

OSI SYSTEMS, INC.

2007 Annual Report

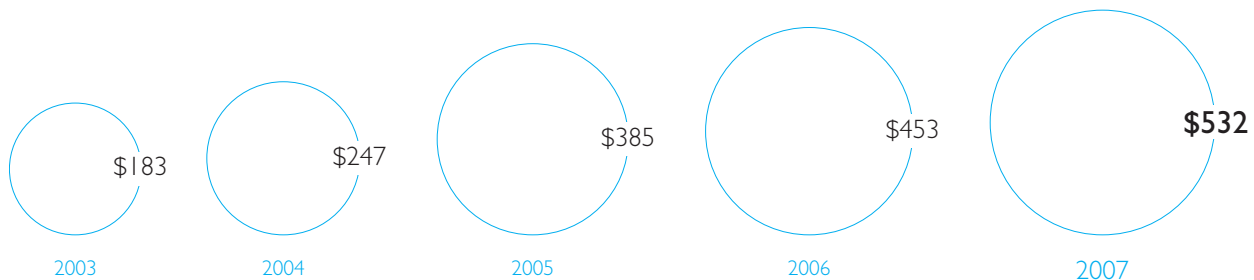
DEVELOPING INNOVATIVE SOLUTIONS FOR THE WORLD



FINANCIAL HIGHLIGHTS

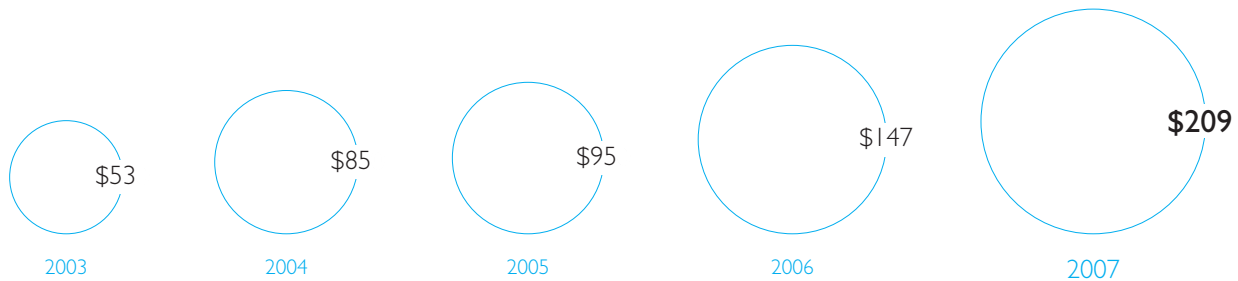
REVENUES

(in millions of dollars)



