


Integrated Research Limited

FY2013 First Half Financial Results

February 2013

ABN: 76 003 558 449



5 of the top
10 US banks

8 of the world's
10 largest
companies

6 of the 10
biggest stock
exchanges

6 of the 10
biggest
telcos

The 3 biggest
oil and gas
companies

WHO WE ARE

Integrated Research

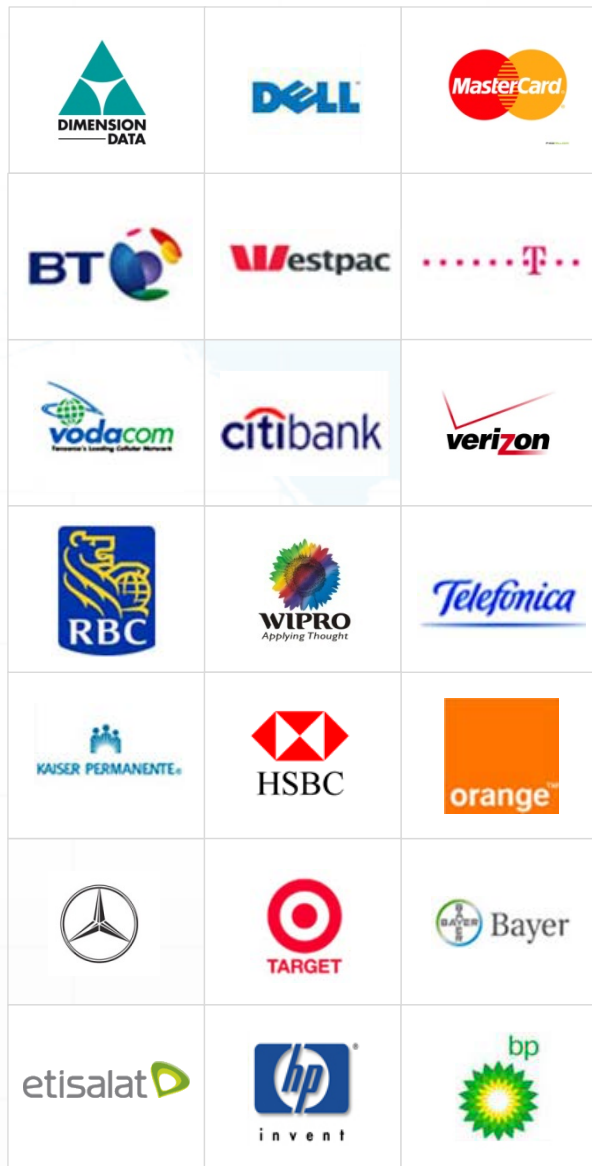
IR is the leading global provider of **Prognosis** for performance management solutions for Unified Communications, Payments and IT Infrastructure.

WHAT WE DO

Capabilities

Prognosis provides availability and performance management, diagnostics and insight for mission critical systems





WHY WE SUCCEED

Competitive Advantage

- ✓ **Prognosis is** real-time, scalable, extensible and flexible
- ✓ **Prognosis supports** multiple platforms, vendors and applications
- ✓ **IR has** 1,000 enterprise customers globally
- ✓ **IR has** a world-class R&D capability
- ✓ **IR is** profitable and debt-free

WHY CUSTOMERS BUY

Value Proposition

Prognosis increases technology performance, minimizes outages, reduces cost and ensures user satisfaction

Key Highlights

Financial Results

- New Licence Sales down 13% to \$10.8m
- Total Revenue down 3% to \$21.5m
- Net Profit After Tax down 23% to \$2.8m
- No debt
- Minimal foreign exchange impact in 1st half

UC Growth

- 62 new customers
- Over 8.1* million phones licensed
- Increase in SME phones
- Revenue up 10%
- Maintenance retention at 96%

Consulting Growth

- Revenue up 37%
- Margin improvement

Other products

- Infrastructure down 15%
- Infrastructure maintenance retention at 94%
- Payments down 30%
- Strong 2nd half anticipated

* Enterprise and SME phones, previously reported enterprise only.

