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Earnings Conference Call 2nd Quarter 2008

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07.28.08



IRIS International, Inc.

NASDAQ: IRIS

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Safe Harbor Provision

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 financial performance, market growth, capital requirements, regulatory developments, new product introductions and acquisitions, 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, R&D initiatives, competition and capital requirements. Other factors and uncertainties that could affect the Company's forward-looking statements include, among other things, the following: identification of feasible new product initiatives, management of R&D efforts and the resulting successful development of new products and product platforms; obtaining regulatory approvals for new and enhanced products; acceptance by customers of the Company's products; integration of acquired businesses; substantial expansion of international sales; 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; 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 competitive factors, including pricing pressures and the introduction by others of new products with similar or better functionality than our products. These and other risks are more fully described in the Company's filings with the Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which should be read in conjunction herewith for a further discussion of important factors that could cause actual results to differ materially from those in the forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



IRIS International

Q2-08 Conference Call

- Agenda
 - Business Overview
 - Financial Presentation
 - NADiA PSA Status
 - Q&A

Business Overview

Earnings Conference Call Q2-08

07.28.08



Q2-2008 Accomplishments

- Record revenue - up 11% despite a tough comparable quarter
- Second highest domestic instrument revenue quarter
- Record consumable & service revenue of approximately \$12 million; 10% growth over sequential quarter and 22% over prior year quarter
- Record revenues in Iris Sample Processing Division, 14% higher than prior year quarter
- Record operating income; \$2.9 million or 12% operating margin
- VELOCITY product launch - in process
- Continues to make progress toward regulatory approval of NADiA PSA
- Re-qualified for RUSSELL 2000 index
- IRIS selected as one of the top 100 small companies by FORBES Small Business Magazine



Other Recent Accomplishments

Last Twelve Months

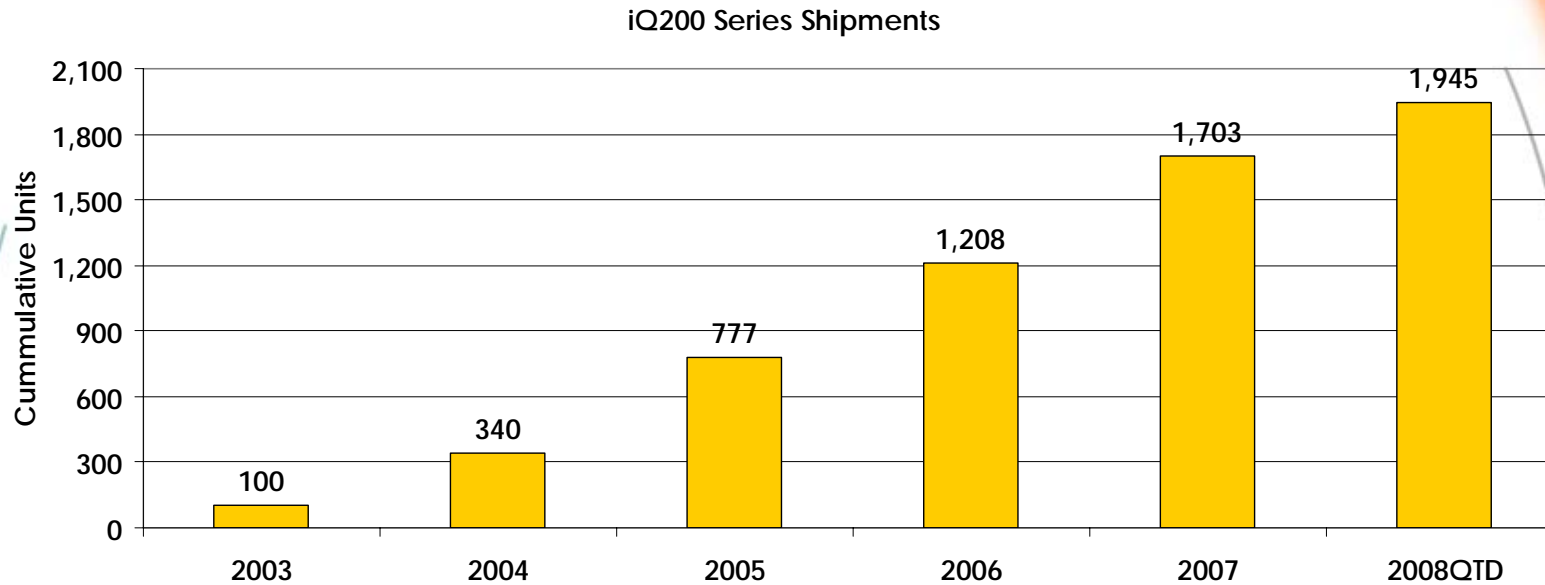
- **iChem VELOCITY**
 - 510(k) submission Q4-07
 - CE Mark Q1-08
 - Beta & Commercial evaluation units shipped Q2-08
- **Launched Express 4 Centrifuge**
- **Commercial Success**
 - Record revenue & units
 - MedAssets Award
 - Omega Customer Satisfaction Award
 - Premier Gold Supplier Award
 - FSB 100
- **Enhanced management team and expanded technical core competencies.**

Last 20 Quarters

- Maintained a steady stream of new products and enhancements
- Exceeded comparable quarter revenues 18 times
- Exceeded comparable quarter profits 12 times
- Increased cash on hand 12 fold (\$26MM) after two acquisitions and \$6 million in stock re-purchases
- **Expanded addressable market from \$300 Million to \$4 Billion**



IRIS Diagnostics Growth - Track Record



Q2-08 Consumables and service grew 22% vs. Q2-07 and 10% vs. Q1-08



iChem VELOCITY Status

Our Second Instrument Platform

- iChem VELOCITY Regulatory Status
 - CE Marked cleared for all configurations
 - Response to additional request for information from FDA submitted.
 - FDA clearance expected 2H-08
- Commercial Status
 - “Beta Site” evaluations completed
 - Full scale International shipments starting Q3-08 with \$1.2 million backlog of VELOCITY and iRICELLS
- Profitability / Margin improvement
 - Gradually absorb excess capacity/losses at Marburg strip facility
 - Higher margins
 - Increase consumable per unit placement internationally
 - Pull-through of complete product line



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Global Market Opportunity of \$350 million

