled us to immediately identify and continuously assess blood loss severity to better manage internal bleeding, prevent overloading of fluid, and decrease maternal death. ”

MADHAVA KARUNARATHNA, MD
OB/GYN, Balangoda Hospital, Sri Lanka



'07 Patient SafetyNet™
First remote notification system capable of Rainbow measurements – with optional central monitoring

'08 National Fire Protection Association
Releases NFPA 1584 standards for fire rehab and includes CO screening during fire rehab

SpHb
'08 SpHb®
First noninvasive and continuous total hemoglobin

Closer to the
Heart

of **Innovating**
for the **Future**



From Light to Sound: A New Measurement Emerges from a New Signal with Masimo's Breakthrough Signal Processing

To expand the Rainbow platform's promise of breakthrough noninvasive measurements, Masimo is growing our optically based technologies to include clinical measurements derived from sound with Rainbow Acoustic Monitoring.

PROTECTING MORE PATIENTS BY MONITORING EVERY BREATH

Continuous monitoring of respiration rate is especially important for post-surgical patients receiving patient-controlled analgesia for pain management. Conscious sedation can induce respiratory depression and place patients at considerable risk of serious injury or death. The Anesthesia Patient Safety Foundation recommends

continuous oxygenation and ventilation monitoring in all patients receiving opioid-based pain medications.²² However, current methods for respiration rate monitoring are limited by accuracy and patient tolerance. Masimo Rainbow Acoustic Monitoring now provides noninvasive and continuous respiration rate (RRa) that

is accurate, easy-to-use, and enhances patient compliance.²³ Masimo Rainbow Acoustic Monitoring may enable earlier detection of respiratory compromise and patient distress – offering a breakthrough in patient safety for post-surgical patients on the general floor and for procedures requiring conscious sedation.



Rainbow Acoustic Monitoring features an innovative adhesive sensor with an integrated acoustic transducer that is easily and comfortably applied to the patient's neck. Using patented acoustic signal processing that leverages Masimo's revolutionary Signal Extraction Technology (SET), the respiratory signal is separated from background sounds and processed to display continuous respiration rate.

“ Breathing adequately is what matters most. Masimo Acoustic Respiration Rate automatically and continuously monitors the breathing status of post-surgical patients – alerting clinicians to the first sign of an abnormal or compromised breathing pattern. ”

MICHAEL RAMSAY, MD
Chief of the Department of Anesthesiology and Pain Management,
Baylor University Medical Center, Dallas, TX



ALLOWING MORE PATIENTS TO BE MONITORED, MORE SAFELY THAN EVER BEFORE

When Masimo Rainbow Acoustic Monitoring is used in conjunction with Masimo Rainbow SET Pulse CO-Oximetry and the Masimo Patient SafetyNet Remote Monitoring and Clinician Notification System, clinicians can follow key indicators of **oxygenation** with Masimo 'gold standard'

SpO₂, **ventilation** with the breakthrough RRa, **circulation** with Masimo Measure-through Motion pulse rate (PR), and potential **bleeding** with Masimo continuous and noninvasive hemoglobin (SpHb) – enabling clinicians to monitor more patients, more safely than ever before.

- '08** Rad-87™ First pulse oximeter with integrated 802.11 wireless radio
- '08** Study shows SpCO identifies unsuspected CO poisoning in the ER¹⁴
- '08** Study shows PVI predicts fluid responsiveness during surgery¹⁶

Advancing the Gold Standard

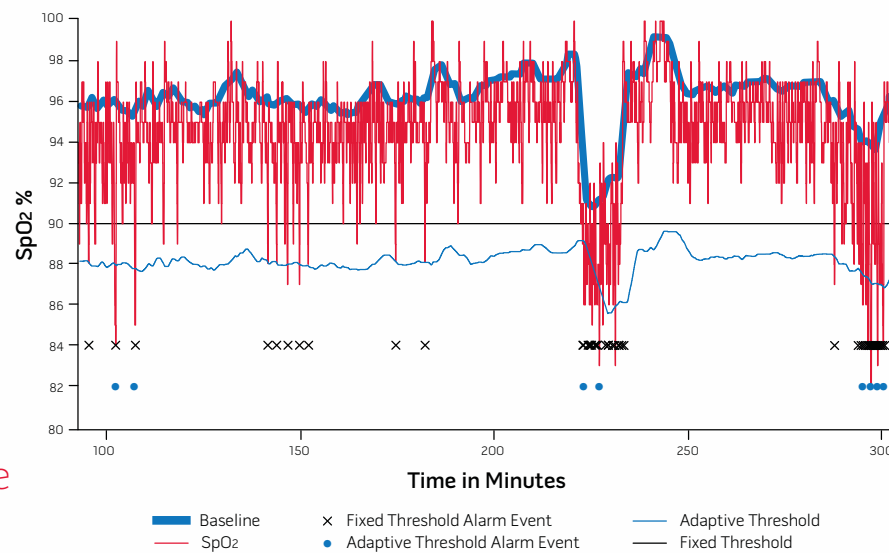
Masimo's newest innovations demonstrate that our commitment to pulse oximetry technology has never been stronger.

