

Press release

IBA (Ion Beam Applications) announces its 2003 results and the disposal of the company's Sterilisation and Ionisation division

Embargo until 5.40 pm (Belgian time) – 25th March 2004

LOUVAIN-LA-NEUVE, BELGIUM, 25th MARCH 2004 – IBA (Ion Beam Applications S.A.: Reuters IOBAAt.BR and Bloomberg IBAB.BB) has today announced the consolidated results for the company and its subsidiaries for the financial year ending 31st December 2003, as well as the entering into of an agreement in principle relating to the disposal of its Sterilisation and Ionisation (S&I) service business with the PPM Ventures investment fund and PPM America Capital Partners (“PPM”), two parts of the British insurance group, Prudential.

Disposal of the S&I business

In 2003 the S&I division accounted for 60% of the group's turnover. Last year IBA had announced considering the disposal of this business in order to reduce the group's debts, to generate surplus liquid assets and to refocus on its traditional business in the field of particle accelerators as well as the diagnosis and treatment of cancer. The transaction only affects the “services” part of the business, IBA retains responsibility for the development and marketing of its particle accelerators for use in sterilisation and ionisation. On 24th March 2004 the negotiations led to an agreement in principle. Once finalised, the operation will be submitted to the American competition authorities for approval. Once this approval has been obtained, which should take 4 to 6 weeks, and subject to the fulfilment of the usual suspensive conditions, PPM will be acquiring the S&I business for a value of \$311.5 M in cash, i.e. approximately 6 x the 2003 EBITDA. The agreement also makes provision for future commercial relations between IBA and S&I. PPM Ventures and PPM America Inc. are both subsidiaries of the Prudential plc group, one of the United Kingdom's leading institutional investors managing 230 Billion euros in capital.

2003 consolidated results

Broadly speaking, the conditions for the aforementioned disposal were anticipated in the 2003 accounts, thus leading to considerable extraordinary charges.

There was also a considerable influence on the company's results, on the one hand due to the changes to exchange rates between the EUR and the USD and, on the other hand, due to the extraordinary depreciation charges on intangible assets, including the previously capitalised R&D costs in their entirety.

2003 operational results

The results for 2003 were largely influenced by changes to the average exchange rate over the financial year (2003: USD 1.13 for EUR 1.00 – 2002: USD 0.95 for EUR 1.00). This amounts to a 19% depreciation of the dollar compared with its 2002 level.

If, at a constant rate, the company - more than 70% of whose business is related to the \$ - shows a 7% increase in turnover, given the changes to the price of the dollar, it needs to record a 6% reduction in its turnover in euros to EUR 257.7 million.

In spite of the sharp fall in the price of the dollar, the company managed to limit its operating loss to EUR 3.5 million.

Press release

	2003 at actual exchange rate (€000)	2003 Pro forma at 2002 exchange rate (€000)	2002 at actual exchange rate (€000)	Variation at constant exchange rate (€000)	Variation at constant exchange rate (%)	Variation at actual exchange rate (%)
IBA business divisions						
Technology & Equipment	67,371	69,475	68,847	628	0.9%	-2.1%
Radioisotope production and distribution	34,320	40,201	33,907	6,294	18.6%	+1.2%
Sterilisation & Ionisation	156,053	182,426	170,196	12,230	7.2%	-8.3%
Consolidated turnover for the 3 divisions	257,744	292,102	272,950	19,152	7.0%	-5.6%

The gross profit was down 18% to EUR 74 million. At a constant exchange rate, there would only have been a 5% drop to EUR 85 million.

The operating result (EBIT) shows a loss of EUR 3.4 million in comparison to a profit of EUR 5.5 million in 2002. The loss, which was EUR 2.1 million in the first six months, was pegged back to EUR 1.3 million in the second six months in spite of the fall of the dollar.

For the 2003 financial year, IBA has reported consolidated operating expenses of 77.4 million EUR as against 84.7 million EUR in 2002, i.e. a 9% drop. However, at constant EUR/USD rates, the costs of sales and marketing and the general and administrative expenses did in fact remain stable, in spite of the significant increase in revenue (also at a constant rate). R&D costs, which are mainly designated in EUR, are not affected by the changes in parity.

