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## Half-yearly operating loss: - 6.5 million euros Operational reorganisation under way

**Montpellier, October 16th, 2003** : QUALIFLOW (ISIN FR0004157592), a company specialising in the design, development, production and marketing of ultra-high purity gas flow control components, today announced its results for the first six months of the year, ended June 30th, 2003, and sales for the third quarter of the current fiscal year.

<i>In thousands of euros</i>	<b>First half of 2003</b>	<b>First half of 2002</b>
<b>Turnover</b>	1,709	2,496
<b>Gross margin (%)</b>	40.20%	39.4%
<b>Operating earnings</b>	- 6,505	-3,428
<b>Financial item</b>	- 399	- 225
<b>Exceptional item</b>	- 71	- 8
<b>Net earnings</b>	- 7,079	-3,975

As we announced on July 9, 2003, our turnover for the first half of 2003 amounted to 1.7 million euros. Our gross margin amounted to 40.2%, up by nearly one percentage point on the corresponding figure in the previous trading year.

Operating earnings yielded a loss of 6.5 million euros. This includes a provision of 1.8 million euros on liquid assets. This figure compares with a loss of 3.4 million euros for the first half of 2002 and a loss of 3.6 million euros in the second half of 2002.

Our net loss for the first half of this year amounted to 7 million euros.

The company's gross cash reserves amounted to 6.3 million euros on June 30, 2003.

According to Claude P. Jacquemin, Chairman of QUALIFLOW: "Our turnover, which was lower than expected, reflects the continuing crisis in the two markets which QUALIFLOW caters to. The result was a substantial worsening of our profitability, which forced us to implement new, drastic measures to downsize our structure and adapt to an environment that is currently undergoing a sea-change".

## **Reorganisation plan**

As we announced on October 3, 2003, the reorganisation plan launched by the company comprises the following 3 aspects:

- Production of high value added products and development of core, strategic R & D projects to be retained at Montpellier,
- A joint venture to be formed with Seven Star, China's leading producer of MFCs, to manufacture the next-generation MFCs in China in close proximity to the most dynamic markets for such products, from mid-2004 onwards,
- QUALIFLOW to strengthen its position on the highly promising market of liquid vaporisation devices through a protocol signed with LINTEC which grants QUALIFLOW full rights over production and distribution of vaporisation devices developed by LINTEC.

QUALIFLOW estimates that the cost of the redundancy plan currently in progress and of the stock provisions linked to the reorganisation of the company will amount to 2.1 million euros. These exceptional costs will be incorporated into the accounts for the current trading year.

## **Additional funding**

Given the reorganisation now under way and the market's forecast prospects, and in spite of its cash reserves which amounted to over 6 million euros at the end of June 2003, QUALIFLOW plans to seeking additional funding during the first half of 2004.

## **Q3 turnover and forecasts**

QUALIFLOW's turnover in Q3 of this trading year amounted to 0.63 million euros. This is down 11% on the corresponding figure for 2002. Sales of so-called "gas systems" (fibre-optics) have become negligible. On the other hand, sales of RTP furnaces (JIPELEC) to university and industrial labs now account for nearly a third of our turnover.

According to Claude P. Jacquemin: *"We were able to take the requisite measures, however late, to ensure the continued viability of our operations in an environment that has changed tremendously. Given the recent signs of a dawning recovery in the market for semiconductors, it is clear that this decision reflects the conviction of QUALIFLOW and our partners that we are well-positioned to make the most of improving market conditions. At a time when semiconductor OEMs are looking for competitively prices products, the finalisation of the joint venture with our Chinese partner, Seven Star, represents a concrete step in our quest to optimise our response to our clients' requirements."*

**QUALIFLOW** – [www.QUALIFLOW.com](http://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

**Full-year sales : January 14th, 2003**



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