

## Press release

### 2005 Annual Results: EUR 3 million in profit and growing order book

Embargo until 5:40 pm (Belgian time) – March 16, 2005

- **IBA ends financial year in profit, further refocusing on cancer diagnosis and treatment.**
- **The growth-oriented policy, both internally and externally, resulted in 13.6% growth in revenue.**
- **A strengthening order book forecasts further growth in revenue.**

**LOUVAIN-LA-NEUVE, BELGIUM, March 16, 2006** – (Ion Beam Applications S.A.: Reuters IOBAAt.BR and Bloomberg IBAB.BB) announced today its consolidated results for the fiscal year ending December 31, 2005 in accordance with International Financial Reporting Standards (IFRS).

#### **HIGHLIGHTS**

Compared with the numbers restated under IFRS in the previous year, in 2005, IBA recorded:

- Sales up by 13.6%, totaling EUR 136.1 million for the fiscal year.
- EUR 3 million recurring profit, down from EUR 7.1 million the previous year.
- EUR 5.8 million pre-tax profit, in strong increase compared to the EUR 0.7 million from the previous year.
- EUR 3.0 million in net profit.

The year was marked by the following events:

#### **RADIOISOTOPES SEGMENT:**

- 23.0% growth in income compared with the previous year.
- Extension of US network of FDG production centers for Positron Emission Tomography (PET), with the following acquisitions, increasing the number of centers operating in that region from 7 to 14:
  - two centers in January 2005, one in New Mexico and one in Texas;
  - four centers in the North-East of the US in October 2005;
  - one center in Ohio in November 2005;
  - purchase of minority share in center located in Montreal, Canada, in December 2005 (not included in the 14 listed centers).

- Extension of European network for Positron Emission Tomography (PET):
  - Constitution of joint venture with Schering, in February 2005, to extend FDG network in Italy;
  - Expansion of our policy to implement FDG centers in Europe (Belgium, Italy, UK) and Asia (India) directly or through various joint ventures;
  - also to be noted is the acquisition of the European FDG business of Schering, in addition to the purchase of a minority share in the French company CIS Bio International.
- More endeavors in development and to find financial partners in the field of Brachytherapy.
  - Outlook at the end of 2005 is promising but unconfirmed.

#### **TECHNOLOGY & EQUIPMENT SEGMENT:**

- 9.3% growth in income compared with the previous year.
- Record number of equipment orders including:
  - 9 PET cyclotrons;
  - system for treating certain cancers (BNCT) sold in Japan;
  - two Rhodotrons;
  - C70 MeV type research cyclotron, in Nantes;
  - 30 MeV cyclotron.
- Technological innovations:
  - I<sup>m</sup>RT MatriXX product launch successfully welcomed in Dosimetry market;
  - signature of partnership agreement with RaySearch Laboratories to develop dosimetry solutions for the IMRT market;
  - upgrade to 150 microamperes launched for C18/9 cyclotron, once again positioning IBA as the global leader in the field of PET accelerators;
  - presentation of FDG synthesis module to be launched in fiscal year 2006.
- Technical Achievements:
  - Opening of proton therapy center by IBA in Zibo (Wanjie), China, in record time;
  - simultaneous installation of two complete Protontherapy centers in Korea and in the USA.

#### **OTHER EVENTS:**

- As a reminder, IBA reimbursed EUR 76.4 million to shareholders on February 1 in share premiums (EUR 3.10 per share).
- In accordance with the company's reorganization policy, IBA sold a non-strategic Swedish subsidiary in December 2005 and another similar stake in January 2006.

## DETAILED RESULTS

### SALES & SERVICES

In 2005, the company posted an overall growth of approximately 13.6% compared with the previous period.

	2005 at 2005 rate (EUR '000)	%	2004 at 2004 rate (EUR '000)	%	Variation at current rates %
Technology & Equipment	90,386	66%	82,731	69%	9.3%
Radio-isotopes	<u>45,713</u>	34%	<u>37,100</u>	31%	23.2%
<b>Consolidated Group</b>	<b>136,099</b>		<b>119,831</b>		<b>13.6%</b>

The average \$/EUR exchange rate for 2005 amounted to \$1.2456 for EUR 1 compared with \$1.2439 a year earlier.

### OPERATING RESULT

The gross margin reached EUR 43.9 million, up slightly (3.6%) compared with 2004. Expressed as a percentage of operating income, however, it declined from 35.3% in 2004 to 32.3% in 2005. This negative trend is mostly due to provisions posted in 2005 and the contribution, in 2004, of EUR 3.9 million for inventory margin capitalization generated by the order of a Proton Therapy system in Florida. Without this non-recurrent effect on the 2004 results, the gross margin would have grown by EUR 5.4 million.

Recurring charges have increased 15.6% compared with the numbers restated under IFRS in the previous year. The main reasons are:

- major investments by the company in the scope of its commercial repositioning following its refocusing on activities linked to cancer diagnosis and treatment.
- as mentioned above, the provisions for possible bad debt of EUR 1.8 million in 2005 relating to the Wanjie Protontherapy contract. The last 10% installment due on this project has still not been received in spite of the system's commissioning at the beginning of the year and of the center's operational success, due to financial issues the client is facing in other industrial activities. IBA intends to use all required means to recover this debt;
- investments by the company in the field of R&D to uphold and increase its technological edge.