Explanations of key events by sector of business

- Sterilisation and Ionisation Division: continued growth – Opening of two new centres in 2003

With 60% of consolidated sales and services, IBA's sterilisation and ionisation services make up the company's largest sector of business. This represents EUR 156.0 million (2002: EUR 170.2 million). Through its 39 centres in the USA, Europe and Asia, this division offers services such as sterilisation for medical products, pasteurisation for food, improvement of materials and postal decontamination. In 2003, this division's turnover dropped by 8.3% in relation to 2002 due to the depreciation of the dollar. At a constant exchange rate there would have been 7.2% growth to EUR 182.4 million. This division's operating profit amounted to EUR 14.4 million (EUR 17.4 million at a constant exchange rate) as against EUR 12.8 million in 2002. Two new sterilisation centres were opened, one in Denmark, the other in Dallas, Texas, the first being an ultra-modern centre using IBA's Rhodotron technology. IBA also saw its contract with the American postal services renewed in 2003 for a period of 18 months running up until May 2005.

Press release

- Technology and Equipment division: a record year for PET cyclotrons

The Technology and Equipment division includes particle accelerators (such as the Rhodotron and Dynamitron cyclotrons), protontherapy and dosimetry devices and services. In 2003 this division was the company's second largest sector of business, with 26.1% of total sales and services, i.e. EUR 67.4 million (2002: EUR 68.8 million). This 2% drop compared to the previous financial year can be explained by the effect of the dollar on dosimetry sales. However 2003 was a record year for PET cyclotrons with 13 machines sold and with good performances in dosimetry at a constant rate. This division's operating loss amounted to EUR (9.6) million (EUR (9.2) million at a constant rate) as against EUR (1.6) million in 2002. It mainly reflects the delays in protontherapy regarding the confirmation of the Chang An (China) project and on the Florida Proton Therapy Institute's order for a system. This order, which is extremely important to the business, only actually came in early on in 2004. So although it does not benefit the 2003 financial year, because the start of 2004 has been particularly prolific for the "Accelerators" business, it means that the year has got off to a flying start with one of the largest backlog ever recorded.

- Radioisotopes division: Partnership with Schering in Europe and restructuring in the USA

The Radioisotopes division includes the production and sale of radiopharmaceutical products (mainly FDGFluoroDeoxyGlucose), in both the USA and Europe. This division accounts for 13.3% of IBA's total sales and services, i.e. EUR 34.3 million (2002: EUR 33.9 million). This apparent stability is entirely due to the depreciation of the dollar. At a constant exchange rate the growth would have been almost 19%, to EUR 40.2 million. This division's operating loss amounted to EUR (8.3) million (EUR (9.5) million at a constant exchange rate) as against EUR (5.6) million in 2002. In the USA, there was stiff competition over the course of 2003 and the price war, which the management team in place at the time attempted to cope with seriously, affected the group's results over the first six months. IBA proceeded to a change of management in the second half of 2003. The aim of this was to pull out of this price war. This policy soon paid off allowing the business to return to a positive EBITDA from the second half of the year onwards. The policy of increasing profitability will continue over 2004. In Europe, IBA entered into a joint venture with Schering AG aiming to produce and distribute FDG, initially for the United Kingdom. By the end of 2003 IBA had five FDG production units in the USA and two in Europe. Given the confirmed prospects for growth, the investment in new centres should continue, especially in Brussels and Ghent (Belgium). Finally, the company has finished preparing for market release of its prostate cancer implant (Radiocoil).

Net interest costs

The net interest costs for the 2003 financial year reached 23.9 million EUR. Compared to the 12.7 million EUR for 2002, this is a serious increase. This change, in spite of a reduction in interests on the debt, is a result of a sharp rise in other interest costs relating to the cash et non cash losses on exchange rates due to fluctuations in the price of the dollar, which account for more than half of the net interest costs.

Net extraordinary charges

The company decided to record net extraordinary charges amounting to a total of 98.4 million EUR (2002: EUR 13.8 million). These are made up of EUR 65.5 million in exceptional goodwill depreciations, EUR 22 million in exceptional depreciations on previously capitalised R&D costs, EUR 9.5 million relating to restructuring costs and

Press release

costs relating to the legal dispute with Optivus and EUR 1.2 million in exceptional depreciations on other intangible fixed assets.

