

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

GEMPLUS INTERNATIONAL SA
Form 6-K
August 02, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or
15d-16 of the Securities Exchange Act of 1934

For the month of August 2002

GEMPLUS INTERNATIONAL S.A.
(Exact name of registrant as specified in its charter)

Gemplus International S.A.
(Translation of registrant's name in English)

Aerogolf Center
1 Hohenhof
L-2633 Senningerberg
Grand Duchy of Luxembourg
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file
annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by
furnishing the information contained in this form
is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the
Securities Exchange Act of 1934.)

Yes No

GEMPLUS SECOND QUARTER 2002 FINANCIAL RESULTS

- o Strong sequential revenue growth with improved margin
- o Restructuring delivering more than expected
- o On track for profitability in Q4 2002
- o Non-cash write-down of a director's loan

Luxembourg - July 31, 2002 - Gemplus International S.A. (Paris Euronext:
Euroclear 5768 and Nasdaq: GEMP), the world's leading provider of smart
card-enabled solutions, today reported results for fiscal year 2002 second
quarter ended 30 June, 2002.

Compared with the first quarter, revenue was up 19% to 209.8 million euros, and
gross profit was up 34% to 48.4 million euros, a 2.6 percentage point
improvement, reflecting a combination of an improved sales mix and new lower
cost chip inventory more than offsetting pressure on selling prices. Operating

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

expenses were down 13% to 72.6 million euros, beginning to show the first impacts of this year's restructuring programme. The operating loss for the quarter was 24.2 million euros pre-restructuring charge, almost half the first quarter level. A restructuring charge of 43.1 million euros was taken as expected. Including a positive tax variance of 18.1 million euros, the net loss after interest and other income, but before a non-cash write down, was 48.9 million euros and 56.1 after amortisation of goodwill. Taking into account the non-cash write down of a director loan, the net loss was 115.8 million euros and 123.1 million euros after amortisation of goodwill. Net loss per share was 0.20 euros and 0.02 euros excluding the exceptional items for the restructuring charge and the provision for the director's loan.

Cash and cash equivalents remain strong at 412 million euros and net cash used during the quarter was 38.3 million euros. Working capital management produced further improvements with inventory levels down 16% against the first quarter, representing 71 days supply compared to 94 at the end of Q1 and 135 at the end of June last year. Day sales outstanding were 53, compared to 63 at the end of Q1 and 75 at the end of June last year.

Ron Mackintosh, Interim Chief Executive Officer, said:

"These results show good progress towards our immediate goal of restoring Gemplus to profitability. We are reasonably confident that we shall achieve this in the fourth quarter of this year."

"As important, we have also made good progress in our planning for the next stages of Gemplus' development towards our goal of becoming a low cost producer and to position Gemplus both to benefit from new areas of smart card growth and to move up the margin chain in our existing core markets of telecoms and financial services. Our task is now to refine and then implement these plans."

"There is much still to be done, we operate in an highly competitive marketplace and the economic environment is not helpful. Nevertheless, Gemplus can have pride in its operating achievements this year to date and confidence in its potential."

Restructuring Up-date

The restructuring programmes announced in February are fully on track. Their positive impact has begun to be seen in the second quarter results, during which they contributed 10.9 million euros of the reduced operating costs, split equally between reduction in the number of employees and other cost reduction.

To date, some 67 million euros of the initially targeted savings have been secured on an annualised basis, and Gemplus is confident of achieving the balance. This will bring total annualised savings achieved by year end to some 110 million euros and the total restructuring charge to around 67 million euros.

In addition, planning on business re-engineering programmes is advanced with a view to completing planning and commencing programme execution by this year end. It is considered that these further programmes should achieve cost reduction and efficiency gains which will help us attain our objective of being a low cost producer.

Write-down of loan to a Board Director

Upon the advice of its external auditors, the Company has decided to include in its consolidated accounts for the second quarter ended June 30, 2002 a provision to cover the risk of possible non-reimbursement of a loan granted to Dr Marc Lassus, former Chairman and a current Board member, by one of its indirect

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

subsidiaries in 2000. This provision, which has no impact either on the operating income or on the cash position of the Company, amounts to 66.9 million euros. By taking this provision the Company is obviously not indicating any forgiveness of the loan. The Company expects to be fully reimbursed by Dr Lassus. The Board has established a special committee to examine the appropriate actions in relation to this situation. The committee will be the Chairman, the Vice Chairman and the Company's General Counsel. The committee will make a recommendation to the Board by August 31.

Management

Mr Ron Mackintosh has decided to step down as Interim Chief Executive Officer on August 15. Mr Mackintosh will continue to serve as a non-executive director. The Board will make an announcement on his successor prior to August 15.

Ron Mackintosh, said:

"I believe I have done the job I came to Gemplus to do. The business is performing as planned and is well advanced on its longer term objective as well as fully confident of achieving its short-term goals. Gemplus knows where it's heading and how to get there.

Dominique Vignon, Chairman, said:

"Ron has done a first class job and the Board and the business are deeply appreciative and wish him all the very best in the next stages of his distinguished career. We are also delighted he will be retaining continuity with Gemplus by continuing as a director.

"For all the issues Gemplus obviously faces, make no mistake that Gemplus is a leading force in the smart card industry. The company has made strong progress this year and has the capacity, capability and strong commitment to be a profitable winner in the growing smart card market worldwide. Gemplus' foundations run deep and I am proud and privileged to be its Chairman."

