



Earnings Call
4th Quarter 2010 & Full Year
February 28, 2011

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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, 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; regulatory clearances of new 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 financial results presented are subject to change pending the filing of the Company's Annual Report on Form 10-K for the period ended December 31, 2010. 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.

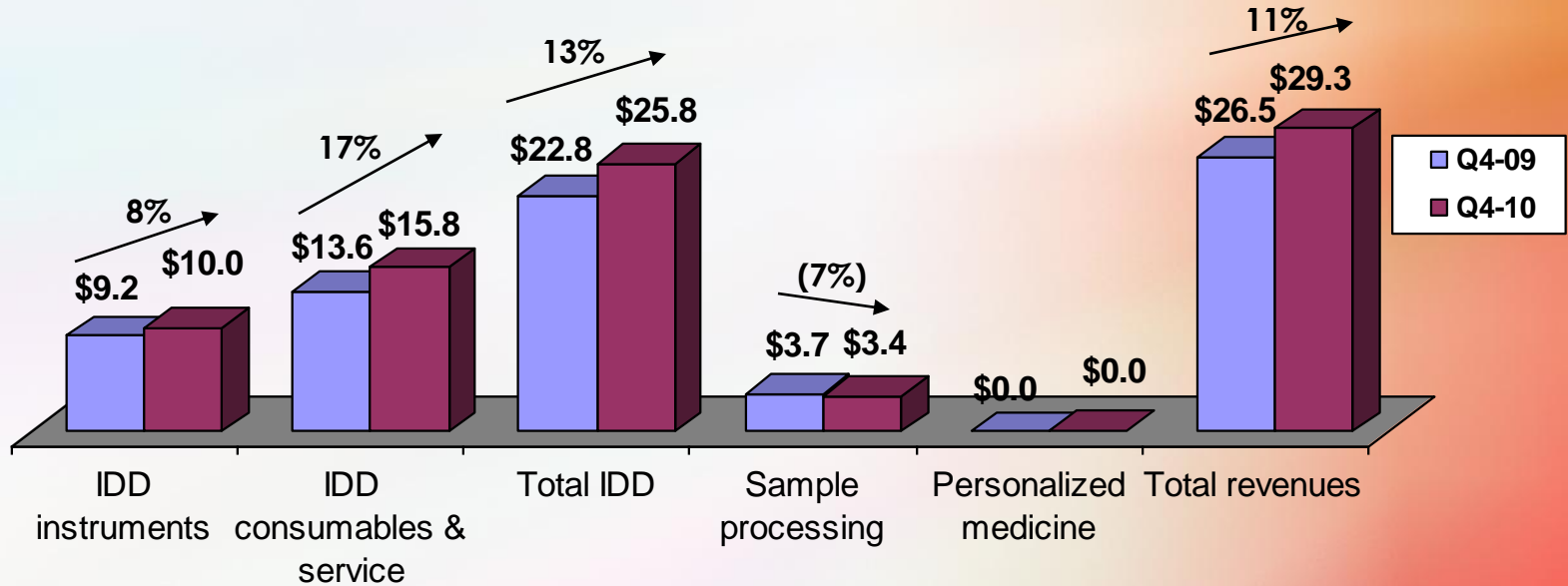
Financial Summary Q4-10 & FY-10

Earnings Conference Call

February 28, 2011

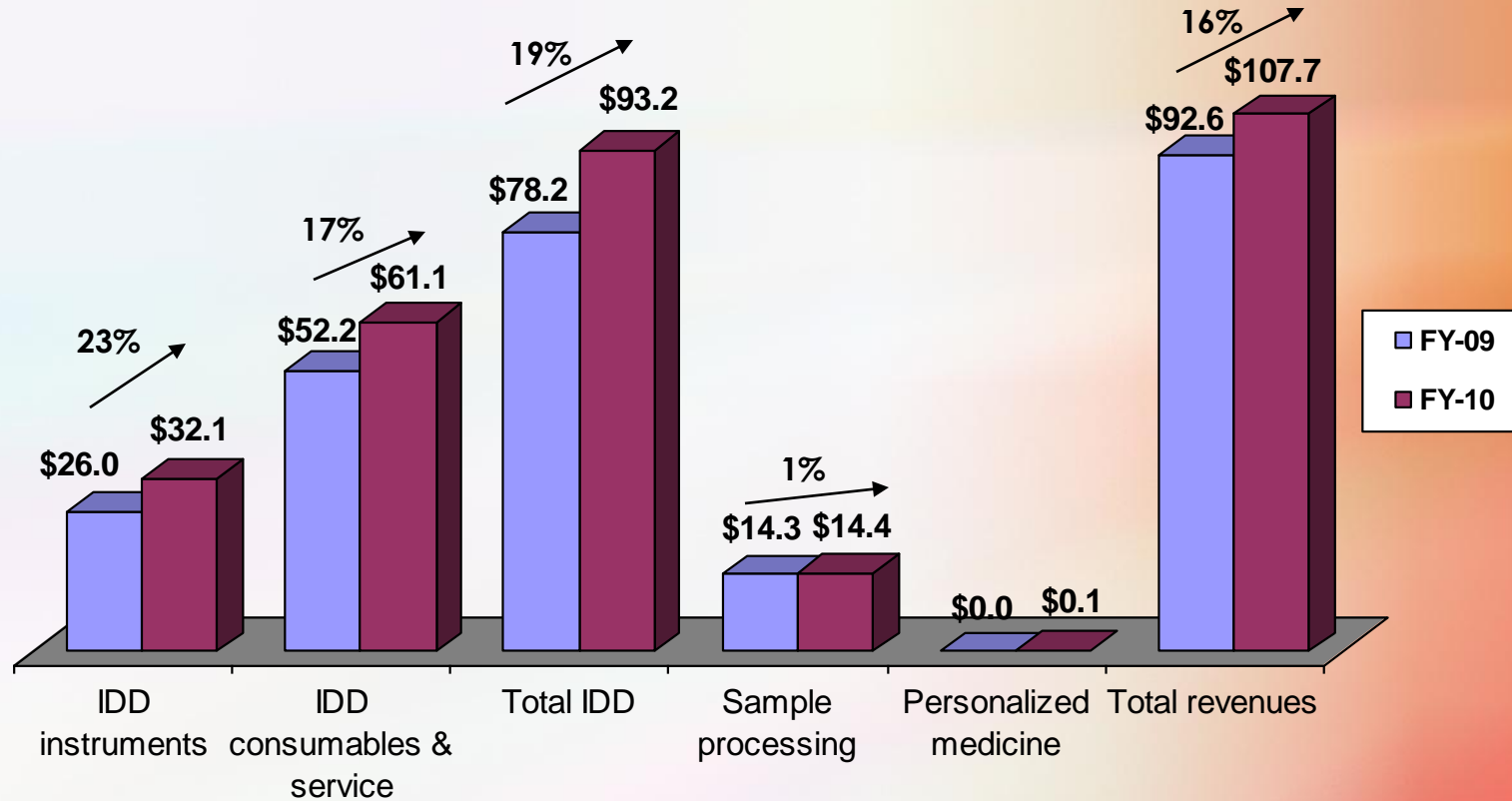
