IBA

# Press release

## Annual results 2004: Net profit of EUR 6.2 million

**Embargo until 5:40 pm (Belgian time) – March 24, 2005**

- **IBA confirms good results posted in the first 6 months in the second half of the year**
- **Profit of EUR 6.2 million and substantially positive net cash flow**
- **Record order book to start 2005**

**LOUVAIN-LA-NEUVE, BELGIUM, March 24, 2005** – IBA (Ion Beam Applications S.A.: Reuters IOBAt.BR and Bloomberg IBAB.BB) announced today its consolidated results for the financial year ending 31 December 2004.
On the whole, although the dollar continues to exercise a negative influence on the company's performance and in particular on turnover growth, the company confirms a successful refocusing on cancer diagnosis and therapy.

## CONSOLIDATED RESULTS 2004

As announced, IBA transferred its Sterilization and Ionization (S&I) activities in June 2004 and refocused on cancer diagnosis and therapy.

As the comparability of 2004 figures is affected by the change in consolidation perimeter dated 14 June 2004 and other resulting exceptional items, whenever possible, figures are analyzed excluding the S&I business.

### *Sales & Services*

In 2004, IBA revenues, excluding S&I, increased by 17.8% to EUR 119.8 million in spite of the depreciation of the dollar against the Euro by more than 9.9% (average 2004: USD 1.2439 as against average 2003: USD 1.132 for EUR 1.00).

| 2004 versus 2003 at actual rate | 2004 Actual at current FX rate (€'000) | % | Prior year at 2003 FX rate (€'000) | % | Variance at current FX rate % |
|---|---|---|---|---|---|
| Technology & Equipment | 82.611 | 69% | 67.370 | 66% | 22,6% |
| Radioisotopes | 37.150 | 31% | 34.320 | 34% | 8,2% |
| **Sub-total "New" IBA** | **119.761** | **100%** | **101.691** | **100%** | **17,8%** |
| Sterilization & Ionization (5&1/2 months in '04) (a) | 70.019 | | 156.053 | | -55,1% |
| **Consolidated group** | **189.780** | | **257.744** | | **-26,4%** |

***(a) Figures for the Sterilization & Ionization in 2004, only for the period of January 1 at June 14, 2004***

At a constant rate, the growth for the group excluding S&I would have been 22.1%. The share of IBA revenues related to the dollar dropped from 60% to 50% after transferring the S&I business.

| **2004 versus 2003 at prior year rate** | **2004 Actual at 2003 FX rate (€'000)** | **%** | **Prior year at 2003 FX rate (€'000)** | **%** | **Variance at current FX rate** % |
|---|---|---|---|---|---|
| Technology & Equipment | 83.651 | 70% | 67.370 | 66% | 24,2% |
| Radioisotopes | 40.515 | 34% | 34.320 | 34% | 18,1% |
| **Sub-total "New" IBA** | **124.166** | **104%** | **101.691** | **100%** | **22,1%** |
| Sterilization & Ionization (5&1/2 months in '04) (a) | 76.622 | | 156.053 | | -50,9% |
| **Consolidated group** | **200.788** | | **257.744** | | **-22,1%** |

***(a) Figures for the Sterilization & Ionization in 2004, only for the period of January 1 at June 14, 2004***

## ***Operational Results***

Although the gross margin decreased in absolute value, due to the deconsolidation carried out in the course of the financial year, it reached 32% of Sales compared with 29% in 2003.

In spite of the change of perimeter, the operating profit (EBIT) of the group (including the 5½ months of the S&I activity consolidated in 2004 as against 12 months in 2003) have risen strongly to EUR 14.8 million, representing an operating margin of 7.8% in 2004 compared to a loss of EUR 3.4 million in 2003. This good performance results from the combined positive effects of:

- Sale of a Protontherapy system in Florida;
- Orders for Rhodotrons, announced in the press in the second half of the year;
- Reorganization of FDG production activities with a return to breakeven in operational profit at the beginning of the year after severe losses in 2003;
- Excellent results in Dosimetry.

These good results more than compensate for the negative effects caused, on the one hand, by the absence of operational results from the S&I activity in the second half of 2004 (EUR 8.9 million in the second half of 2003) and, on the other hand, by the delays recorded in the marketing of IBA brachytherapy implants.