The EUR 65.5 million in exceptional depreciations on goodwill relate essentially to the S&I business for which, on the basis of the exchange rate at 31st December, the price negotiated with the prospective purchaser is lower than the book value of the net assets in question. An exceptional depreciation on the goodwill on the company hosting the Brachytherapy business in the United States was also recorded. In fact the results obtained to date and the expected prospects given competitors' recent performances have led to the Board taking this decision which is intended to be prudent.

The company also decided to stop capitalising its R&D costs from 1st July 2003, which will help to increase the readability of its results in future. In order to ensure consistency and given the high speed at which technological changes are occurring in the field, in which the company will remain active, as a prudent measure, IBA decided to depreciate all capitalised R&D costs which had not yet been depreciated at 1st July 2003 (i.e. after the last official publication of IBA's accounts) thus charging up to EUR 22 million in exceptional depreciations to the 2003 accounts. These changes have led to a EUR 0.9 million reduction in operating expenses for the 2003 financial year.

The balance of the exceptional costs, i.e. EUR 10.7 million, is essentially made up of restructuring costs already incurred or for which provision had been made at 31st December 2003 in order to adjust IBA's structure to the company's future size (after the sale of the holdings which made up the Sterilisation and Ionisation division) and to improve its profitability in the context of a group which is now refocusing on the concept of the diagnosis and treatment of cancer. The legal dispute between Optivus and IBA, which is specific to the protontherapy business, did not undergo any significant changes during the financial year and had no significant impact on the company's consolidated results in 2003, apart from lawyers' fees and procedural costs. At Optivus' request the case has been adjourned to the end of 2004.

After extraordinary charges, the net loss for the 2003 financial year (group share) amounts to EUR 123.6 million as against a loss of EUR 21.3 million in 2002.

Reimbursement of debts

As far as the company's debt position is concerned, over the course of the 2003 financial year, it reimbursed all the debts which it had to honour, including USD 15 million in January 2003, USD 25 million in July 2003 and USD 15 million in January 2004.

The company's net debt position, which stood at EUR 141.9 million at 31st December 2002, had been reduced to EUR 130.3 million at 31st December 2003. The balance of IBA's main loan with its banking consortium, i.e. USD 115 million, is reimbursable in January 2005.

At 31st December 2003, the company is, generally speaking complying with the covenants imposed by the banking consortium but, especially due to the exchange rate effect and the delay in the taking of protontherapy orders, one of these covenants has temporarily not been fulfilled. The company intends to quickly bring the situation back into line.

In particular, the price negotiated for the disposal of the business is considerably larger than the company's net debt and priority will be given to using it for the reimbursement of the syndicated loan. On the basis of this intention, the balance of the loan from the consortium which is reimbursable in January 2005 (USD 115 million or EUR 92 million) has been reclassified as a short-term financial debt at 31st December 2003.

Press release

After reimbursing its bank debts and deducting the costs involved in the transaction, the company should have over EUR 100 million in disposable cash.

Prospects for a new start

Apart from the exchange rate effect, in 2003 IBA showed that the markets on which the company is active are still growing and its products do meet its customers' needs. Prospects for growth in 2004 remain generally just as promising, at constant perimeter after the disposal of the S&I business. These have been materialised by the recording of some significant orders in the Technology and Equipment division right at the start of the year.

In addition to this, following the forceful reorganisation and restructuring work which took place in 2003, significant growth in profitability is expected from 2004 onwards in the remaining areas of business, as seen from the very start of the year in the net improvement to the Radioisotope division's results.

Finally, the disposal of the company's S&I business will give the company a cash position which will allow it to reimburse its syndicated loan, to restore its full freedom of movement, to finance the fastest-growing areas of business in the field of sterilisation and ionisation equipment and in the fields of diagnosing and treating cancer and most likely still leave unused cash available.

So it looks as though the company has about everything it needs to make a brand new start.

Agenda

The Ordinary General Meeting of shareholders for the 2003 financial year is scheduled to take place on 12th May 2004 at 10 a.m.

