



FOR : **QUALIFLOW**

APPROVED BY : **Claude P. Jacquemin**
Chairman

CONTACTS : **Michel Landon**
CEO
Tel. : + 33 (0)4 67 99 47 47

NewCap.
Pierre Laurent / Axelle Vuillermet
Tel. : + 33 (0)1 44 71 94 94

QUALIFLOW: OPERATIONAL REORGANISATION PLAN

Montpellier, October 3rd 2003 : QUALIFLOW (ISIN FR0004157592), a company specialising in the design, development, production and marketing of ultra-high purity fluid flow control components, today unveils its operational reorganisation plan.

This company's reorganisation plan is structured along three main thrusts and will begin to be implemented immediately:

- **Reducing the production capacity and ancillary support functions at the Montpellier site:**
This measure, unveiled during a meeting of the Workers Committee held on the 30th of September of this year, will involve at least 45 job losses, as a result of which the total number of employees in France will fall to less than 40. All categories of employees will be affected, and in particular those in charge of manufacturing MFCs, which will cease to be produced at the Montpellier site. Production of MFCs will continue either at a new plant located in China or via Lintec of Japan as part of our existing partnership with that company.

The cost of the reorganisation, including the employment plan and provisions for stock, will amount to around 2.1 million euros.

- **Agreements for co-operation and transfer of licenses over liquid evaporation devices designed and produced by Lintec Japan:**
An agreement in principle has been signed with Lintec. This agreement will enable Qualiflow to strengthen its position in the field of liquid vaporisation and to irrevocably secure full and exclusive rights to produce and market evaporation products developed by Lintec in Europe and the US. The agreement also covers the implementation and deployment of joint projects.

Vaporisation systems play a key role in enabling the use of liquid precursor chemicals in the production of the next generations of integrated circuits. Qualiflow also holds exclusive sub-licenses granted by Aixtron for the exploitation of vaporisation systems developed jointly with France's CNRS research institute as part of Jipelec's activities.

→ **Formation of a joint venture with Seven Star, China's leading manufacturer of MFCs:**

Qualiflow's involvement on the production side will consist of contributing its means of production (transfer of equipment) and its processes.

For its part, Seven Star will contribute its means of production on site and will provide the cash investment needed to finance the venture initially. The amount of money required is thought to be around 300,000 euros. The products manufactured by this jointly owned company, which will be based in China (in the 'Zhong Guan hi-tech development' zone near Beijing) will be distributed exclusively by Seven Star in Asia and by Qualiflow in the US and Europe.

The signature of the agreement and the formation of the joint venture are expected to take place by the end of 2003. Thanks to the extensive experience of Seven Star, which produces several thousand previous generation analogue MFCs each year, the joint venture should be operational by mid-2004 producing the latest generation of digital MFCs.

Additional finance:

The company's forecast cash flow for 2004 has led the Management to consider resorting to external financing during the first half of 2004, in order to enable Qualiflow to pursue its liquid evaporation R & D programme.

The implementation of these measures and the signature of these agreements should enable Qualiflow:

- to focus its R & D efforts on evaporation applications with a view to capitalising on its current technological lead,
- to have a low-cost manufacturing base in China, close to the markets for those of the company's products that are subject to heavy downward pressure on prices,
- to limit production at the Montpellier site to high value-added products, Jipelec RTP systems and special valves.

The production of gas systems for optical preform manufacturing could be resumed at any moment in time at the Montpellier site, although there does not seem to be any prospect of substantial growth in this sector in the short-term.

The implementation of this reorganisation plan will have a marked impact on our turnover for 2003, but will enable the company to take advantage of the anticipated recovery in the market for machinery for the semiconductor industry in 2004 amid heightened competition.

QUALIFLOW – www.QUALIFLOW.com - specialises in the design, development, production and marketing of ultra-high purity gas 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 Mass Flow Controllers 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 – ISIN : FR0004157592 - Euroclear : 7786 - Bloomberg : QUFL - NM Reuters : QFLW.LN - FTSE : 93/936

Half year results for first semester 2003 :
October 16th, 2003 *(after the markets close)*