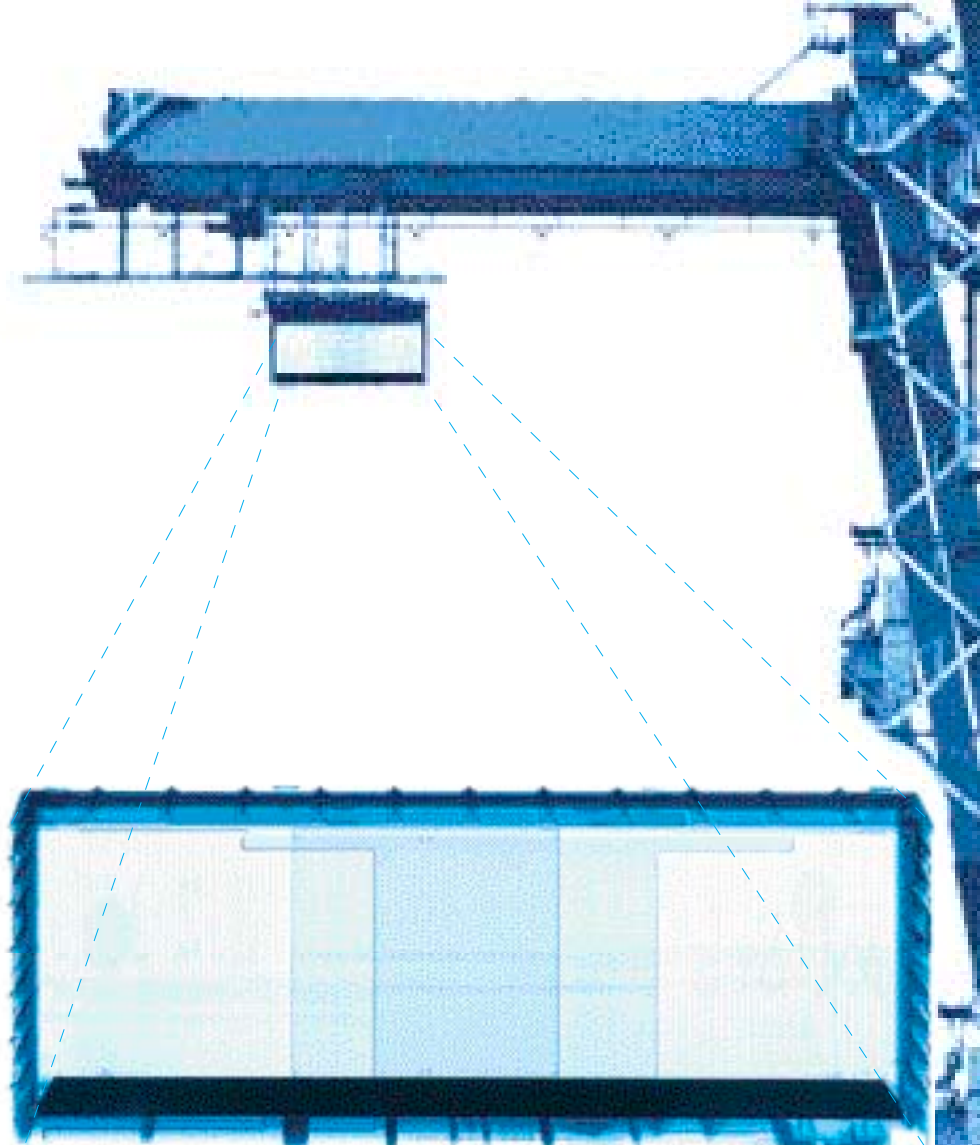
BACKLOG

(in millions of dollars)



OSI SYSTEMS, INC.

OSI Systems, Inc. and its subsidiaries is a vertically integrated designer and manufacturer of specialized electronic systems and components for critical applications. We sell our products in diversified markets, including homeland security, healthcare, defense and aerospace. We have more than 30 years of experience in electronics engineering and manufacturing and maintain offices and production facilities located in more than a dozen countries. We have three operating divisions: (a) Security, providing security and inspection systems; (b) Healthcare, providing patient monitoring, diagnostic cardiology and anesthesia systems; and (c) Optoelectronics and Manufacturing, providing specialized electronic components for affiliated end-products divisions, as well as for applications in the defense and aerospace markets, among others.