Revenue: Q4-10 vs. Q4-09

\$ in millions

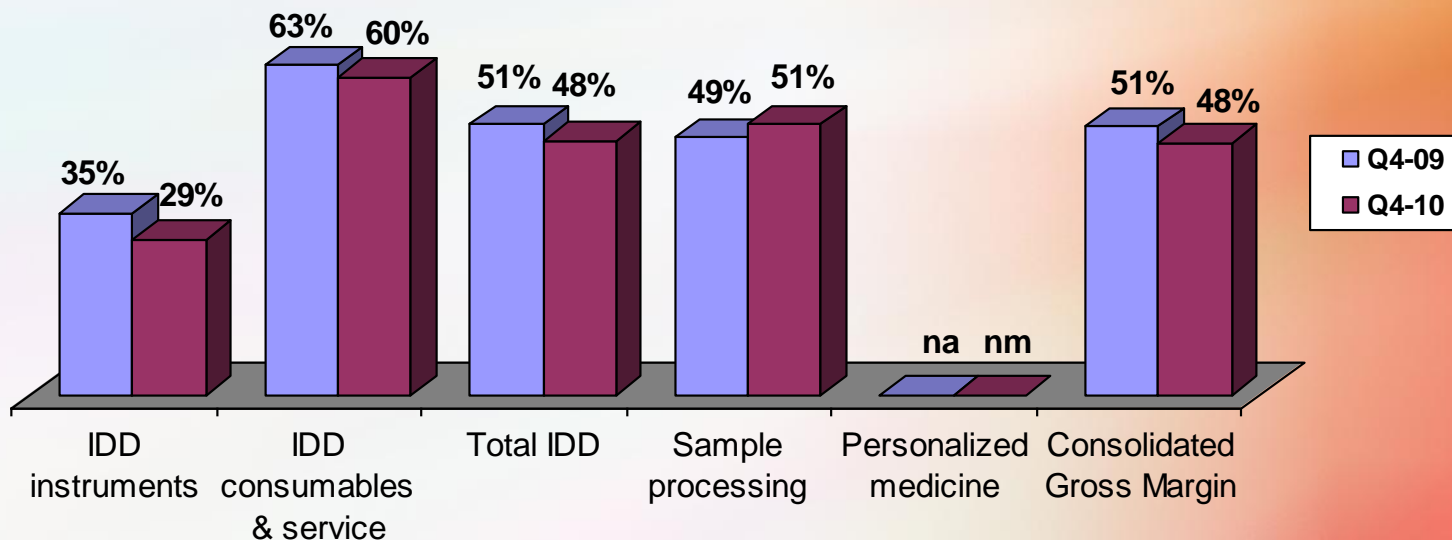


Revenue: FY-10 vs. FY-09

\$ in millions

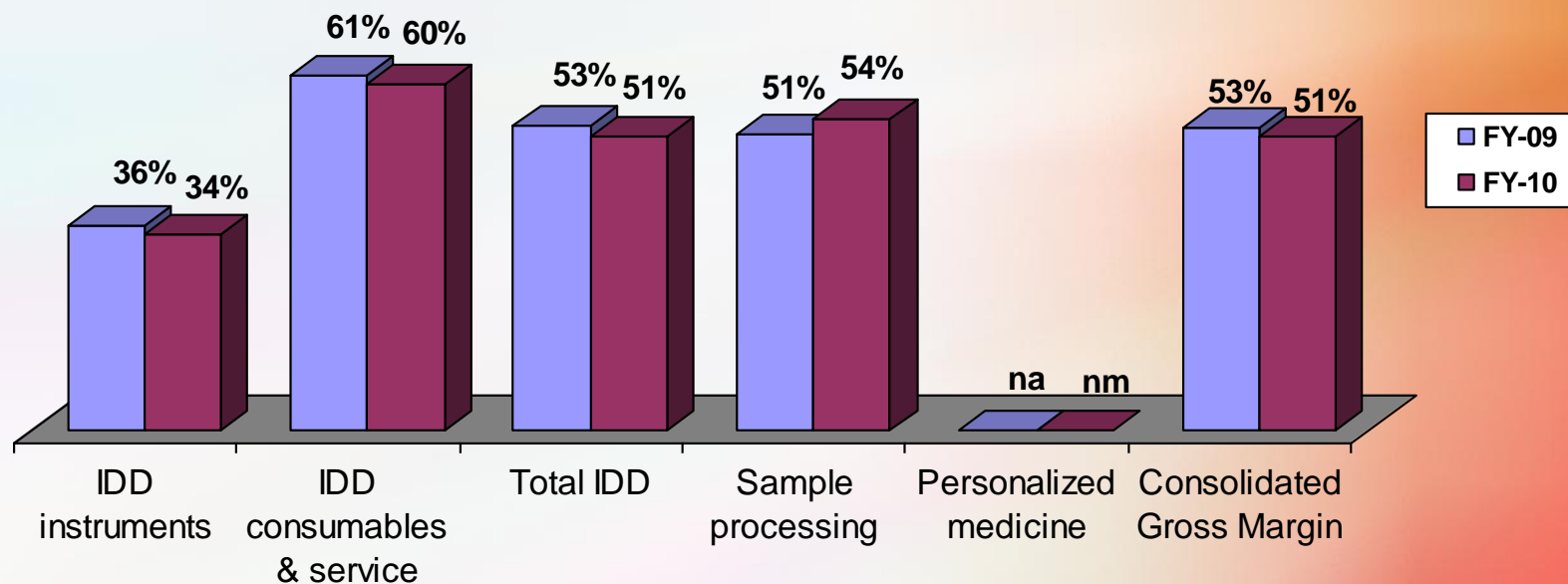


Gross Margin: Q4-10 vs. Q4-09



Premium price on final purchase of instruments sourced in Japan impacted IDD instruments gross margins by **8%** and consolidated gross margins by **3%**