MORE MEANINGFUL NOTIFICATION WITH ADAPTIVE THRESHOLD ALARM™

False and nuisance alarms can desensitize clinicians. Masimo SET broke through past barriers and reduced false alarms by over 95% so in an area like the ICU where up to 90% of all alarms were false, today, with Masimo, they are only 5%.

Masimo Adaptive Threshold Alarm can reduce non-actionable SpO₂ alarms by up to 86%.

Despite the dramatic reduction in false alarms Masimo has brought forth, there are still true alarms that are considered non-actionable by some clinicians. Conventional approaches to alarm management were developed mainly to address the problems of conventional pulse oximetry's inability to measure through motion. Fixed alarm thresholds



Alarm frequency of fixed threshold alarm and Adaptive Threshold Alarm, both with 10 second delay.

and delays sometimes reduce non-actionable alarms but with potentially delayed notification of significant events.

With false alarm problems largely solved, Masimo's Adaptive Threshold Alarm was designed to deal with non-actionable alarms, breaking through the limited alarm paradigms of the past to

notify clinicians only when significant changes in physiology have occurred. Evidence from over 32 million data points shows that Masimo Adaptive Threshold Alarm can reduce non-actionable SpO₂ alarms by up to 86%.²⁴ And together with Masimo SET, false alarms and non-actionable alarms can be reduced by up to 99%.

SUPERIOR CENTRAL MONITORING WITH THE FIRST SINGLE-PATIENT-USE EAR SENSOR

Monitoring oxygenation centrally can be beneficial, but to date, the available single-patient-use sensors for the head have been fraught with inaccuracy and unreliability. That's why, working with clinicians at the University of California, San Diego, Masimo developed the first-ever, single-patient-use ear sensor that is placed securely in the concha, so clinicians can combine Masimo SET performance and central monitoring to provide reliable and responsive assessment of oxygenation during surgery and resuscitation.



ENHANCING COMFORT DURING LONG-TERM MONITORING WITH CABLED SENSORS

In the past, single-use pulse oximeter sensors have been limited in their comfort and flexibility by the size of the emitter and detector. After an intense development effort, Masimo's new SpO₂ sensor components are nearly half the thickness of those of our competitors – increasing patient comfort by increasing sensor flexibility and reducing bulk while maintaining the Masimo SET performance that clinicians expect.



Relative size of new detector (left) and emitter (right)

- '08** NeoPt-500™ First sensor for extremely low birth weight babies
- '08** SpCO and SpMet receive CPT reimbursement codes and Medicare pricing in the U.S.
- '09** Medtronic Physio-Control becomes first OEM to begin worldwide commercialization of Masimo Rainbow SET SpCO & SpMet integrated in their defibrillators
- '09** Pronto® First noninvasive spot-check hemoglobin device
- '09** Study shows PVI improves fluid management and decreases lactate levels in surgical patients¹⁸
- '09** Rainbow Acoustic Monitoring (RAM™) First noninvasive and continuous respiration rate with acoustic sensor
- RRa**



Industry-Leading Green Solutions

Masimo offers more products than any other pulse oximeter company to help hospitals meet environmental objectives while reducing costs.

MULTIPLE OPTIONS TO REDUCE WASTE AND COST

Masimo LNOP Sensors were the first green single-use sensors to work accurately through motion and low perfusion. In addition, our reprocessed sensors are the only reprocessed sensors guaranteed to provide new sensor performance because we replace every emitter and detector.

For hospitals seeking the best in performance, convenience, waste reduction, and cost-effectiveness, our new ReSposable Sensor line offers a revolutionary combination of benefits – equivalent to 100% recycling at the point of care.



