

## **Newsletter July 1999**

### **Press Release**

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### **Results as of 30 June 1999**

IBA is today announcing its results for the first six months of 1999. This is a period during which it was transformed from a Belgian company producing capital goods into an international group with a presence in 11 industrialized countries and with a large range of services in its three fields of activity.

During the first six months of 1999, IBA's consolidated turnover was EUR 39 million, representing an increase of 126 % on the turnover of EUR 17 million for the same period in 1998 realised by IBA s.a.. This turnover is comparable with the results of IBA s.a. for the first six months of 1999.

The group's net current trading result, which is exclusive of exceptional charges but integrates acquisition goodwill amortisation of EUR 0.7 million, is EUR 5.2 million or an increase of 67% on the 1998 figure realised by IBA s.a. which was EUR 3.1 million, to compare with EUR 3.4 million achieved by IBA s.a. during the first six months 1999.

Current earnings per share (EUR 0.25) thus show an improvement of 38% on June 1998 (EUR 0.18), taking account of the increase in the number of shares due to the new equity issue of EUR 175 million in March 1999.

This increase in capital and the acquisitions made during the first quarter of this year gave rise to major exceptional charges totaling EUR 8.7 million which were due to commissions payable to the external partners, Belgian and US banks, tax consultants and legal advisers and which enabled IBA to carry out operations which were highly beneficial from the standpoint of the group's future. The amount of these exceptional costs due to the new equity issue, viz. EUR 5.2 million, was taken as a 100% charge in respect of the first six months, together with EUR 1 million representing the proportion of time involved for the costs of EUR 3.5 million following on the acquisitions.

With the acquisition of a company, the difference paid between the acquisition price and the value of the equity of the company acquired is shown in accounting terms as acquisition goodwill which, depending on the valuation made, can be either taken as a charge during the year or can be written off over a period to be determined. In connection with the acquisitions made up to 30 June 1999, IBA entered on the assets side of in its balance sheet an acquisition goodwill of EUR 82 million, which on a temporary basis and pending a decision by the Board of Directors, will be written off over a period of 20 years and therefore represents for this first half-year - and in proportion to the time involved in relation to the acquisition dates - a charge of slightly less than EUR 1 million. which, while being non-deductible for tax purposes, don't affect the group's cash flow

With these exceptional charges, the group's net earning were EUR 0,9 million as of 31 June 1999, a figure lower of EUR 1,6 million compared to the same period in 1998 which, however, did not have such exceptional expenditure.

## **The markets**

The first six months of the year therefore enabled IBA to begin to develop its external growth strategy for the purpose of transforming itself into a group offering one-stop-shop or complete solutions to customers in the various markets in which the group is active, namely, medical imaging, cancer therapy, sterilization and industrial ionization.

Based on leading-edge technologies for particle accelerators developed by IBA engineers in Louvain-la-Neuve, IBA equipment has become the benchmark at world level in their fields of application. On the basis of this expertise with "heavy equipment" and with the various IBA accelerators being sold at a price of between EUR 0.5 million and EUR 30 million, IBA decided to enlarge the range of products offered to its customers, not only in terms of products but above all in terms of service. This strategy is being implemented mainly through acquisitions, in the course of which IBA has acquired no fewer than five companies in eight months, three of them being in the USA, one in Sweden and one in Germany.

Following this development, the group was reorganized on the basis of business units firmly focused on their respective markets for the purpose of promoting the sale of accelerators through still greater specialization in specific applications, and – as part of IBA's strategic goal – the purpose of developing the service policy which will enable the group to promote still further the development of new applications and to pursue its growth on a more recurrent basis in the long term.

These specialized business units will enable IBA to meet even more effectively its customers' needs by offering one-stop shop solutions, which are an important part of IBA's development strategy.

