



Earnings Call

Fourth Quarter and Full-Year 2009

03.01.10

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President, Iris Diagnostics

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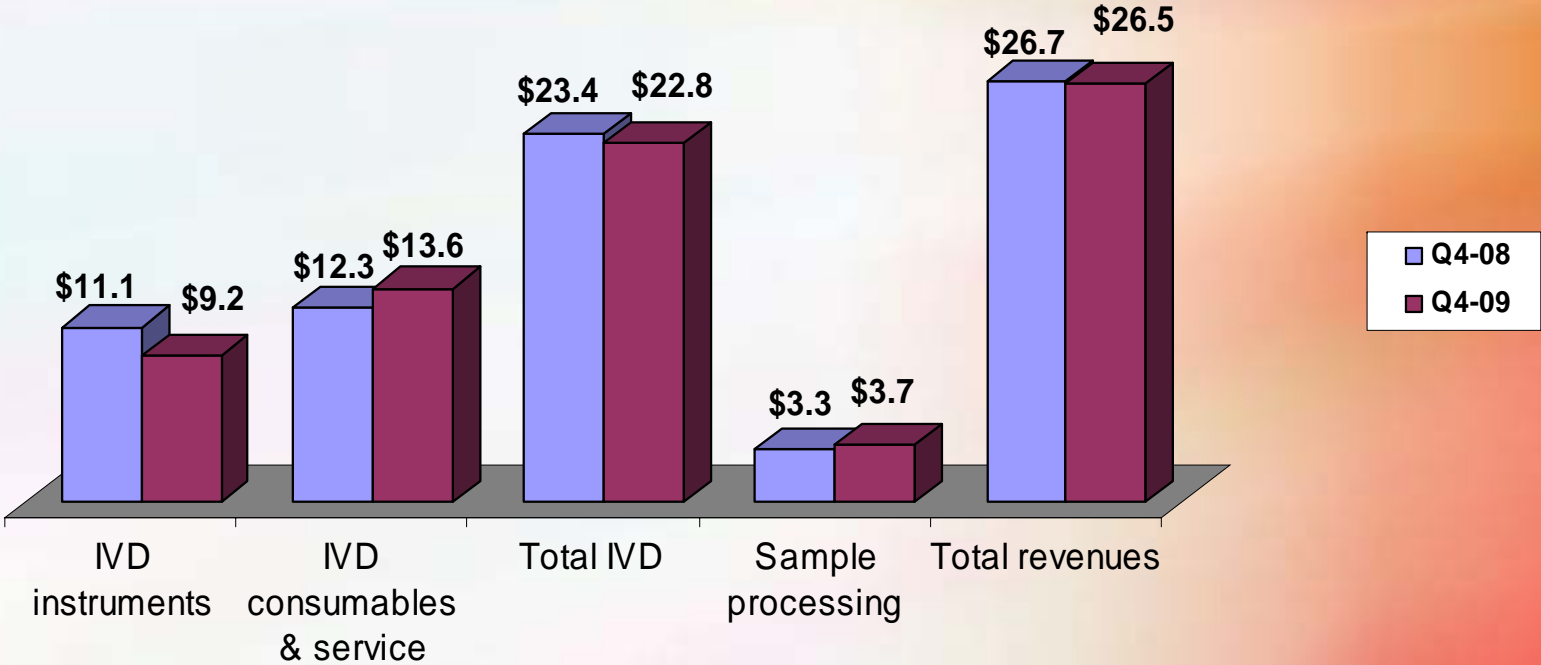
Safe Harbor Provision

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; 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.

