

INTERNATIONAL REMOTE IMAGING SYSTEMS TO INTRODUCE NEW CEO TO INVESTORS AT CONFERENCE CALL ON THURSDAY, NOVEMBER 20 AT 4:15 P.M. (EST)

TRANSCRIPT OF MANAGEMENT PRESENTATION

Introductory Remarks by Dr. John A. O'Malley, Chairman

Ladies and Gentlemen, I have a very pleasant task. I am pleased to introduce César García, the new CEO and new Board member of International Remote Imaging Systems.

This has been an eventful period at the Company and I can assure you that all is well at IRIS and that there are no problems to report. Our Corporate agenda is on target. As you know, Dr. Kshitij Mohan has resigned and, in doing so, left the Company in a strong position, in addition to being in good hands.

Many of you already know César García. But for those who don't, let me assure you that he already has established his reputation as an operating force during his two years with the Company. His elevation to Chief Executive Officer is a seamless transition as he has been a hands-on executive in all aspects of the Company's affairs. César, who was appointed President of IRIS in July of this year in recognition of his contributions to the Company, was one of the key architects behind the development of our new iQ®200 System and was a driving force within IRIS' management team. He has been involved in all facets of the business, including research and development, product development, manufacturing, international distribution and major account calls in the U.S., the launch of the iQ200, banking relations and managing the relationship with our business partners in Japan. When it came to choosing a new CEO, the answer was obvious. With César at the helm, there will be no transition period for our new Chief Executive Officer. The business of International Remote Imaging Systems will not skip a beat – in fact, there will be acceleration.

César joined the Company in January 2002 as its Corporate Executive Vice President and was elevated to President and COO in June of this year. César's background is deeply rooted in medical diagnostic equipment and he had a proven track record before arriving at International

Remote Imaging Systems. From 1998 to March 2001, he served as Senior Vice President of Cytometrics Incorporated, a manufacturer of non-invasive medical devices for point of care blood diagnostics and for in-vivo analysis of microcirculation. From 1994 to 1998, he was Vice President, Operations and Engineering for Datascope Corporation, Patient Monitoring Division, a manufacturer of medical devices for cardiology, anesthesiology, and critical monitoring. From 1992 to 1994, Cesar held the position of Director, Hematology Business Unit, Bayer Diagnostics Division of Bayer USA. He holds a B.S. in Industrial Engineering (Cum Laude) from the University of Puerto Rico and an Advanced Management Certificate from Pace University, New York.

With that I give you César García, who is looking forward to telling you about his vision for the Company. Please direct all of your questions to César, who will also give you an update on sales, revenues and profits and a rundown on our marketing efforts.

(End)

Vision and Status of the Business

César M. García, President and Chief Executive Officer

Thank you Jack for your kind words and for your continuing support. Good afternoon to all shareholders and participants on this conference call. I appreciate the opportunity to introduce myself, to present my vision for the Corporation and to update you on our progress to-date.

I joined the Company in January 2002 and I believe that it is very important for you to understand that I have been involved in every aspect of the business and have made some of the most critical decisions in this Company over the last two years. Therefore, although I regret the recent resignation of Kshitij Mohan, the Company does not face any discontinuity or management uncertainty as to its direction, purpose or mission.

I have been in the medical device industry for 29 years. My experience covers most facets of the business both in large and small companies, domestically and internationally. During these many years I have developed the skills and instincts to differentiate technologies and organizations. Prior to my joining Iris, I realized the value of its technology, but equally it became very evident that I had to get busy in addressing significant technological and organizational issues that we have now resolved. Among them, it was paramount to apply most

of our energy to complete the development of the iQ200. We also needed to streamline the organization, implement new business systems and most importantly we were in desperate need for a road map, which was captured on a cohesive strategic plan for the Diagnostics Division. My major point is that the recovery we are experiencing is the result of a concerted effort by the strong management team that has been put together over the last two years. I am proud of them and the achievements of our employees during the last two years. I must inform you that I have invited some of the Company leadership to join me at this important moment and they may participate during the question and answer session of this conference call.

Our strategic plan emphasizes the following areas:

- First, to launch affordable products with superior functionality that should become the standard of diagnostics care in their respective field of application
 - The iQ200 achieves that...
- Second, to establish the infrastructure and necessary channels to become a global competitor
 - Our new International distribution network achieves that...
- Third, we have begun to balance and diversify our product portfolio through three initiatives:
 - To improve our product development process by scrutinizing all product development efforts and investing R&D resources in large payback programs. This emphasis in product definition will result in higher paybacks, more predictable schedules and significant reduction in product development expenses. It is important to keep in mind that although we project a reduction in R&D expenses, we will continue to invest in core technology and those product development programs that would advance our competitive position. We are in the middle of our budgeting process for 2004 and we should be in better position to quantify those efforts by mid-December.
 - We must invest in our specimen processing division. We are now in the process of diverting funds into StatSpin - a small, profitable, underutilized subsidiary that in the recent years was deprived from product development funds due to the cash limitations created by the iQ200 development. This Subsidiary has begun to recover from a significantly slow first half. The slow first half was a result of the general

economic environment, which prompted significant inventory reductions in the distribution network.