## **Medical imaging**

In medical imaging, the IBA cyclotrons produce radioisotopes which make it possible to mark certain molecules in the human body with a view to making a dynamic photograph with the aid of a scanner. Some of these radioisotopes belong to a very recent and very efficient technology which, for example, enables most types of cancer of the human body to be detected more precisely and at an earlier stage. During the first half of the year, several sales contracts materialized for this type of accelerator.

In this market, IBA expects to achieve an increasingly large recurrent turnover downstream from its core business as a producer of cyclotrons by taking advantage of a growing demand from hospitals for access to this new technology. IBA has therefore decided to invest in radioisotope production centres for the purpose of selling these radioisotopes to hospitals. An initial joint venture for this purpose was launched during the first half of 1999, and others are currently being negotiated.

## **Cancer therapy**

In the field of cancer therapy, IBA has been active for several years in proton therapy and brachytherapy. Proton therapy is a new therapy which aims at destroying, by means of a proton beam, cancer tumours in the body of the patient by modifying the healthy cells to a substantial lesser extent than any other radio therapy system. In this field, IBA is finalizing installation of its first system in Boston and it has continued to produce three other systems acquired in 1998 by the Tenet hospital chain in the US.

Yves Jongen, President of IBA has explained that:

"Finalization of the first system was, however, delayed because development of the control software for the system took longer than expected. This proton therapy system is, however, already recognized as the benchmark in advanced radiotherapy. Approval by the FDA, the official US agency which approves the use of new technologies, and treatment of the first patient in Boston are expected at the beginning of 2000. This hitch has led us to slow down slightly the production process relating to the Tenet systems, and it is also delaying the placing of new orders"

Following many orders recorded during 1998 for cyclotrons, which produce palladium, the brachytherapy market experienced a slack period during the first six months of this year, as new

of prostate cancer with the aid of implants filled with palladium 103 and iodine 125, holds the promise of major development. New applications, especially for the treatment of arterial resthenosis with the aid of palladium implants, are now under study and could open up interesting prospects in this field of activity.

IBA's growth strategy in this market has been reflected in two acquisition: Scanditronix, a Swedish company and Wellhofer, a German one. Erik Hedlund, CEO of this division has explained: "Integration of these two companies into the group will enable IBA to become the world leader in the market for measuring instruments in the field of radiotherapy and integration will provide the group with a constantly growing and substantial recurrent income which will generate increasing margins for earnings. With these products and a conventional radiotherapy system produced by Scanditronix, IBA's radiotherapy division is in a position to offer an even more complete range of products to the hospitals with which it is in contact."

### **Sterilization and industrial ionization**

This field of activity was the most active sector during the first six monnnnnnths of the year, during which IBA made two acquisitions: (1) the RDI company, which is located in New York and specializes in the manufacture of electron accelerators, which have supplemented the range of products marketed by IBA in this sector along with its Rhodotron; (2) the Griffith Micro Science company which is located in Chicago and has 19 sterilization centres working on behalf of third parties throughout the USA and Europe.

This acquisition was supplemented in July with that of Sterigenics, a company which is listed on Nasdaq (the American stock exchange for growth stocks), is located in San Francisco and has 15 sterilization centres on behalf of third parties throughout the USA.

As Kevin Swan, CEO of the division has said:

"The combination of Griffith and Sterigenics makes IBA the world leader in sterilization working on behalf of third parties. With three technologies ranging from the oldest to the most recent viz. ethylene oxide, cobalt and the electron, these companies have to date been sterilizing medical equipment manufactured and marketed by the biggest world producers such as Allegiance, Baxter and Tycon - to mention only three of the main ones."

These acquisitions, which mean that IBA has moved from being a producer of accelerators to being also a provider of global services, will enable IBA to increase considerably its turnover on a profitable and recurrent basis in the very long term. Kevin Swan has added: "They also offer the group the best possible platform for developing the new promising markets of cold food pasteurization and improvement of materials including polymerization of plastics, while the treatment of composite materials and waste are only the most obvious applications of the use of electron-related technologies."