New Initiatives - UTI

- Urinary Tract Infection (UTI) Screening Initiative
 - Increased US demand for UTI screening anticipated
 - Effective Oct 08, a new Medicare mandate requires hospitals to test patients pre-admission for UTI.
 - Re-positioning the iQ200 System platform and iRICELL based on their capability to screen UTI on admission
- Cather-associated Urinary Tract Infections (UTI) (CMS code 996.6)
 - Most common hospital-acquired condition (AJM¹)
 - Affects an estimated 600,000 US hospital patients/year at a average cost of \$758 per treatment²
 - This change in reimbursement will drive behavioral changes in hospital management of quality systems and on-admission testing protocols.
 - Hospitals failing to respond could face increased financial challenges leading to likelihood of possible unwanted consolidation³

1. AJM 113 Supplement 1A pp 5s-13s 2002

2. Chicago Journal of Infection Control and Hospital Epidemiology July 2007

3. TIGI presentation "Establishing HealthCare Business Leadership" Iris presentation and comment May 2007

New Initiatives – LEAN LABORATORY

- IRIS presenting LEAN LABORATORY initiative at AACC in collaboration with Becton-Dickinson:
 - Collaboration to promote LEAN LABORATORY initiatives using Stat-Spin Centrifuges, iQ200 Systems and BD sample collection devices.
 - Becton-Dickinson will be a distributor of a co-branded IRIS-BD Express 3 Centrifuge in Eastern Europe, Middle East and Africa.

In Summary

- IRIS' business continues to be strong in spite of the poor macroeconomic conditions
- We believe that NADiA PSA clinical utility and value is much higher than originally anticipated with potential revenues & earnings that could support a stand-alone business.
- New product initiatives continue to make progress with no technological set-backs. Although potential revenue opportunities are higher than anticipated, new product releases are taking us longer than planned, mostly due to regulatory hurdles,.
- We have a good pipeline and positive outlook for IRIS in the quarters ahead.



Financial Summary

Earnings Conference Call

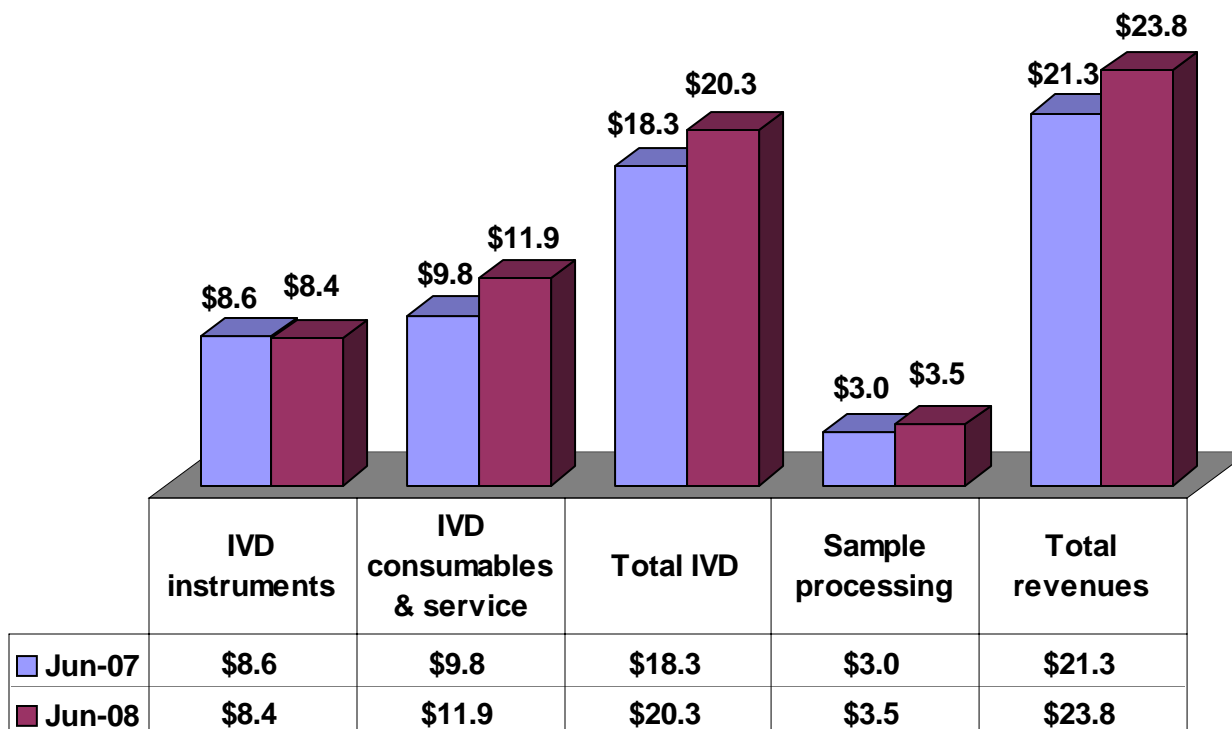
Q2-08

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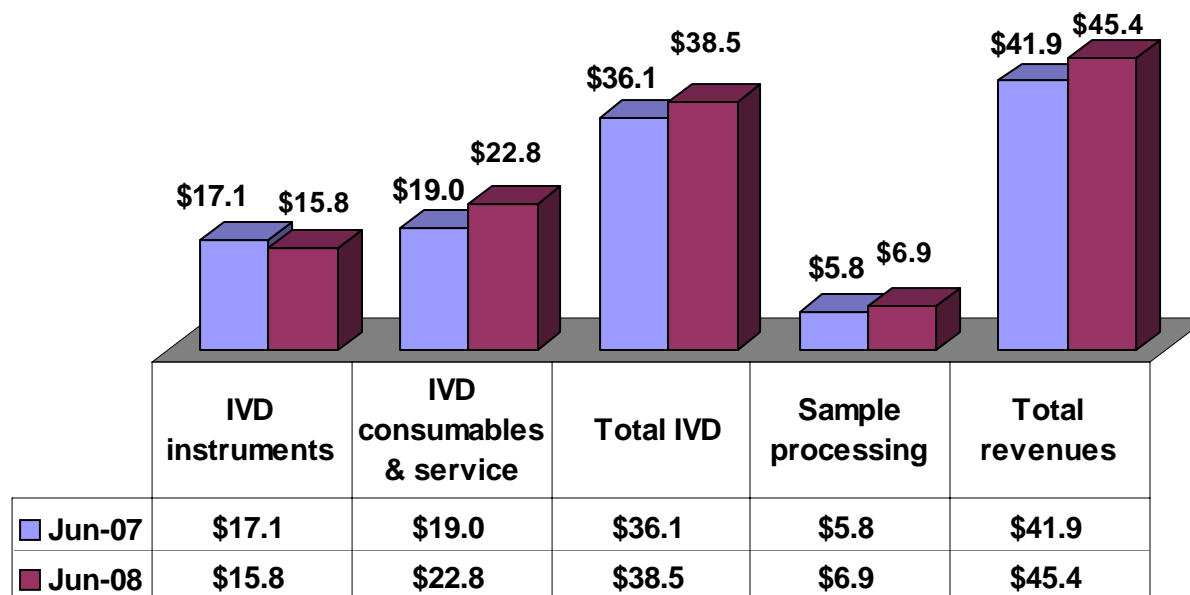
Revenue – 2Q07 vs. 2Q08

