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GSE SYSTEMS INC
Form 8-K
August 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 10, 2003

GSE Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware	0-26494	52-1868008

(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. employer identification no.)
9189 Red Branch Road, Columbia, MD		21045

(Address of principal executive offices)		(zip code)

Registrant's telephone number, including area code: (410) 772-3500

(Former name or former address, if changed since last report)

Item 5. Other Events

<http://www.gses.com>

AT THE COMPANY	AT THE FINANCIAL RELATIONS BOARD	
Gill R. Grady	Marilynn Meek	Susan Garland
Senior Vice President	(general info)	(analyst info)
410-772-3500	212-445-8451	212-445-8458

FOR IMMEDIATE RELEASE

GSE Systems Announces Second Quarter Results

Columbia, Maryland, August 14, 2003-- GSE Systems, Inc. (GSE) (AMEX:GVP), a leading global provider of real-time simulation and process control solutions to the energy and process industries, reported a net loss of (\$1.13) million or (\$.20) per diluted share for the quarter ended June 30, 2003. This compares to a net income of \$123,000 or \$.01 per diluted share for the same period in 2002. Revenue for the three months ended June 30, 2003 was \$9.8 million compared to \$12.1 million for the second quarter of 2002.

The Company's Power Simulation business reported a 5% increase in revenue and a

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positive operating income for the quarter, compared to an operating loss of (\$441,000) for the same period in 2002. Revenue for the second quarter of 2003 was \$5.5 million compared to \$5.2 million in the second quarter of 2002. During the second quarter, the Company closed on simulation contracts in Mexico, Japan, and the U.S. totaling over \$9.5 million. Revenue and earnings from these projects will ramp up during the third quarter of 2003 and continue over the next couple of years. The Power Simulation business backlog, which is expected to remain healthy, was \$30 million at the end of the second quarter, the highest in several years. The Company expects Power Simulation's profitability to increase in the second half of 2003.

As recently announced, following the second quarter, the Company received an additional \$5.5 million in orders for power plant simulators including an Asian customer and the Tennessee Valley Authority (TVA), bringing the backlog for this part of the business to over \$32 million.

The Company continued to invest in the development of its Process Simulation and Plant Security businesses. In the second quarter, the Company invested \$100,000 primarily in marketing, sales and product development activities for the nuclear and chemical plant security market. The Company expects that both businesses will experience growth in 2004.

The Process Automation business reported revenue of \$4.3 million for the second quarter of 2003, compared to \$6.9 million for the same quarter in 2002. The business reported an operating loss of (\$706,000) compared to an operating income of \$733,000 for the second quarter of 2002. These results reflect a continuing soft economy in the key chemical market, as well as \$313,000 in expenses related to the consolidation of building facilities. This consolidation has the potential to save the Process Automation business in excess of \$2 million over the next five years. The Company expects this business to have an increase in orders and a return to profitability in the second half of the year. In July, the Company announced new orders in Process Automation of over \$2 million.

GSE President and Chief Operating Officer, Jerry Jen, said: "I am very pleased with the success of our simulation business and its continued strong performance. We anticipate profits to increase in this business over the balance of the year. New orders in the Process Automation business picked up in July and we expect a stronger third quarter and balance of the year."

The GSE Systems second quarter 2003 conference call is being webcast at CCBN's www.companyboardroom.com on Friday August 15, at 11:00 am. Contact Gill Grady at 410.772.3501

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GSE Systems, Inc. is a real-time simulation, process control, and automation company with three decades of experience, over 500 applications, and 200 customers in more than 30 countries. Our software, hardware and integrated solutions leverage proven technologies to deliver real-world business advantages to the process and power industries worldwide including specialty chemical, food and beverage, petroleum refining, pharmaceutical, and fossil and nuclear power generation. GSE Systems is headquartered in Columbia, Maryland with offices throughout the United States. Our global locations include offices in Japan and Sweden. Information about GSE Systems is available via the Internet at <http://www.gses.com>.

This news release contains forward-looking statements that involve risks and uncertainties. The actual future results of GSE Systems may differ materially due to a number of factors, including but not limited to delays in introduction of products or enhancements, size and timing of individual orders, rapid

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technological changes, market acceptance of new products and competition. These and other factors are more fully discussed in the Company's annual report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission.

	Three months ended June 30,		Six months June 30
	2003	2002	2003
Contract revenue	\$ 9,772	\$ 12,131	\$ 19,035
Cost of revenue	7,493	8,382	14,398
Gross profit	2,279	3,749	4,637
Operating expenses	3,174	3,529	5,926
Operating income (loss)	(895)	220	(1,289)
Other Expenses, net	(252)	(20)	(339)
Income (loss) before income taxes	(1,147)	200	(1,628)
Provision (benefit) for income taxes	(15)	77	22
Net income (loss)	\$ (1,132)	\$ 123	\$ (1,650)
Basic earnings (loss) per common share	\$ (0.20)	\$ 0.01	\$ (0.30)
Weighted average shares outstanding - Basic	6,019,138	5,869,138	5,951,182
Diluted earnings (loss) per common share	\$ (0.20)	\$ 0.01	\$ (0.30)
Weighted average shares outstanding - Diluted	6,019,138	6,285,441	5,951,182

Selected balance sheet data

	June 30, 2003	December 31, 2002
Cash and cash equivalents	\$ 584	\$ 1,617
Current assets	15,706	17,202
Total assets	25,661	28,894

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Current liabilities	\$ 16,106	\$ 11,166
Long-term liabilities	2,936	9,617
Stockholders' equity	6,619	8,111

Selected segment information

	Three months ended June 30,		Six
	2003	2002	200
Revenue:			
Process Solutions Business Unit	\$ 4,279	\$ 6,916	\$ 8,610
Power Systems Business Unit	5,493	5,215	10,425
	\$ 9,772	\$ 12,131	\$ 19,035
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