Masimo ReSposable Sensors can cut an average hospital's waste by 75% – over 1,700 pounds per year.²⁵

Standard Sensors

Masimo LNCS Reprocessed Sensors

Masimo LNOP Sensors

Masimo ReSposable Sensors



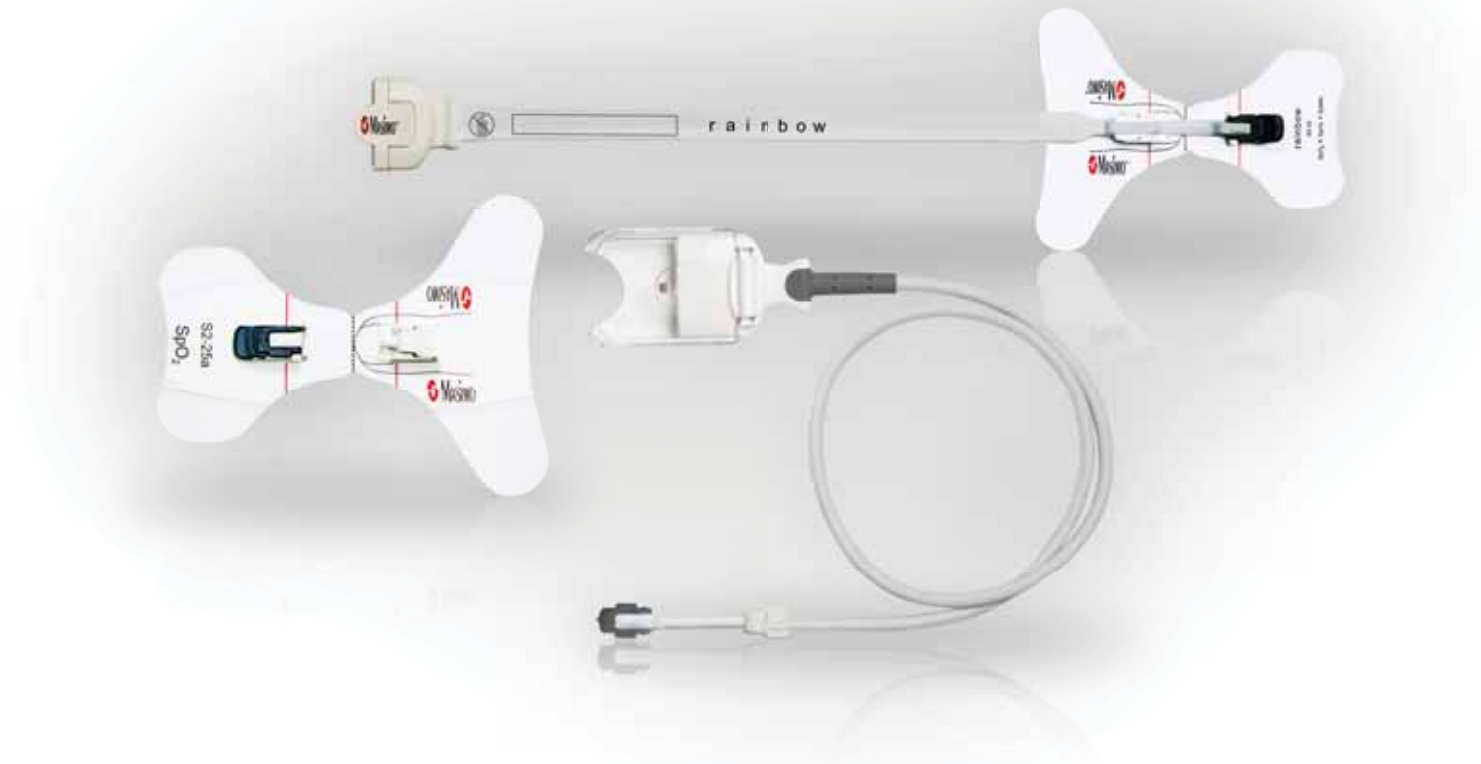
'09 ReSposable™ Sensor System
Featuring performance of adhesive sensors with Green Designed In™

'09 SpHb receives new CPT reimbursement code and Medicare pricing in the U.S.