\$ in millions

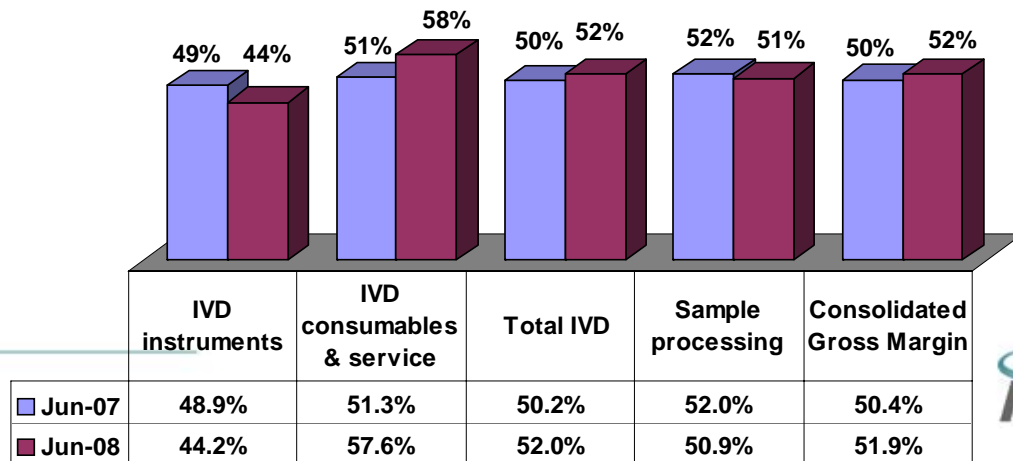
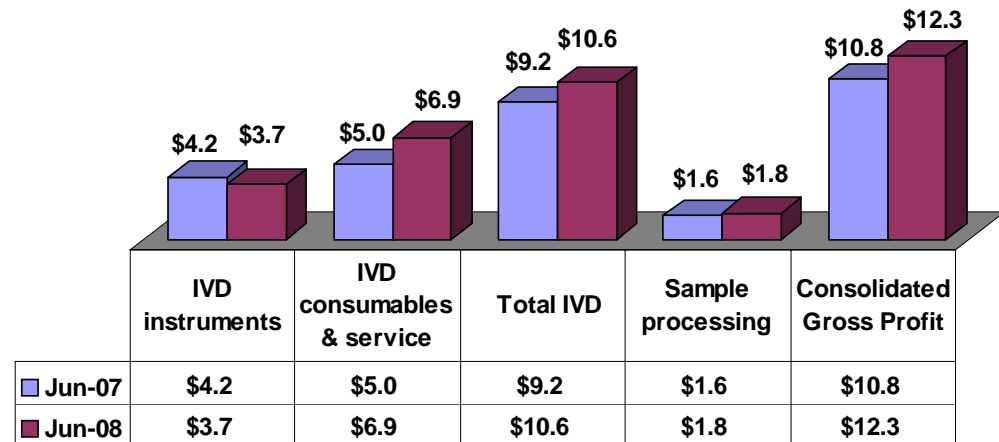


Revenue – YTD-07 vs. YTD-08

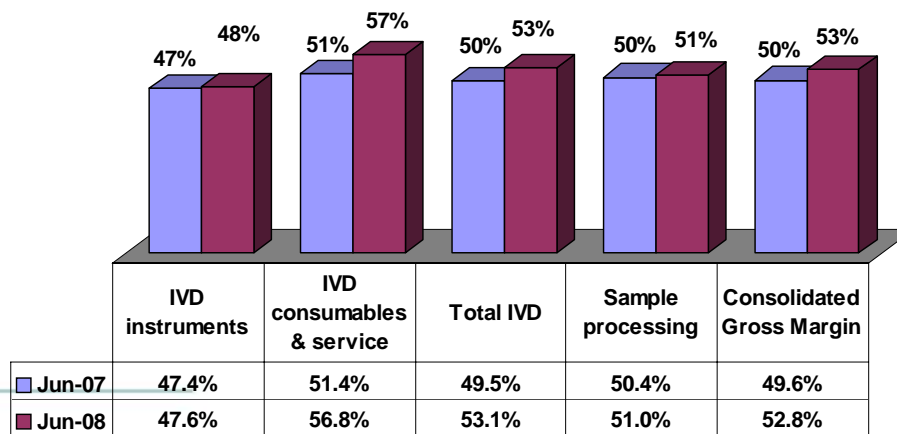
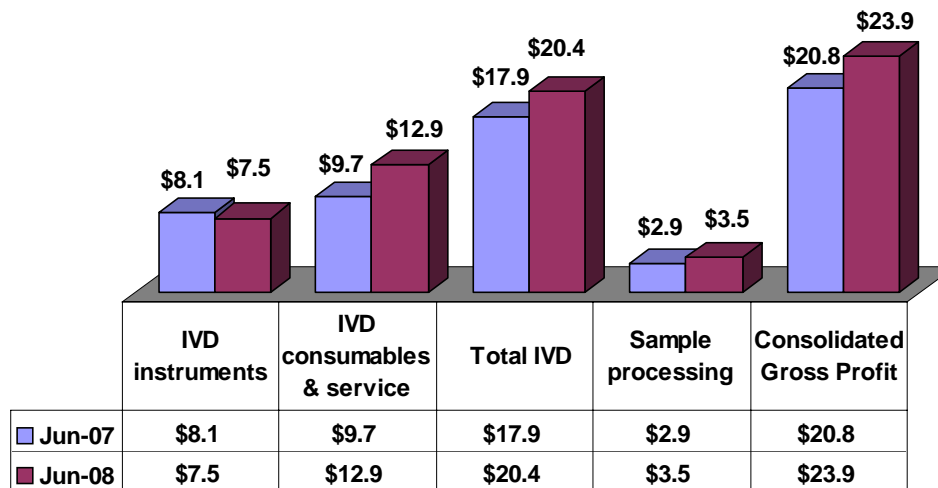
\$ in millions