This trend is even more visible on a comparison of pro forma results excluding the transferred activity (S&I).

As shown in the table below, IBA, excluding S&I, posted an operational result (EBIT) of EUR 7.8 million, representing an operating margin of 6.5%, in sharp increase, compared with a heavy loss in 2003.

## **Net financial charges**

The net financial charges of EUR 2.0 million for 2004 represent only a fraction of the EUR 23.9 million recorded in 2003. This decrease is due partly to the reduction of the debt following the sale of the S&I division, as well as the reorganization of the financing methods for subsidiaries abroad, which recorded major loses in 2003, due to the unfavorable movement of the dollar against the Euro. Finally, careful but active management of the cash surplus in the second half of the year made it possible to generate financial revenues.

## Extraordinary results

Extraordinary Results consist of positive and negative items, which break down as follows:

The positive elements amount to EUR 3.3 million reflecting mainly the final adjustments of the sales price for the sterilization & ionization activity as well as reversal of previously recognized impairment charges on a building belonging to the company.

Items which had a negative impact amount to EUR 6.0 million. Costs related to the Optivus lawsuit account for more than half of them, the remaining charges result from success fees related to selling the S&I activity, extraordinary incentive plans related to the company's reorganization and expenses incurred by continuing reorganization efforts to adjust the company's profile to its new activities in the field of cancer diagnosis and therapy.

## Tax liability

On the basis of 2004, in addition to the ordinary tax liabilities, IBA recorded a liability of EUR 1.3 million representing the risk related to a dispute with the tax authorities in Sweden.

## Net results

The company, which was aiming to achieve breakeven for 2004, has exceeded expectations in spite of the unfavorable evolution of the dollar, with EUR 6.2 million net profit and revenues of EUR 189.8 million for the IBA group as a whole.

## Structure of the balance sheet

The transfer of the S&I business made it possible to improve considerably the profile of the IBA balance sheet with liquid assets of EUR 139.5 million (of which EUR 17.4 million is restricted mainly within the framework of the sale of the S&I activity) and debt of EUR 20.3 million, mainly intended to finance sites for the production of radioisotopes.
The equity rose by more than 2% in spite of the fall of the dollar in 2004 and amounted to EUR 184.5 million as of 31 December 2004.

## Adoption of IFRS standards

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, including comparative data relating to the 2004 financial year.

In accordance with the requirements of the Euronext NextEconomy segment to which it belongs, the company has put on its Internet site www.iba-worldwide.com a note, explaining the probable impact of the conversion on its accounts, without quantifying them.

In accordance with the recommendation included in the circular of the IMF/2004-01 published by the CBFA, and also the recommendation CESR/03-323e issued by the “Committee of European Securities Regulators” (CESR), IBA will publish in its annual report for 2004 quantified effects of the conversion to the IFRS on its opening equity as of January 1, 2004, on its results for 2004 and on its equity as of December 31, 2004.

## Stock options

In October 2004, the company carried out the launch of a stock options program which gave rise to the issue of 886,000 additional options with an exercise price of EUR 6.36. As of December 31, 2004, there consequently remained a total of 3,146,783 stock options in the context of the four stock option programs currently in force. These stock options are distributed as follows: 167,148 warrants issued in the context of the program for 2000 generally at the exercise price of EUR 28; 260,525 warrants issued in the context of the program for 2001 generally at the exercise price of EUR 15.70; 1,833,110 warrants issued in the context of the program for 2002 generally at the exercise price of EUR 5.11 and 886,000 warrants issued in the context of the program for 2004 at the exercise price of EUR 6.36. It is however useful to specify, on the one hand that the company will carry out a reduction of the exercise prices mentioned above after the reduction in capital by EUR 3.1 which took place on February 1, 2005 and, on the other hand that 475,000 warrants of the program for 2002 will be the subject of forthcoming cancellation, the company having won on this point the dispute with its former COO, James Clouser. The real number of warrants in circulation is thus more precisely 2,671,783.