Financial Summary

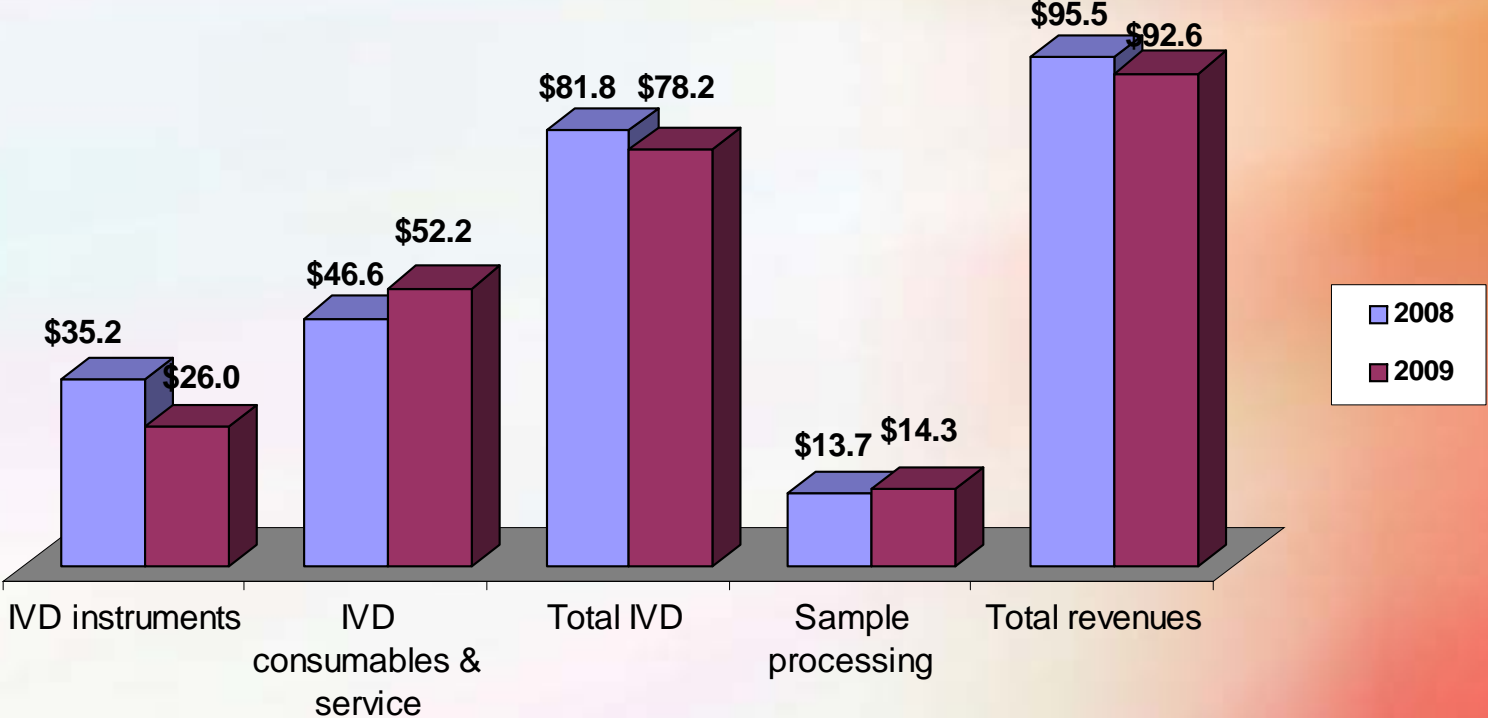
Revenue – Q4-08 vs. Q4-09

\$ in millions

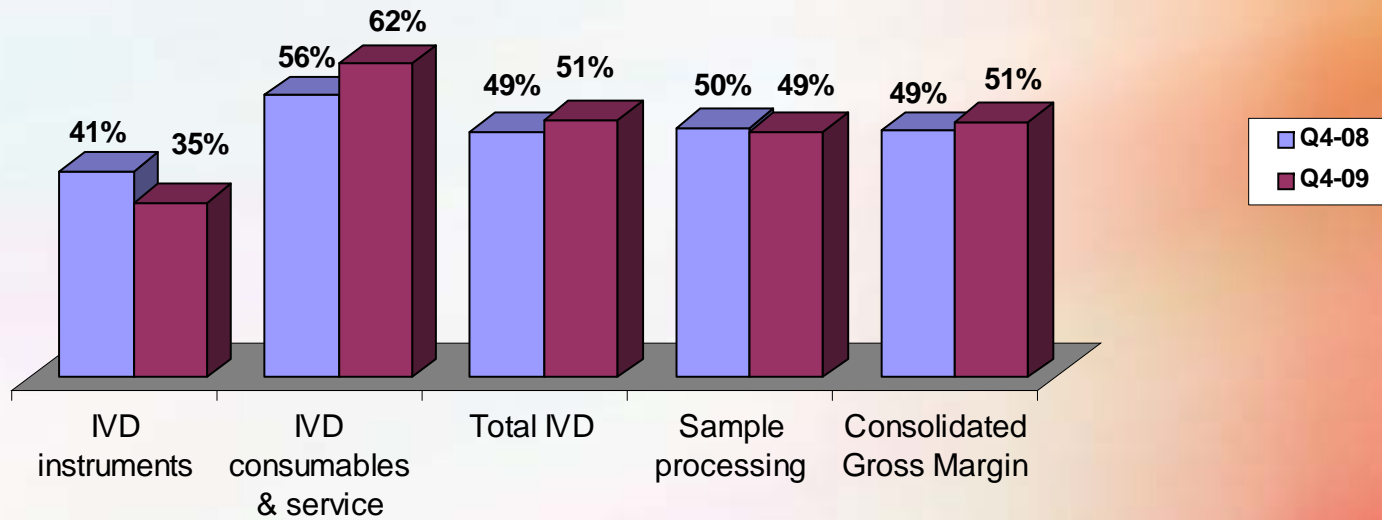


Revenue – 2008 vs. 2009

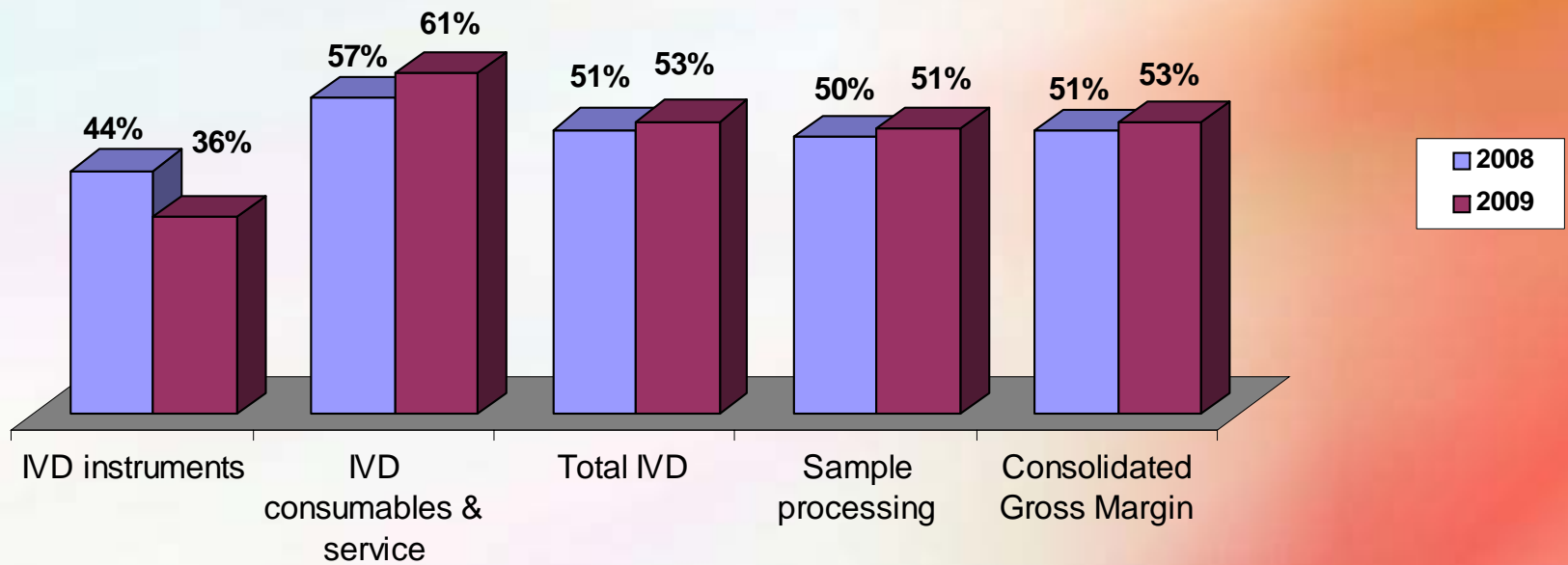
\$ in millions



Gross Margin – Q4-08 vs. Q4-09

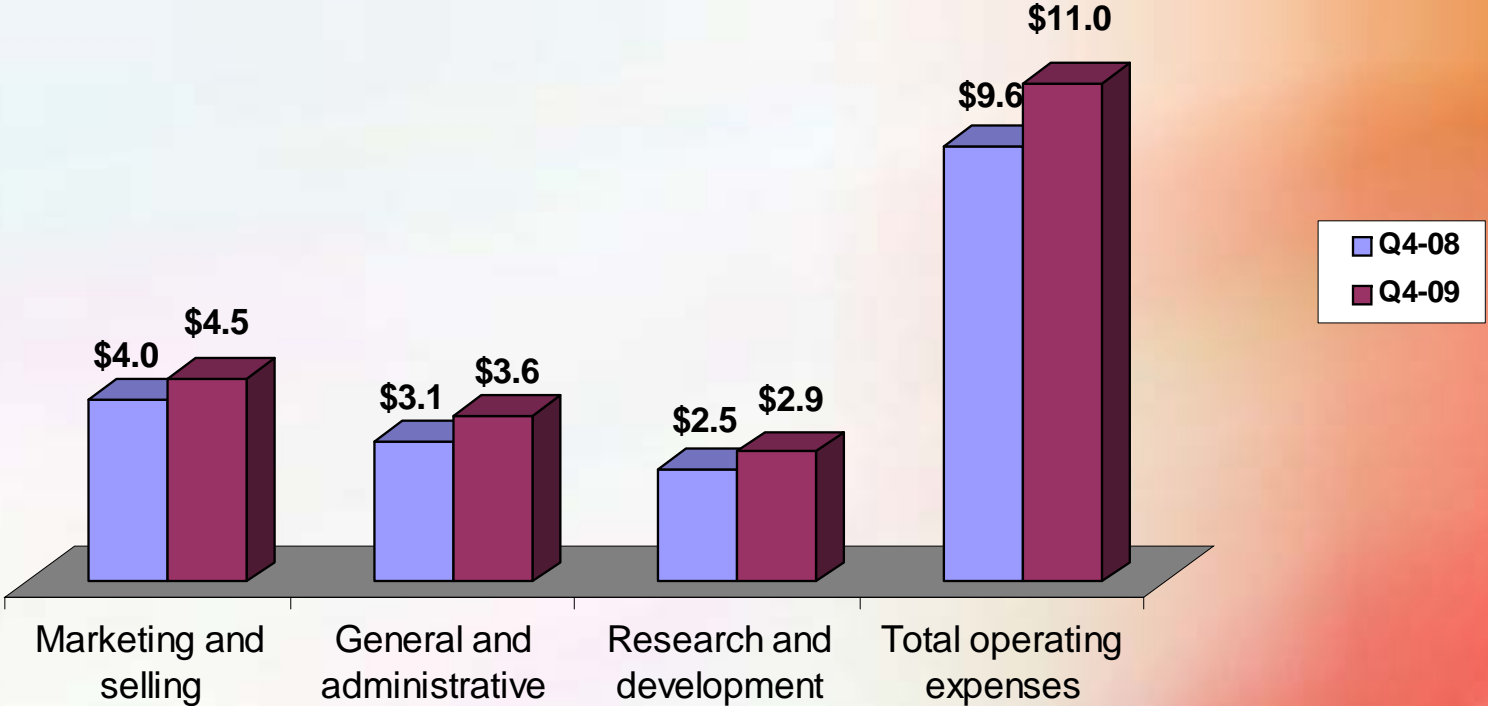


Gross Margin – 2008 vs. 2009



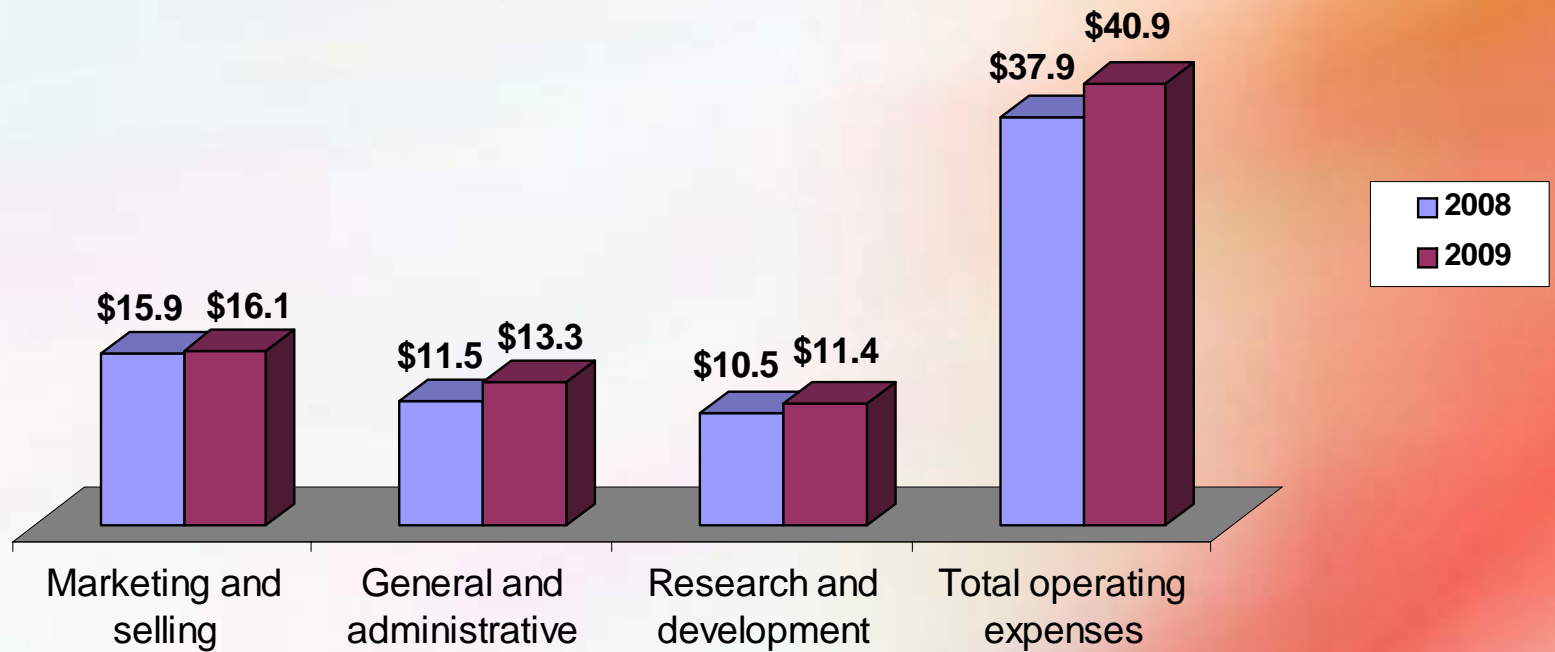
Operating Expenses – Q4-08 vs. Q4-09

\$ in millions



Operating Expenses – 2008 vs. 2009

\$ in millions



Q4-08 vs. Q4-09 P&L (GAAP)

\$ in thousands, except per share amounts

	<u>4Q08</u>	<u>4Q09</u>
Total Revenues	\$26,688	\$26,462
Gross Profit	13,082	13,457
<i>Gross Margin</i>	<i>49.0%</i>	<i>50.9%</i>
