Euronext note for publication together with the 2004 half-year report

Implementation of International Financial Reporting Standards (IFRS)

Regulatory requirements and timetable for the communication of the impact of the change to IFRS

In application of the European Union regulation n° 1606/2002, IBA will publish its consolidated financial statements at 31 December 2005 using standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) [1], respectively, to the extent that they have been adopted by the European Commission.

Publication of the 2005 consolidated financial statements under IFRS requires that the 2004 comparatives as well as the opening balance sheet at 1 January 2004 be prepared under IFRS.

After the sale of S&I, its major US operation, was completed, IBA started a project during the second quarter of 2004 to convert its financial statements, which are currently prepared under Belgian accounting principles (Belgian GAAP) to IFRS. In order to early inform its shareholders and the public of the impact of this change on its financial statements, IBA's Board of Directors decided to adopt the following communication timetable:

1. In accordance with the requirements of the Euronext Rule Book applicable to listed companies included in the "Next Prime" and "Next Economy" segments [2], IBA presents herewith, together with its 2004 half-year report, information on the effects generated by the application of IFRS on its 2004 opening balance sheet and on its performance for the six months ended 30 June 2004;

2. In line with the recommendation included in the circular FMI/2004-01 issued by the Banking, Finance and Insurance Commission (BFIC) as well as with recommendation CESR/03-323e published by the Committee of European Securities Regulator (CESR), IBA will provide in its 2004 annual report the quantified impact of the change to IFRS on its opening equity at 1 January 2004, on its 2004 result and on its equity at 31 December 2004;

3. In accordance with the Euronext requirements applicable to companies included in the "Next Prime" and "Next Economy" segments, IBA will publish its 2005 half-year consolidated financial statements in full compliance with IFRS [3] [4].

Preliminary assessment of the impact of the change to IFRS

As mentioned above, information is provided below further to the preliminary assessment that IBA has made of the impact of the change to IFRS on its 2004 opening balance sheet and on its performance for the six months ended 30 June 2004. It should be emphasized that IBA has

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[1] Standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), respectively, are called IFRS (International Financial Reporting Standards).

[2] IBA is included in the "Next Economy" segment.

[3] The 2004 consolidated financial statements will be the last ones to be published under Belgian GAAP.

[4] The 2005 half-year consolidated financial statements will be prepared using IAS 34 "Interim Financial Reporting".

not finalised all analyses or adopted all the decisions and accounting policies that are necessary to provide a quantified impact of the change. Such an impact will be provided in the 2004 annual report. The information below is therefore a narrative description, based on the preliminary analysis that has been performed, of the potential impact of the change to IFRS on the accounting areas that are the most relevant for the IBA Group. While great care has been placed in performing this preliminary analysis, it cannot be totally excluded that other areas come to our attention when a more detailed analysis of the financial statements components is completed.

The main accounting areas where potential differences could be identified with the accounting policies currently applied are discussed below:

<u>Revenue recognition in respect of sales combined with specific financing arrangements</u>

Revenue can only be recognised under IFRS if the significant risks and rewards associated with the ownership of the asset sold are transferred to the buyer. To meet its clients' needs, IBA sometimes enters into specific financing arrangements where it retains some financial risks. This is particularly applicable to equipments sold in the proton therapy activity. Where a risk is identified and provided that risk is not significant, revenue is recognised and a liability is recorded at the fair value of the financial guarantee given. The analysis of existing contracts that has been performed at this stage has lead to the conclusion that recognition of revenue at the time of the sale will remain appropriate under IFRS.

<u>Consolidation</u>

Under IFRS, goodwill is not amortised any more but is tested for impairment annually. The amortisation charge recorded in the Belgian GAAP 2004 half-year consolidated financial statements amounts to 2.8 million EUR. While the Board of Directors does not expect large impairments to be identified, an IAS 36 compliant methodology will be put in place to test the carrying amount of goodwill at the transition date.