## Optivus dispute

Since August 2002, Optivus Technology, Inc. (Optivus) and IBA have been in dispute on various questions relating to proton therapy. At the beginning of January 2005, the American regional court of the Central District of California rejected the action of Optivus 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. The action for the counterfeit of the three other patents will be the subject of a dispute before a jury fixed for the course of the month of May 2005. IBA is continuing to maintain that the suit of Optivus for counterfeit of patent is without foundation and is intending to defend its interests vigorously. The company has not established a reserve for this dispute.

## KEY EVENTS BY BUSINESS SECTOR

### → Technology and Equipment division: sale of a protontherapy system in Florida, record year for Rhodotron and excellent results in dosimetry.

The Technology and Equipment division includes mainly particle accelerators (such as the Rhodotron and Dynamitron cyclotrons), protontherapy and dosimetry.

This division accounted for 43.5% of total Sales in 2004, i.e. EUR 82.6 million, showing a growth of 22.6% at the actual exchange rate and 24,2% at a constant rate of exchange. This division accounts for 69% of IBA's revenues excluding S&I activities. Growth in revenues is due mainly to proton therapy, dosimetry and the sales of Rhodotrons. The favorable developments in these sectors more than compensate for a fall in the number of TEP cyclotrons sold.

- In proton therapy, a complete system was sold to the Florida Proton Therapy Institute in Jacksonville, Florida at the beginning of the financial year. 2004 was also marked by the treatment of the first patient by the IBA system of proton therapy installed in Wanjie Tumour Hospital in Zibo in China. This performance represents a substantial gain for the community of proton therapy users, cutting the time between the order and the beginning of the clinical treatment. It is the first proton therapy system built and used in less than 3 years.
- The dosimetry activity witnessed solid growth for radiotherapy applications and even more for diagnosis applications, due to new regulations in Germany.

- For the remainder, the 7 electron accelerators (Rhodotrons and Dynamitrons) sold in 2004 as well as the Cyclone 30 intended for the production of SPECT tracers in Japan compensate for the reduction in the sales of TEP accelerators recorded over the same period last year (5 machines sold against 13 in 2003, which was a record year).

### → Radioisotopes division: positive sales in molecular imaging (FDG).

The Radioisotopes area comprises the activities of production and distribution of FDG (F-18 fluorodeoxyglucose, a radio-pharmaceutical product used in medical imaging) and the development of new products of brachytherapy intended mainly for prostate cancer treatment.

In constant growth since 2001, this area of activities achieved sales of EUR 37,1 million in 2004 rising by 8.2% at actual exchange rate and 18.1% at constant exchange rate. More than 99.5% of sales in this area come from the radio-pharmaceutical activity (FDG and associated activities), whereas decline at EBIT level results entirely from the brachytherapy activity. Indeed, the operational profit (EBIT) for the activity (FDG) was slightly positive in 2004.

In volume, the sales of FDG recorded a growth of 32% in 2004 compared to 2003, but were influenced negatively by a fall of the average price per dose of 9% over the same period.

In addition, after the finalization of the repurchase of the minority owners of Eastern Isotopes Inc., which occurred in March 2004, IBA opened, in July, its first FDG center on the West Coast of the USA, in Gilroy, California.

In January 2005, with the acquisition of two additional centers from the Isorex group, IBA widened its American network to nine FDG production centers. IBA also has 3 sites for the production of FDG in Europe (of which one in joint-venture with Schering AG and one in joint-venture with the UCL) and a fourth center under construction, should open during fall 2005.

## PROSPECTS

After having successfully returned to profitability, IBA remains confident of the high long-term potential of all the markets in which the company operates. In the short run, the most important risks arise from the operational feasibility of the brachytherapy activity which still has to be demonstrated and especially to the uncertainty related to the dollar which still affects 50% of the Company's revenues. At a constant rate, the current order book and the potential of the solutions developed by IBA should make it possible to compensate for the effect of the extraordinary positive contributions linked to 2004 and to end the year 2005 with slight growth compared to 2004 excluding the S&I activity, both regarding revenues and operational profit. Current exchange rates with the dollar (compared to an average rate of 1.25 USD/EUR for 2004) and the impact a further weakening of that currency would have on the competitive position and accounting treatments, encourage the greatest prudence for prospects in 2005.