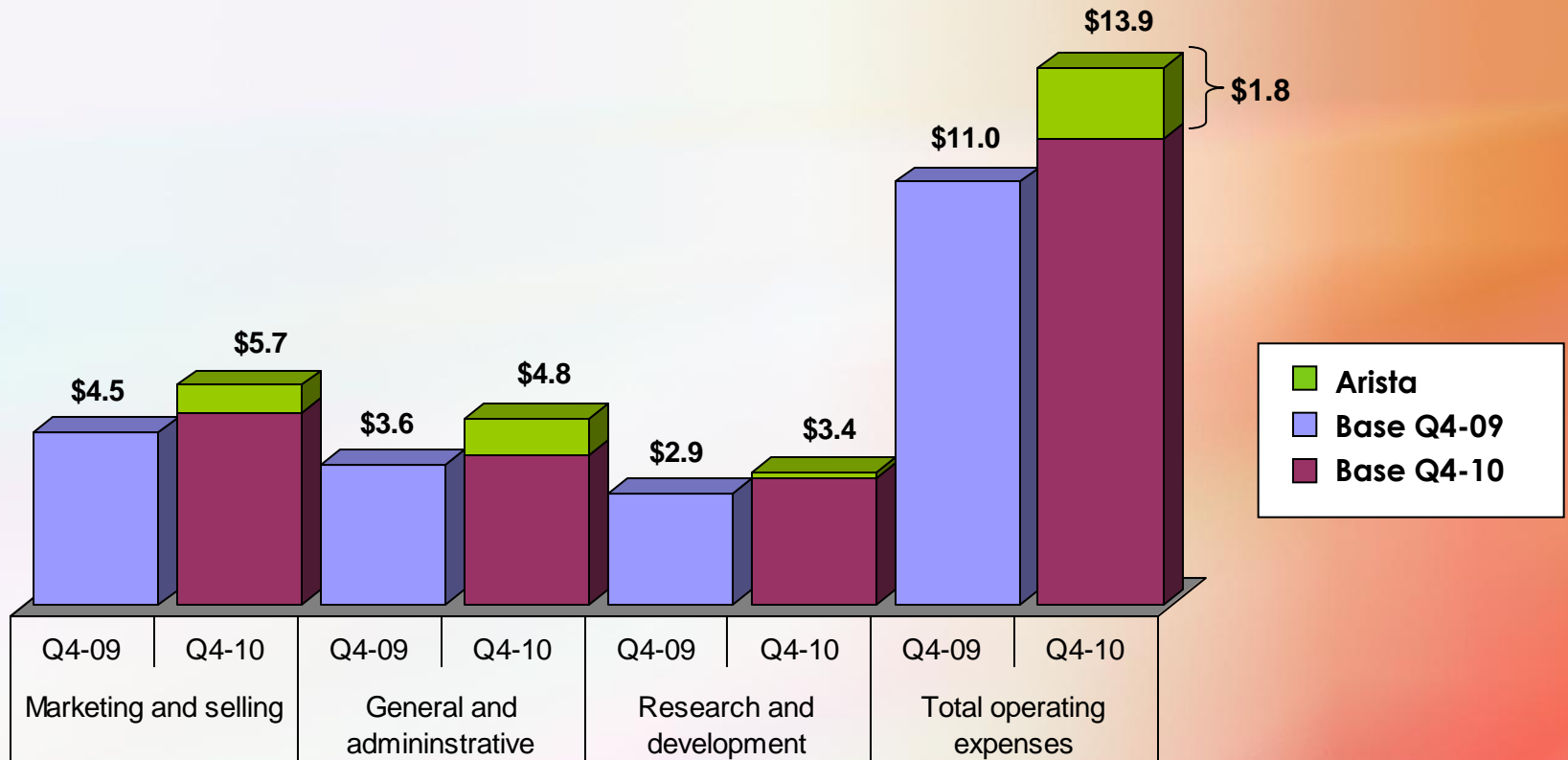
Gross Margin: FY-10 vs. FY-09



Premium price on final purchase of instruments sourced in Japan impacted IDD instruments gross margins by **2.5%** and consolidated gross margins by **0.7%**