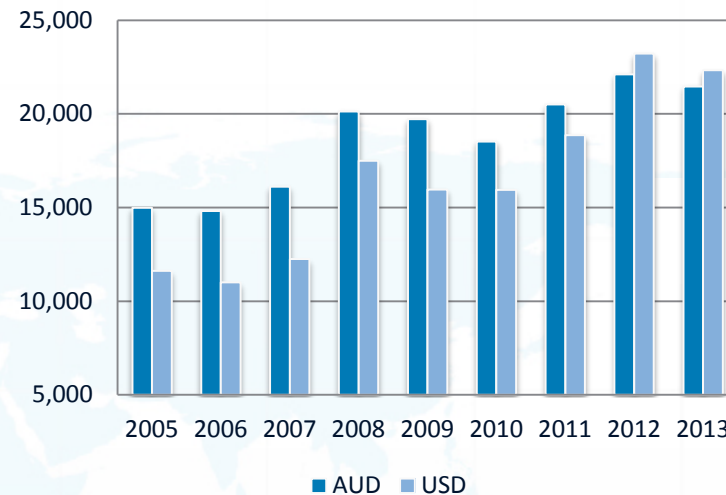
Financial Results



Financial Results

	December 2012 A\$000's	December 2011 A\$000's	% change	% change in constant currency
Licence fees	10,768	12,325	(13%)	(13%)
Maintenance fees	8,610	8,258	4%	4%
Consulting fees	2,090	1,525	37%	37%
Total revenue	21,468	22,108	(3%)	(3%)
R&D expenses - net	5,333	4,823	11%	
Sales, consulting & marketing expenses	11,216	10,415	2%	
General & Administrative expenses	1,967	1,989	(6%)	
PBT	3,067	4,475	(31%)	
PAT	2,751	3,561	(23%)	

Half Year Revenue \$'000



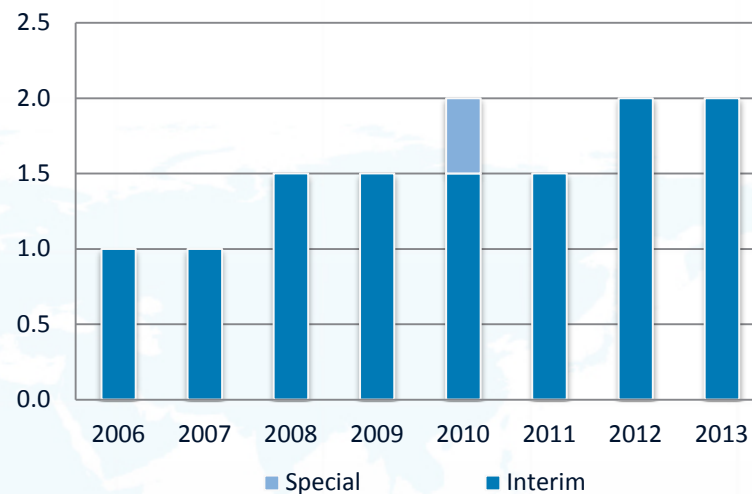
- Licence fees down due to deal slippage
- Strong growth in consulting
- Minimal currency impact

Balance Sheet

	December 2012 A\$000's	December 2011 A\$000's
Cash at bank	11,150*	9,738
Current Receivables	16,972	16,015
Development capitalization	14,359	13,762
Deferred Revenue	11,973	10,418
Net assets	27,397	26,881

* Cash at 31 January 2013: \$12.8M

Dividends (cents)