OUR BUSINESS DIVISIONS

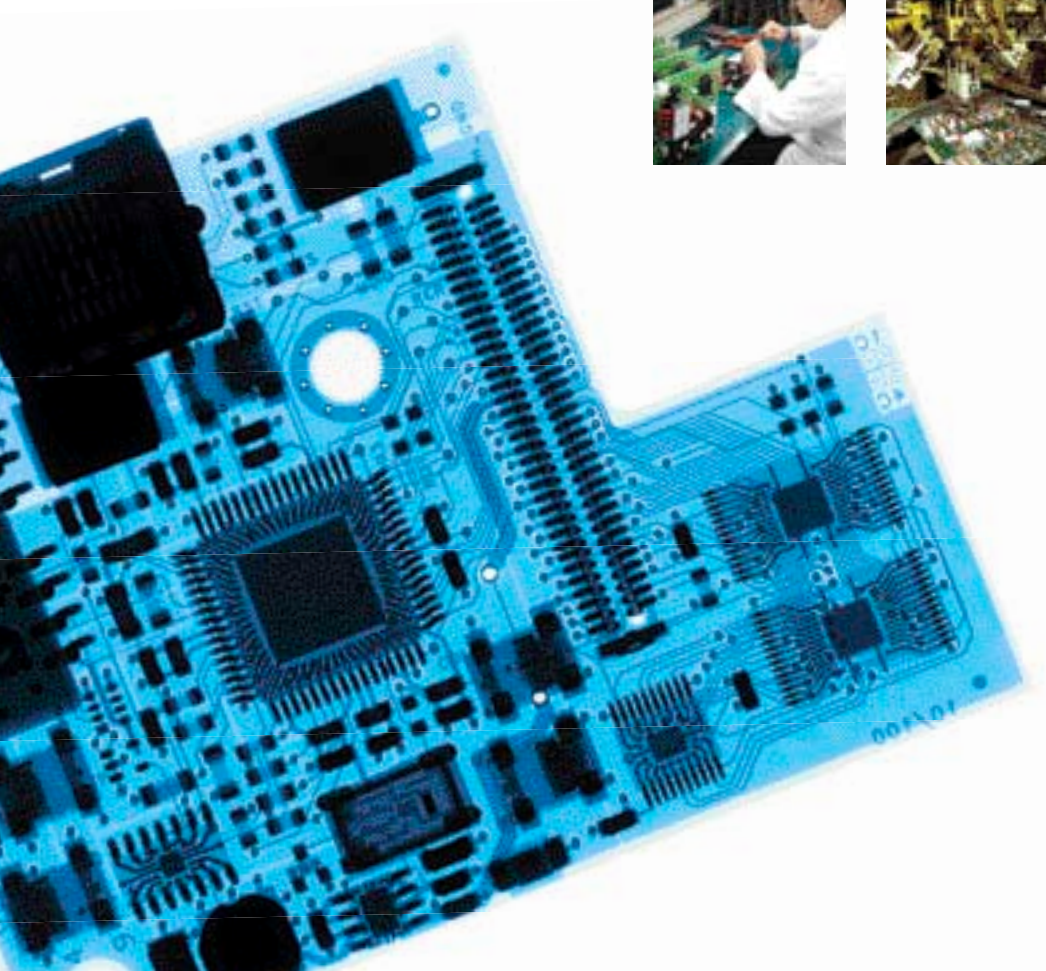
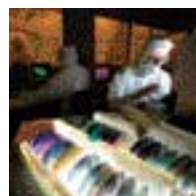
- Spacelabs Healthcare -

Our Healthcare Division, Spacelabs Healthcare, is an international developer, manufacturer and distributor of medical equipment and services including patient monitoring solutions, anesthesia delivery and ventilation systems, diagnostic cardiology solutions and supplies and accessories selling to hospitals, clinics and physicians' offices. Additionally, we provide ECG laboratory services to pharmaceutical companies undertaking clinical trials, whereby patient ECG data is recorded, analyzed, tabulated and interpreted.



