

Enriching the quality of life for people everywhere.

Earnings Conference Call 2nd Quarter 2006

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08.02.06

IRIS International, Inc.



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 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[®]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.



Q2- 2006 Financial Summary

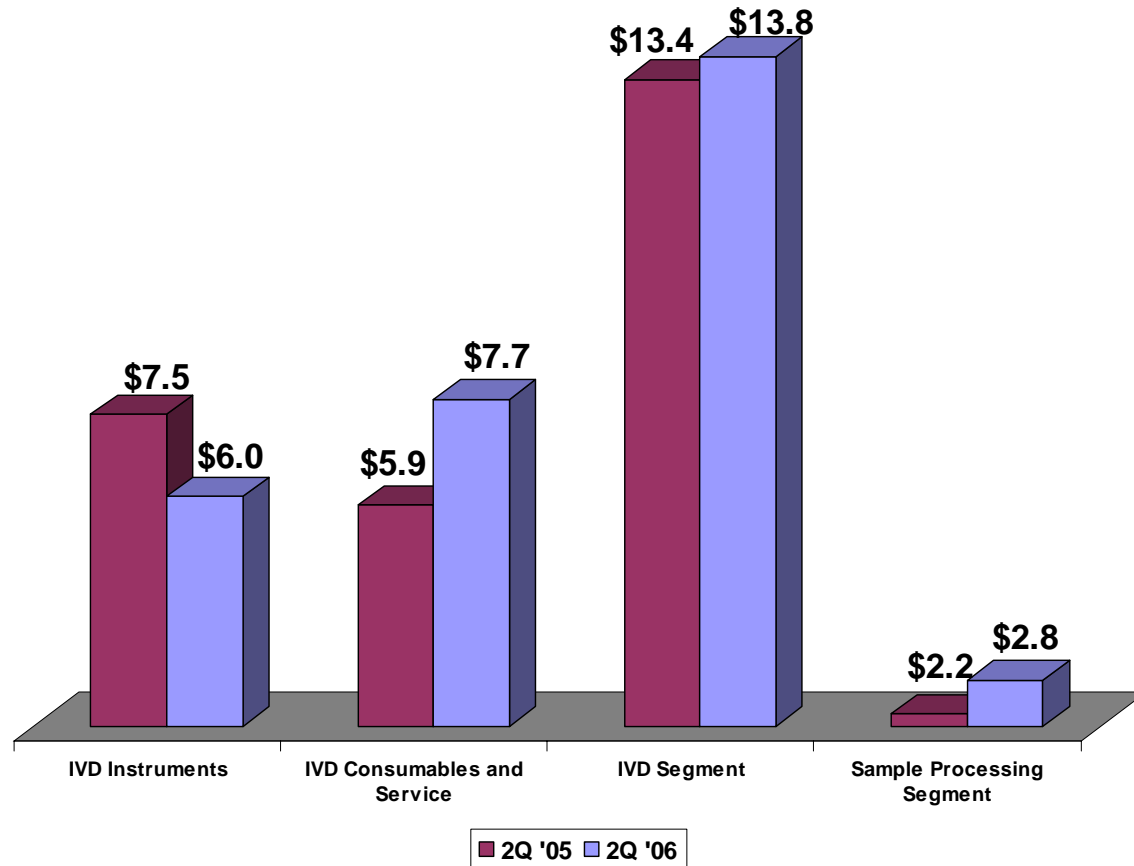
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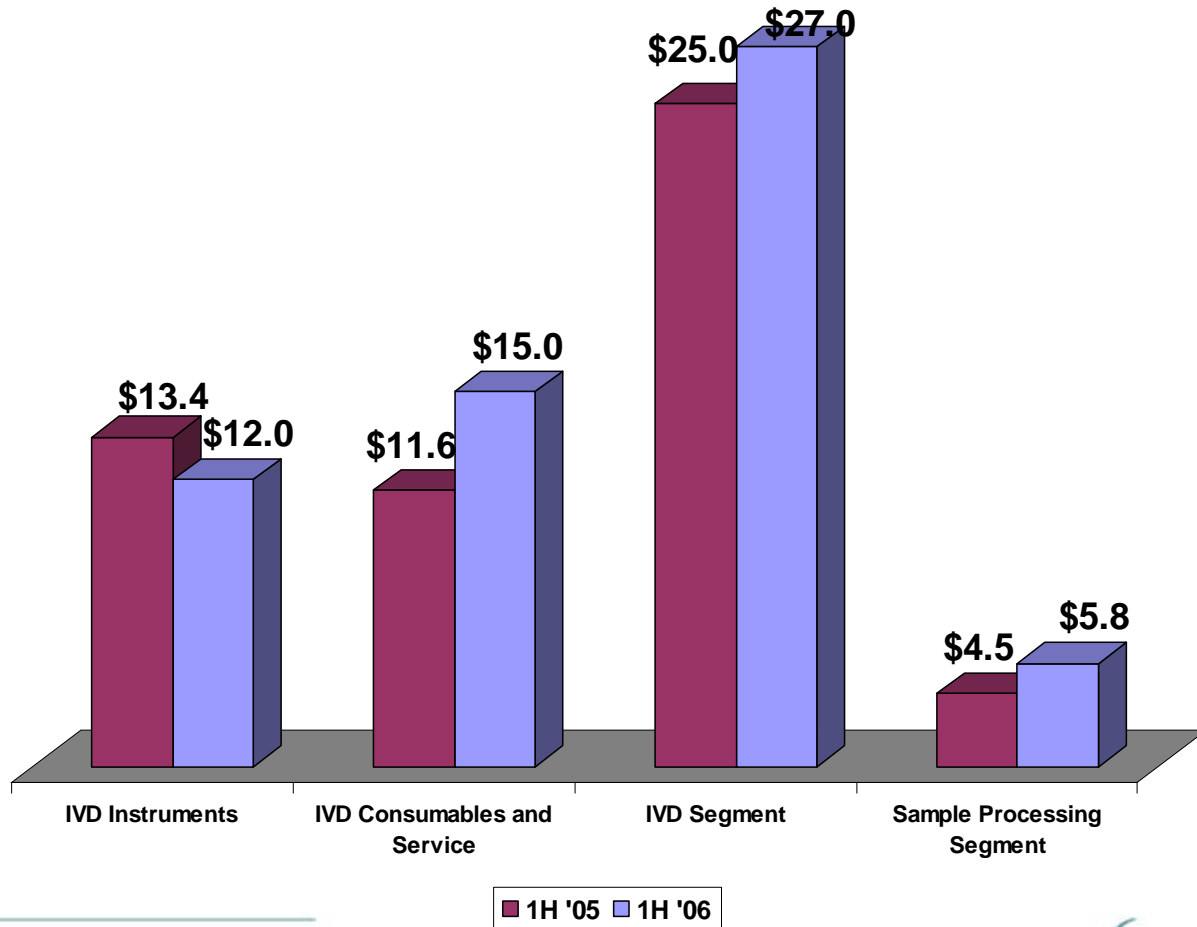
Segment Revenues – 2nd Quarter