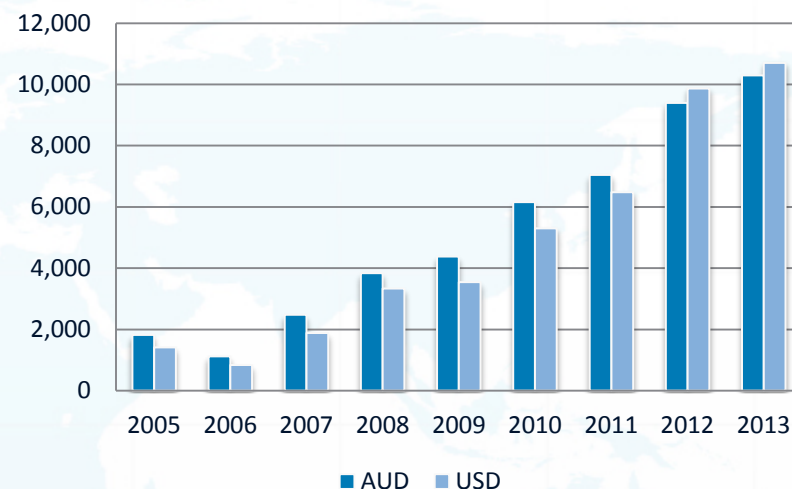
Half Year Shareholder Returns

	2013	2012	2011
Basic earnings per share	1.64¢	2.13¢	1.42¢
Dividends per share	2.0¢	2.0¢	1.5¢
Franking percentage	30%	40%	50%
Return on equity	10%	12%	9%

Review of Operations - Products

Revenue by Product Line (\$A)	December 2012 A\$000's	December 2011 A\$000's	% change	% change in constant currency
Unified Communications (UC)	9,608	8,750	10%	10%
Infrastructure	8,525	10,063	(15%)	(15%)
Payments	1,245	1,770	(30%)	(30%)
Consulting Services	2,090	1,525	37%	37%
Total Revenue	21,468	22,108	(3%)	(3%)

Unified Communications Billings*

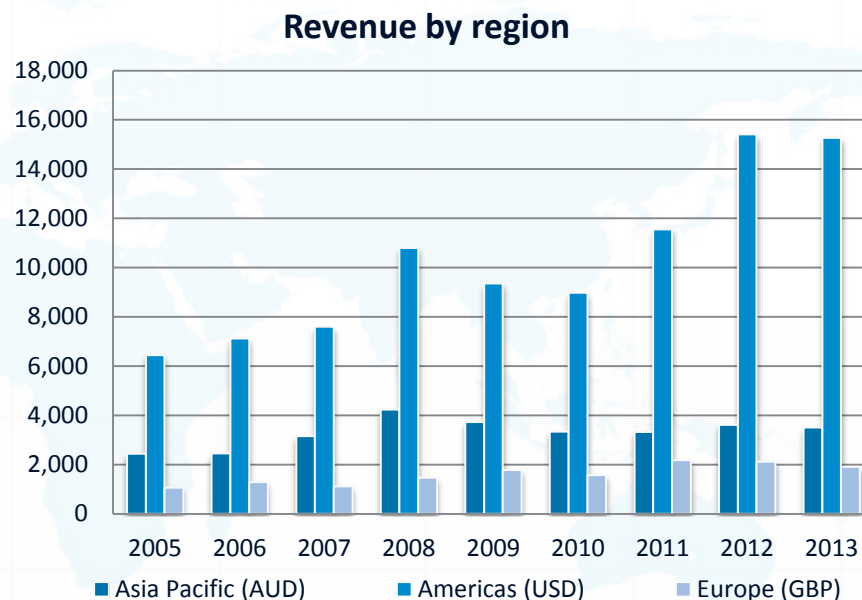


- UC growth continues
- Strong increase in Consulting
- Licence sales growth anticipated in 2nd half