The excess of the acquisition cost of the 16.67% minority interests in Eastern Isotopes (a 2004 transaction) over the balance of these minority interests in the balance sheet (7.75 million USD) has been presented as goodwill in the Belgian GAAP consolidated financial statements. In the absence of any specific guidance under IFRS 3 on such transactions, IBA will deduct the excess amount from equity (referring to the expected IFRS developments relating to the accounting of business combinations - phase II).

Intangible assets

IAS 38 requires that research costs be expensed while development costs should be capitalised. IBA has been adopting a prudent approach in respect of the accounting of R&D costs in its Belgian GAAP financial statements, expensing the costs incurred in the income statement. Under IFRS, development costs that meet the strict recognition criteria under IAS 38 will be capitalised and amortised over their useful life as from the date the asset is available for use.

<u>Tangible fixed assets</u>

While depreciation rates used are generally in line with the useful life of the tangible fixed assets, circumstances have been identified where the depreciation might need to be slower under IFRS to better reflect economic reality, therefore leading to a probable small increase of the carrying amount of these assets.

Employee benefits

Following the survey that has been made of the benefits granted by IBA S.A. and its major subsidiaries to their employees, it appears that no major restatement should be recorded in order to comply with IAS 19 on Employee benefits. In particular, all pension plans that have been analysed so far are defined contribution plans: as no commitment exists for the Group, no provision needs to be recorded.

Financial instruments

IBA uses derivatives, mainly to hedge its foreign currency risk against the USD (cash inflows relating to sales denominated in USD). Under IAS 39 on financial instruments, all derivatives should be measured at fair value with changes in fair value recognised in the income statement. In order to limit the resulting income statement volatility, hedge accounting can be applied if the company complies with strict conditions in terms of documentation and effectiveness testing. An impact analysis has been performed to identify those transactions where the benefit of implementing this change (in terms of managing the income statement volatility) over-weights the cost of the process change. It has been decided that hedge accounting will be applied to only one significant transaction. IBA will remain alert to any similar situations that may arise in the future and where hedge accounting would be recommended.

Other accounting areas

The other major accounting areas that will be subject to a more detailed analysis are as follows:

- inventories, contracts in progress and other revenue recognition issues: while no specific issue has been identified to date, these areas will be reviewed in more detail during the third and fourth quarter of 2004;
- provisions: criteria for recognizing a provision under IAS 37 are generally stricter than under Belgian GAAP: an obligation (legal or constructive) needs to exist in order to recognize a provision. This area, which will also be analyzed in more detail during the next phase of the IFRS conversion project may lead to restatements;
- deferred taxes: under IAS 12, deferred taxes should be calculated on all temporary differences arising between the IFRS carrying amounts in the consolidated balance sheet and the tax basis of those assets and liabilities (comprehensive method). Application of this method will be reviewed, namely in the light of the IFRS restatements recorded in relation to the other accounting areas. Specific attention will also be paid and a prudent approach will be adopted regarding the strict criteria that should apply in order to recognise a deferred tax asset on tax losses carried forward.

First-time adoption options

IFRS 1 “First-time adoption of IFRS” prescribes as a general rule the retrospective application to all periods presented of those standards and IFRIC interpretations effective at the reporting date (31 December 2005 for IBA). It however also allows the use of some exemptions to this general principle. IBA’s Board of Directors has already elected to use the following exemptions:

- business combinations that arose before the transition date (1 January 2004) will not be restated (assets and liabilities of the subsidiaries acquired before that date will not be restated to their fair value at the acquisition date retrospectively);
- the cumulative translation difference (CTD) at the transition date (debit balance of 33.3 million EUR) will be set to zero. It will be reclassified into the retained earnings

so that there is no global impact on the equity. The CTD that will appear in the IFRS consolidated financial statements will only include fluctuations between the EUR and the foreign currencies in which financial statements of foreign subsidiaries are denominated as from 1 January 2004;

- no restatement will be done in relation to equity-settled stock option plans whose grant date is before 7 November 2002.