\$ in millions



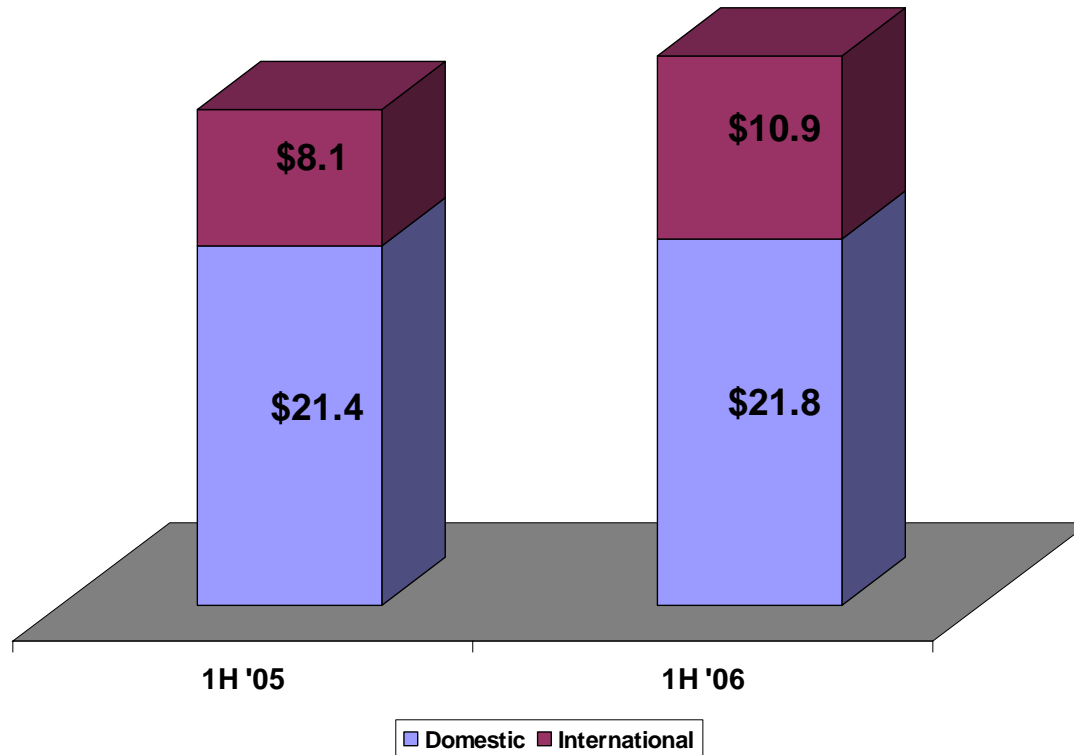
Segment Revenues – 1st Half

\$ in millions



Revenues By Geography – 1st Half

\$ in millions



Special, Nonrecurring and 123R Charges

1st Half of 2006

\$ in thousands

<u>Adjustments</u>	<u>Cost of Sales</u>	<u>Operating Expenses</u>	<u>Income Taxes</u>	<u>Net Income</u>	<u>Fully Diluted EPS</u>
In-Process Research and Development Expense	\$ -	\$ (5,180)		\$ 5,180	\$ 0.29
Bad Debt Expense		(350)	129	221	0.01
CFO Transition Expense		(468)	173	295	0.02
Incremental Stock Based Compensation	(45)	(300)	128	217	0.01
	<u>\$ (45)</u>	<u>\$ (6,298)</u>	<u>\$ 430</u>	<u>\$ 5,913</u>	<u>\$ 0.33</u>

Represents the write-off of In-Process Research and Development assets acquired in the Leucadia Technologies acquisition.

Represent bad debt expense attributable to the default by an assignee of Company lease agreements.

Represents severance, recruiting and relocation expenses relating to the change in the Company's CFO.

Represents non-cash stock based compensation attributable to the adoption of SFAS 123R.



Condensed Statement of Operations

2006 Adjusted versus 2005

\$ in thousands

	Three months ended June 30,		Six months ended June 30,	
	Adjusted 2006	2005	Adjusted 2006	2005
Revenues	\$ 16,598	\$ 15,577	\$ 32,713	\$ 29,541
Gross margin	8,455	7,596	16,745	14,490
<i>Gross margin %</i>	50.9%	48.8%	51.2%	49.0%
Research and development	2,042	958	3,530	2,041
S,G&A expense	4,444	4,124	8,832	7,910
Total operating expenses	6,486	5,083	12,362	9,951
Operating income	1,969	2,513	4,383	4,539
Interest income, net and other	261	116	526	208
Pre tax income	2,230	2,629	4,909	4,747
Income tax	825	1,052	1,816	1,899
Net income	\$ 1,405	\$ 1,577	\$ 3,093	\$ 2,848

The Iris logo consists of the word "Iris" in a stylized, lowercase font. Above the letter "i" is a blue, curved swoosh that resembles a stylized eye or a lens.