GREEN DESIGNED IN™ WITH RESPOSABLE™ (REUSABLE + DISPOSABLE)

The Masimo ReSposable Sensor System is based on more than ten years of research and development stemming from the feedback of hundreds of clinicians who told us what they wanted most in a sensor – less waste and more value with superior performance. The ReSposable system combines

the best features of our LNOP, LNCS, M-LNCS, and Rainbow sensors into an innovative design that features a reusable optical sensor (ROS™) for use over multiple patients and a disposable optical sensor (DOS™) for single-patient use.



'10 Masimo foundation created with \$10 million gift

'10 Study shows Masimo SET and Masimo Patient SafetyNet improve outcomes in adults on the general floor – fewer rapid response activations, ICU transfers, and ICU days¹²

'10 Study shows PVI helps assess which patients will become hemodynamically unstable with the addition of PEEP²⁸

Integrating Measurements to Enable Meaningful Use

Today's challenging hospital environment exposes clinicians to increasing amounts of information with expanding documentation requirements. Masimo innovation simplifies and automates this process, streamlining workflow and improving patient safety by empowering clinicians to focus on patients rather than technology.

WIRELESS DEVICES AND SYSTEMS TO KEEP CLINICIANS AND PATIENTS CONNECTED

New standards for hospitals require meaningful use of the electronic health record (EHR) by charting changes in vital signs as well as documentation of interventions. Masimo enables automatic recording and transmission of key data into the EHR so clinicians spend their time caring for patients, not recording data. Masimo's pulse oximeters also feature a built-in wireless radio for communication through a hospital's wireless network – with seamless integration to the EHR through either a Capsule Technologies interface or a Cerner CareAware link.

Masimo Patient SafetyNet incorporates the Masimo Adaptive Connectivity Engine,™ which enables two-way, HL7-based connectivity to clinical/hospital

information systems. The Masimo Connectivity Engine significantly reduces the time and complexity to integrate and validate custom HL7 implementations, and demonstrates Masimo's commitment to innovation that automates patient care with open, scalable, and standards-based connectivity architecture.



Quick and Painless Anemia Assessment

Masimo Pronto-7™ is designed specifically for faster and more accurate noninvasive hemoglobin (SpHb) spot-check testing, along with SpO₂, pulse rate, and perfusion index.

A REVOLUTIONARY DEVICE FOR A VARIETY OF CLINICAL SETTINGS

Hemoglobin is one of the most commonly ordered tests in both hospital and non-hospital settings because it is critical to assessing anemia. However, traditional lab testing requires a painful needle stick for the patient, time-consuming blood draws for the clinician, and typically provides delayed results.

The Pronto-7 represents a breakthrough new solution for measuring hemoglobin in just 45 seconds – without needles, time-consuming laboratory analysis, or the risk of blood contamination or hazardous medical waste. The Pronto-7 is also the first Masimo device to feature Rainbow 4D™ technology for faster and more accurate spot-check hemoglobin measurements.

The palm-sized Masimo Pronto-7 – with dimensions at just 5.1" x 2.8" x 1" and weight of 10.5 ounces – puts the power of noninvasive hemoglobin spot-check testing into any clinician's hands in almost any environment, including hospitals, clinics, blood donation centers, and emergency medical services. Operation is easy and intuitive with the Pronto-7's touch-screen interface. And because of the device's embedded 802.11 b/g and Bluetooth communication capability, wireless printing or emailing of test results is available today – with future upgrades to allow for wireless transmission to EHR systems.



Pronto-7™
First device designed from the start for noninvasive spot checking of SpHb – featuring touchscreen and wireless communication and printing

New Radical-7
Featuring touch screen display, wireless capability, external display functionality

Adaptive Threshold Alarm™
First dynamic physiologic alarm threshold based on changes from each patient's baseline value

Products & Technology Overview

MASIMO TECHNOLOGIES



Masimo SET
Measure-through Motion and Low Perfusion pulse oximetry.

- > Oxygen Saturation (SpO₂), Pulse Rate (PR), Perfusion Index (PI)

r a i n b o w

Masimo Rainbow Pulse CO-Oximetry
Noninvasive blood constituent and fluid responsiveness monitoring.