- Optoelectronics and Manufacturing -

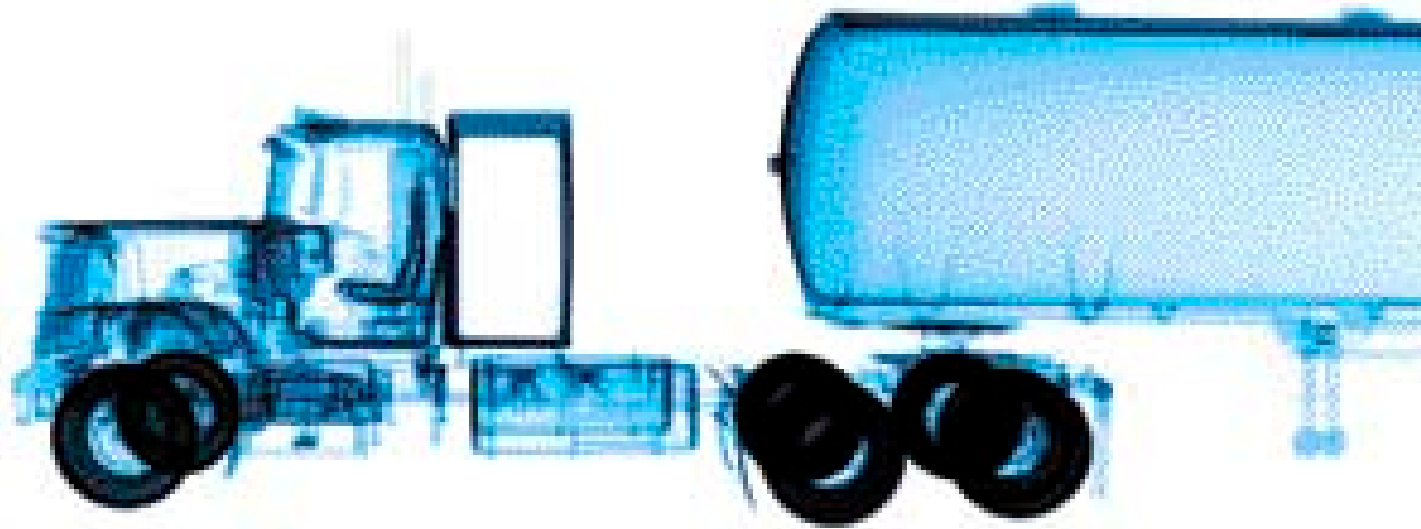
OSI Optoelectronics and Manufacturing designs, manufactures and markets optoelectronic devices and value-added manufacturing services worldwide for use in a broad range of applications, such as satellites, laser guidance systems, range finders, computer peripherals and other applications that require the conversion of optical signals into electronic signals. Additionally, we offer value-added manufacturing services to our Security and Healthcare Divisions from manufacturing facilities located throughout the world.





- Rapiscan Systems -

Our Security Division, Rapiscan Systems, is a leading supplier of high quality security inspection solutions utilizing X-ray and gamma-ray imaging, and advanced threat identification techniques such as neutron and diffraction analysis. Our products are sold into four market segments: Baggage and Parcel Inspection, Cargo and Vehicle Inspection, Hold Baggage Screening and People Screening. We have a global installed base of more than 70,000 security and inspection systems used to inspect baggage, cargo, vehicles and people to screen for weapons, explosives, drugs and other contraband, all of which are supported by our global support service network.



LETTER TO SHAREHOLDERS



Thank you for your continued support during fiscal 2007, a year in which we undertook dramatic changes at OSI Systems. As we have shared throughout the year, we continue to see exciting opportunities in our security, healthcare and optoelectronics business segments, but concluded that changes were necessary in order for us to improve our bottom line performance. Therefore, during fiscal 2007, we initiated a cost-cutting program to transform our company. As we begin fiscal 2008, it is evident that the hard work is now beginning to pay off.

We began the year by undertaking a comprehensive review of our worldwide operations. Then, we promptly initiated a cost-savings program aimed at consolidating manufacturing processes and facilities, integrating recent acquisitions, reducing headcount and bringing cost structures in line with the competitive realities of our businesses.

From the start, we knew that fiscal 2007 would be a year of transition for OSI Systems, but we began to see the benefits as we completed approximately \$17 million of pre-tax annualized cost savings during the year. We also identified an additional \$2–\$3 million of annualized cost savings that we plan to implement during the first half of fiscal 2008.

Secondly, we achieved record revenues of \$532.3 million during the year, up 18% from \$452 million in fiscal 2006. This significant jump was based primarily on strong sales by our Security division and the addition of a diagnostic cardiology business to our Healthcare division.

Finally, we ended fiscal 2007 with the highest quarterly revenues in our history, and with a record-setting backlog of approximately \$209 million as of June 30, 2007.

As a result, OSI Systems is heading into fiscal 2008 with a tremendous amount of momentum.

We were able to achieve this momentum in part, by our continued commitment to our research and development programs in both our Security and Healthcare divisions. In fiscal 2007 we increased our R&D spending by 24% to \$43.9 million and launched a number of key products that had a positive impact on our financial performance both in fiscal 2007 and the coming years. For example, during fiscal 2007 our Security division launched the MVXR 5000, a high-speed inline hold (checked) baggage inspection system, and then promptly received a major order from the Hong Kong International Airport.

Our Optoelectronics and Manufacturing division also performed well during fiscal 2007 and remains well-positioned for continued strong results.