Earnings Per Share

	Three months ended June 30,		Six months ended June 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Fully Diluted EPS - GAAP	\$ (0.25)	\$ 0.09	\$ (0.16)	\$ 0.17
Special and Nonrecurring Items and FAS 123R Expense	0.33		0.33	
Fully Diluted EPS - Pro Forma	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>



Cash Management

Working Capital Management

- Improving DSO
- Inventory Reduction Plan

Investing Activity

- 2006 Facility Expansions and Upgrades
- Leucadia Acquisition (\$3.6 million)

Cash Position and Outlook

- \$16.5M of cash at June 30, 2006
- ~\$20M by December 31, 2006



Revised Guidance

- Revenues: \$70.0 million - \$71.5 million
- R&D: 12% of revenue
- Net Income: \$6.5 million - \$6.9 million
- EPS: \$0.35 - \$0.37

Excludes \$0.33 per share of special, non recurring and FAS123R items



Business Discussion

**2nd Quarter Earnings Conference Call
08.02.06**



Q2-06, Mixed Results

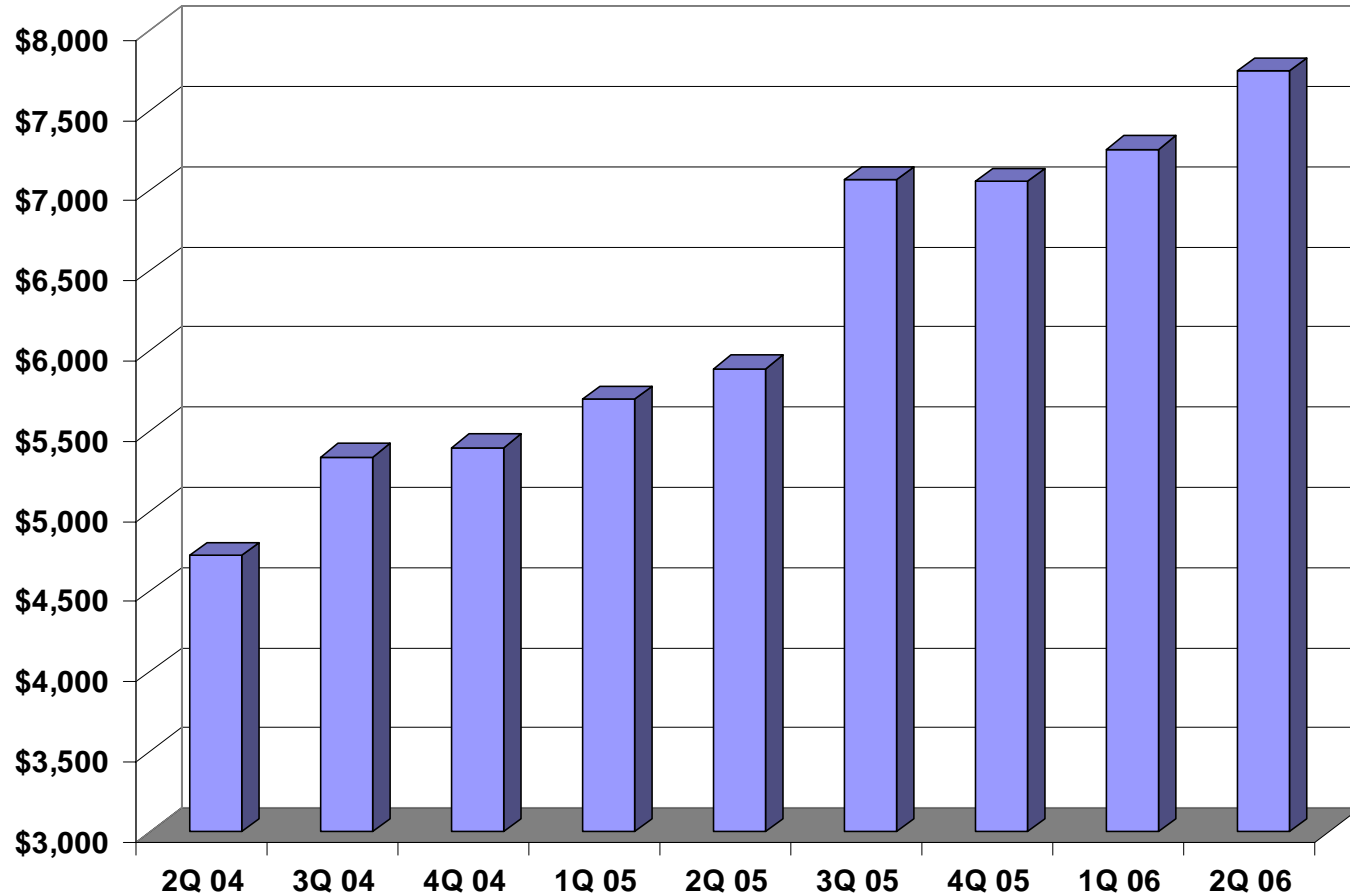
- Disappointments
 - Flat domestic instrument sales
 - Non-recurring charges and special items
- Accomplishments
 - Strong sales of consumables & service worldwide
 - Successful completion of iChem 100 and vChem product development
 - Introduced market segmentation initiative for the iQ200 platform to address three volume-price points
 - iQ200s installed at five of the top six hospitals in the US
 - Major iQ software upgrade to be released Q3-06
 - Excellent performance by Sample Processing Unit
 - Very strong demand for Express 3 centrifuge
 - Consistently strong sales for DNA hybridization stations to OEM partners



