

**Slide 2:**

**Forward Looking Statements**

This presentation contains forward-looking statements made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, the Company's views on future commercial revenues, market growth, capital requirements, new product introductions, and are generally identified by phrases such as "thinks," "anticipates," "believes," "estimates," "expects," "intends," "plans," and similar words. Forward-looking statements are not guarantees of future performance and are inherently subject to uncertainties and other factors which could cause actual results to differ materially from the forward-looking statement. These statements are based upon, among other things, assumptions made by, and information currently available to, management, including management's own knowledge and assessment of the Company's industry, competition and capital requirements. Other factors and uncertainties that could affect the Company's forward-looking statements include, among other things, the following: the acceptance by customers of our new iQ<sup>®</sup>200 product platform, our substantial expansion of international sales and our reliance on key suppliers, the potential need for changes in long-term strategy in response to future developments; future advances in diagnostic testing methods and procedures, as well as potential changes in government regulations and healthcare policies, both of which could adversely affect the economics of the diagnostic testing procedures automated by the Company's products; rapid technological change in the microelectronics and software industries; and increasing competition from imaging and non-imaging based in-vitro diagnostic products. The Company refers interested persons to its most recent Annual Report on Form 10-K and its other SEC filings for a description of additional uncertainties and factors that may affect forward-looking statements. The Company assumes no duty to update its forward-looking statements.

**Thank you Jaime for presenting our forward-looking statements.**

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**César M. García:**

**Good morning everyone. Welcome to the IRIS International conference call for the year ended December 2005. As usual, our CFO Marty Paravato joins me today.**

**We are pleased to report that IRIS has closed another successful year with record revenues of \$62.8 million, a 44% increase in comparison to 2004. We continue to grow revenue steadily at a compounded annual growth rate of approximately 40% resulting in a doubling of our consolidated operating income and an increase of 169% in net income over 2004.**

**At this point, I would like to refer you to **slides # 3 and 4** where I have summarized some general indicators of our performance over the last three years. As you can see our earnings and productivity per employee have continued to increase proportionally to our revenue growth. These are clear indicators of the effective execution of our strategic plan.**

**The fourth quarter was our ninth consecutive quarter of sequential revenue growth. The number of satisfied customers increases every day -- that is the best testimonial to the quality of our products, services and our people.**

**Even with our investment in longer term initiatives, IRIS enjoys the strongest financial condition in its history. Our past performance gives us confidence, but it is more important to keep our eyes on the future. I believe that we have significant new products in the development pipeline that should result in new sources of incremental revenues and earnings in future years.**

Now, I would like Marty to present our financial results for the fourth quarter and year 2005. As usual, after his financial presentation, I will present an update on our new business initiatives. Marty, please go ahead.

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**Martin Paravato:**

**THANK YOU CESAR!**

**SLIDES # 6 - 9: 2005 FOURTH QUARTER RESULTS**

As Cesar mentioned, we achieved record revenues of \$17.2 MILLION for the fourth quarter a 41% increase as compared to \$12.2 MILLION in revenues during the fourth quarter of 2004. Net income for the quarter amounted to \$1.7 MILLION, or \$0.10 cents per fully diluted share compared to net income of \$831,000, or five cents per fully diluted share in the fourth quarter of 2004. Fully diluted average shares outstanding during the quarter increase 8% to 18.2 MILLION shares as compared to 16.9 MILLION shares during the fourth quarter of the prior year.

For the year, revenues grew to \$62.8 MILLION with net income of \$6.1 MILLION, or \$0.35 cents fully diluted as compared to net income of \$2.3 million, or \$0.14 per fully diluted share during 2004 on revenues of \$43.7 MILLION. Our earnings per share improved substantially despite the fact that the average fully diluted shares increased 12% to 17.7 MILLION shares as compared to 15.3 MILLION shares during 2004, as a result of stock appreciation and exercise of options.

Through year end 2005 we have sold 777 iQ200 Microscopy Analyzers since its introduction over two years ago in August of 2003. In the Fourth Quarter we sold 112 iQ200 analyzers.

**SLIDE #10: REVENUE DISTRIBUTION - Quarter**

Revenue for the quarter is broken down as follows: Instrument Revenue – \$7.8 MILLION or 45% of total revenue vs. \$4.8 MILLION or 39% of consolidated revenue for Q4'04. Consumables and Service Revenue – \$7.1 MILLION or 41% of consolidated revenue compared to \$5.4 MILLION or 44% for the prior year quarter. Sample Processing Revenue - \$2.4 MILLION or 14% of consolidated revenue vs. \$2.0 MILLION or 17% during the prior year quarter.