Gross Profit/Margin – 2Q07 vs. 2Q08

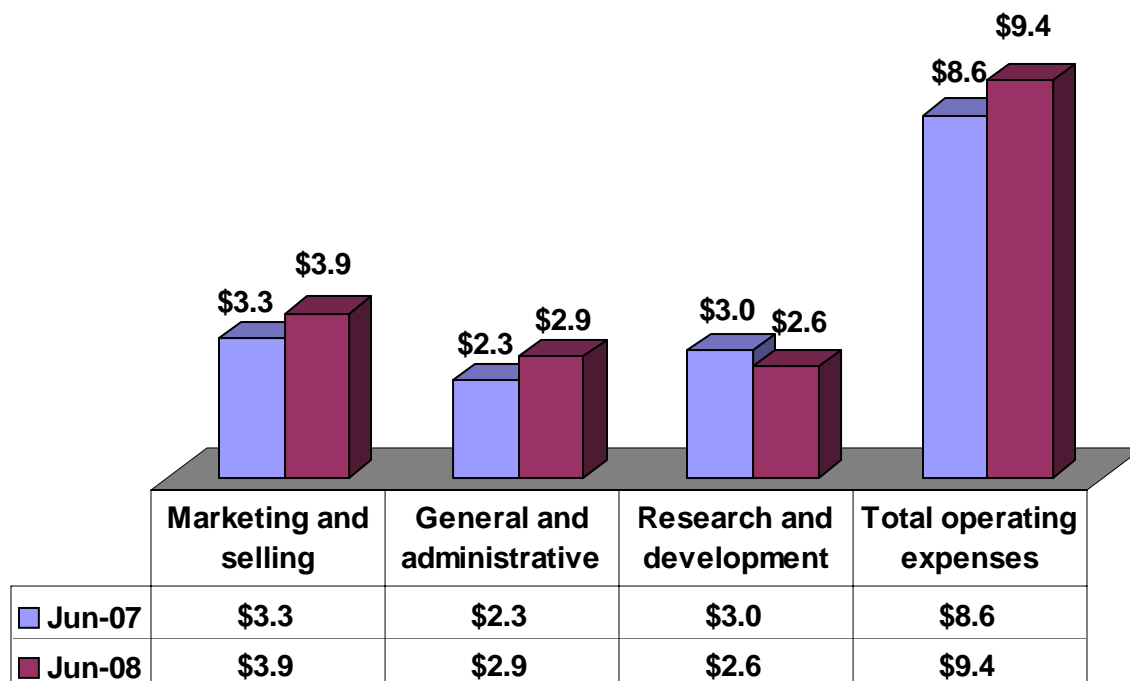


Gross Profit/Margin – YTD-07 vs. YTD-08



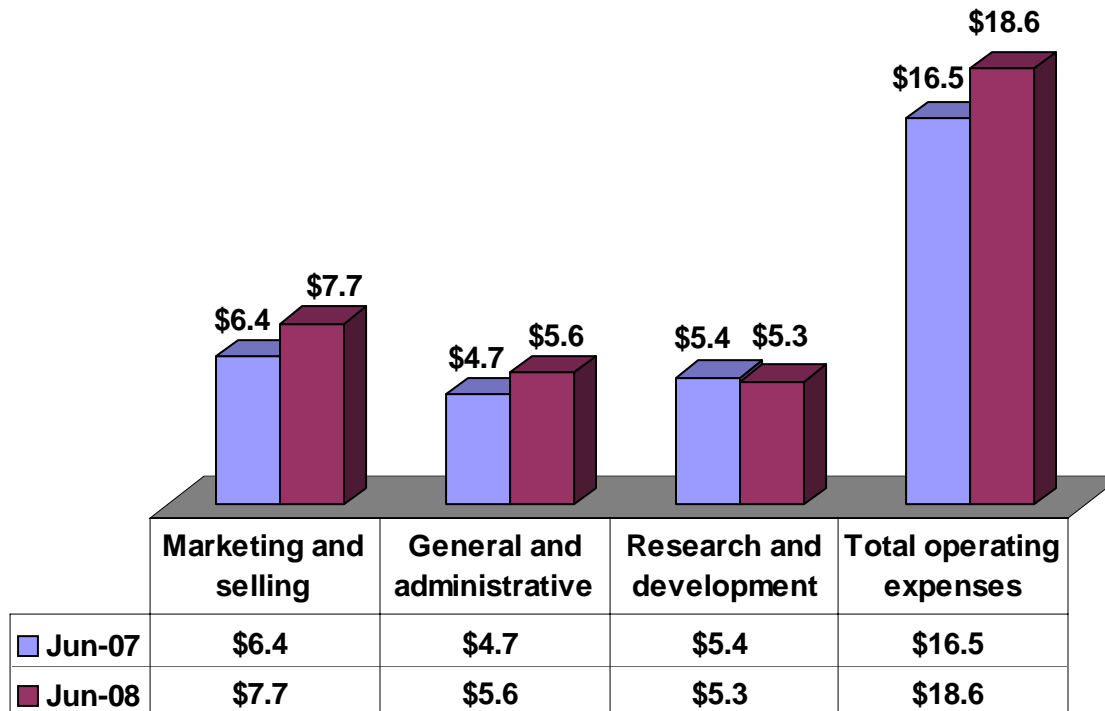
Operating Expenses - 2Q07 vs. 2Q08

\$ in millions



Operating Expenses - YTD-07 vs. YTD-08

\$ in millions



2Q08 vs. 2Q07 P&L

\$ in thousands, except per share amounts

	<u>2Q07</u>	<u>2Q08</u>
Total Revenues	\$21,349	\$23,783
Gross Profit	10,766	12,339
Gross Margin	50.4%	51.9%
Total Operating Expenses	8,588	9,402
Operating Income	2,178	2,937
<i>Operating margin</i>	<i>10.2%</i>	<i>12.3%</i>
Net Income	<u>\$1,790</u>	<u>\$2,205</u>
Diluted Shares Outstanding	18,818	18,685
EPS	\$0.10	\$0.12

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YTD-08 vs. YTD-07 P&L

\$ in thousands, except per share amounts

	<u>YTD-07</u>	<u>YTD-08</u>
Total Revenues	\$41,860	\$45,390
Gross Profit	20,774	23,944
Gross Margin	49.6%	52.8%
Total Operating Expenses	16,476	18,644
Operating Income	4,298	5,300
<i>Operating margin</i>	<i>10.3%</i>	<i>11.7%</i>
Net Income	<u>\$3,251</u>	<u>\$4,027</u>
Diluted Shares Outstanding	18,600	18,867
EPS	\$0.17	\$0.21