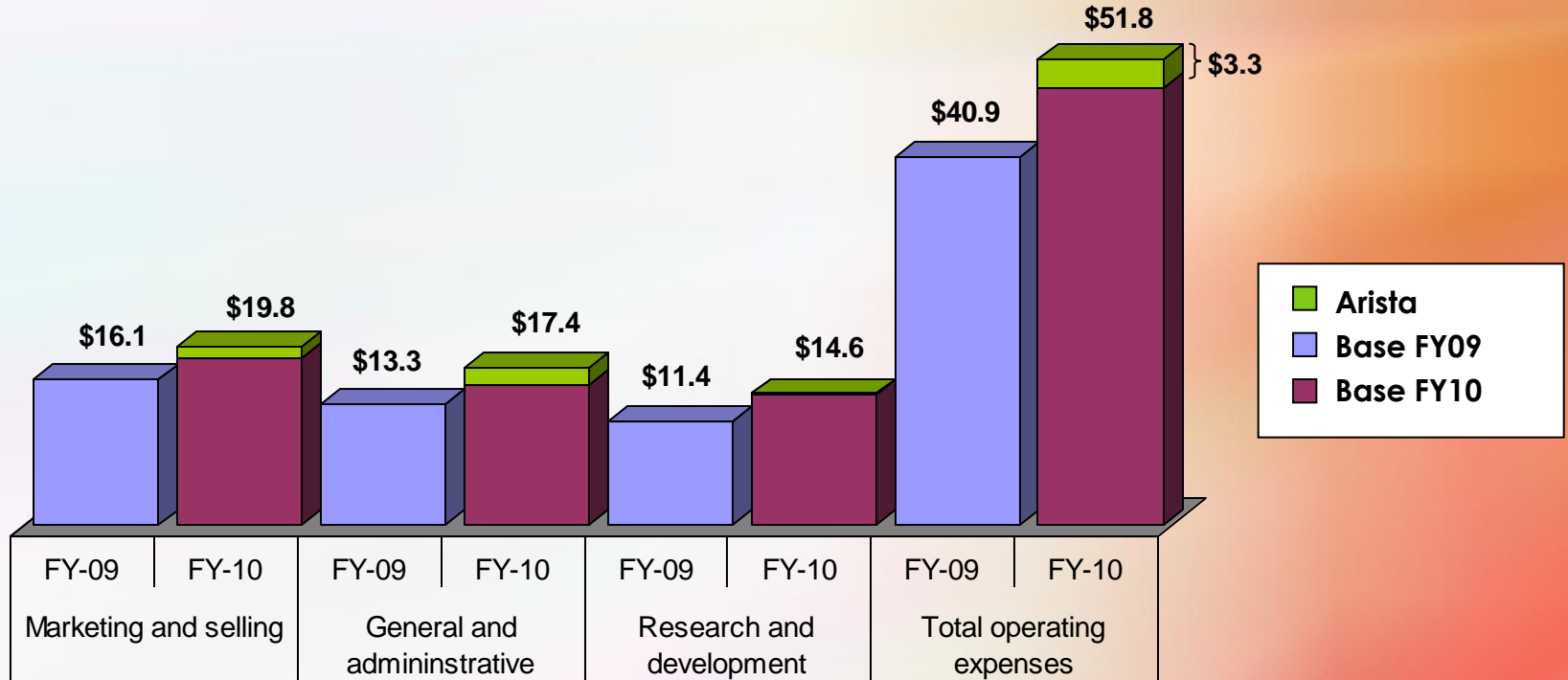
Operating Expenses: Q4-10 vs. Q4-09

\$ in millions



Operating Expenses: FY-10 vs. FY-09

\$ in millions



Q4-10 vs. Q4-09 P&L (GAAP)

\$ in thousands, except per share amounts

	<u>Q4-10</u>	<u>Q4-09</u>
Total Revenues	\$29,277	\$26,463
Base Gross Profit	14,202	13,455
Arista Gross Profit	(225)	0
Gross Profit	13,977	13,455
<i>Gross Margin</i>	47.7%	50.8%
Base Operating Expenses	12,080	10,952
Arista Operating Expenses	1,846	0
Total Operating Expenses	13,926	10,952
Operating Income	51	2,503
<i>Operating Margin</i>	0.2%	9.5%
Other Income (Expense)	3	244
Pretax Income	54	2,747
<i>Tax Rate</i>	NM	29.7%
Taxes	(398)	815
Net Income	\$452	\$1,932
Diluted Shares Outstanding	17,847	17,995
GAAP EPS	\$0.03	\$0.11