**SLIDE #11: REVENUE DISTRIBUTION – Year**

Revenue for the year 2005 is broken down as follows: Instrument Revenue – \$27.5 MILLION or 44% of consolidated revenue vs. \$14.8 MILLION or 34% for the prior year 2004. Consumables and Service Revenue – \$25.7 MILLION or 41% of consolidated revenue compared to \$20.1 MILLION or 46% for the prior year. Sample Processing Revenue – \$9.5 MILLION or 15% of consolidated revenue vs. \$8.3 MILLION or 19% during the prior year.

**SLIDE #12: INTERNATIONAL REVENUE**

International revenues continue to be strong and increased to \$18.8 MILLION or 30% of total revenues during 2005 as compared to \$8.0 MILLION or

18% during 2004. The increase is directly attributable to our success in selling iQ200 microscopy analyzers through our international distribution network that now covers approximately 60 countries.

**SLIDE #13: CONSOLIDATED GROSS PROFIT**

Consolidated gross profit amounted to \$8.7 MILLION for the quarter or 50% of revenue compared to \$6.1 million or 50% of revenue during the fourth quarter of 2004. For the year, gross profit amounted to \$31.1 MILLION or 50% of revenue compared to \$21.4 MILLION or 49% of revenue for the prior year. The high number of new sales, each with a 15-month warranty temporarily reduces service revenues. During this warranty period, service and repair costs are incurred without corresponding service revenue. However, now that it has been 29 months since the launch of the iQ200, we are beginning to experience increases in service revenues.

**SLIDE 14: DIAGNOSTICS DIVISION**

Reviewing our business segments, the Diagnostics Business Unit continues to grow as a result of continued demand for the iQ200 product line. Quarterly revenues for this segment grew to \$14.8 MILLION, up from \$10.1 MILLION during the prior year quarter. For 2005, Diagnostic's revenues increased to \$53.3 MILLION up from \$35.3 MILLION during 2004.

Diagnostics' gross profit margin for the quarter amounted to \$7.5 MILLION or 51% of revenues compared to \$4.7 MILLION or 50% of revenues during the same quarter a year ago. For the year 2005, gross profit margin increased to 26.6 MILLION or 51% of related revenues compared to \$17.2 MILLION or 50% during 2004.

**SLIDE #15: SAMPLE PROCESSING BUSINESS UNIT**

Revenues from our Sample Processing Business Unit – amounted to \$2.4 MILLION for the quarter, up from \$2.0 MILLION for the fourth quarter of 2004 – an 18% increase. For the year, revenues increased to \$9.5 MILLION, a 15% increase over 2004. The increase in revenues is due to continued strong sales of centrifuges and DNA processing workstations. As a percentage of revenues, gross profit margins for this business unit were 41% for the quarter and 48% for the year compared to 53% for the prior year quarter and 50% for the prior year. Gross profits were adversely affected by a disproportionate number of sales to OEM customers, moving costs to our new facility and new product introduction expenses related to the Express 3 launch. Such OEM sales carry lower gross margins, but they provide significant incremental revenue to absorb Sales, Marketing and G&A expenses.

**SLIDE #16 - 17: OPERATING EXPENSES**

On the expense side, consolidated operating expenses increased to \$6.5 MILLION during the quarter compared to \$4.8 MILLION during the year ago

quarter. For the year, expenses increased by \$5.3 MILLION to \$22.2 MILLION.

Some of the reasons for the increases were:

Sales and marketing expenses increased by 18% to \$2.5 MILLION during the fourth quarter due to additional personnel, fees paid to GPOs and higher commissions on increased sales. These incremental expenses were necessary to support our increased business volume, the introduction of the iQ200 Sprint Analyzer, iQ Body Fluids Module, and our new Express 3 centrifuge. As a percentage of revenues, sales and marketing expenses were 16% of revenues during the current and prior years.