*Excluding deferred revenue

Review of Operations - Regions

Revenue by Geographic region (In local currency)	December 2012 A\$000's	December 2011 A\$000's	% change
Americas (\$US)	15,269	15,408	(1%)
Europe (GBP)	1,913	2,117	(10%)
Asia Pacific (\$A)	3,509	3,609	(3%)



- Americas impacted by drop in Infrastructure
- Two delayed deals impacted Europe and APAC
- Growth expected for full year

Growth Strategy



Growth Strategy

Create, sell and support Prognosis-based products and services



Deliver profitable growth from existing markets and customers



Create new products to open new markets



Growth Strategy – Unified Communications

1

UC shipments increasing, accelerated by Microsoft Lync

2

Expansion from Voice to UC applications increases market

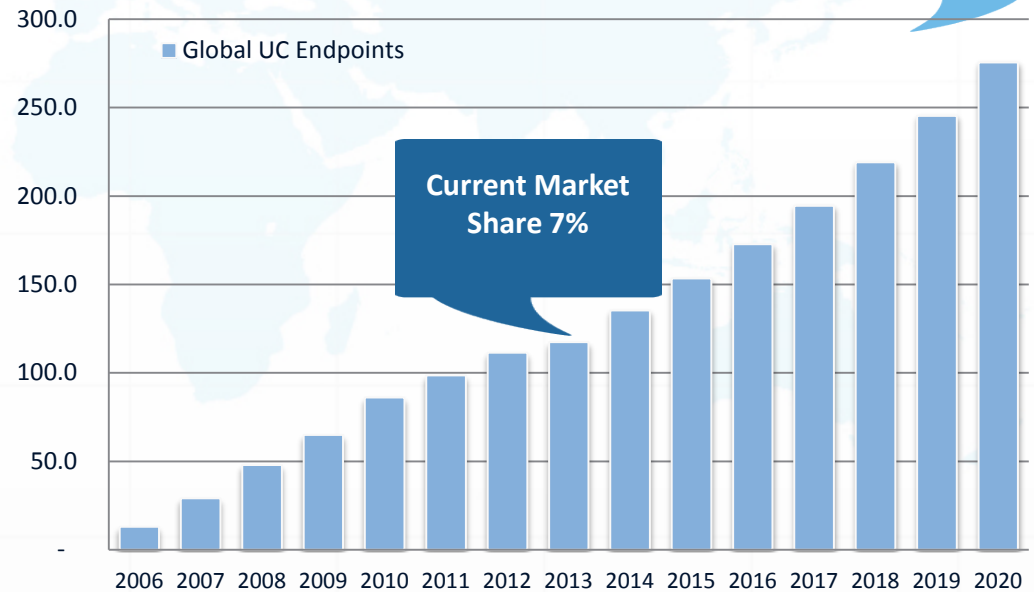
3

Growth in size, complexity and criticality of networks = greater need for Performance Management

Global UC Endpoints (M's)