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Balance Sheet

(\$ in 000s)

<u>Assets</u>	<u>2007A</u>	<u>2Q08A</u>
Current Assets:		
Cash & Cash Equivalents	\$28,145	\$25,980
Accounts Receivable	16,074	15,122
Inventory	9,886	13,181
Prepaid Expenses & Other	707	695
Investment in Sale-Type Leases	2,660	2,867
Deferred Tax Assets-Short Term	3,368	3,368
Total Current Assets	60,840	61,213
Investment in Marketable Securities	300	300
Plant and Equipment	8,661	9,040
Goodwill & Intangible Assets	4,084	4,039
Software Development	1,764	2,039
Other Assets	559	736
Investment in Sale-Type Leases	6,614	6,560
Deferred Tax Asset	3,568	3,027
Total Assets	\$86,390	\$86,954
 <u>Liabilities and Shareholder's Equity</u>		
Current Liabilities		
Accounts Payable	\$4,290	\$4,116
Accrued Expenses	5,713	5,844
Deferred Service Income	1,454	1,654
Total Current Liabilities	11,457	11,614
Total Liabilities	11,457	11,614
Total Shareholder's Equity	74,933	75,340
Total Liabilities & Shareholder's Equity	\$86,390	\$86,954



Balance Sheet Commentary

- 60,000 shares purchased for approximately \$740K in the 2nd quarter (share buyback initiated March 7th 2008)
- Cash continues to be strong in the \$26M range, flat from 2Q07. Cash on hand decreased only \$2M from 4Q07 despite spending a total of \$5.7M YTD as a result of the initiation of the stock re-purchase program and cash payment of taxes of \$824K.
- From 12/31/07:
 - A/P essentially flat
 - A/R decreased \$950K due to stronger account collections
 - Inventory increased \$3.3M to support new product introductions/Japanese chemistry supplier
- Estimated Free Cash greater than \$13M for 2008 (reflects increase in inventory)

2008 Guidance - Reaffirmation

As of 07.28.08

- **Company Outlook:**
 - Revenue: at least \$98 million
 - EPS: at least \$0.48
 - Continued investment in R&D: 12% (previously 13%)

NADiA PSA Update

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Q2-08

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More Than a Urinalysis Company...

IRIS INTERNATIONAL, INC.

Morphology & Related Products

- Urinalysis
 - Microscopy
 - Chemistry
 - Bacteria Screening *in development*
- Body fluids
- Hematology
 - Nine part differential *in development*

Leverages imaging expertise to identify cells in automation

Molecular Diagnostics

- Ultra-sensitive detection of proteins to aid in early detection of relapse
- Product pipeline *in development*
 - PSA (*under FDA review*)
 - HIV Viral Load
 - Her-2/neu

NADIA technology measures proteins below detection thresholds of current methods

Sample Processing

- Sample preparation products to increase efficiency in the laboratory
 - Centrifuges
 - DNA workstations
 - Consumables
 - OEM Products

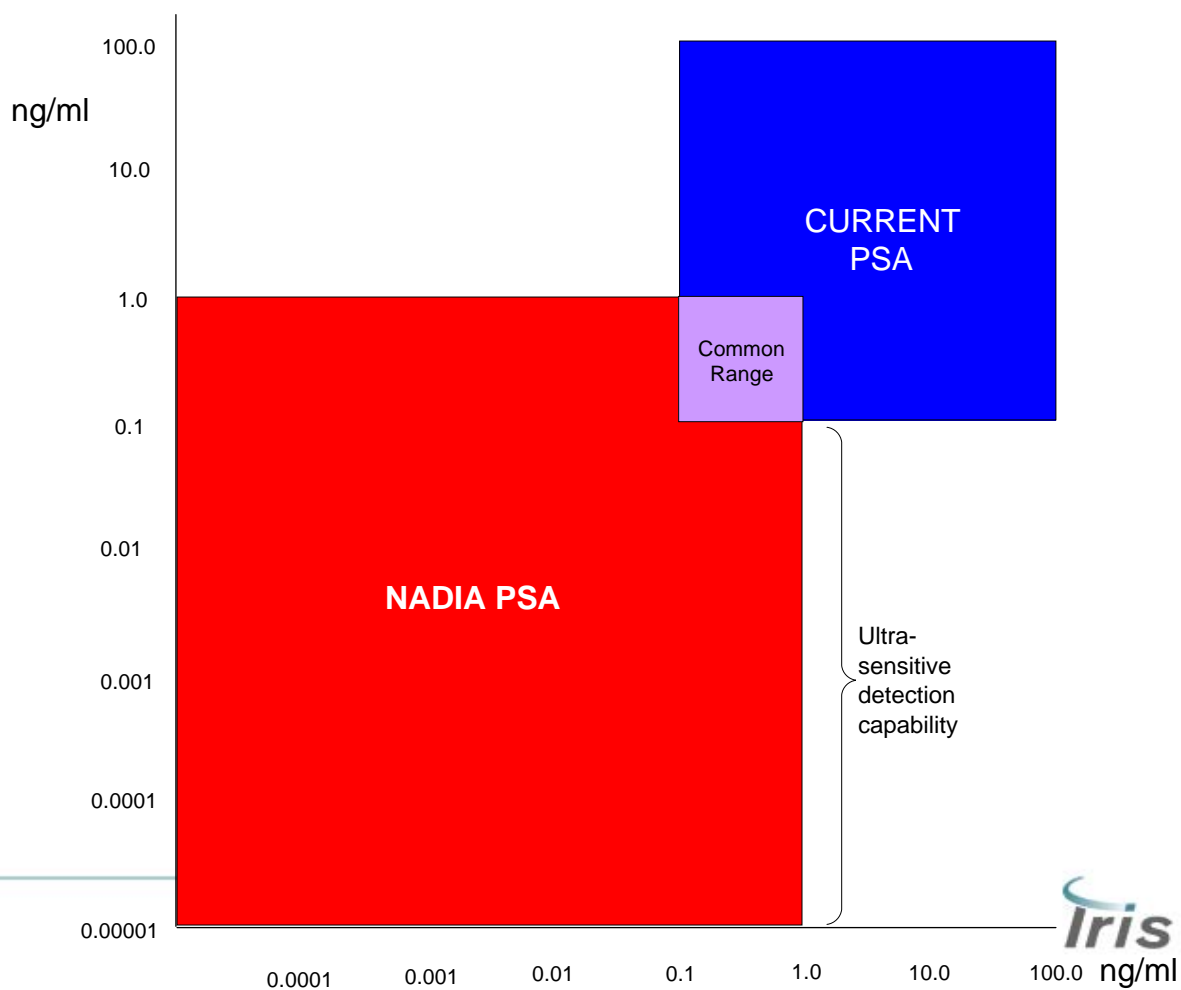
Streamline laboratory workflow with rapid cycle times and compact size