General and administrative expenses increased \$560,000 to \$2.4 MILLION during the quarter. G & A expenses were impacted additional personnel (approximately 50 new hires); by higher than expected costs relating to the continued compliance with Sarbanes-Oxley, as well as additional personnel costs to support the increased business volume. Additionally during the quarter, we recorded \$240,000 relating to vesting of stock options and amortization of deferred compensation resulting from the purchase by employees of our common stock at a discount to market. For the year 2005, such costs amounted to \$540,000 a \$400,000 increase over 2004. G & A expenses increased by \$1.3 MILLION during 2005 compared to 2004; half of the increase relates to the additional personnel. As a percentage of revenues, G&A expenses decreased to 11% for the year compared to 13% for the prior year.

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Research and development expenditures increased to \$1.7 MILLION during the quarter compared to \$840,000 the prior year quarter to support new product initiatives relating to our new urine chemistry and microscopy product initiatives. For the year R&D expenses increased \$1.1 MILLION. As a percentage of revenues, R&D expenses decreased to 8% for the year as compared to 9% for the prior year. During the quarter R&D expenses as a percentage of revenues were 10%. We anticipate continued investment in R & D activities in 2006 of at least 10% of revenues.

We continue to provide income tax provisions although our tax loss carry forwards continue to eliminate the need for paying income taxes during 2005 and will continue to eliminate income tax payments in the near future. This has a positive impact on the Company's cash flow. Additionally, during the fourth quarter we recognized a tax benefit of approximately \$500,000 relating to research and development tax credits. As of December 31, 2005 our tax loss carryforward amounts to \$19.9 MILLION. The carryforward is favorably affected by tax deductions realized from the exercises of stock options and warrants.

Our balance sheet continues to be strong. As of December 31, 2005 we have \$19.1 MILLION cash in the bank and unused bank credit lines of \$16.5 MILLION. Working capital has improved to \$34 MILLION, up from \$25 MILLION at the end of 2004. Additionally we have invested approximately \$5.0 MILLION in sales-type lease financing during 2005. Total assets increased to \$64 MILLION as of December 31, 2005.

**SLIDE #18: GUIDANCE**

**2006 Guidance:**

**In July 2005, we indicated that 2006 revenue was expected to be between \$72 and \$76 million. Operating income is expected to approximate 20%, exclusive of stock option expensing. With the exception of the expense for stock options, there has been no change in that guidance and we will continue to update such guidance in our quarterly conference calls.**

**Now I'd like to turn the next portion of our conference call back to César García, our Chief Executive Officer.**

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**César M. García:**

**Thank you Marty:**

**I would now like to update you on our major initiatives by business unit.**

**Slides #20 – 22: DIAGNOSTICS BUSINESS UNIT**

**“Our rapid growth in earnings demonstrates the financial leverage achieved with the acceleration of our high margin recurring iQ200 consumable products. The continuing demand for iQ200 analyzers reflects the quality and value of our proprietary technology and our successful release of new product line extensions like the iQ200 Sprint and the iQ200 Body Fluids Module. For example:**

- **In 2005, the iQ200 Analyzer unit sales grew 80% reaching 437 units vs. 242 the prior year. Our international instrument sales more than doubled in 2005.**
- **We have shipped over 100 Body Fluid Modules and 60 iQ200 Sprints. These are excellent results considering the mid-year initiation of sales and the long sales cycle of our product lines.**

**The improved manufacturing efficiencies and product cost reduction programs helped us to offset the price concessions to domestic Group Purchasing Organizations.**

**Our consumable and service revenue has grown as anticipated. This category now represents 48% of the diagnostics business unit revenue. The continuing increase in instrument placements should result in higher recurring revenues in future quarters.**

**Slides #23 – 25: iChem Product Lines**

**I am pleased to report that we are on schedule to launch our new urine chemistry product line at the CLMA Convention, March 19, 2006 in North Carolina. Our new urine chemistry product line will be branded *iChem*<sup>™</sup> for instruments and *vChem*<sup>™</sup> for visual read strips. The first instrument to be released is the semi-automated analyzer *iChem 100*. Due to the many improvements implemented on this instrument, a new 510k has been submitted and domestic shipments will be initiated as soon as we obtain FDA clearance.**

The iChem and vChem products will be sold internationally through our distribution network. These new product lines will allow us to begin penetrating the international urine chemistry market - a segment that we have not been able to participate in the past. For the first time, we will sell domestically through independent distributors targeting the physician's office and other alternate care sites.

**SLIDE #26: Corporate Accounts**

As you can see on Slide #26, our sales through Corporate Accounts continue to increase. We are now beginning to see the aggregate effect of sales to Premier, Consorta, Broadlane, Med Assets, Magnet and the US Government's VISN networks. The average value of sales through these purchasing groups now averages \$2.5 MM per quarter.