FY-10 vs. FY-09 P&L (GAAP)

\$ in thousands, except per share amounts

	<u>FY-10</u>	<u>FY-09</u>
Total Revenues	\$107,672	\$92,566
Base Gross Profit	55,258	48,665
Arista Gross Profit	(372)	0
Gross Profit	54,886	48,665
<i>Gross Margin</i>	51.0%	52.6%
Base Operating Expenses	48,332	40,854
Arista Operating Expenses	3,446	0
Total Operating Expenses	51,778	40,854
Operating Income	3,108	7,811
<i>Operating Margin</i>	2.9%	8.4%
Other Income (Expense)	1,022	894
Pretax Income	4,130	8,705
<i>Tax Rate</i>	26.4%	28.2%
Taxes	1,088	2,454
Net Income	\$3,042	\$6,251
Diluted Shares Outstanding	18,019	17,874
GAAP EPS	\$0.17	\$0.35

Balance Sheet

\$ in thousands

	<u>Dec-10</u>	<u>Dec-09</u>
Current Assets:		
Cash and cash equivalents	\$25,531	\$34,253
Accounts receivable - net	20,733	17,715
Inventory - net	10,310	10,866
Other current assets	1,661	1,045
Investment in sales-type leases	3,578	3,397
Deferred tax assets-short term	3,135	4,238
Total Current Assets	64,948	71,514
Plant and equipment	12,035	9,667
Goodwill	3,957	2,450
Intangible Assets	9,345	1,454
Software development	2,637	2,534
Other assets	1,070	832
Investment in sales-type leases	10,002	7,441
Deferred tax assets-long term	2,615	1,898
Total Assets	\$106,609	\$97,790
Liabilities and Shareholder's Equity:		
Accounts payable	\$5,795	\$4,479
Accrued expenses	7,513	5,761
Deferred service income	3,205	2,328
Other LT liabilities	1,445	0
Total Liabilities	17,958	12,568
Shareholder's Equity	88,651	85,222
Total Liabilities & Shareholder's Equity	\$106,609	\$97,790

Cash Flow Statement

\$ in thousands

	<u>FY-10</u>	<u>FY-09</u>
Cash flows from operations		
Net income	\$3,042	\$6,251
Depreciation & amortization	4,164	3,523
Common stock & stock based comp.	4,157	3,729
Loss on foreign currency remeasurement	155	0
Change in operating assets & liabilities	(2,488)	(920)
Other	(275)	(524)
Net cash provided by operations	<u>8,755</u>	<u>12,059</u>
Cash flows from investing		
Acquisitions of Arista Molecular	(4,630)	0
Purchase of assets from European distrutor	(660)	0
Acquisition of Lab Assistant ⁽¹⁾	(3,284)	0
Capex	(4,564)	(2,905)
Software development capitalization	(754)	(835)
Sale of short-term investment	0	2,157
Net cash used in investing	<u>(13,892)</u>	<u>(1,583)</u>
Cash flows from financing		
Repurchase of common stock	(3,320)	(2,679)
Other	131	1,866
Net cash used in financing	<u>(3,189)</u>	<u>(813)</u>
Net FX translation adjustments	(396)	145
Net increase (decrease) in cash	<u>(8,722)</u>	<u>9,808</u>
Cash at the beginning of the year	34,253	24,445
Cash at the end of the year	<u>\$25,531</u>	<u>\$34,253</u>

(1) Bench-Top Instrument Platform For Automating Fish Testing and Other Cytogenetic Applications.

Reconciliation of GAAP Net Income to Adjusted Net Income

\$ in thousands, except per share amounts

	For the three months ended December 31, 2010			For the twelve months ended December 31, 2010		
	<u>Pretax amount</u>	<u>After tax amount</u>	<u>Per Diluted Share</u>	<u>Pretax amount</u>	<u>After tax amount</u>	<u>Per Diluted Share</u>
GAAP Net Income		\$452	\$0.03		\$3,042	\$0.17
<u>Reconciling items:</u>						
Arista acquisition related costs	-	-	-	\$525	386	0.02
CFO severance & related transition costs	\$244	180	0.01	923	679	0.04
Premium priced instruments from Japan	800	589	0.03	800	589	0.03
Foreign currency loss (gain)	742	546	0.03	1,088	801	0.04
Adjusted net income		<u>\$1,766</u>	<u>\$0.10</u>		<u>\$5,497</u>	<u>\$0.31</u>