Source: Gartner

Target Market Share 25%



Growth Strategy – Payments

1 Increasing Payments transactions – fuelled by micropayments and developing economies

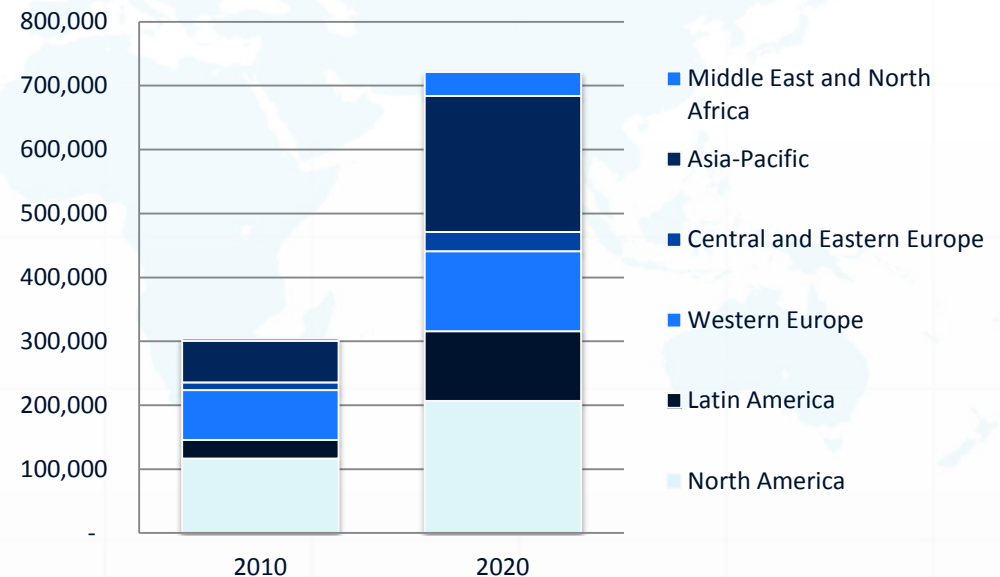
2 Greater Payments complexity – online, phone, cross-border ...

3 Increasing governance and regulation = Demand for Performance Management

Global Payments Volumes

(M's Transactions)

Source: BCG



Growth Strategy – Global



AMERICAS

- Maximize largest market
- Develop Latin America

EUROPE

- Increase global share of revenue
- Opened office in Germany

APAC

- Maximize fastest growing market
- Opened office in Singapore

Growth Strategy – R&D

	December 2012 A\$000's	December 2011 A\$000's	% change
Gross spending	5,859	4,864	20%
Development – Capitalised	3,586	3,282	9%
Capitalised %	61%	67%	
Amortised	3,060	3,241	(6%)
Net Expense	5,333	4,823	11%
% of revenue	25%	22%	



- **Prognosis 10 - major product release in 2H**
 - New user experience – usable on any device
 - Rich reporting and analytics
 - 'Big data' ready

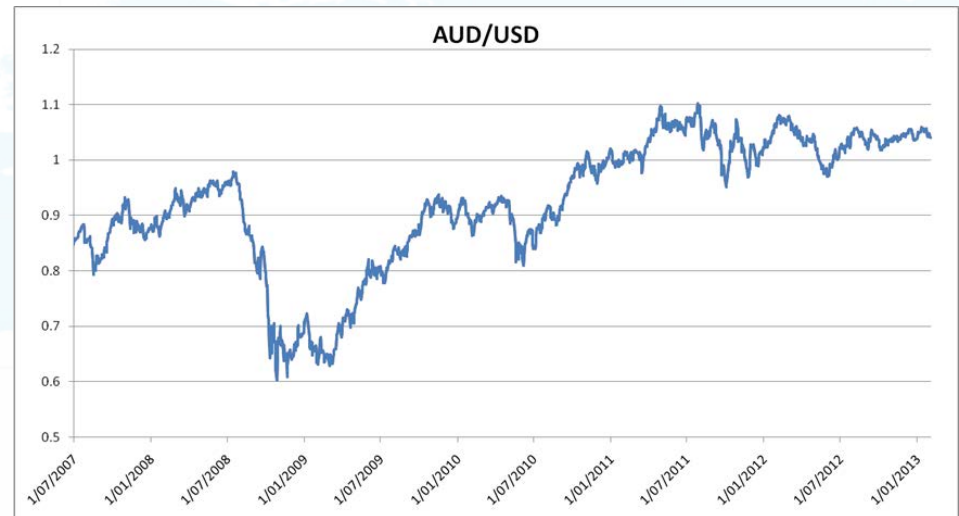
Growth Strategy - Risks

Risk and Challenges

- Currency exchange rate movements
- Global economic volatility

Proactive Management

- Hedging
- Diversification of product and services
- Geographic diversification
- Continuous productivity improvements:
 - Absorbs AUD increases
- Well positioned if AUD declines



Source: National Australia Bank

Summary

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Thank You

Questions?