Iris®

IVD Consumables and Service Revenue Trend

\$ in thousands



The recurring consumable revenue model is working – per plan!



Domestic Instrument Sales Analysis

Problem: Flat domestic instrument sales, Q1 vs. Q2, despite a very sizeable qualified prospect list

Analysis:

- Insufficient domestic sales coverage
- Experiencing longer “Time-to-Close”
 - Emphasis on New Accounts vs. Replacements
 - Prospect list reflects an increased number of non-automated hospitals
 - Increased number of multi-unit or multi-site deals
 - Higher capital appropriations required
 - More financial scrutiny
- Capital is tight due to significant hospital renovations and expansion programs
- We are not losing to the competition



Diagnostics Sales Action Plan – iQ200

- Increase domestic sales force from 8 to 13
 - Larger high-quality prospect list for 2007 and beyond
- Concentrated effort to increase the conversion rates from quote to closed sales during the 2nd half 2006
- iQ200 Segmentation Strategy
 - Better serve all market segments
 - Three different price points for low, medium and high volume users
 - Continue to provide value with chemistry and microscopy integration even to low volume users



Diagnostics Sales Action Plan – Chemistry

- Global launch of iChem / vChem program through IRIS' expanded distribution channels
 - Med Tech Associates (US Sales)
 - 29 domestic sales reps focused on physician's offices and small labs
 - Expanded distribution
 - McKesson / Cardinal / Fisher, etc (third-party distributors)
 - IRIS' international channels for instruments
 - "Quidel" channels for visual
 - Pull-through internationally with iQ200 SELECT System