NADiA PSA

Technical Performance

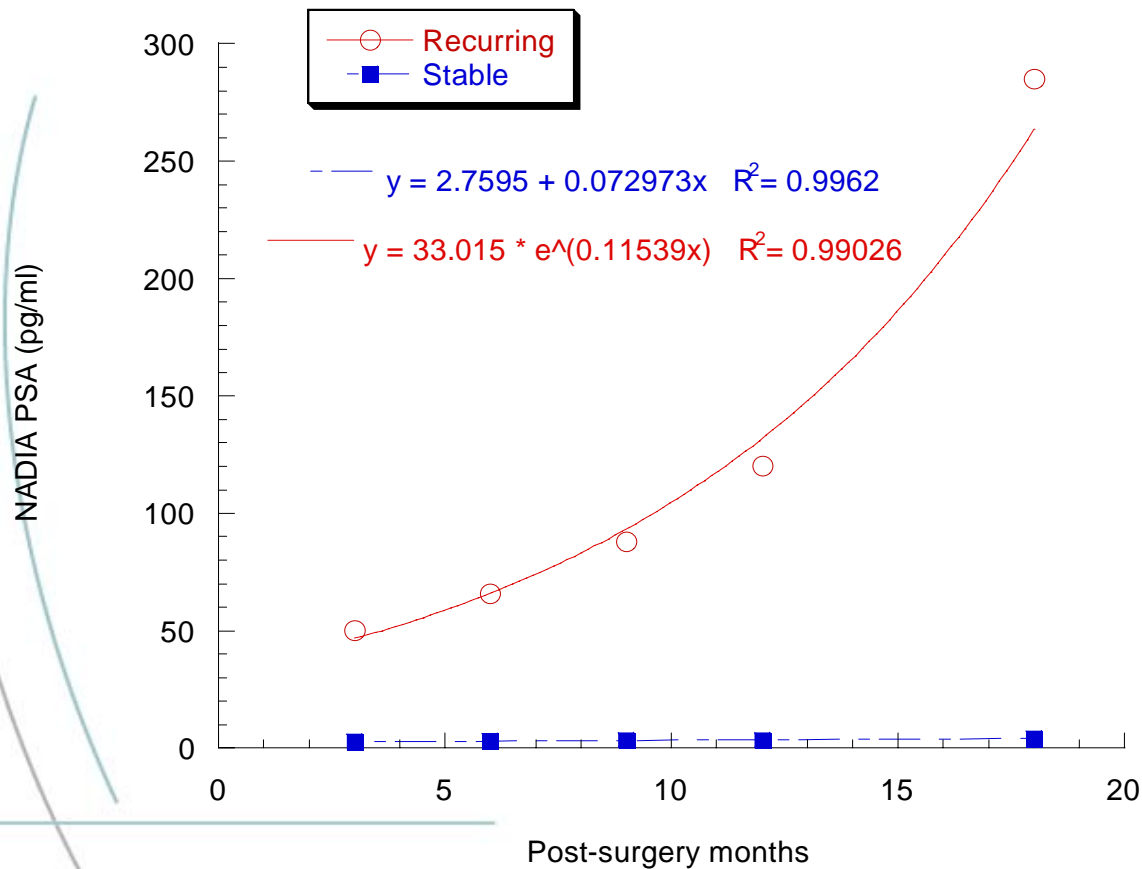
NADiA PSA has a broad dynamic range that complements
The capabilities of current assays



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Clinical Performance – 40/40 Study

There was a striking difference between the average results for stable vs. recurring patients



Recurring patients fell into fast and slow growth segments

The patients with very low doubling times skew the avg. recurring curve to the left

On average, the NADiA assay indicated BCR 34 months prior to the tPSA value reaching 100 pg/ml

- The NADiA PSA assay can distinguish between patients with stable and recurring disease 34 months earlier (on average) than current commercially available assays
 - Low-end precision of current 3rd generation PSA assays is not good enough to accurately measure tPSA values below 100 pg/ml
- A cut-off of 15 pg/ml differentiates patients at low-risk for disease recurrence
- Early detection of cancer recurrence can identify patients with rapid PSA doubling times (≤ 6 months) who may benefit from salvage radiation
 - In a study conducted by Trock¹ and colleagues at John Hopkins University Medical Center, salvage radiotherapy within two years after BCR provided a significant survival advantage for men with fast PSA doubling times



¹ Trock B, et al "Prostate cancer-specific survival in men with biochemical recurrence after radical prostatectomy: impact of salvage radiotherapy vs observation."

NADiA PSA Claim

- Claim
 - NADiA PSA is an in-vitro diagnostic assay intended to be used in conjunction with clinical evaluation as an aid in predicting risk for recurrence of prostate cancer for the period following radical prostatectomy (≥ 8 years). Values below 15 pg/ml are associated with reduced risk for recurrence..
- Expected Testing Protocol
 - Initial post prostatectomy test would be done 3 months after RP with a conventional assay. If it is less than 100pg/ml, future tests would be conducted with a NADiA assay
 - NADiA tests will be conducted...
 - ...every 3 months for the first year
 - ...every 6 months for the next 2 years
 - Testing frequency and cessation beyond year 3 would be the decision of the clinician