As a result, the Group's operating result before recurring charges amounted to EUR 3.0 million, down from the EUR 7.1 million for 2004. This fall can mainly be attributed to the Proton therapy activity that has a very promising outlook for fiscal year 2006.

### **NON-RECURRING CHARGES**

As a reminder, since the company started publishing its results in accordance with IFRS, it decided to separate its recurring charges from its non-recurring charges in order to improve readability. Non-recurring charges are defined as follows:

- Charges and income resulting from the sale of investments that do not meet the IFRS criteria defining a discontinued operation;
- Costs from non-commercial disputes not initiated by the company and for which it is in a position of defendant;
- Major write-offs decided based on impairment tests (in accordance with IAS 36);

The items included have not undergone any major changes compared with those published on June 30. They amount to EUR 4.6 million:

- EUR 4.4 million of charges resulting from the impairment of the Belgian assets linked to the Fleurus site.
- EUR 1.5 million in expenses resulting from the Optivus dispute, as detailed below;
- the balance includes the capital gain from the set up of a joint venture with Schering AG in Italy. IBA sold 50% of its share in its subsidiary IBA RI Italy, which gave rise to a gain of approximately EUR 1.3 million in IBA's income statement.

For the same period in 2004, restated under IFRS, expenses linked to this item amounted to EUR 0.6 million and included costs related to the Optivus lawsuit for EUR 3.1 million, mostly offset by the reversal of impairment previously recognized on fixed assets.

Finally, all impacts of the Sterilization activity (including non-operating impacts different from those set forth under BE GAAP) are summarized under the income statement line "Profit for the period from discontinued operations".

### **FINANCIAL RESULTS**

IBA recorded a profit of EUR 7.3 million over the 2005 financial year. This improvement can be explained as follows:

- On the one hand, financial income of EUR 8.4 million was posted to the income statement under IFRS. Under BE GAAP, this amount was directly included in equity as a currency translation difference. The income statement for 2004 was also restated and shows a charge of EUR 7.4 million partially compensated by foreign exchange gains of EUR 3.6 million on the funds from the sale of the S&I business. These items were already reported at June 30 and should not occur again in the future given the financial reorganization implemented this year;
- on the other hand, financial expenses of EUR 1.1 million for 2005, mainly relating to interest paid on finance leases for FDG production equipment.

### **TAX EXPENSES**

The EUR 2.4 million tax charge recorded for the 2005 financial year relates to deferred tax fluctuations for EUR 1.4 million, that do not have an impact on the Group's cash flow,. The remaining EUR 1.0 million represents the current tax expenses for the year.

## **NET PROFIT**

The net profit, after adjustment for the group's share in the result of equity accounted entities as well as the gain on the sale of the Swedish subsidiary sold at the end of the year, amounts to EUR 3.0 million, compared with EUR 7.1 million restated under IFRS in the previous year, which included a profit of EUR 8.6 million related to the S&I business. Excluding the impact of the sale of the S&I business in 2004, the net profit would have gone from a pro forma loss of EUR 1.5 million under IFRS to a profit of EUR 3.0 million in 2005.

## **MISCELLANEOUS**

Since August 2002, Optivus Technology, Inc. (Optivus) and IBA have been involved in a legal battle over several issues linked to Proton therapy. In early January 2005, the United States District Court for the Central District of California dismissed Optivus' claim for unfair competition. By a decision of March 13, 2005, the same court declared the invalidity of two of the five patents which Optivus is claiming to have been counterfeited by IBA. In June 2005, IBA was successful in convincing Optivus to purely and simply desist from these remaining claims and the claim pending in first instance has accordingly been dismissed without prejudice.

However, in August 2005, Optivus filed an appeal against the December 2004 and March 2005 decisions of the Court. In principle, a resolution is not expected before the second half of 2006. As a reminder, the parties have also agreed that a new district court trial before a jury could only be filed if the magistrate in charge of the appeal would reverse the December 2004 or March 2005 decisions in whole or in part.

IBA continues to maintain that Optivus' claims were and are without merit. The Company has not established a reserve for this matter.

## **BALANCE SHEET STRUCTURE**

In spite of the reimbursement of share premiums in the amount of EUR 76.4 million and ongoing investments in FDG production centers, the Group's net cash position remained significantly positive at EUR 18.3 million. It breaks down as EUR 43.7 million in cash and EUR 25.4 million in debts. Restricted cash accounts (mainly set up in the scope of the sale of the S&I business) dropped from EUR 17.4 million for the previous period to EUR 8.8 million, as no disputes have arisen from the operation, to date.

## **TRANSITION TO IFRS**

Like all listed European companies, IBA will publish, as from 1 January 2005, its consolidated accounts in accordance with the IFRS (International Financial Reporting Standards) standards, as adopted by the European Union, including comparative data relating to the 2004 financial year. The company will include the full version in its Annual Report to be published in 2006.