Nevertheless, during this year of change, we reported a net loss of \$18.8 million in fiscal 2007, including approximately \$37 million of impairment, restructuring and other charges, with a disappointing performance by our Healthcare division. However, we moved quickly to address the issues head on and therefore expect positive results by our Healthcare division in the coming year, driven by renewed sales momentum coupled with significant cost reductions.

In fiscal 2008 and beyond, OSI Systems will continue to focus on improving profitability. In connection with this aim, we plan to concentrate our energies on products and opportunities that show the greatest promise in terms of market attractiveness and returns. Our internal operational plan will continue to center on ways to reduce costs, improve customer satisfaction, and streamline development, manufacturing and delivery processes.

Looking outside, we also see tremendous opportunities for the foreseeable future in the security and medical equipment markets in which we currently participate. With the operating improvements that I have outlined above, I firmly believe that we will be better-positioned to seize such opportunities and to extract greater returns going forward.

During fiscal 2007, we added depth and breadth of leadership to our management team that will prove invaluable to us as we continue to forge ahead with our plans. Alan Edrick joined us, becoming our new CFO. Alan has more than 18 years of financial management experience including capital raisings, mergers and acquisitions, financial planning and analysis, and regulatory compliance. Leslie Bider joined our Board. Les brings a track record of successful management of a fast-growing global enterprise, as well as expertise in finance.

One of the key factors to our future growth lies in our team of talented and dedicated employees. Our employees, and the industry-leading technologies that they develop, build and deliver every day for our customers worldwide, are performing exceptionally well and give me great optimism.

We are committed to achieving the financial results that our shareholders expect and deserve. While I recognize we still have a lot of work to do, I look forward to tackling these challenges and am excited about our future.

Sincerely,

A handwritten signature in blue ink that reads "Deepak Chopra".

Deepak Chopra

President, Chief Executive Officer and Chairman of the Board

OSI SYSTEMS, INC. CORPORATE AND SHAREHOLDER INFORMATION

Board of Directors

Deepak Chopra
Chairman of the Board,
Chief Executive Officer and President

Ajay Mehra
Executive Vice President and
President, Rapiscan Systems

Steven C. Good
Director

Meyer Luskin
Director

Chand R. Viswanathan
Director

Leslie E. Bider
Director

Executive Officers

Deepak Chopra
Chairman of the Board,
Chief Executive Officer and President

Alan Edrick
Executive Vice President and
Chief Financial Officer

Victor Sze
Executive Vice President and
General Counsel

Ajay Mehra
Executive Vice President and
President, Rapiscan Systems

Joseph Davin
Group President,
North American Operations
Spacelabs Healthcare Division

David Tilley
Chief Operating Officer,
Spacelabs Healthcare Division

Manoocher Mansouri
President, Optoelectronics and
Contract Manufacturing Division

Independent Auditors

Moss Adams, LLP
Los Angeles, California

Registrar and Transfer Agent

Computershare Trust
Company, N.A.
Glendale, California

Market Information

The NASDAQ Stock Market
Symbol: OSIS

Annual Meeting

The Annual Meeting of
Shareholders will be held
at 10:00 a.m. Wednesday,
December 5, 2007 at:

OSI Systems, Inc.
12525 Chadron Avenue
Hawthorne, California 90250

Safe Harbor Statement

This Annual Report contains "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. With the exception of historical information, the matters discussed in this report are forward-looking statements that involve risks and uncertainties. Statements in this Annual Report that are forward-looking are based on current expectations and actual results may differ materially. Forward-looking statements involve numerous risks and uncertainties described in our Annual Report on Form 10-K, a copy of which is included in this publication, and other documents previously filed or hereafter filed by us from time to time with the Securities and Exchange Commission. Such factors, of course, do not include all factors that might affect our business and financial condition. Although we believe that the assumptions upon which our forward-looking statements are based are reasonable, such assumptions could prove to be inaccurate and actual results could differ materially from those expressed in or implied by the forward-looking statements. All forward-looking statements contained in this Annual Report are qualified in their entirety by this statement. We undertake no obligation other than as may be required under securities laws to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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