



**FOR** : **QUALIFLOW**

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**First half-year operating income (loss) : - 3.4 Meuros**

**JIPELEC acquisition through share swap**

**Building a position as worldwide leader in liquid evaporation**

**Montpellier, October 15th, 2002** : QUALIFLOW (Euroclear 7786), a company specialising in the design, development, production and marketing of ultra-high purity gas flow control components, today announced its audited results for the first six months of the year, ended June 30th, 2002, and sales for the third quarter of the current fiscal year.

**Half-year results**

The level of business during the first six months of 2002 reflects the exceptional duration of the market crisis, currently affecting QUALIFLOW's two business sectors.

<i>In thousands of Euros</i>	<b>HY1 2001</b>	<b>HY1 2002</b>
<b>Sales</b>	11 138	2 496
<b>Operating Income (Loss)*</b>	406	-3 428
<b>Financial Profit (Loss)</b>	- 122	- 225
<b>Extraordinary Profit (Loss)</b>	0	-8
<b>Net Income</b>	-36	-3 975

\*After deduction of profit-sharing

At June 30th, 2002, the gross cash level was 14.6 million Euros compared to 17 million Euros at December 31st, 2001.

Operating income for the first six months of the year, ended June 30th, 2002 registered a loss of 3.4 million Euros compared to a 0.4 million Euro profit for the same period the previous year. Net income registered a loss of 3.9 million Euros compared to a loss of 0.04 million Euros during the first half-year period of 2002.

Claude P. Jacquemin, Chairman of QUALIFLOW, says : « *Our half-year results reflect both the steep drop in our business due to a major crisis in the market sector, and continued efforts to streamline our cost structure. Our*

*operating income, posting a loss of 3.4 million Euros for sales of 2.5 million Euros, should be reconciled with a 50% reduction in operating costs registered between the first six months of 2001 and the first six months of 2002. Our cash burn rate is in-line with company objectives announced at the beginning of the year, and this in spite of a decrease in business. »*

### **First Half-Year highlights 2002**

- Delayed industrialisation of layer-deposit sensors (300TM)
- Objective achieved to reduce valve costs by 35%

### **Third quarter sales 2002**

QUALIFLOW's Q3 sales 2002 were 711 000 Euros, down 82.21% compared to 3.9 million Euros registered over the same period last year.

The quarterly sales breakdown attributes 27.24% to gas systems (fibre optics), 50.97% to valves, and 21.59% to MFC. The quarter's geographical sales breakdown is as follows : 21.40% in Europe, 45.16% in the U.S. and 33.44% in Asia.

### **Annual growth prospects revised downwards**

Given that business during the third quarter has been below company expectations, that there is still no foreseeable recovery in the fibre optics industry, and that a gradual upturn in semi-conductors is not expected until the end of 2003, QUALIFLOW has scaled down its sales forecast for the year 2002. QUALIFLOW now estimates annual sales, excluding acquisitions, of 5 million Euros, compared to 6 – 8 million Euros forecast last July. However, our cash burn rate will remain in-line with company objectives announced at the beginning of the year.

### **JIPELEC acquisition and QUALIFLOW re-engineers company strategy**

In light of the persistently morose market conditions, which fully affect its main business sectors, QUALIFLOW has decided to re-engineer its business strategy by focusing on sectors with more promising industrial outlooks. One such sector concerns key technology for liquid evaporation, necessary in the manufacturing of the next generation of integrated circuits. Acquiring JIPELEC is in-line with QUALIFLOW's acquiring a stake in LINTEC in 2001, and signifies a major step towards building a position as worldwide leader in liquid flow controllers. The acquisition protocol is currently being finalised.

#### **► JIPELEC : acquisition objectives**

- Acquiring new product lines and building a position as worldwide leader in liquid evaporation, by drawing on the extremely strong convergence of the LINTEC and JIPELEC development programmes.
- Reinforcing the R&D team
- Optimising production capacity by concentrating production exclusively at the Montpellier site.
- Reducing QUALIFLOW's exposure to the risks of manufacturing cycles by a significant diversification of the Group's client base. At December 31st, 2001, more than 150 clients were referenced by JIPELEC, the majority being R&D laboratories.

#### **► Industrial synergies**

Successfully implementing the operation over time will depend upon three major levels of synergy :

- **R&D:** reinforcing current R&D capacity and sharing the R&D efforts of the three entities (QUALIFLOW, LINTEC and JIPELEC), after focusing on industrially promising projects, and creating a demonstration and evaluation laboratory for all products in Montpellier.
- **Marketing and Sales:** mutualizing reciprocal technical support and capitalization costs on marketing and distribution networks in Europe and Asia.
- **Manufacturing:** reducing structural costs by regrouping all production activities at a single site in Montpellier.

### ► Conditions of the operation

- The acquisition will be entirely financed by a share swap.
- A positive impact is expected on net assets.

The provisional restructuring cost is 1 million euros. The annual gain from the expected synergies has been evaluated at 2 million euros. The new structure is expected to have sales of more than 10 million euros for 2003. JIPELEC's business will be consolidated in QUALIFLOW's accounts from January 1<sup>st</sup>, 2003.

Claude P. Jacquemin, Chairman of QUALIFLOW, concludes : *"In spite of a context of deep crisis, the acquisition of JIPELEC is the result of our strategic choice to continue our technological offensive by reinforcing our positioning, begun in 2001 when we acquired a stake in LINTEC, in liquid flow control. This operation enables QUALIFLOW to simultaneously focus its activity on its most promising businesses in terms of industrial prospects, while favouring a proportion of its recurring sales. It shows strict respect for Group cash flow preservation criteria and will rapidly lead to generating major industrial synergies.*

*We are therefore delighted to announce today our merger with JIPELEC and the beginning of a major new stage in our development. This operation will make it easier for us to overcome the severe crisis in the markets in which we are positioned while giving us a decisive strategic advantage in liquid flow control, a fundamental asset which we will put to the best use".*

**JIPELEC** - [www.JIPELEC.com](http://www.JIPELEC.com) - Located near Grenoble, JIPELEC designs, develops and markets standard equipment for university and industrial laboratories. Reputed for specialising in R&D equipment and RTP applications (Rapid Thermal Processing), and today leader in this business sector, JIPELEC gradually expanded its expertise to include liquid evaporation. Today, JIPELEC develops a unique system for regulating the flow and evaporation of liquid precursors, perfected with the CNRS. At December 31st, 2001 JIPELEC registered 4.7 million Euros in sales for a net profit margin of 8.5% and a staff of 47 people. The company forecasts 5.5 million Euros in sales for 2002 and a positive net income. JIPELEC's expertise draws on more than ten prestigious partnerships including CEA, Tokyo Institute of Technology, LETI, STM, Aixtron ...).

**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. With sales figures of almost 11,5 ME in 2000 and 19,3 ME in 2001, 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 - Euroclear : 7786 - Bloomberg : QUFL - NM Reuters : QFLW.LN - FTSE : Groupe Economique 90 (Information Technologies) / Secteur 93 (Information Technologies Equipment) / Sous secteur 936 (Semi-conductors)

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

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