Declaration by the auditor of the consolidated accounts

The auditor of the consolidated financial statements has confirmed that his audit work, which is substantially completed, has not revealed any significant matters requiring adjustments to the accounting information included in this press release. Without calling into question the above statement, the auditor however draws attention to the disclosure of the claim filed against the company by Optivus Technology, Inc. The outcome of this claim cannot be predicted and the accounting information included in this press release has not been affected by any provision for risks and charges in relation to this matter. The auditor also points out that, as more extensively described in this press release, the company is currently in breach of one of the debt covenants imposed by its banking consortium. Finally, he draws also the attention to the change in accounting policy with respect to research and development expenses.

Press release

About IBA

Incorporated in 1986, Ion Beam Applications is a world leader in the fields of diagnosing and treating cancer. IBA is also the world leader in sterilisation and ionisation services.

With more than fifty sites in twelve countries on three continents, IBA can offer considerable know-how relating to cutting edge services and equipment aimed at numerous markets in the healthcare sector and industry.

IBA is quoted on the EURONEXT pan-European stock exchange and integrated into the NextEconomy market segment.

IBA S.A. Ion Beam Applications

Chemin du Cyclotron, 3

1348 Louvain-la-Neuve – Belgique

Website: <http://www.iba-worldwide.com>

Contact : Paul-Emmanuel Goethals

Business Development & Investor Relations Manager

Telephone: +32 10 47 58 16

E-Mail: goethals@iba.be

Press release

Ion Beam Applications
Summary Consolidated Income Statement
31, December 2003
(in '000 Euro)

	2003	2002
Revenue	257.743	272.949
Cost of sales	183.752	182.719
Gross margin	73.991	90.230
Selling and marketing expenses	16.155	17.958
General and administrative expenses	36.330	41.764
R&D	18.292	21.023
Capitalized R&D	(3.931)	(8.525)
Amortization of goodwill	10.571	12.504
Operating result (EBIT)	(3.426)	5.506
Net financial result	23.908	12.788
Current profit before tax	(27.334)	(7.282)
Net extraordinary result	98.344	13.766
Result before tax	(125.678)	(21.048)
Net tax	(994)	694
Result before minority interests	(124.684)	(21.742)
Result of investment under equity method		-
Minority interest in earnings	(1.040)	(380)
Group's share of net loss	(123.644)	(21.362)
Memo:		
EBITDA (earnings before interest, tax, depreciation and amortization, and before extraordinary items)	43.250	61.364

Press release

Ion Beam Applications
Summary Consolidated Balance Sheet
31, December 2003
(in '000 Euro)

ASSETS	2003	2002
FIXED ASSETS	306.929	468.116
Intangible fixed assets	3.729	29.520
Goodwill	87.799	187.146
Tangible fixed assets	213.960	250.408
Financial assets	1.441	1.042
CURRENT ASSETS	193.631	222.034
Amounts receivable after one year	6.636	6.619
Inventories and contracts in progress	97.709	79.161
Amounts receivable within one year	45.317	43.309
Investments	818	39.474
Cash at bank and in hand	38.608	50.287
Deferred charges and accrued income	4.543	3.184
TOTAL ASSETS	500.560	690.150
LIABILITIES		
SHAREHOLDERS' EQUITY	181.012	327.121
Capital	34.139	34.139
Additional paid-in capital	334.089	334.089
Consolidated reserves (+) (-)	(156.450)	(32.810)
Own shares	(149)	(149)
Foreign currency translation adjustment	(33.317)	(9.124)
(+) (-)		
Investment grants	2.700	976
MINORITY INTERESTS	144	3.028
PROVISIONS AND DEFERRED TAXES	5.804	12.744
Provisions for liabilities and charges	5.354	5.039
Deferred tax liabilities	450	7.705
CREDITORS	313.600	347.257
Amounts payable after more than one year	55.099	184.798
Long term advances on contracts in progress	42.971	31.700
Amounts payable within one year	170.399	94.083
Current advances on contracts in progress	33.776	26.505
Accrued charges and deferred income	11.355	10.171
TOTAL LIABILITIES	500.560	690.150