

**ION BEAM APPLICATIONS S.A.**  
**en abrégé "I.B.A."**

**Société Anonyme**

Siège social : Chemin du Cyclotron, 3  
1348 - Louvain-la-Neuve

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**Extract of the Special Report of the Board of Directors in pursuance  
of articles 583, 596 and 598 of the Belgian Corporate Code.**

Within the limits of the authorisation to increase the capital which was given to it by the extraordinary general meeting of June 17, 2003, the Board of Directors, pursuant to its decision of September 20, 2004, agrees to proceed with the issuance of a maximum of one million (1,000,000) subscription rights ("Warrants"), each permitting subscription to one new share of IBA.

The present report has for object, first, pursuant to article 583 of the Belgian Corporate Code, to describe the purpose and the justification for the operation, and second, pursuant to articles 583, 596 and 598 of the Belgian Corporate Code, to justify the removal of stockholders' preferential subscription rights upon the issuance of these Warrants.

The sole purpose of this issuance of Warrants is to permit the launch of a program of stock options, which will allow the subscription of IBA shares by Members of the Personnel of the Company and its affiliates, in Belgium and in other countries, as well as by Designated Persons, being persons who furnish, on an independent but regular basis, products or services to IBA or to its Affiliates, a list of whom will be filed with the registrar of the commercial court of Nivelles.

This operation aims to insure the motivation and the building of loyalty among colleagues and associates of the Company by allowing them to benefit from its growth potential. This naturally implies that subscription to the Warrants will be reserved for Members of Personnel of IBA and of its Affiliates and for Designated Persons.

Following the sale of its Sterilization division, which represented more than half of its sales, the Company has reorganized its activities around medical imaging and cancer treatment, and has significantly modified its management team. As a part of this major strategic reorganization, it seems essential to the Board of Directors to insure the motivation of colleagues and associates of IBA by the allocation of Warrants. Such an allocation by its nature can be expected to have a favorable impact on the business of the Company, which, according to the Board of Directors, justifies removing the right of preferential subscription from existing stockholders.

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This issuance of Warrants will result in financial dilution of existing stockholders. This financial dilution should, however, be greatly compensated by the profits that the group and the Company, and consequently its stockholders, will derive over the long term from the relationship of the IBA Group with its colleagues and associates.

The principal characteristics of the Warrants to be issued by the Company for members of its personnel and Designated Persons are the following:

- 500,000 Warrants will be given free to members of the personnel of IBA and of its Belgian Affiliates and to Designated Persons subject to the law of March 26, 1999 (the "Free Warrants"). These beneficiaries should after acceptance of the Warrants proceed to the payment of a withholding tax calculated on the basis of gross income corresponding to 8% of the value of the options received, which would amount, at the marginal rate, to a taxation of about 4% of the value of the options. The increase in capital resulting from the issue of these Warrants will take place under the condition precedent of their exercise.
- 500,000 Warrants will be offered at a price corresponding to 4% of the exercise price to Members of the Personnel and to Designated Persons who are not subject to the law of March 26, 1999 (the "Paying Warrants"). This allocation is essentially aimed at Members of the Personnel and Designated Persons of affiliates of IBA S.A. who are located out of Belgium and who are therefore not subject to taxation upon the allocation but rather at exercise. In order to pass on to these persons the same financial effort which is asked to the beneficiaries subject to the March 29, 1999 law, the issue of Warrants is made not freely, but rather at a subscription price corresponding more or less to taxation at the marginal rate imposed on the beneficiaries subject to the law of March 26, 1999. The increase in capital resulting from these Warrants will be made under a double condition precedent: (i) first, the condition precedent of the subscription of the Warrants and the corresponding execution and authentication by a notary deed of this subscription, and (ii) then the condition precedent of their exercise.
- At the time of the execution and authentication by a notary of the subscription of the Paying Warrants, the Free Warrants which have not been accepted by the Beneficiaries will be subject to an immediate cancellation.
- The Warrants will be allocated within the limits and according to the distribution which will be decided by the Compensation Committee, which is made up of members of the Board of Directors of IBA and is composed of Mr. Peter Vermeeren, Mr. Jean Stéphane and Mr. Pierre Mottet (the "Committee").
- Each Warrant will confer the right to subscribe to one share of IBA, in every respect the same as the existing shares, including the allocation of one VVPR strip for each share; these shares will carry the same rights as the other IBA shares negotiated on Euronext Brussels.
- The exercise price of each Warrant will correspond, for the Beneficiaries who are Members of the Personnel, to the lower of the two following values: either the average market price of the stock for the thirty days preceding the date on which the Warrants are offered, or else the closing price on the day before the Offer. For Designated Persons, the exercise price will correspond to the average market price of the stock for the thirty days preceding the date on which the Warrants will be offered to them. The launch of the Offer is anticipated immediately after the issuance of the Warrants.
- The Warrants may not be exercised prior to the expiration of a period of three complete calendar years after the launch of the Offer. They may then be exercised in the course of

