



FOR: **QUALIFLOW**

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2002 results
Euros 7m operating loss
Breakeven point falls by 21%

Montpellier, April 16, 2003: QUALIFLOW (Euroclear 7786, ISIN FR0000077869), which specialises in the design, development, production and marketing of ultra-high purity liquid flow control components, today announced its audited results for the year ending December 31 2002, and sales for the first quarter of 2003, ended March 31, 2003.

Annual results 2002

(In thousands of euros)	2002	2001
Sales	4,521	19,313
Gross profit on sales	1,731	9,108
Gross margin (%)	38.3%	47.2%
Operating profit (loss)	(6,978)	201
Net financial gain (loss)	(649)	110
Net extraordinary gain (loss)	(613)	227
Pre-tax ordinary profit (loss)	(8,239)	538
Net profit (loss)	(8,897)	183

As reported on January 14, 2003, QUALIFLOW's sales in 2002 amounted to euros 4.5m, a 76.58% decrease from the euros 19.3m posted in 2001. Consolidating euros 400,000 in revenue from JIPELEC, operated on a lease-management basis since November 13, 2002, added to sales in the fourth quarter of 2002.

Falling revenue had a direct impact on operating results, producing a euros 6.9m operating loss, compared with a nearly flat euros 201,000 operating profit in 2001.

Depressed by losses, particularly related to charge on the sale of marketable securities (QUALIFLOW shares), but taking into account the euros 443,000 of interest earned on cash reserves, which amounted to euros 12.3m on December 31, 2002, the net financial loss came in at euros 649,000.

Booking charge on the sale of marketable securities produces accounts that reflect reality more accurately, since it reduces the average price of treasury stock to euros 1.66 per share as of december 31th, 2002.

Most restructuring expenses were booked as exceptional charges amounting to euros 1.1m. This figure represents the cost of the major effort to trim the workforce that QUALIFLOW has implemented to adapt its structure to difficult market conditions.

QUALIFLOW posted a pre-tax ordinary loss of euros 8.3m and a net attributable loss of euros 8.9m in 2002.

According to Chairman and CEO Claude P. Jacquemin, *“Two factors were responsible for the 2002 net loss. First, our markets were experiencing an unprecedented downturn. Second, we undertook a major restructuring of manufacturing operations throughout 2002. Our breakeven point is now euros 15m, which is 21% lower than the euros 19m threshold on December 31, 2001. We now expect the semiconductor market to recover by late 2003 (at the earliest) and the fibre optics market by late 2004. We implemented the restructuring measures last year as part of a determined effort to shift our strategy to addressing the promising segment of liquid evaporation. We also strove to cut our operating costs substantially, particularly by reducing the workforce, a programme that we were able to carry out in conjunction with the merger with JIPELEC. QUALIFLOW and JIPELEC lowered their combined workforce from 134 employees on October 31, 2002 to 84 on March 31, 2003, a 37% decline. These initiatives entailed significant one-off charges that depressed group earnings.”*

Merger with JIPELEC

The merger between QUALIFLOW and JIPELEC is the cornerstone of the group's strategy, which now targets the high-potential liquid evaporation segment. The merger and the closing of the Grenoble facility are on track with the schedule that was presented along with interim results in October 2002. Most employees working in strategic areas, including a team of six high-level researchers, and all operations are now located in Montpellier.

With regard to the merger, some uncertainties remain concerning the value of key technologies. Negotiations over determining the exchange ratio that will serve as the basis for the transaction price, are, however, now entering the final stage.

The uncertainties about valuing some key technologies do not threaten the merger between QUALIFLOW and JIPELEC, and the new group is fully operational. The acquisition of JIPELEC is consistent with the interest taken in LINTEC in 2001, and is a major step towards building QUALIFLOW's global leadership of the liquid evaporation segment.

Moreover, QUALIFLOW has reduced its vulnerability to business cycles by acquiring a substantial customer base that includes research and development facilities in the rapid thermal processing (RTP) furnace segment, in which JIPELEC ranks number one.

First quarter sales 2003

The new group formed by the merger of QUALIFLOW and JIPELEC, which still operates on a lease-management basis, booked euros 1.1m in new business in the first quarter of 2003, which closed on March 31. This new business breaks up into posted consolidated sales of euros 707,135 in the first three months of the year and orders of euros 406,043 which QUALIFLOW did not immediately fill, due to the delay caused by JIPELEC's move to Montpellier and the closing of QUALIFLOW's fab.1.

Except optical fibre, which did not post any sales in the first three months of the year 2003, and except JIPELEC revenue, the new business, even weak, confirms renewal of activity coming from equipment suppliers in semiconductor clients of QUALIFLOW. This increase should be reinforced during the next quarters, particularly due to the launching of new products.

New business (except optical fibre and except Jipelec revenue – in thousands of euros)

Q1 2003	Q4 2002	Var. Q1 03 / Q4 02 (%)	Q1 2002	Var. Q1 03 / Q1 02 (%)
524	283	+ 85%	450	+16.4%

Prospects for 2003

The outlook for the fibre optics market is entirely unclear and very murky for the semiconductor market. Under these circumstances, QUALIFLOW will employ a three-pronged approach in 2003.

- To adapt the company’s structure to the current depressed marketplace, QUALIFLOW will continue to lower its breakeven point. This will occur primarily through 1) extracting synergies from the merger of JIPELEC and QUALIFLOW and 2) exercising tighter control over expenses and overhead costs. Lastly, since group activities in France have come together from 4 sites at one in Montpellier, the group could record exceptional gains from property disposals in 2003.
- QUALIFLOW will pursue ongoing research and development projects in the semiconductor area. The aim is to target products (mass flow controllers, valves, RTP furnaces and large systems) and key technologies (liquid evaporation and vaporisation) in critical areas as defined at the beginning of year 2002.
- QUALIFLOW will form additional strategic partnerships, particularly in Asia. This will result in 1) a streamlining of research and development projects conducted with LINTEC in the area of next-generation evaporation systems, and 2) the development of low-cost production processes in collaboration with local equipment manufacturers.

Claude P. Jacquemin concludes, *“The lack of visibility in the markets in which we operate has prompted us to reduce our sales target for 2003 from euros10m to euros8m. We will pursue all efforts launched in 2002. These include lowering our breakeven point and reinforcing our leadership position in the high-potential liquid evaporation segment. While we could interpret increasing our backlog in the first three months of 2003 as a positive trend, we have outlined additional restructuring measures, which would, if implemented, lead to further layoffs. We will decide whether to apply these measures in June, based on the level of sales produced in the second quarter.”*

QUALIFLOW – www.QUALIFLOW.com - specialises in the design, development, production and marketing of ultra-high purity liquid control systems and components: valves, mass flow controllers (MFC) and gas systems. QUALIFLOW plans to become the world leader in gas components. QUALIFLOW is one of the foremost technological firms specialising in digital MFCs which are revolutionising the control of ultra-high purity gases. The company’s expertise is vitally important in the manufacturing of semiconductors, fibre optics and electronic components used to support the development of consumer telecommunications applications. QUALIFLOW is quoted in the NextEconomy segment of Euronext.

Nouveau Marché - Euroclear : 7786 - ISIN FR0000077869 - Bloomberg : QUFL - NM Reuters : QFLW.LN - FTSE : Groupe Economique 90 (Information Technologies) / Secteur 93 (Information Technologies Equipment) / Sous secteur 936 (Semi-conductors)

First half 2003 sales to be released on July 9th, 2003
(at the close of trading on the Paris Bourse)

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