Total Operating Expenses	9,575	10,951
Operating Income	3,507	2,506
<i>Operating Margin</i>	<i>13.1%</i>	<i>9.5%</i>
Pretax Income	5,069	2,748
<i>Tax Rate</i>	<i>33.5%</i>	<i>29.0%</i>
Taxes	1,700	798
Net Income	<u>\$3,369</u>	<u>\$1,950</u>
Diluted Shares Outstanding	18,480	17,995
GAAP EPS	\$0.18	\$0.11



2008 vs. 2009 P&L (GAAP)

\$ in thousands, except per share amounts

	<u>2008</u>	<u>2009</u>
Total Revenues	\$95,502	\$92,566
Gross Profit	48,828	48,665
<i>Gross Margin</i>	<i>51.1%</i>	<i>52.6%</i>
Total Operating Expenses	37,861	40,854
Operating Income	10,967	7,811
<i>Operating Margin</i>	<i>11.5%</i>	<i>8.4%</i>
Pretax Income	13,376	8,705
<i>Tax Rate</i>	<i>32.6%</i>	<i>28.0%</i>
Taxes	4,363	2,437
Net Income	<u>\$9,013</u>	<u>\$6,268</u>
Diluted Shares Outstanding	18,728	17,874
GAAP EPS	\$0.48	\$0.35

Balance Sheet

\$ in thousands

	<u>Dec-08</u>	<u>Dec-09</u>
Current Assets		
Cash and cash equivalents	\$26,602	\$34,253
Accounts receivable	20,261	17,716
Inventories	9,957	10,867
Other current assets	2,512	1,045
Investment in sale-type leases-short term	3,204	3,397
Deferred tax assets-short term	3,727	4,238
Total Current Assets	<u>66,263</u>	<u>71,515</u>
Plant and equipment	9,678	9,667
Goodwill	3,994	3,905
Software development	2,291	2,534
Other assets	644	831
Investment in sale-type leases-long term	5,957	7,441
Deferred tax assets-long term	1,811	1,898
Total Assets	<u><u>\$90,638</u></u>	<u><u>\$97,790</u></u>
Liabilities and Shareholder's Equity		
Accounts payable	\$6,299	\$4,479
Accrued expenses	6,475	5,761
Deferred service income	1,954	2,328
Total Liabilities	<u>14,728</u>	<u>12,568</u>
Shareholder's Equity	<u>75,910</u>	<u>85,222</u>
Total Liabilities and Shareholder's Equity	<u><u>\$90,638</u></u>	<u><u>\$97,790</u></u>



Impact of Revenue Shortfall & Unusual Costs in Q4-09 EPS

Cost Impact

	\$(K)
	Cost Impact
Start Up Cost for Direct Sales in UK & Germany	\$350
Express 4 Recall / Retrofit Costs	250
Payroll Tax Accrual on Exercise of Options	475
	<hr/>
	\$1,075
EPS Impact	\$0.04