- We are evaluating new product initiatives that could include licensing and or co-development of new products to preserve our cash. I will keep you abreast of our progress in these areas.
- Our final strategic element, but a very important one, is to identify significant productivity and synergistic improvements in all aspects of the business. We recently hired Mr. John Yi, as Vice President of Operations. Mr. Yi brings to Iris Diagnostics skills in high volume-high quality manufacturing which are absolutely necessary during the expansion phase that we have just initiated.

We cannot be perceived as an instrument company only. The development of a strong consumable revenue stream in all markets is an essential part of our business plan. Our planned growth in revenue and profitability should enable us to pay-down our debt, strengthen our balance sheet and meet all our financial covenants. Obviously, all of these should result in a better return to our shareholders.

I now want to get into specific aspects of the business plan of our principal division, Iris Diagnostics.

- First and foremost, we are in the consumable business. Our plan is to significantly increase our Market penetration of instruments and develop a considerable “annuity” from consumable products. It is important to mention that the consumable revenue lags the instruments shipment by approximately 6 months. This period covers on-site training, installation of their laboratory information systems and correlation against standards established by the laboratory accreditation agencies.
- Our product offerings are significantly different internationally and domestically.
 - Domestically, we have three product offerings: the iQ200 System that integrates the ARKRAY AUTION MAX AX-4280 chemistry analyzer with our proprietary iQ200 microscopic analyzer and each analyzer by itself. Most domestic sales-to-date are

for complete iQ200 Systems. In the US the iQ200 System lists for approximately 60 % of the price of our high-end predecessor product and we believe it offers more functionality and ease of use than any other competitive product in the market place.

- As mentioned above, we have the flexibility of now selling urine chemistry, urine microscopy or both. This was not possible with the predecessor products.
- Each analytical module brings its own independent consumable revenue stream. These consumables consist of chemical reagents and reactive strips that can only be sourced from us.
- We are positioning the iQ200 to appeal to the mid-size hospitals and laboratories that could not afford the predecessor technology. Domestically, this approach triples the Total Available Market to 2500 sites.
- Our Vice President of US Sales, Allan Nemeth has expanded and realigned our Domestic Sales and Applications Support teams. Our expanded domestic direct sales team touches on 80% of the Total available Market.
- Iris Diagnostics considered the possibility of using domestic distributors but the incremental revenue forecasted was not sufficient to offset the margin loss in our consumable annuity.
- It is important to remember that capital goods in the medical device market are subject to seasonality patterns where the second and fourth quarters are traditionally strongest. The gradual increase in consumable revenue would provide smoothing effects in future years.
- Our product development plans for 2004 -2005 include developing products and accessories for the Clinical Reference Laboratory, a market that we barely touch. These mega-labs process thousands of specimens each day but it is important to mention that it is a very competitive business with lower margin. This business should be mostly incremental and should provide a significant base over which to spread our overhead.

Now, let's review in some more detail our international plan:

- Our international expansion plan is on target. To preserve management focus we emphasized major markets first. A year ago, Iris Diagnostics distributed its products in three countries only and had no representation in any major international market. Today, we have signed distribution for 20 countries and by the end of the year we will have distributors in 30 countries covering all major international markets. The combined international distribution network has access to approximately 3200 sites through 300 sales people. I want to acknowledge the colossal efforts of our Vice President of International Sales, Dino Alfano in collaboration with Robert O'Malley our Vice President of Global Marketing and Service.
- Internationally, we only sell the iQ200 microscopic analyzer and a proprietary kit to connect our systems to the AX-4280, distributed by others outside the US. Please note that we have been aligning, whenever possible, our iQ200 distribution network with ARKRAY's international distribution network to accelerate the iQ200 penetration in those markets.
- A question that is frequently asked by investors is: Why can you sell in Europe now while you could not do it before? The answer is simple: the European market is a rental market driven by reimbursement. The distributors buy the instruments and consumables from us and rent them on a cost per test basis. The high cost of our predecessor systems made it very difficult to justify the laboratory investment in automation due to the high amortization costs of the predecessor products. The combination of product features, size and affordability to rent opens new doors for Iris.
- Our international consumable revenue will be lower than domestically for two reasons. First, we only sell the iQ200 Microscopic Analyzer and consumables but we do not sell the AX4280. Second, we sell to our distributors at transfer prices that allow them to make a reasonable margin in instruments and consumables. Initially, our international net contribution margin will be less than our domestic net margin because of our underutilized international infrastructure, warranty provisions and

start up costs. In the third year the net margins will be approximately the same domestically and internationally. Please remember that these margins will be incremental to our base business. The distributors are responsible for sales, support and service.

- We have been working with our Japanese partner, ARKRAY to complete the Japanese registration of the iQ200. I have just returned from Japan, conducting negotiations with ARKRAY and we expect to initiate shipments after the submission of the product registration, which should be complete by late December or early January. The Japanese market is a very important one for Iris because ARKRAY has placed approximately 400 instruments that could be connected with the iQ200 Microscopic Analyzer. In addition, they have one hospital for every 13,000 citizens instead of one for every 41,000 citizens in the US. They also have longer hospital stays and adequate reimbursement.

I have covered the most salient points of our business to date and now, we would like to take questions from the audience.

Anna, would you take the calls please?

Q & A:

Closing:

Ladies and Gentlemen, I want to thank you for participating on this conference call and I look forward to meet you personally in a very near future. Have a nice day.

(End Script)