- > Carboxyhemoglobin (SpCO), Methemoglobin (SpMet), Pleth Variability Index (PVI), Total Hemoglobin (SpHb), and Oxygen Content (SpOC)

Masimo Rainbow Acoustic Monitoring (RAM)

Noninvasive acoustic monitoring

- > Respiration rate (RRa)

MASIMO MONITORS



Masimo Rad-5v[®]
Masimo SET

Masimo Rad-57™
Masimo Rainbow SET Pulse CO-Oximetry

Masimo Pronto[®]
Masimo Rainbow SET with SpHb spot-check

Masimo Pronto-7™
Masimo Rainbow 4D with SpHb spot-check

Masimo Rad-8[®]
Masimo SET, LED display

Masimo Rad-87™
Complete Masimo Rainbow SET Pulse CO-Oximetry and Rainbow Acoustic Monitoring, upgradable, LED display, optional wireless radio

Masimo Radical-7™
Complete Masimo Rainbow SET Pulse CO-Oximetry and Rainbow Acoustic Monitoring, upgradable, color touchscreen display, optional wireless radio

MASIMO PATIENT SAFETYNET SYSTEM



Remote monitoring and notification system

- > Direct alarms to nurse via pager
- > Leverages hospital's existing wireless network
- > Central monitoring option
- > Open-architecture with HL7 interface to hospital EHR

SELECT MASIMO SENSORS

Below are just some of the over 100 different sensors that Masimo offers.



Masimo SET Sensors
SpO₂, PR, PI, PVI



Masimo Rainbow SET Sensors
SpO₂, PR, PI, PVI, SpHb, SpOC, SpCO, SpMet



Masimo Rainbow Acoustic Sensors
RRa

SELECT MASIMO OEM PARTNERS



Masimo's Global Reach

Masimo is committed to improving patient care globally, with more than 2,000 talented people worldwide and operations in North America, Europe, Latin America, Asia, and Australia.

- 📍 Headquarters
- 🌐 International Operations Center
- 📍 Regional Offices
- 📍 OEM Partners
- 📍 Distributors

HEADQUARTERS

MASIMO CORPORATE HEADQUARTERS
 40 Parker
 Irvine, CA 92618
 USA
 Tel: 949 297 7000

INTERNATIONAL OPERATIONS CENTER

MASIMO INTERNATIONAL SARL
 Puits-Godet 10
 2000 Neuchâtel
 Switzerland
 Tel: +41 327201111

COUNTRY OFFICES

MASIMO CANADA
 4901 Levy St
 Saint-Laurent,
 QC H4R 2P9
 Canada
 Tel: 888 336 0043

MASIMO SPAIN
 Ronda de Poniente
 12 2F
 28760 Tres Cantos
 Spain
 Tel: +34 918049734

MASIMO UK
 Unit Q, Loddon
 Business Centre
 Roentgen Road
 Basingstoke, Hants.
 RG24 8NG
 United Kingdom
 Tel: +44 01256479988

MASIMO FRANCE
 Le Bois des Côtes II
 304 RN6
 69760 Limonest
 France
 Tel: +33 0472179370

MASIMO NETHERLANDS
 Hart van Brabantlaan
 12-14-16
 5038 JL Tilburg
 Netherlands
 Tel: +31 135832479

MASIMO AUSTRIA
 Rotenturmstrasse 13
 1010 Wien
 Austria
 Tel: +43 15337361

MASIMO ITALY
 Filiale Italiana
 Piazza Duca
 D'Aosta 8
 20124 Milano
 Italy
 Tel: +39 0245076308

MASIMO GERMANY
 Niederlassung
 Deutschland
 Lindberghstr 11
 82178 Puchheim
 Germany
 Tel: +49 89800658990

MASIMO ASIA PACIFIC
 572A Serangoon Road
 Singapore 218187
 Singapore
 Tel: +65 63924085

MASIMO CHINA
 Room 502, Building 6,
 170 Beiyuan Road,
 Chaoyang District,
 Beijing 100101
 China
 Tel: +86 1058236155

MASIMO JAPAN
 World Times Building
 4F, 10-7, Ichiban-Cho
 Chiyoda-Ku,
 Tokyo 102-0082
 Japan
 Tel: +81 338685201

MASIMO AUSTRALIA
 ABN 71 124 372 701
 Suite 5, Building 5
 49 Frenchs Forest Road
 Frenchs Forest NSW 2086
 Australia
 Tel: +61 294523763



