



**FOR** : **QUALIFLOW**

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**Annual results for 2003:  
Operating loss of € 9m**

**Relocation of MFC business to China**

**Planned divestment of liquid vaporisation business and sale of property assets**

**Montpellier, April 15<sup>th</sup>, 2004** - Qualiflow (ISIN code FR0004157592), a company specialising in the design, development, production and marketing of ultra-purity fluid flow-control and evaporation solutions, today announced its audited results for the full year, ended December 31<sup>st</sup> 2003, and sales for the first quarter of the current fiscal year.

**ANNUAL RESULTS FOR 2003, KEY FIGURES**

<b>€ 000</b>	<b>2003</b>	<b>2002</b>
Sales	3,501	4,521
Gross earnings	1,472	1,731
Gross earnings (%)	42%	38.3%
Operating loss	(9,034)	(6,978)
Net financial expense	(606)	(649)
Net exceptional loss	(1,556)	(612)
Pre-tax profit on ordinary activities	(11,196)	(8,239)
Net loss	(12,400)	(8,897)
Equity	5,178	16,016
Cash position (*)	2,303	12,212
Workforce (**)	84	135

The cash position and the workforce changed significantly in the first quarter of 2004:

(\*) Payment of restructuring charges in Q1-2004 reduced the net cash position at end-2003 to almost nil at the end of March 2004. Qualiflow is selling property assets not required for future operations for an estimated amount of € 1.2m.

(\*\*) Qualiflow had 84 employees on 31 December 2003. Further to application of the layoff plan, the workforce was rightsized to 42 at the end of March 2004.

As announced on 14 January 2004, annual sales were down 22.6% to € 3.5m. Business was hurt by a persistently bad economic environment. The decline was nevertheless cushioned by the 12-month consolidation of Jipelec, which contributed € 1.45m - compared with € 0.39m in 2002, when this subsidiary was consolidated over only one quarter - and by a slight upturn of the semiconductor market at the end of the year. Jipelec's activity (RTP ovens) accounted for 42% of total sales.

The operating loss increased by € 2m to € 9m, driven mainly by falling sales.

The exceptional loss for the year came to € 1.6m, made up of a token exceptional loss in the first half and a loss of € 1.5m in the second half, reflecting non-recurrent charges recorded mainly in the second half as part of the restructuring measures (€ 1.25m).

After goodwill amortisation of € 1.2m, the annual consolidated net loss came to € 12.4m. The H2 net loss amounted to € 5.32m, versus € 7.08m in the first half.

## **RESTRUCTURING MEASURES**

As announced in the second half of 2003, the business was entirely restructured. The configuration is now as follows:

- in order to keep prices down while maintaining the high standards for which Qualiflow is known, the MFC business was relocated to China (joint venture with Seven Star, the largest MFC manufacturer in China). Production will start in the second quarter of 2004;
- R&D and RTP and valve manufacturing operations are maintained at the Montpellier site. The RTP activity caters mainly to laboratories and is less sensitive to industrial cycles. The valve business is picking up slightly as the semiconductor market is beginning to recover;
- liquid vaporisation R&D is currently based in Montpellier.

Claude Pierre Jacquemin, Qualiflow Chairman, commented: *"In view of the significant drop in sales in a market where both semiconductors and fibre optics simultaneously experienced the biggest crisis in their history, an in-depth restructuring of our business was inevitable. As a result, we have relocated the manufacture of part of our products to China while high value-added R&D activities are kept at the Montpellier site. This said, our cash position on 31 March 2004 obliges us to implement further restructuring measures in order to finance the future*

*of our business. The Board of Directors has therefore decided to sell property assets and the Liquid Vaporisation business."*

## **RECOVERY**

Sale of the liquid vaporisation activity

While the industrial use of the liquid vaporisation technology is becoming more and more real and promising in the eyes of leading semiconductor manufacturers, mass marketing of new-generation products using this technology is not expected to occur before 2006/2007. As Qualiflow's very difficult financial situation does not allow it to continue financing this activity during this period, management has decided to sell it during the second quarter of 2004.

This business line posted sales of € 230,000 in 2003. Its fixed assets are currently worth € 1.8m. Its sale will include all product activities, intellectual property rights and related human resources. Costs are estimated at € 1.5m on a 12-month basis. Management has identified potential buyers.

- **MFC:** the order backlog built up since 1 January 2004 confirms the turnaround of the market. The price lever of MFCs manufactured by the joint venture between Seven Star and Qualiflow in China can be expected to tweak growth towards the end of 2004;
- **RTP:** certain RTP projects are in the final development phase and can be expected to have a positive impact on our order intake in late 2004. First, an RTP oven for solar cells, subsidised as part of a Eureka programme, will be undergoing joint tests with our partners in the second half of 2004. Secondly, special equipment allows us to offer customer state-of-the-art assembly techniques for chip balls;
- **Valves:** Qualiflow continues limited R&D efforts, particularly in the area of rapid valves for ALD applications, while the upturn of the semiconductor market should boost sales.
- **Fibre optics:** Qualiflow remains positioned on this market pending the recovery expected in late 2005. This business line shares its manufacturing resources with the RTP line.

Claude P. Jacquemin added: *"In 2004, Qualiflow's activity will be boosted by a combination of two factors. First, the relocation of our mass production operations to China, helped by Qualiflow's historic position as a pioneer in Asia. This has already been done. Secondly, the divestment of the liquid vaporisation business, expected to occur in the second quarter of 2004.*

*The impact of these restructuring measures will allow Qualiflow to exploit the R&D projects carried on for the past several years, while the lever created by the significantly lower cost of manufacturing MFCs in China should allow it to recover global leadership in partnership with Seven Star."*

## **QUARTERLY SALES AND OUTLOOK FOR 2004**

Q1 sales were up 29.9% to € 0.92m compared with the first quarter of the year before. The Components business (Valves and MFC) in particular benefited from the turnaround of the semiconductor market, growing 59% to € 0.61m compared with the same period in 2003.

Confirming growing sales, new orders taken in Q1-2004 amounted to € 1.15m, up 34.5% from € 0.86m in Q1-2003. At end-March 2004, the order backlog stood at € 0.7m, compared with € 0.44m the year before.

Qualiflow forecasts sales of € 5m in 2004 and return to a positive operating margin in the second half of 2004.

**QUALIFLOW** – [www.QUALIFLOW.com](http://www.QUALIFLOW.com) - designs, develops, makes and sells components and systems that control the flow of ultra-high purity fluids, including valves, mass flow controllers (MFC) and gas systems. QUALIFLOW is determined to become the world leader in industrial precursor liquid evaporation solutions. The company's expertise is essential to manufacturing semiconductors, optical fibers and electronic components used to make many mass consumer products and systems. QUALIFLOW is listed on Euronext's NextEconomy segment.

Nouveau Marché - ISIN : FR0004157592 - Bloomberg : QUFL - NM Reuters : QFLW.LN - FTSE : 93/936

### **Half Year Sales 2004 : July 8<sup>th</sup>, 2004, at market close**

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