Q2- 2006 New Product Update

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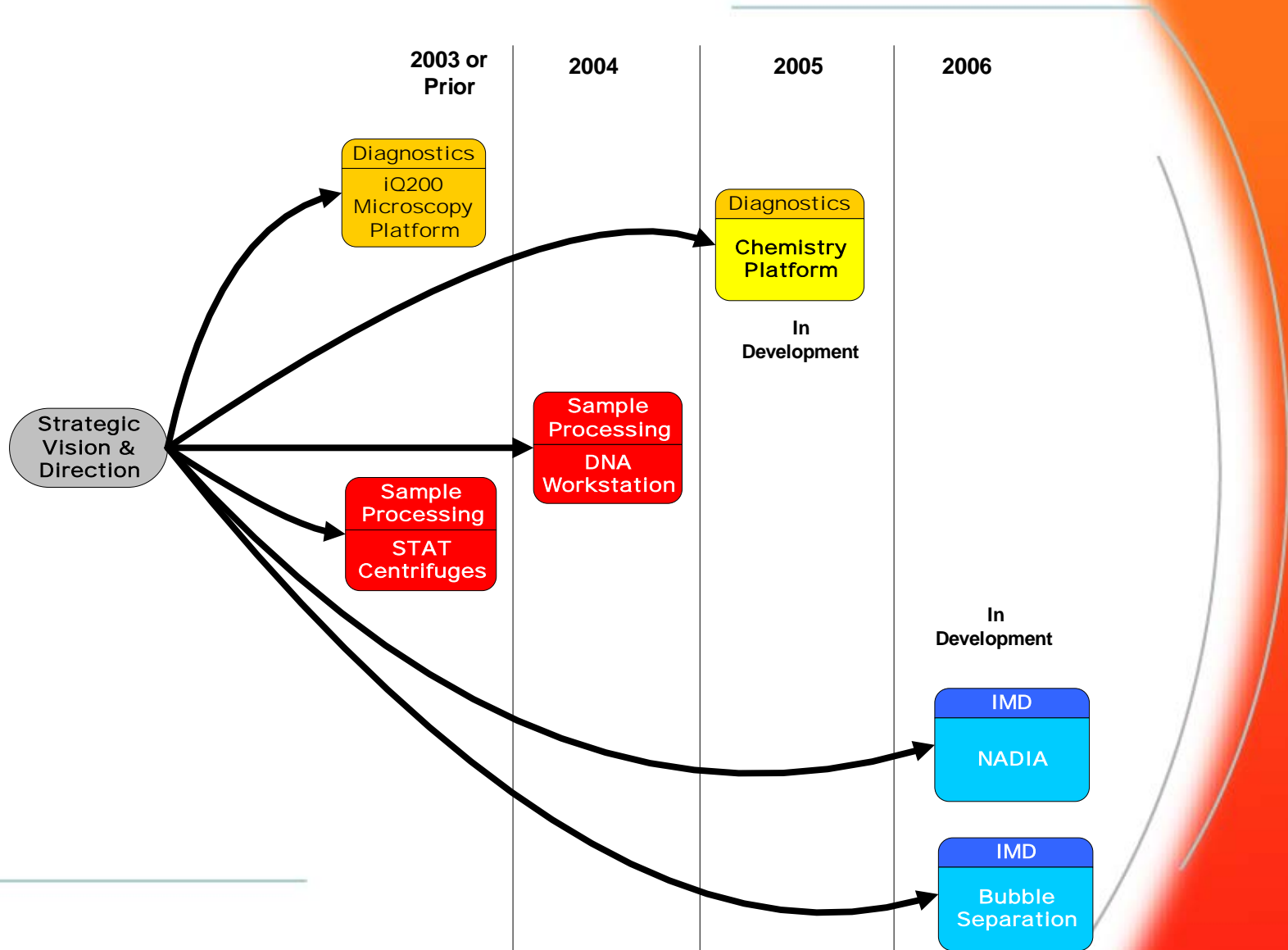
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Building Our Future On A Solid Foundation