Masimo's National and International Awards for Excellence

| | | | |
|---|---|---|--|
|  | 1995 STA Excellence in Technology Innovation |  | 2007 STA Excellence in Technology Innovation |
|  | 2000 SCCM Technology Excellence |  | 2007 Ground-breaking Innovation of Rainbow SET Technology |
|  | 2000 Outstanding Medical Device Company |  | 2007 Patient Monitoring Technology Leadership of the Year |
|  | 2001 Innovative Product and Technology |  | 2007 Brand Development Strategy Leadership |
|  | 2001 Distinguished Leadership |  | 2008 Excellence in Medical Technology |
|  | 2001 Excellence in Leadership |  | 2008 Outstanding Growth |
|  | 2001 Medical Design Excellence |  | 2008 Outstanding Medical Device Company |
|  | 2003 New Standard of Care |  | 2008 Best in Class |
|  | 2003 Technology of the Year in Patient Monitoring |  | 2008 AAC Zenith Award |
|  | 2003 Platform ABBY for Innovations in Healthcare |  | 2009 Best in Class |
|  | 2005 Innovative Product and Technology |  | 2009 AAC Zenith Award |
|  | 2006 Application of Technology |  | 2009 Patient Monitoring CEO of the Year |
|  | 2006 Medical Design Excellence |  | 2009 Masimo SET and the Patient SafetyNet System help Dartmouth-Hitchcock Medical Center win the 4 th Annual Health Devices Achievement Award |

“ While leading innovation and industry change, Masimo and Mr. Kiani have also been guided by the highest principles and ethics, resulting in recognition by customers and partners alike for their integrity in conducting business. ”

FROST AND SULLIVAN
2009 CEO of the Year Award

Financial Performance

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

| | Year ended January 2, 2010 | Year ended January 3, 2009 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$132,054 | \$146,910 |
| Short-term investments | 56,989 | — |
| Accounts receivable, net of allowance for doubtful accounts of \$1,972 and \$1,300 at January 2, 2010 and January 3, 2009, respectively | 38,897 | 30,715 |
| Royalties receivable | 11,500 | 11,375 |
| Inventories | 31,559 | 27,400 |
| Prepaid expenses | 3,742 | 3,908 |
| Prepaid income taxes | 1,705 | 872 |
| Deferred tax assets | 11,585 | 10,511 |
| Other current assets | 1,357 | 551 |
| Total current assets | <u>289,388</u> | <u>232,242</u> |
| Deferred cost of goods sold | 28,163 | 28,431 |
| Property and equipment, net | 11,682 | 12,979 |
| Deferred tax assets | 11,500 | 8,781 |
| Restricted cash | 593 | 577 |
| Intangible assets, net | 9,829 | 7,410 |
| Goodwill | 448 | 448 |
| Other assets | 4,742 | 2,480 |
| Total assets | <u>\$356,345</u> | <u>\$293,348</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$16,716 | \$15,914 |
| Accrued compensation | 17,793 | 15,607 |
| Accrued liabilities | 9,754 | 5,566 |
| Income taxes payable | 477 | 10,862 |
| Deferred revenue | 14,641 | 17,233 |
| Current portion of long-term debt | — | 395 |
| Current portion of capital lease obligation | .60 | 70 |
| Total current liabilities | <u>59,441</u> | <u>65,647</u> |
| Deferred revenue | 270 | 213 |
| Capital lease obligation, less current portion | .171 | 157 |
| Other liabilities | 6,775 | 7,833 |
| Total liabilities | <u>\$66,657</u> | <u>\$73,850</u> |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized at January 2, 2010 and January 3, 2009; 0 shares issued and outstanding at January 2, 2010 and January 3, 2009 | — | — |
| Common stock, \$0.001 par value; 100,000,000 shares authorized at January 2, 2010 and January 3, 2009; 57,876,450 and 57,326,527 shares issued and outstanding at January 2, 2010 and January 3, 2009, respectively | 58 | 57 |
| Treasury stock, 156,240 shares at January 2, 2010 and January 3, 2009 | (1,209) | (1,209) |
| Additional paid-in capital | 195,690 | 179,666 |
| Accumulated other comprehensive income (loss) | .63 | (7) |
| Retained earnings | 94,112 | 40,884 |
| Total Masimo Corporation stockholders' equity | <u>288,714</u> | <u>219,391</u> |
| Noncontrolling interest | .974 | 107 |
| Total stockholders' equity | <u>289,688</u> | <u>219,498</u> |
| Total liabilities and stockholders' equity | <u>\$356,345</u> | <u>\$293,348</u> |