In an environment in which several thousand people in the USA die every year because of food poisoning, the food pasteurization market is a particularly promising one for IBA in the fairly near future, especially as regards pasteurization of beef, pork, lamb and poultry. The FDA has already approved the use of the ionization technology to treat these kinds of food and it is expected that in 5 to 10 months the USDA (US Department of Agriculture) will put in place the rules governing the use of this technology for meat pasteurization.

In a US market which is currently estimated to be worth nearly one billion dollars, the IBA group is undoubtedly best positioned to meet the needs of meat producers and packers. By uniting the technology with a service, it can fully meet these needs either by the direct sale of equipment or the sale of pasteurization services at the producer's site or at the group's sites located in most States in the USA.

IBA is now establishing development programmes for all these new applications which, in giving priority to the use of leading-edge technologies within the group, should grow significantly in future years. Despite the use, within the group, of these new technologies in order to provide services and obtain (in accordance with IBA's objective) larger market shares, thus generating long-term income, IBA will maintain resources for the purpose of continuing the marketing of this technology outside the group and completely independently of the service centres. This strategy will nevertheless reduce direct sales of equipment. The acquisition of Sterigenics is the first example of this because, as a result, the Rhodotron which had been sold to it at the end of 1998 returns to the assets of the IBA group.

### **In a word . . .**

Over a period of 6 months, IBA has therefore clearly achieved the first part of the objectives which it set itself and it has efficiently used for its development and therefore in the interests of its shareholders the funds raised with the increase in capital last March.

Pierre Mottet, the group's CEO says:

"In one year, IBA will have moved from being a Belgian company with slightly fewer than 150 people to becoming an international entity of 1,000 people and from a company with a turnover of EUR 37 million to one with a projected pro forma turnover of more than EUR 200 million for 1999! Although our growth strategy is still far from having been implemented and although other acquisition potentials are available to us, we are focusing all our short-term efforts on the greatest possible integration of the acquisitions made with a view to deriving maximum synergies from them as quickly as possible, but without forgetting the need to continue with internal development as it holds the promise of new prospects in the medium term.

"To date, the market has shown its confidence in us and we believe that it has not been disappointed. We shall endeavour to act in such a way that this will also be the case in the future."

As against a turnover of EUR 74 million for 1999 initially envisaged on the occasion of the new equity issue in March 1999, the IBA group will in fact record more than EUR 150 million, having regard to the timing involved with the acquisitions. The group's turnover will therefore have increased by 400% over 1998.

<b>IBA RESULTS FIRST SIX MONTHS 1999</b>				
<b>( **000 EUR ) - Unaudited</b>	<b>Six Months</b>		<b>Six Months</b>	
	<b>Ended 6/30/1999 IBA cons.</b>		<b>Ended 6/30/1998 IBA sa</b>	
<b>Sales</b>	<b>38.752</b>		<b>17.111</b>	
<i>R&amp;D expenses</i>	2.439	6%	1.261	7%
<i>EBITDA</i>	11.392	29%	5.602	33%
<i>EBIT *</i>	7.278	19%	4.237	25%
<i>Financial charges (income)</i>	-736	-2%	-579	-3%
<b>Pretax Current Result *</b>	<b>8.014</b>	<b>21%</b>	<b>4.817</b>	<b>28%</b>
<b>Net Current Result *</b>	<b>5.209</b>	<b>13%</b>	<b>3.117</b>	<b>18%</b>
<i>Exceptional charges</i>	6.197	16%	1.012	6%
<b>Pretax Net Result</b>	<b>1.817</b>	<b>5%</b>	<b>3.805</b>	<b>22%</b>
<b>Net Result</b>	<b>889</b>	<b>2%</b>	<b>2.511</b>	<b>15%</b>
<i># shares</i>	20.494.825		16.909.590	
<i>Current EPS (EUR)</i>	0,25		0,18	
<i>Net EPS (EUR)</i>	0,04		0,15	
<i>* including 684 KEUR of goodwill amortisation</i>				

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