- four exercise periods per year, corresponding to the months of March, June, September and December of the three following years. The plan will therefore expire on September 30, 2010.
- Under the condition precedent of the exercise of the Warrants, the capital will be increased, for each Warrant exercised, by an amount corresponding to the par value of the existing shares (1.4043 euros), the balance of the exercise price being recorded in the accounts as a share premium. The stockholders' equity of the Company will be increased by an amount corresponding to the exercise price multiplied by the number of Warrants exercised.
- With the understanding that the exercise price of the Warrants will correspond to the last closing price on the day preceding the offer or the average market price of the thirty days preceding the date on which the Warrants will be effectively offered, the issuance of new IBA shares subsequent to the potential exercise of the Warrants implies a certain financial dilution of the rights of the existing stockholders, which will be proportional to the difference between the market value of the IBA stock on the day of the exercise of the Warrant and its exercise price. If, for example, the exercise price is 6 euros and on the day of this exercise the market value of a share of IBA is 9 euros, the financial dilution will be 3 euros x 1,000,000 warrants, or 3,000,000 euros, amounting to financial dilution per IBA share of 0.12 euro per share after exercise of the Warrants.
- The financial consequences for the existing shareholders will consist of a renunciation of a part of the dividends and of sharing in the assets.
- The dilution of the existing reference stockholders based on percentages of shares held by these stockholders on August 31, 2004 will be as follows:

| <b>IBA SA<br/>Stockholder</b>   | <b>August 31, 04</b> | <b>Before<br/>Exercise</b> | <b>After Exercise*</b> |
|---------------------------------|----------------------|----------------------------|------------------------|
|                                 | 24,640,663<br>shares | %                          | %                      |
| Belgian<br>Anchorage            | 6,396,132            | 25.96%                     | 24,94%                 |
| Belgian Leverage                | 2,300,000            | 9.33%                      | 8,97%                  |
| Sopartec                        | 866,685              | 3.52%                      | 3,38%                  |
| Institut des<br>Radioéléments   | 878,660              | 3.57%                      | 3,43%                  |
| Université<br>Catholique de LLN | 532,885              | 2.16%                      | 2,08%                  |
| IBA Investment                  | 29,183               | 0.12%                      | 0,11%                  |
| Public                          | 13,637,118           | 55.34%                     | 57,09%                 |

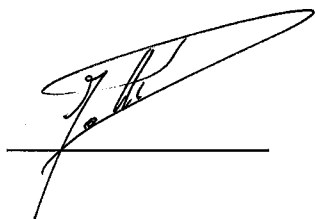
\*the projection after exercise is based on complete exercise of the issued Warrants.

- The total number of Warrants to be issued corresponds to 3.72% of the existing shares at the conclusion of the last increase in capital to which the Company proceeded on July 13, 2004 (24,640,663 shares), also including the 2,262,573 Warrants still outstanding in the framework of preceding plans of Warrants on stock for personnel in 2000, 2001 and 2002.
- The Board of Directors intends to delegate to the Chief Executive Officer the power to determine the exact methods of allocation and of exercise of the Warrants (excluding the determination of allocation which will be made by the Committee), with the understanding that these methods may in certain cases be adapted in consideration of the particular situation of beneficiaries and national regulations to which the Offer or the exercise of the Warrants will be subject.

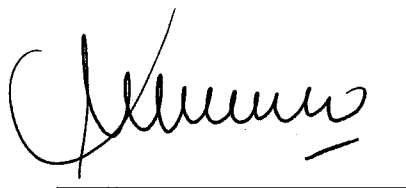
For the Board of Director,

Certified conform to the original signed in the French language

Pierre Mottet

A handwritten signature in black ink, appearing to be 'P. Mottet', written over a horizontal line.

Peter Vermeeren

A handwritten signature in black ink, appearing to be 'Peter Vermeeren', written over a horizontal line.