Financial Performance

CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS, EXCEPT SHARE INFORMATION)

| | Year ended January 2, 2010 | Year ended January 3, 2009 |
|--|-------------------------------|-------------------------------|
| Revenue | | |
| Product | \$300,143 | \$259,592 |
| Royalty | 48,972 | 47,482 |
| Total revenue | <u>349,115</u> | <u>307,074</u> |
| Cost of goods sold | 100,313 | 89,454 |
| Gross profit | <u>248,802</u> | <u>217,620</u> |
| Operating expenses: | | |
| Research and development | 31,701 | 25,495 |
| Selling, general and administrative | 134,577 | 120,069 |
| Antitrust litigation | 298 | 706 |
| Total operating expenses | <u>166,576</u> | <u>146,270</u> |
| Operating income | <u>82,226</u> | <u>71,350</u> |
| Non-operating income (expense): | | |
| Interest income | 178 | 2,305 |
| Interest expense | (75) | (753) |
| Other | (149) | (511) |
| Total non-operating income (expense) | <u>(46)</u> | <u>1,041</u> |
| Income before provision for income taxes | <u>82,180</u> | <u>72,391</u> |
| Provision for income taxes | 28,158 | 40,464 |
| Net income including noncontrolling interests | <u>54,022</u> | <u>31,927</u> |
| Net income attributable to noncontrolling interests | (794) | — |
| Net income attributable to Masimo Corporation | <u>\$53,228</u> | <u>\$31,927</u> |
| Net income per common share attributable to Masimo Corporation Stockholders: | | |
| Basic | <u>\$0.92</u> | <u>\$0.57</u> |
| Diluted | <u>\$0.88</u> | <u>\$0.53</u> |
| Weighted-average number of common shares: | | |
| Basic | 57,602,646 | 56,320,712 |
| Diluted | 60,170,848 | 60,190,335 |

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

| | Year ended January 2, 2010 | Year ended January 3, 2009 |
|---|-------------------------------|-------------------------------|
| Cash flows from operating activities: | | |
| Net income including noncontrolling interest | \$54,022 | \$31,927 |
| Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,979 | 5,745 |
| Share-based payment | 10,674 | 7,716 |
| Loss on disposal of property and equipment | .5 | 91 |
| Provision for doubtful accounts | 733 | 108 |
| Provision for obsolete inventory | 232 | 1,352 |
| Provision for warranty costs | 2,220 | 1,646 |
| Provision (benefit) for deferred income taxes | (3,566) | 447 |
| Income tax benefit from exercise of stock options granted prior to January 1, 2006 | 2,758 | 17,201 |
| Excess tax benefits from share-based payment arrangements | (215) | (1,889) |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (8,982) | (6,244) |
| (Increase) decrease in royalties receivable | (125) | 2,491 |
| Decrease in accounts receivable from related parties | — | 3,053 |
| Increase in inventories | (3,929) | (5,588) |
| (Increase) decrease in deferred cost of goods sold | 309 | (2,232) |
| (Increase) decrease in prepaid expenses | 197 | (54) |
| (Increase) decrease in prepaid income taxes | (833) | 2,376 |
| (Increase) decrease in other assets | (3,065) | 1,163 |
| Increase in accounts payable | 777 | 1,847 |
| Decrease in accounts payable to related parties | — | (583) |
| Increase in accrued compensation | 1,926 | 3,121 |
| Increase (decrease) in accrued liabilities | 1,935 | (2,485) |
| Increase (decrease) in income taxes payable | (10,169) | 12,754 |
| Increase (decrease) in deferred revenue | (2,518) | 111 |
| Increase (decrease) in other liabilities | (1,244) | 4,104 |
| Net cash provided by operating activities | <u>47,121</u> | <u>78,178</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,636) | (6,852) |
| Purchase of short-term investments | (56,989) | — |
| Increase in intangible assets | (1,851) | (2,523) |
| Increase in restricted cash | (15) | (67) |
| Cash paid in acquisitions | (1,981) | — |
| Net cash used in investing activities | <u>(64,472)</u> | <u>(9,442)</u> |
| Cash flows from financing activities: | | |
| Repayments on long-term debt | (450) | (30,436) |
| Proceeds from issuance of common stock | 2,575 | 9,755 |
| Excess tax benefits from share-based payment arrangements | 215 | 1,889 |
| Dividends paid | — | (13) |
| Net cash provided by (used in) financing activities | <u>2,340</u> | <u>(18,805)</u> |
| Effect of foreign currency exchange rates on cash | 155 | 246 |
| Net increase (decrease) in cash and cash equivalents | <u>(14,856)</u> | <u>50,177</u> |
| Cash and cash equivalents at beginning of period | 146,910 | 96,733 |
| Cash and cash equivalents at end of period | <u>\$132,054</u> | <u>\$146,910</u> |

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), RAM (RRa), and the general floor monitoring market. 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 2, 2010, filed with the Securities and Exchange Commission (SEC) on February 16, 2010. 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 April 23, 2010. 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 2, 2010, 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 SEC. 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 2, 2010, available in the Investor Information section of our website at www.masimo.com.