Revenue Impact

	\$(K)
	Revenue
Deferral Of US Instruments Lease Revenue	\$500
	<hr/>
	\$500
EPS Impact	\$0.01

2010 Guidance Initiation

As of 03.01.10

- Revenue: \$100-\$104 million
 - (represents 8-12% growth over 2009)
- EPS: \$0.40-\$0.43 on 18,500 fully diluted shares
- R&D Expense:
 - Approximately 13% of revenue
- Marketing and Sales Expenses
 - \$2.5 million to support new international sales initiatives

Business Overview

Earnings Conference Call

Q4-09

2009 Corporate Overview

- (+++)
Consumables and Service revenue grew 12% vs 2008
- (+++)
Consolidated gross margin improved from 51% to 53% in spite of lower sales turnover
- (+)
Signed distribution partnership with Fujirebio covering urinalysis product line in Japan
- (+)
Sample Processing revenue grew 4%
- (---)
Capital crunch in the global markets resulted in 26% lower instrument sales in 2009 vs 2008
 - IVD instruments sales drop of \$9.2 million vs FY2008
 - At $\geq 40\%$ gross margin this translates into \$0.07 - \$0.10 per share depending on geographical mix
- (---)
Changes in the regulatory environment (FDA, etc.)
- (--)
iChem VELOCITY introduction – not smooth
 - Required \$1.2 million in retrofit cost and manufacturing cost variances but...
 - Distributors acceptance and instruments utilization improves significantly in 2H-09
- (-)
Key international distributors lose critical mass as a result of the consolidation of several IVD manufacturers (Siemens & DPC, Beckman-Coulter & Olympus)
 - IRIS decides to acquire distributors' assets in the UK and Germany to maintain and grow installed base impacting 2009 earnings by \$350K and requiring \$2.5 million in incremental commercial expenses 2010

Commercial Update

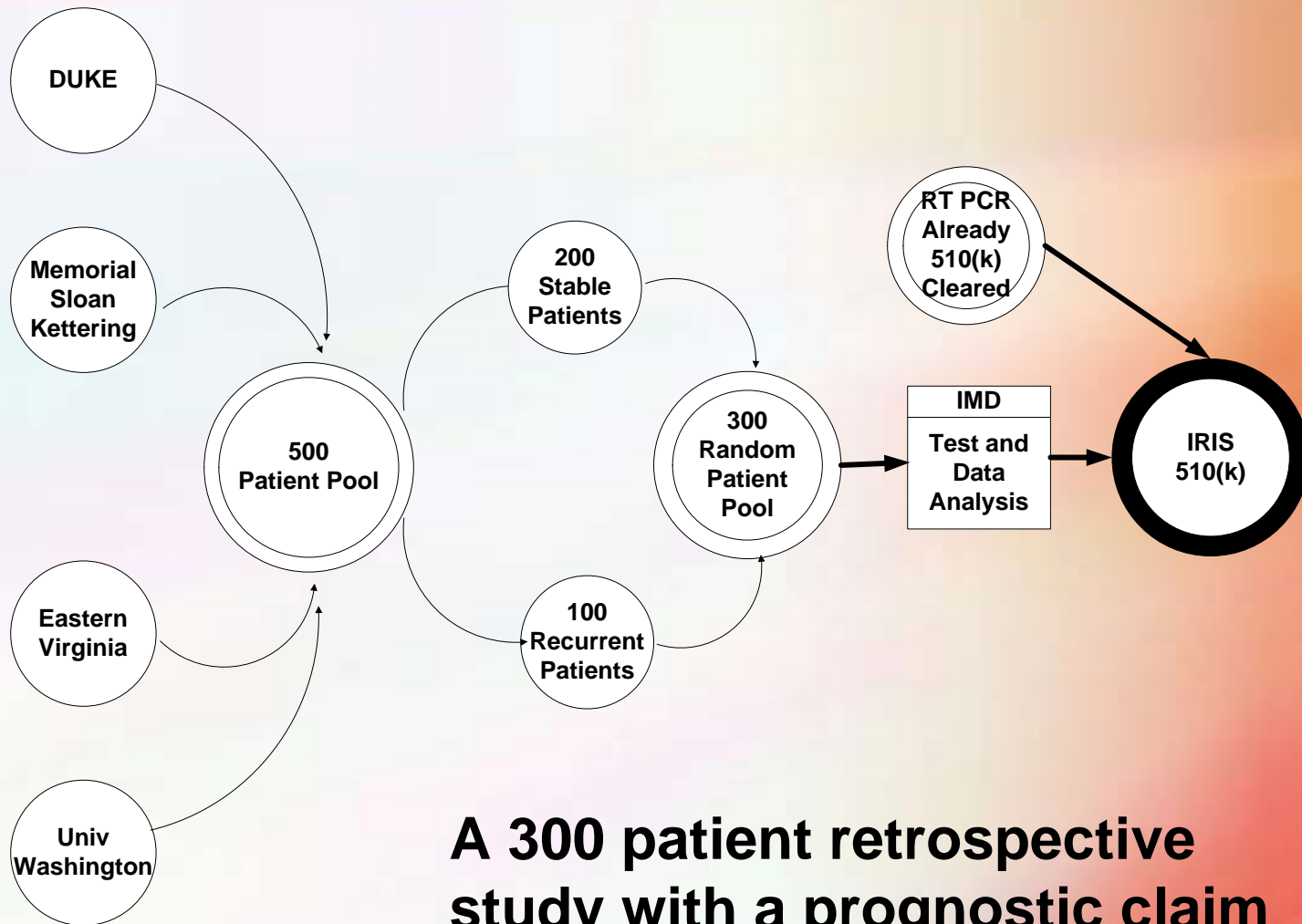
- **Expansion of International Direct Sales (2010) in Germany, UK & Ireland**
 - Acquisition of distributor's assets complete January 2010
 - Our direct distribution initiative requires \$2.5 million in incremental expenses to reinvigorate these under-performing territories
- **New distribution relationship in Japan & China**
 - China: Successfully transferred iQ200 product registration and iChem VELOCITY registration in process
 - Japan: iQ200 registration complete, iChem VELOCITY in process

