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TSA and OSI Systems to Deploy Material Specific System to Inspect Containerized Air Cargo Utilizing Revolutionary PFNA Technology

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OSI Systems, Inc. (NASDAQ:OSIS)

-- TSA awards OSI \$8 million in partial funding towards the installation and testing of unique PFNA system at George Bush Intercontinental Airport in Houston

-- Unique PFNA material-specific technology identifies elemental chemical signatures of contraband and threat objects

OSI Systems, Inc. (NASDAQ:OSIS) today announced that its Ancore division has entered into an agreement with the Transportation Security Administration ("TSA") under which the TSA has awarded \$8 million in partial funding towards the installation and testing of Ancore's PFNA™ ("Pulse Fast Neutron Analysis") system for the bulk inspection of containerized air cargo. The system is expected to complete testing and be operational by the middle of calendar year 2006 at the George Bush Intercontinental Airport in Houston, Texas, the nations 4th largest airport.

This is the second site in the world where a material specific PFNA system will be deployed. The first such system is currently being installed at the US-Mexico border in El Paso, Texas, for the inspection of fully loaded truck containers. The El Paso system is expected to be handed over to US Government in January 2005.

This air cargo pilot program is a cooperative effort between TSA, Houston Airport System ("HAS"), Continental Airlines and OSI Systems. HAS will provide the land for the PFNA Facility, Continental Airlines will have its cargo inspected by the PFNA Air Cargo Inspection System and the TSA will test the system.

"OSI Corporate has committed to invest the additional funding and capital equipment necessary for the OSI Security Group to participate in this air cargo pilot program," stated Deepak Chopra, CEO of OSI Systems, Inc. "This is a very exciting project for OSI and our Security Group as it enables our PFNA technology to be showcased for the air cargo industry. This will be the second PFNA system the Security Group will install; the first of which will complete installation in January 2005 for the US Government on the US-Mexico border in El Paso Texas."

"We are very excited to work in conjunction with the TSA, HAS and Continental Airlines to deliver a revolutionary new solution that can both, increase airline security and have a minimal impact on the flow of commerce," stated Ajay Mehra, President of OSI Systems Security Group. "OSI Systems has been working closely with the TSA to tailor our portfolio of large cargo security and inspection systems to meet the needs for air cargo inspection. We expect that they will be closely monitoring the performance of our PFNA technology."

Ancore's patented PFNA technology is the first material-specific technology applied to national air cargo security needs. The PFNA technology has been developed over the past 20 years at the cost of tens of millions of dollars financed through the Federal Government and private sources including OSI Systems. The technology identifies the contents of a container at its elemental-chemical level in real time and automatically detects various security threats. This revolutionary PFNA technology:

-- Instantly issues an alert when threats, such as explosives or contrabands are detected minimizing the need for operator interpretation or human error;

-- Can be configured to inspect fully loaded trucks, sea and land containers, or air cargo containers,

-- Facilitates the flow of commerce, making the inspection of large numbers of air containers more feasible as compared to current alternative methods which are less efficient;

- Detects explosives and contrabands automatically by identifying unique elemental signatures;
- Generates a 3-D map of the cargo's contents showing the exact location of the threat object detected.

OSI Systems has among the broadest technology platforms in the cargo security systems industry. The company offers x-ray, gamma ray, and neutron-based material specific technologies as well as hybrid systems that optimize performance, cost, and ability to meet customers' unique applications. The company's fixed, mobile, and relocateable large cargo inspection systems are currently deployed at various border crossings and ports. OSI Systems' Ancore PFNA and TNA[®] technologies are automated non-intrusive, material-specific systems for the inspection of full-size shipping containers, trucks, air-cargo and other containerized cargo.

About OSI Systems, Inc.

OSI Systems Inc. is a Hawthorne, California based diversified global developer, manufacturer and seller of security and inspection systems, medical monitoring products, and optoelectronic-based components, as well as a provider of engineering and manufacturing services. The company has more than 30 years of experience in electronics engineering and manufacturing and maintains offices and production facilities located in more than a dozen countries. OSI Systems implements a strategy of expansion by leveraging its electronics and contract manufacturing capabilities into selective end product markets through organic growth and acquisitions. For more information on OSI Systems Inc. or any of its subsidiary companies, visit www.osi-systems.com.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include information regarding our expectations, goals or intentions about the future, including, but not limited to, statements regarding a PFNA Air Cargo Inspection System to be installed at George Bush Intercontinental Airport and a PFNA Air Cargo Inspection System currently under installation in El Paso, Texas. The actual results may differ materially from those described in or implied by any forward-looking statement. In particular, there can be no assurance that the testing of such systems will be completed as scheduled, that this type of inspection system will continue to be the only automated system available that instantly issues an alert when explosives are detected or that U.S. government agencies, airports, or other customers will desire to purchase such systems. Other important factors are set forth in our Securities and Exchange Commission filings. All forward-looking statements speak only as of the date made, and we undertake no obligation to update these forward-looking statements.