2011 Guidance

As of 02.28.11

- Revenue: \$117 - \$123 million
 - Represents 10%-15% growth over 2010
 - Arista Molecular revenue between \$2M - \$4M
- EPS: \$0.19 - \$0.21
 - Dilutive impact of \$0.20-\$0.25 from Arista Molecular acquisition, losses more skewed to Q1 & Q2
- R&D Expense:
 - Approximately 14% of revenue
- NADiA ProVue revenue and launch costs not included

Business Overview

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2010 Results / Major Accomplishments

- Achieved record revenue in the fourth quarter and for the year
 - \$107.7 million in 2010, a 16% increase over 2009
 - \$29.3 million in 4Q10, an 11% increase versus 4Q09
 - 8% growth in IDD instruments and 17% growth in IDD consumables and service
 - 7% decrease in ISP revenue due to lower OEM sales
- 4Q10 EPS affected by:
 - Increased expenses in personalized medicine segment (-\$0.09)
 - Higher cost of Japanese chemistry instrument (-\$0.03)
 - Foreign currency fluctuations (-\$0.03)
 - Full effect of R&D tax credit realized in the fourth quarter (+\$0.04)
- Awaiting two important 510(k) applications pending clearance
 - NADiA ProVue - submission April 28, 2010
 - iChem VELOCITY and iRICELL – submission June 30, 2010
- Completed three acquisitions in 2010
 - Direct sales operations in UK and Germany
 - Entered the personalized medicine market with emphasis in cancer treatment with acquisition of high complexity CLIA laboratory
 - Automated benchtop instrument for FISH and other applications
- Re-organized and hired heads of IDD R&D, VP Hematology R&D, Corporate Regulatory Affairs, Arista President, CMO, etc.

Expansion into High Value Markets

IRIS INTERNATIONAL, INC.

Core Business

Urinalysis

Sample Processing

Emerging Cancer Diagnostics

NADiA Technology

Molecular Laboratory

**Automated FISH
Instrumentation**

3GEMs Advanced Hematology

Core Business: Urinalysis



Morphology & Related Products

Current Products

- Urine microscopy (w/chemistry or standalone)
 - iQ series
- Urine chemistry
 - iChem VELOCITY
 - iChem100
- Body fluids module
- Related consumables and service



- Growing installed base with over 3,000 iQs shipped since launch
 - 470 iQ units sold in 2010, an increase of 18% over 2009
- Strong momentum in 2010 having record sales performance for the quarter and year
- Recurring revenue of consumables and service comprised 66% of total IDD revenues
 - CAGR of 20% since 2004
- Successful launch of iRICELL PLUS and Pro
- Launched Synovial Fluids as apart of our new Body Fluids (BF) Module
- iChem Velocity enables new iRICELL integrated workstation on a global basis
 - Launched in select international markets
 - Pending 510(k) clearance in the US



Core Business: Product Pipeline



3GEMs platform – Third Generation Morphology

- 3GEMs Urinalysis
 - Next generation image and chemistry based urinalysis instrument
 - With advances in electronics and optics, expect to improve clinical utility
 - Concept design completed with first prototypes expected this year
- 3GEMs Hematology
 - Significant market opportunity of approximately \$2.1 billion
 - Image based, automated morphology analysis
 - Expanded hematology panel to identify immature white cells
 - Development status
 - Entered agreement with development partner for CBC module
 - Reached feasibility for expanded differential

Molecular Diagnostics: NADiA Technology Platform

Prostate Cancer

NADiA® ProsVue™

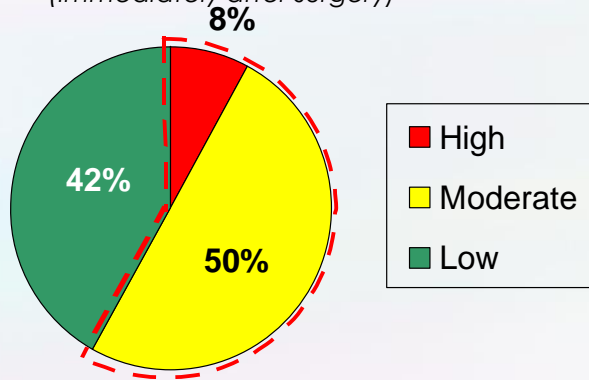
Monitor prostate cancer post-prostatectomy