## Reduction of the capital

Following the revaluation of the markets and strategy of the company, IBA reduced its equity to the amount of EUR 76.4 million, representing EUR 3.10 per share, which was distributed to the shareholders as from February 1, 2005.

## Forthcoming events

General Meeting 2005 on 11 May 2005 at 10.00 a.m.
Publication of the half yearly results as of 30 June 2005 on 15 September 2005.
Publication of the annual results as of 31 December 2005 on 16 March 2006.
General Meeting 2006 on 10 May 2006 at 10.00 a.m.

## Declaration by the auditor of the consolidated accounts

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 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.

## About IBA

IBA claims to be at the leading edge of technology in the fields of cancer diagnosis and therapy. IBA also offers innovative solutions ensuring the well-being, health and safety of many of our daily actions. It is listed on the pan-European stock exchange EURONEXT and is integrated into the NextEconomy market segment and belongs to BelSmall index.
Web site: http://www.iba-worldwide.com

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## Ion Beam Applications
## Summary Consolidated Balance Sheet
## December 31, 2004
*(in '000 Euro)*

| ASSETS | 2.004 | 2003 |
|---|---|---|
| **FIXED ASSETS** | **50.623** | **307.368** |
| Intangible fixed assets | 1.212 | 3.729 |
| Goodwill | 22.625 | 87.799 |
| Tangible fixed assets | 25.741 | 213.960 |
| Financial assets | 1.045 | 1.880 |
| **CURRENT ASSETS** | **294.596** | **193.192** |
| Amounts receivable after one year | 18.352 | 4.604 |
| Inventories and contracts in progress | 111.536 | 99.302 |
| Amounts receivable within one year | 21.551 | 45.317 |
| Investments | 99.901 | 818 |
| Cash at bank and in hand | 39.693 | 38.608 |
| Deferred charges and accrued income | 3.563 | 4.543 |
| **TOTAL ASSETS** | **345.219** | **500.560** |

| LIABILITIES | | |
|---|---|---|
| **SHAREHOLDERS' EQUITY** | **184.569** | **181.012** |
| **MINORITY INTERESTS** | **50** | **144** |
| **PROVISIONS AND DEFERRED TAXES** | **2.838** | **5.804** |
| Provisions for liabilities and charges | 2.748 | 5.354 |
| Deferred tax liabilities | 90 | 450 |
| **CREDITORS** | **157.762** | **313.600** |
| Amounts payable after more than one year | 28.607 | 55.099 |
| Long term advances on contracts in progress | 36.949 | 42.971 |
| Amounts payable within one year | 30.034 | 170.399 |
| Current advances on contracts in progress | 58.161 | 33.776 |
| Accrued charges and deferred income | 4.011 | 11.355 |
| **TOTAL LIABILITIES** | **345.219** | **500.560** |

## Ion Beam Applications
## Summary Consolidated Income Statement
## December, 2004
*(in '000 Euro)*

| | 2004.12 | 2003 |
|---|---|---|
| **Revenue** | **189.780** | **257.743** |
| Cost of sales | 128.203 | 183.752 |
| **Gross margin** | **61.577** | **73.991** |
| Selling and marketing expenses | 12.531 | 16.155 |
| General and administrative expenses | 21.295 | 36.330 |
| R&D | 9.417 | 18.292 |
| Capitalized R&D | - | (3.931) |
| Amortization of goodwill | 3.490 | 10.571 |
| **Operating result (EBIT)** | **14.844** | **(3.426)** |
| Net financial result | 2.043 | 23.908 |
| **Current profit before tax** | **12.801** | **(27.334)** |
| Net extraordinary result | **2.664** | 98.344 |
| **Result before tax** | **10.137** | **(125.678)** |
| Net tax | **3.453** | (994) |
| **Result before minority interests** | **6.684** | **(124.684)** |
| Result of investment under equity method | 457 | |
| Minority interest in earnings | - | (1.040) |
| **Group's share of net resultat** | **6.227** | **(123.644)** |

Memo:

| | | |
|---|---|---|
| **EBITDA (earnings before interest, tax, depreciation and amortization, and before extraordinary items)** | **36.148** | **43.250** |