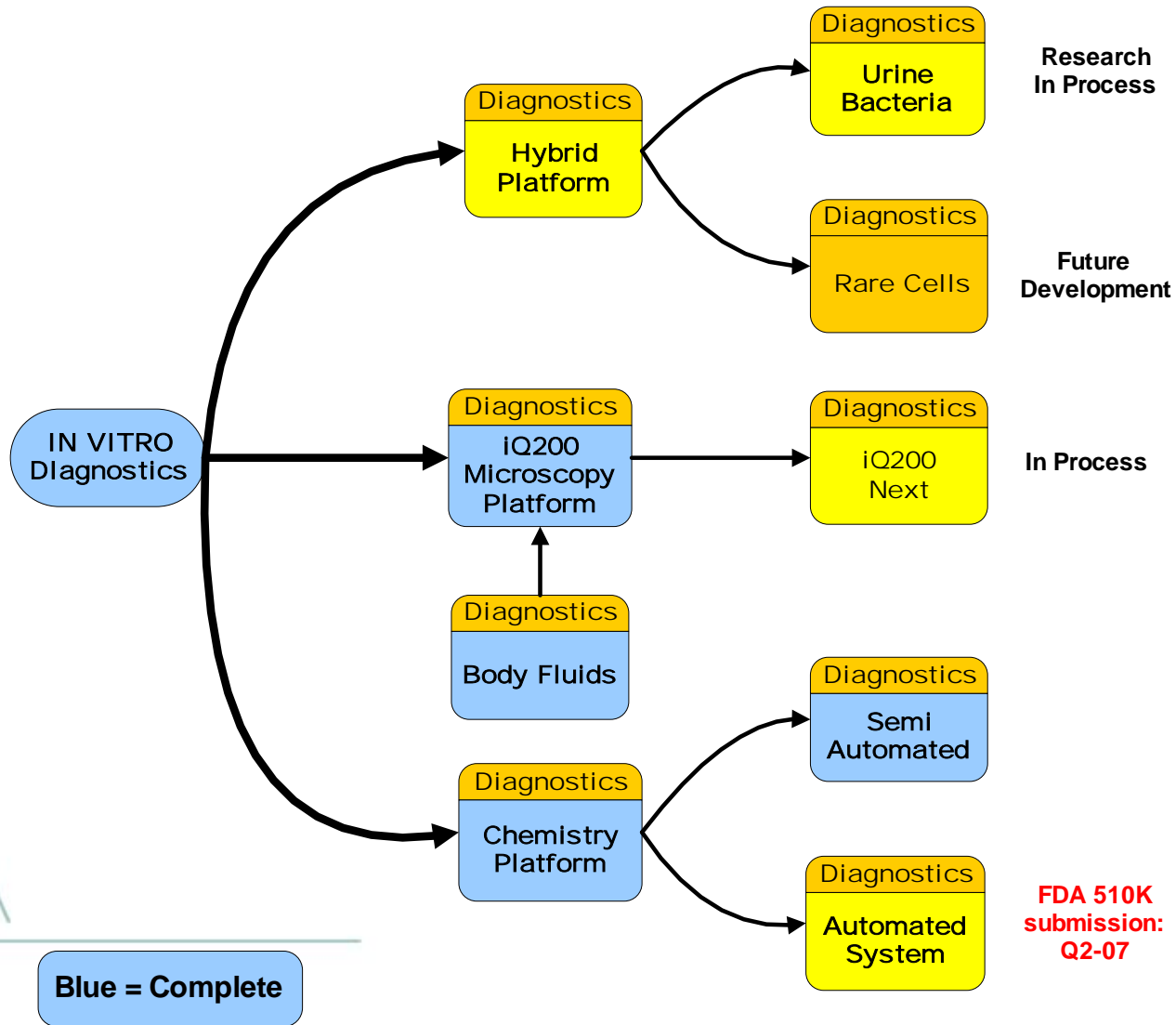


Our Technology Platforms



Diagnostics R&D Pipeline

As of 07.31.06



IRIS Chemistry Program Opens New Doors

IRIS is the market leader in automated urine chemistry in the US

Products	%	\$ MM/ Year				Iris Market Share 2005	
		End-User	Mfg'r Level	USA	EX - US	USA	EX-US
Fully Automated	22%	\$110	\$83	\$28	\$55	44%	
Semi-Automated	21%	\$107	\$80	\$27	\$54		2%
Small CLIA Waived	10%	\$50	\$37	\$12	\$25		
Visual	47%	\$234	\$176	\$59	\$117		1%
		\$501	\$375	\$125	\$250		

~\$350MM Incremental Market Opportunity



Molecular Diagnostics Update

As of 07.31.06

- **NADIA PSA**
 - On schedule for FDA submission by Q4-06
 - Initiated contact with major clinical reference labs
 - Market opportunity:
 - 200,000 prostatectomies per year in US
 - \$40 million potential US market
 - Target: a market niche with no competition
 - Market introduction: Second-half 2007
- **Bacteria Program**
 - Progressing per schedule
 - Staff and resources in place to execute the plan
 - Target completion date for the “bubble-cocktail”
 - June 2007



IMD Product Pipeline

Test	Indication	Expected FDA Submission
PSA	Monitoring PSA levels after prostatectomy	File 510(k) in 2006
Isolation Technology - Bacteria and Yeast	Urinary tract infections	Collaborative program with Iris Diagnostics
Isolation Technology - Circulating Epithelial Cells	Detection of epithelial cells	File PMA in 2007
HIV Viral Load	Monitoring HIV Viral Load during anti-retroviral therapy	File PMA in 2008
Her-2/neu	Monitoring breast cancer after mastectomy/lumpectomy	File PMA in 2009



Summary

- Plan in action to accelerate domestic growth in 2006
- 2006 is an investment year necessary to achieve record revenues and earnings in 2007 and beyond
- Guidance incorporates significant revenue and earnings improvement during second half 2006
- Implementing THE COMPLETE URINALYSIS SOLUTION
- Increased ability to serve all segments of the urinalysis market (small, medium & large)
- Approaching 1,000th iQ200 unit shipment
- New product development programs on target
- IRIS IVD market opportunity approaching \$2.0 billion
- Cash growing to \$20 million and ~\$ 20 million on NOL



Thank You