Organization Re-Alignment

- VP, Sales Americas – October 09
- VP, R&D IVD – November 09
 - VP Hematology Product Development - October 09
 - Increase R&D staff to support concurrent development of next generation urinalysis and 3GEMS hematology product
- VP, Corporate Regulatory – December 09
- Expanded International Sales Team Q4-09 to Q1-10

Incremental senior staff to support new product development and commercial initiatives in 2010 and beyond

NADiA[®] ProsVue[™] Clinical Study



A 300 patient retrospective study with a prognostic claim

NADiA ProVue – Status as March 1, 2010

Conference Call with FDA team in January 2010

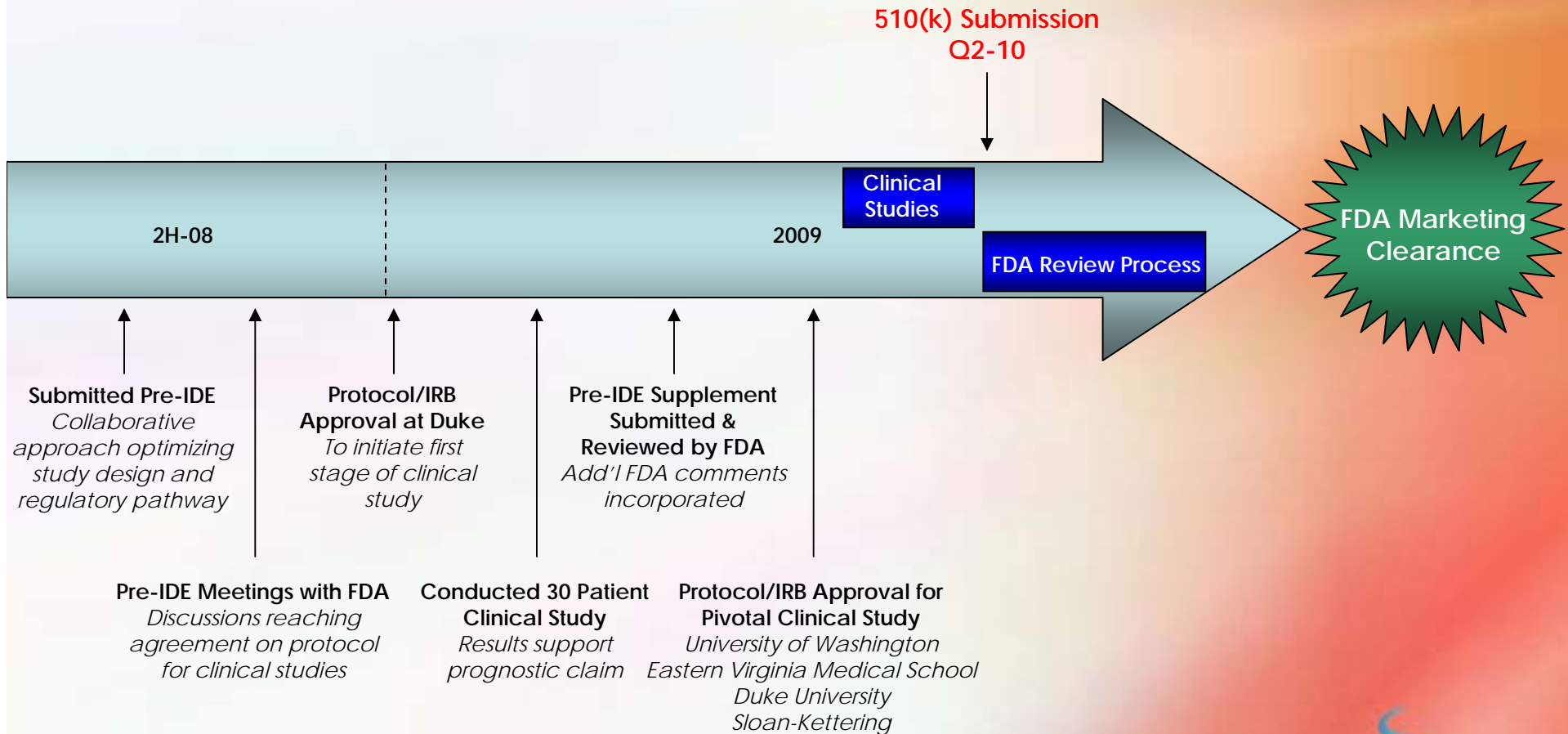
- Re-confirmed all FDA suggestions have been incorporated to our protocol
 - Controls for selection bias
 - Accuracy of linear slope calculation
 - Hazard Ratio calculation
- Discussed potential FDA clearance pathway: 510(k) vs De Novo 510(k)
 - 510(k) typical cycle: ~90 – 120 calendar days
 - De Novo 510(k): ~ 180 – 240 calendar days
 - Risk based
 - Prognostic rather than diagnostic or therapeutic monitor
 - Unique or expanded Intended Use
 - Increased sensitivity
 - Precision
 - FDA will not pre-determine the clearance pathway until they evaluate our final submission and claim