**SAMPLE PROCESING BUSINESS UNIT**

As Marty mentioned, our Sample Processing Business Unit revenue grew 15% in 2005. 22% of their 2005 revenue was related to new products. In less than two years from its release, the ThermoBrite product has become the leader in DNA workstations and we now have OEM agreements with all major manufacturers of FISH probes. We are very pleased with the contributions made by our Sample Processing group during 2005.

**SLIDE # 27: ADIR – IMAGING BUSINESS UNIT**

OUR ADIR group completed their final prototype of the access control for airport screening. I have attached a picture here and you can watch a short home-quality video on our website. Despite our internal progress, unfortunately testing at an airport has not been initiated as we have not yet received approval from any of the airports contacted. Despite fact that this program has been funded by the federal government and we received their approval to initiate testing with human subjects, airports have repeatedly declined our requests due to concerns over passenger privacy and other ethical issues. We have continued our process and we have filed applications with two new sites, however we cannot give you a definite initiation date because the political process is out of our hands. We will inform you as soon as we secure a site to initiate the data collection. Our process will be divided in two stages; 1) a data collection stage to increase the number and type of individuals in our database in order to meet demographic requirements and, 2) a test stage to assess the ability of our system to effectively control access at a port of entry.

**NEW PRODUCT PLATFORMS**

On a more positive note, I am pleased to report we are making significant progress in implementing our new technology platforms in the in-vitro diagnostics division. We have been working very hard in the development of our new automated urine chemistry analyzer and our next generation urine microscopy analyzer.

**Automated Urine Chemistry Analyzer**

I am happy to report that we plan to complete the first prototype of our new automated urine chemistry analyzer during the second half of this year. The chemistry is based on the technology we acquired from Quidel Corporation and our instrument will be a completely new platform, designed and implemented by our research and development group. Based on our development schedules, this product should be ready for international sales during the second half of 2007. This product offering will address the international market gap created by the lack of an IRIS urine chemistry product. We plan to offer this product fully integrated with the iQ200 Urine Microscopy Analyzer.

**Slides 28 & 29: Advanced Urinalysis Applications**

We continue to make progress in our technology feasibility program for a new platform to expand our applications into urine bacterial testing to replace traditional urine culture and enable rare cell detection in urine and other body fluids. Although we have achieved significant progress in our research for the bacteria applications, we have concluded that a design based on modifications to the current iQ200 will result in a significant compromise in performance, cost and capability to implement multiple high value applications. Instead, we have decided to proceed with a two step approach. The first step will be to design and release a “next generation iQ” microscopy instrument that will further improve the performance of the instrument in bacterial screening, increased sensitivity and improved cell classification. The second step will be to

design a revolutionary instrument platform that will enable the rapid detection of bacteria and rare cells in urine and other body fluids.

We anticipate partnering with other technology companies involved in ultra-sensitive detection technologies and sample processing. We have already identified some of these companies and these collaborations may result in licensing or acquisitions of enabling technology.

We believe the dual path approach reduces market risk, maintains a continuous stream of new products and differentiates the urine microscopy product from the high value platform for microbiology and rare cell detection. We need to have significant product differentiation and clear market segmentation to enhance the value proposition of the microbiology and rare cell detection platform.

Summarizing, at the end of this development plan IRIS will deliver three product platforms: a complete and proprietary urine chemistry product line, an updated and more capable iQ type urine microscopy analyzer and a revolutionary instrument for microbiology and rare cell detection. Our general direction remains unchanged, however the realization of these programs will propel IRIS to a level substantially higher than what the Company is today.

In conclusion, IRIS continues to perform extremely well. We have exciting new products in the pipeline and the financial and human resources to execute on our plans.

This concludes my formal remarks. Now, we would like to take questions from the audience. Jamie, please proceed.

\*\*\*\*\*Q&A\*\*\*\*\*

**César M. García:**

Thank you, Jamie

I want to extend our gratitude to our shareholders, the Board of Directors and our extraordinary group of employees for their dedication to make 2005 another banner year for IRIS International.

Finally, we thank you all for participating in this conference call and we will keep you posted on our progress. Have a good day.

**Operator:** ...

This concludes our conference for today. Thank you all for participating, and have a nice day. All parties may now disconnect.

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