- Presented ProsVue clinical study data at ASCO GU
 - Study evaluated the slope of three successive ProsVue™ tests to identify prostate cancer patients with no evidence of disease or clinical progression
 - Included 392 post-radical prostatectomy patients with PSA levels below 100 pg/mL (below limit of detection of most cleared assays)
 - Patients with ProsVue slope equal to or less than 2.0 pg/mL per month expected to have low risk of cancer recurrence
 - Initial median value for stable patients of 2.7 pg/mL with ProsVue, undetectable by the most sensitive FDA cleared assays
 - NPV of 95.2% (proportion of patients correctly identified as stable) and PPV of 81.4%
 - Sensitivity of 75.0% and specificity of 96.6%
- Submitted additional data request for 510(k) application
- Upon 510(k) clearance expected to be offered exclusively through our CLIA laboratory, Arista Molecular

Personalized Medicine

NADiA *ProsVue* Value Proposition

Post RP Risk Stratification ⁽¹⁾
(Immediately after surgery)



BCR Relapse Rate (5.3 yrs) ⁽¹⁾

	BCR Relapse	No BCR Relapse
High	63%	37%
Moderate	23%	77%
Low	5%	95%

Follow-up treatment likely unnecessary

- Overtreatment of prostate cancer patients is prevalent as current tools do not provide clear results on who will benefit from therapy
- ProsVue is expected to be a significant aid to improve patient treatment
 - Ability to identify patients with low risk of recurrence who would not benefit from follow-up therapy
- ProsVue US market opportunity
 - 85,000 radical prostatectomies annually
 - Primary: Approx. 49,000 will be categorized moderate and high risk
 - Secondary: Pool of approx. 250,000 men who had an RP in past five years and are moderate and high risk



(1) Pound Study, *The Journal of the American Medical Association*, May 5, 1999.

Personalized Medicine

Molecular Diagnostics: NADiA Technology Platform

HIV

NADiA HIV Viral Load

Monitor anti-retroviral therapy

- NADiA p24 expected to have better sensitivity as there are 2,000 molecules of p24 per virion and only 2 RNA molecules per virion
- Ability to see viral load trend at current undetectable levels
- HIV p24 feasibility demonstrated with analytical sensitivity of approximately one femtogram
- Pursuing licensing partner as assay as does not fit with oncology focus of personalized medicine division

Cancer Progression

NADiA + Bubble Isolation Technologies

- Target markers for lung and prostate cancer progression and others
- Low concentration ranges of 100 fg/ml to 10,000 fg/ml (10 pg/mL)

Circulating Epithelial Cells (CECs)

- Isolate CECs by bubble isolation
- Detection limit < one cell
- Monitor relapse and therapeutic response
- Detect HER2, ER and PR

Personalized Medicine

AristaTM
molecular

ANSWERS BEYOND RESULTS

Personalized Medicine

Arista Molecular

- CLIA-certified lab
- Molecular diagnostic disease panels
- Differentiated service
 - Rapid turn-around times
 - Personalized test reports
 - Educational component
 - Digital pathology system



- Acquired an early-stage high-complexity laboratory in July 2010 which offers high value personalized medicine testing services
 - Markets high-value tests to community-based pathology labs and hospitals
 - Partnerships allow pathology labs to expand their test menu and increase market share
- Expanded test menu of Arista since acquisition
 - Molecular pathology (lung, colon and breast), Flow cytometry (hematological cancers), FISH and NADiA ProsVue upon 510(k) clearance
- Increasing sales force from current five to ten in 2011
 - Ability to recruit top salespeople with significant experience in the segment
- Positive trends in industry with recent acquisition activities

Iris[®]
IRIS International, Inc.

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Summary

- IDD's business model with recurring consumables and service in urinalysis provides stability and a solid revenue base
- Awaiting key regulatory clearances for iChemVELOCITY and ProsVue
- Completed three acquisitions in 2010
 - Direct sales operations in UK and Germany
 - Automated benchtop instrument for FISH and other applications
 - High complexity CLIA-certified laboratory, Arista Molecular, for a direct commercial channel for NADiA in the personalized medicine segment
- Diversified product pipeline with innovative products shifting current laboratory practices and offering higher value testing
 - NADiA molecular platform
 - 3GEMs hematology



Q & A