## **AGENDA**

2006 Annual General Meeting	May 10, 2006, at 10:00 AM
Publication of mid-year results ending June 30, 2006	September 14, 2006
Publication of annual results ended December 31, 2006	March 15, 2007

### **AUDITOR'S REPORT**

The auditor of the consolidated financial statements has confirmed that his audit work has not revealed any significant matters requiring adjustments to the accounting information included in this press release. Without qualifying the above opinion, 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.

## **PROSPECTS**

The company is confident that it will show growing results in financial year 2006. This forecast is based on the following:

1. an equipment backlog of EUR 54.6 million at the end of 2005, and a possible Proton therapy contract;
2. FDG market growth estimates and the expected impact of the Schering FDG business acquisition;
3. expected increase in market share in the field of dosimetry.

Based on its loss carried forward, the company is not in a statutory position to pay dividends. Beyond 2006, the company could however consider reimbursing additional portions of the capital to its shareholders, should the forecasts mentioned above be confirmed.

### **About IBA**

IBA delivers efficient, dependable solutions of a unique precision in the fields of cancer diagnosis and therapy. The company also offers innovative responses to improve the efficacy, hygiene and safety of everyday life through sterilization and ionization solutions. IBA is listed on the pan-European stock exchange EURONEXT, is integrated into the NextEconomy market segment and belongs to BelSmall index.

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## Consolidated Income Statement

### Selected Key Figures

	2005	2004	Variation	
	(EUR '000)	(EUR '000)	(EUR '000)	%
Sales and contract revenue	136,099	119,831	16,268	13.6%
Cost of sales and contract costs	92,244	77,480	14,764	19.1%
<b>Gross profit</b>	<b>43,855</b>	<b>42,351</b>	<b>1,504</b>	<b>3.6%</b>
Selling and marketing expenses	12,224	10,368	1,856	17.9%
General and administrative expenses	18,847	16,255	2,592	15.9%
Research and development expenses	9,689	8,650	1,039	12.0%
<b>Recurring expenses</b>	<b>40,760</b>	<b>35,273</b>	<b>5,487</b>	<b>15.6%</b>
<b>Recurring profit</b>	<b>3,095</b>	<b>7,078</b>	<b>-3,983</b>	<b>-56.3%</b>
Other non-recurring (income)/ expenses - net	4,593	561	4,032	718.7%
Finance (income)/ expenses - net	-7,314	5,806	-13,120	-226.0%
<b>Profit before tax</b>	<b>5,816</b>	<b>711</b>	<b>5,105</b>	<b>718.0%</b>
Tax expense	2,455	1,879	576	30.7%
<b>Profit/ (loss) for the period from continuing operations</b>	<b>3,361</b>	<b>-1,168</b>	<b>4,529</b>	<b>-387.8%</b>
Profit/ (loss) for the period from discontinued operations	325	8,595	-8,270	-96.2%
Share of profit/(loss) of equity-accounted companies	-638	-330	-308	93.3%
<b>Profit for the period</b>	<b>3,048</b>	<b>7,097</b>	<b>-4,049</b>	<b>-57.1%</b>

## Consolidated Balance Sheet

### Selected Key Figures

	2005	2004
	(EUR '000)	(EUR '000)
<b>ASSETS</b>		
Goodwill	31,072	17,614
Other intangible assets	4,621	1,434
Property, plant and equipment	33,906	27,705
Investments accounted for using the equity method	1,747	1,000
Deferred tax assets	16,515	18,168
Other long-term receivables	3,099	391
<b>Non-current assets</b>	<b>90,960</b>	<b>66,312</b>
Inventories and contracts in progress	28,655	32,240
Accounts receivable	36,123	21,401
Other receivables	3,309	3,563
Cash and cash equivalents	43,708	139,594
<b>Current assets</b>	<b>111,795</b>	<b>196,798</b>
<b>Total assets</b>	<b>202,755</b>	<b>263,110</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	34,883	34,605
Share premium	198,887	275,279
Treasury shares	-256	-256
Hedging and other reserves	331	745
Cumulative translation differences	905	3,052
Retained earnings	-131,391	-134,786
<b>Capital and reserves attributable to Company's equity holders</b>	<b>103,359</b>	<b>178,639</b>
<b>Minority interests</b>	<b>518</b>	<b>50</b>
<b>TOTAL EQUITY</b>	<b>103,877</b>	<b>178,689</b>
Borrowings	19,356	16,612
Deferred tax liabilities	40	90
Provisions	7,945	8,162
Other long-term liabilities	12,914	8,224
<b>Non-current liabilities</b>	<b>40,255</b>	<b>33,088</b>
Borrowings	6,055	3,750
Other short-term financial liabilities	1,597	0
Accounts payable	16,298	12,384
Current income tax liabilities	155	887
Other payables and accruals	34,518	34,312
<b>Current liabilities</b>	<b>58,623</b>	<b>51,333</b>
<b>Total liabilities</b>	<b>98,878</b>	<b>84,421</b>
<b>Total equity and liabilities</b>	<b>202,755</b>	<b>263,110</b>