NADiA ProVue – Status as March 1, 2010

- Validation of ABI RT-PCR analyzer has confirmed the instrument meets our performance requirements. Precision studies still in process
- Over 200 randomized samples have been tested using NADiA ProVue on ABI RT-PCR analyzer
- Targeting completion of clinical testing, data analysis and 510(k) submission within 30-60 days
- Test results to-date are very encouraging
- Continue evaluating commercial options to maximize penetration of \$140 million addressable market, for the initial ProVue claim

ProsVue Regulatory Strategy

Pre-IDE meetings provided feedback from FDA to reach agreement on clinical study protocol and regulatory pathway



iChem VELOCITY Launch Status

- Significant improvement in instrument reliability have been confirmed after implementation of retrofit kits in Europe / Asia
- Product registration in China and Japan is in process
- Implemented and tested most instrument modifications required pre-initiation of 510(k) clinical studies
- Pilot clinical studies have been conducted to re-characterize system performance after modifications
- Communications with the FDA have given us clear indications about the required performance, but a Pre-IDE will be submitted week of March 1, 2010 to confirm understanding on both sides.
- 510(k) submission expected Q2-10
- Instrument and strips demand increasing steadily over Q4-09 and Q1-10

Express 4 Recall

- 2 incidents of uncontained rotor disruptions reported between November 2009 – January 2010
 - Potential personal injury and exposure to biological sample as a result of inoperable fail-safe mechanisms
- After notification to the FDA, initiated a voluntary recall of 1,565 Express 4 Centrifuges
- Upgrade kits for all units will be shipped by March 2010
- Recall completion expected Q2-10
- Financial Impact: \$250,000 booked in Q4-2009, no revenue impact expected
- Installed base of 60,000 centrifuges of all other models not affected
- Re-initiated shipments of new Express 4 Centrifuge upgraded with new safety features in February 2010

2010 Major Initiatives / Objectives

- Attain 510(K) clearance for NADiA ProVue and iChem VELOCITY
- Retain momentum in instruments sales
- Successful launch of the following new products:
 - NADiA ProVue, iChem VELOCITY, iRICELL, Cytofuge 12 and Ovatube
- Finish the implementation of the expanded international direct organization
- Accelerate development of next generation platforms
 - requires \$2.0 million in incremental R&D spending
- Achieve earnings guidance without postponing any of the strategic initiatives listed above



Q & A