Medical Benefits

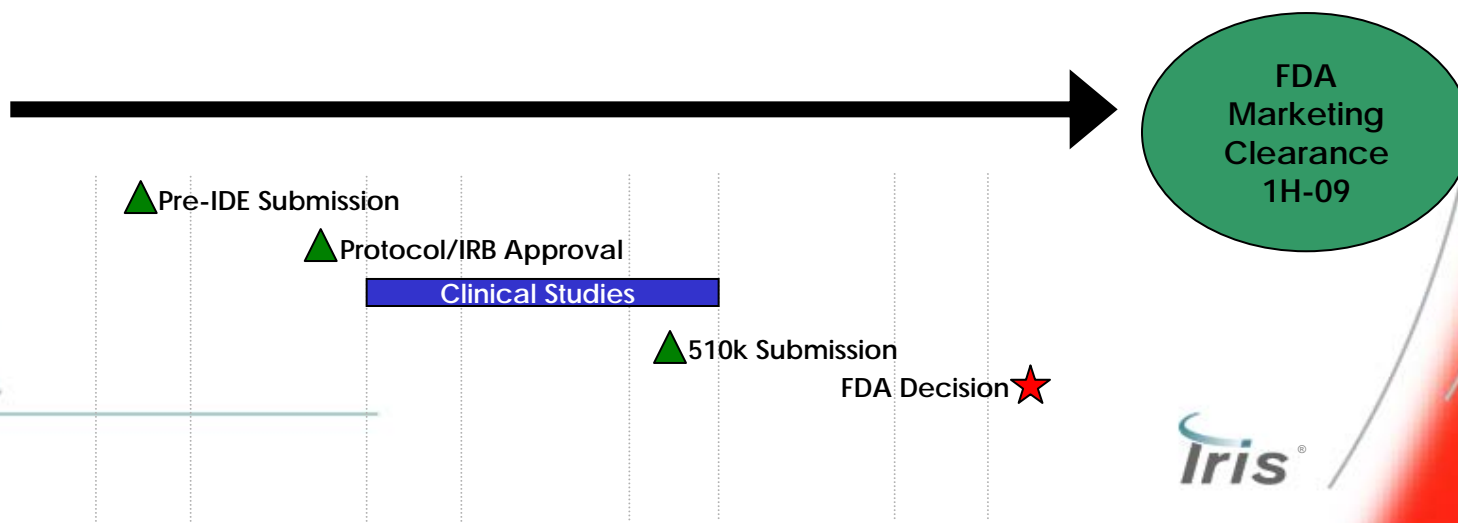
By providing a tool to identify patients at low risk for prostate cancer relapse, the following benefits will accrue to patients, clinicians and the overall healthcare system

Stable / Potentially Stable Patients

- **Avoidance of unnecessary treatment**
 - Radiation Therapy - Hormone Ablation
 - Chemotherapy
- **Negation of aggressive surgical approaches in select cases**
 - Lymphadenectomy during select radical prostatectomy cases may be unnecessary with a highly sensitivity patient tracking tool
 - Patient Example: Gleason 7 prostate cancer with a PSA rise over 2.0, 12 months preceding diagnosis; resected via laparoscopic radical prostatectomy without pelvic lymphadenectomy but with negative margins and seminal vesicles.
- **Patient Quality of Life**
 - Knowledge = Peace of Mind
 - Lower side effects and morbidity associated with follow-on cancer treatments
- **Lower diagnostic spending (*In Vivo and In Vitro*)**
 - Elimination of unnecessary and ineffective diagnostic procedures

Regulatory Strategy

- Pursue 510(k)
 - Status
 - All analytical questions about the method have been addressed in the original 510(k)
 - Pre-IDE Package has been submitted
 - Next Steps
 - Reach agreement on protocol and conduct studies at two sites
 - Agreement established with University of Washington
 - Iris is final stages of negotiation with a leading US academic medical center
 - Submit New 510(k)



- Expected End-User Pricing: *\$300 - \$1000 / test*
- Rationale: Strong Medical Necessity Arguments
 - Documentable Financial Benefits for the Healthcare System
 - Primary: Avoidance of unnecessary treatment*
 - Radiation Therapy: ~\$25,000 - \$50,000 per treatment¹
 - Chemotherapy: ~\$16,800 - \$30,000 annually²
 - Hormone Therapy: ~\$6,000 annually³
 - Lower side effects
 - Negation of associated management costs
 - *Treatment costs are variable depending on combination of drugs used and treatment regimen
 - Secondary
 - Reduction in unnecessary / ineffective diagnostic testing
 - » In Vivo & In Vitro
- Quality of Life Years (QALY)
 - Lower morbidity (short-term)
 - Improved outcomes for relapsers (long-term)
 - Peace of mind

1. "Using Decision Analysis to Determine the Cost-Effectiveness of Intensity-Modulated Radiation Therapy in the Treatment of Intermediate Risk Prostate Cancer." Konski Andre; Watkins-Bruner Deborah; Feigenberg Steven; Hanlon Alexandra; Kulkarni Sachin; Beck J. Robert; Horwitz Eric M.; Pollack Alan. *The International Journal of Radiation Oncology: Volume 66, Issue 2; pp 408-415 1 October 2006.*