REGULATORY NOTICE

Some of the products featured in this Annual Report are currently or planned to be marketed worldwide by Masimo. Not all products or features profiled in this report have US FDA 510k or other regulatory agencies clearances (such as EU, Canada, Japan, etc.) at the time of printing. As of April 23, 2010, the following products/features have not been FDA cleared for sales and marketing in the US: New Radical-7 (as featured on page 8, 23, 29, 31, 32, 33, 37, 43, and 44), ReSposable sensors (page 9, 41, and 45), Single-patient-use Ear sensor (page 39 and 45), Pronto-7 (page 43 and 44), Adaptive Threshold Alarm (page 38 and 43), and PVI as an IFU for Fluid Management (page 30, 31, 37, and 44). Submissions for these products or features either have been filed or plan to be filed for all regulated markets.

CITATIONS

¹ Barker SJ et al. *Anesthesiology*. 1997;86(1):101-108. ² Thomas A et al. *Respir Care*. 1998;43(10):860. ³ Shah N et al. *Anesthesiology*. 2006;105:A929. ⁴ Barker SJ. *Anesth Analg*. 2002;95(4):967-972. ⁵ Durbin CG et al. *Anesthesiology*. 2000;814:93. ⁶ Durbin CG et al. *Crit Care Med*. 2002;30(8):1735-1740. ⁷ Durbin CG et al. *Anesth Analg*. 2002;94:S81-S83. ⁸ Granelli AW et al. *Acta Paediatr*. 2005;94:1590-1596. ⁹ Cox PN et al. *Anesthesiology*. 2007;107:A1540. ¹⁰ Castillo AR et al. *Pediatric Academic Societies Annual Meeting*. 2007. ¹¹ Chow L et al. *Pediatrics*. 2003;111(20):339-345. ¹² Taenzer AH et al. *Anesthesiology*. 2010;112(2):282-287. ¹³ Morgan JA et al. *International Anesthesia Research Society Meeting*. 2010:S-249. ¹⁴ Suner S et al. *J Emerg Med*. 2008;34(4):441-450. ¹⁵ Ash-Bernal RA et al. *Medicine*. 2004;83:265-273. ¹⁶ Cannesson M et al. *Br J Anaesth*. 2008;101(2):200-6. ¹⁷ Feissel M et al. *Critical Care*. 2009;13(1):P205. ¹⁸ Forget P et al. *Critical Care*. 2009;13(1):P204. ¹⁹ Bernard AC et al. *J Am Coll Surg*. 2009;208:931-937. ²⁰ Surgenor SD et al. *Anesthesia & Analgesia* 2009;108:1741-1746. ²¹ Shander A et al. *Transfusion*. 2010;50(4):753-765. ²² Weinger MB. *APSF Newsletter*, 2006. ²³ Macknet MR et al. *Anesthesiology* 2007;107:A84. ²⁴ Masimo Internal Report. Masimo Adaptive Threshold Alarm Analysis. 2010. ²⁵ Sensor waste reduction estimates based on yearly waste from 50,000 adult sensors, butterfly type, assuming 50% yield from reprocessed sensors. ²⁶ Desebbe OB et al. *Anesthesia & Analgesia*. 2010;10(3):792-798.

MASIMO EXECUTIVE MANAGEMENT TEAM

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Tony Allan
Chief Operating Officer

Jon Coleman
President, International

Mark de Raad
Executive Vice President &
Chief Financial Officer

Rick Fishel
President of Worldwide
OEM Business, Business
Development, & Masimo
America

Paul Jansen
Executive Vice President,
Marketing

Yongsam Lee
Executive Vice President,
Regulatory Affairs &
Chief Information Officer

Michael O'Reilly, MD, MS
Executive Vice President,
Medical Affairs

Stephen Paul
Executive Vice President,
U.S. Acute Care Sales

Anand Sampath
Executive Vice President,
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Chairman of the Board of Directors

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Robert Coleman, PhD
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