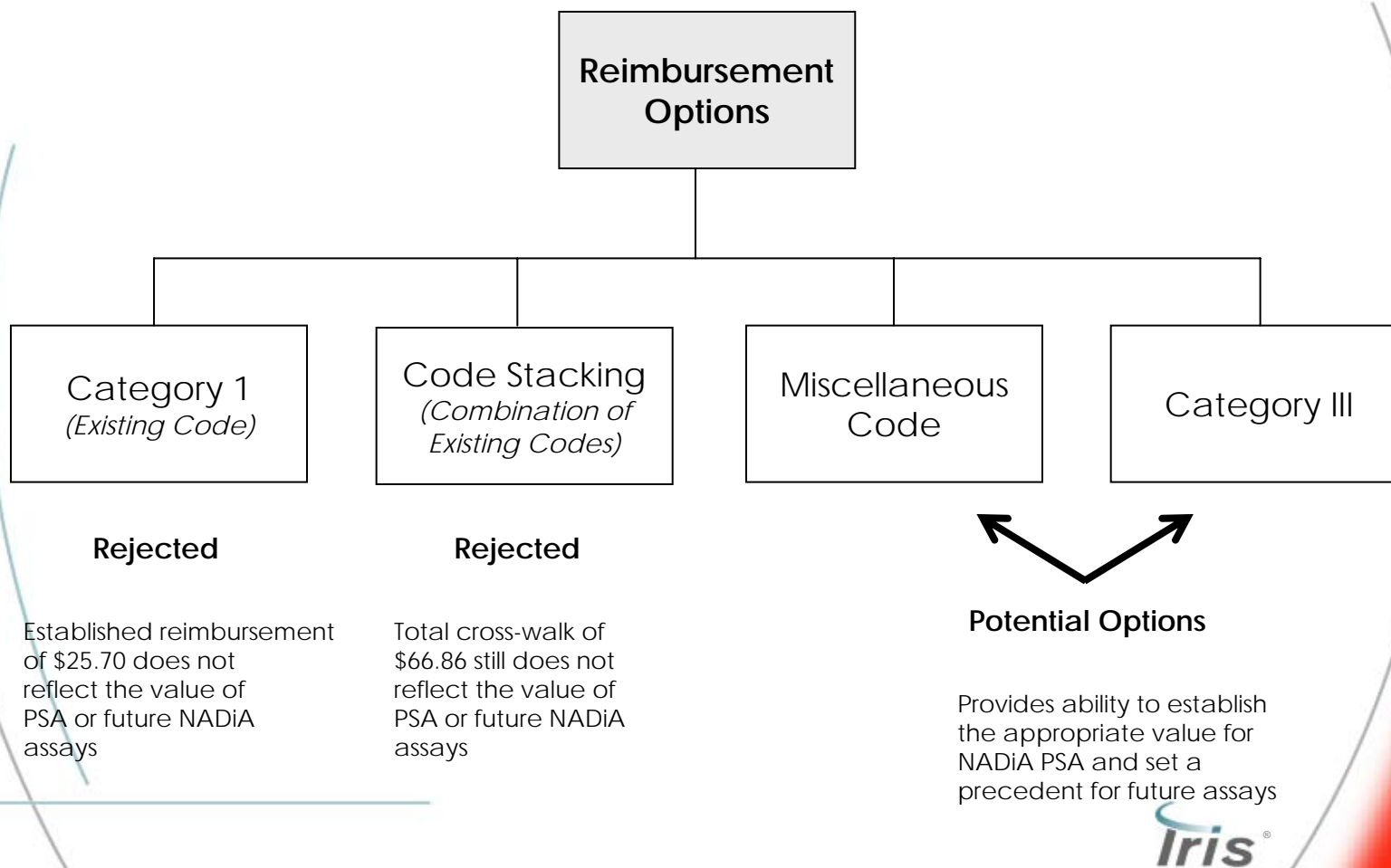
2. Medicare Reimbursement of Prescription Drugs. Department of Health and Human Services, Office of Inspector General. January 2001 OEI-03-00-00310. <http://www.oig.hhs.gov/oel/reports/oel-03-00-00310.pdf>

3. Medicare Reimbursement for Lupron. Department of Health and Human Services, Office of Inspector General. January 2004 OEI-03-03-00250. <http://www.oig.hhs.gov/oel/reports/oel-03-03-00250.pdf>

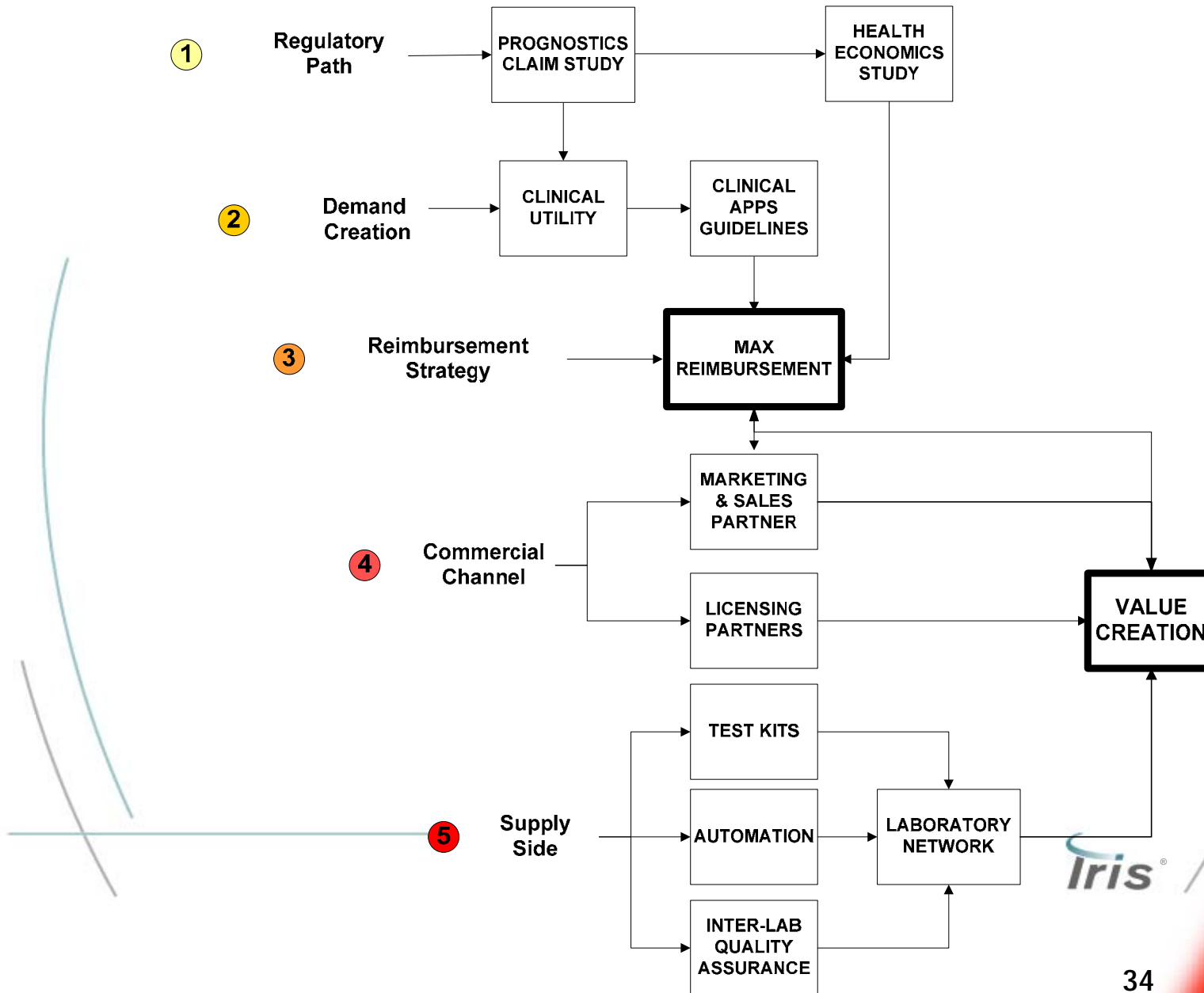
Reimbursement

Coding Strategy

Iris is taking a strategic approach to reimbursement



Commercialization Dynamics



NADiA PSA Next Steps

- Pre – IDE Approval
- Meeting with CMS
- Prognostic Clinical Study Initiation
- 510(k) re-submission
- Negotiation with commercial partner

Q & A