Ends

Conference Call:

The company has scheduled a conference call for Wednesday, 31 July 2002 starting at 2.00pm Paris time.

Callers may participate in the live conference call by dialling:

Europe:	+44 (0) 20 7984 7582
North America:	+1 (913) 981 5517
Access Code:	209401

The live conference call will also be available on the Internet at www.companyboardroom.com.

Replays of the conference call will be available approximately two hours after the conclusion of the live conference call for five days on: +44 (0) 20 7984 7578 (Europe) or +1 (719) 457 0820 (US). Access Code: 209401.

Enquiries:

Media

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

smart card shipments (source: Gartner-Dataquest, Frost and Sullivan, BNP Paribas). Gemplus was also awarded Frost and Sullivan's 2002 Market Value Award for its exceptional performance.

Gemplus trades its shares on Euronext Paris S.A. First Market and on the Nasdaq Stock Market as GEMP in the form of ADSs. Its revenue in 2001 was 1.023 Billion Euros. It employs 6721 people in 37 countries throughout the world.

Gemplus: Beyond Smart
www.gemplus.com

(C)2002 Gemplus International S.A. All rights reserved. Gemplus, the Gemplus logo, GemXpresso, and Your Passport to the Digital Age are trademarks and service marks of Gemplus S.A. and are registered in certain countries. All other trademarks and service marks, whether registered or not in specific countries, are the property of their respective owners.

Gemplus International SA

Press Release - Financial statements

Second Quarter 2002 ending June 30, 2002

Gemplus International SA Consolidated Statements of Income

Condensed Consolidated Statements of Income

(in thousands of euros, except share and per share data)

	Three months ended		Six months ended	
	June 2002	June 2001	June 2002	June 2001
	(unaudited)		(unaudited)	
Net sales	209,798	252,252	386,330	545,883
Cost of sales	(161,430)	(159,567)	(301,786)	(353,295)
Gross Profit	48,368	92,685	84,544	192,588
Research and development expenses	(23,126)	(32,645)	(50,502)	(62,309)
Selling and marketing expenses	(28,491)	(46,913)	(60,588)	(92,603)
General and administrative expenses	(20,978)	(25,492)	(45,032)	(52,562)
Operating loss before restructuring	(24,227)	(12,365)	(71,578)	(14,886)
Restructuring expenses	(43,129)	(28,466)	(62,453)	(28,466)
Operating loss	(67,356)	(40,831)	(134,031)	(43,352)
Interest income and (expense), net	(62,253)	1,652	(57,490)	10,074
Other income (expense), net	(4,345)	(9,480)	(9,544)	(14,636)

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Loss before taxes and goodwill amortization	(133,954)	(48,659)	(201,065)	(47,914)
Provision for income taxes	18,129	15,579	28,913	15,400
Loss before goodwill amortization	(115,825)	(33,080)	(172,152)	(32,514)
Goodwill amortization	(7,242)	(6,711)	(13,378)	(14,436)

Net loss	(123,067)	(39,791)	(185,530)	(46,950)

Net loss per share				
Basic	(0.20)	(0.06)	(0.31)	(0.07)
Diluted	(0.20)	(0.06)	(0.31)	(0.07)
Shares used in net loss per share Calculation				
Basic	606,619,119	641,804,505	606,204,557	640,258,293
Diluted	606,619,119	641,804,505	606,204,557	640,258,293

Gemplus International SA
Condensed Consolidated Balance Sheets

Condensed Consolidated Balance Sheets

(in thousand of euros)

	June 30, 2002	December 31, 2001
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	411,752	490,652
Trade accounts receivable, net	145,468	188,635
Inventory, net	106,865	139,794
Other current assets	112,661	103,733
Total current assets	776,746	922,814
Non-current assets:		
Property, plant and equipment, net	246,516	268,784
Goodwill, net	101,464	116,580
Other non-current assets	206,576	222,514
Total non-current assets	554,556	607,878

Total assets	1,331,302	1,530,692

Liabilities		

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Current liabilities:		
Accounts payable	106,518	109,661
Accrued liabilities and other	146,337	168,905
Current portion of long-term debt	-	-
Current obligations under capital leases	3,676	3,734
Total current liabilities	256,531	282,300
Non-current liabilities:		
Long-term obligations under capital leases	42,656	32,581
Long-term debt, less current portion	-	14
Other non-current liabilities	24,484	30,859
Total non-current liabilities	67,140	63,454
Minority interest	13,222	17,176
Shareholders' equity		
Ordinary shares no legal par value, 2,000,000,000 shares authorized, 637,756,588 and 641,396,497 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively		
	127,268	127,056
Additional paid-in capital	1,029,153	1,027,850
Retained earnings	(74,997)	125,016
Other comprehensive income	6,694	(3,968)
Less, cost of treasury shares	(93,709)	(108,192)
Total shareholders' equity	994,409	1,167,762
Total liabilities and shareholders' equity	1,331,302	1,530,692

Gemplus International SA
Condensed Consolidated Statement of Cash Flows

Condensed Consolidated Statement of Cash Flows

	(in thousand of euros)	
	Six months ended June 30	
	2002	2001
	(unaudited)	
Cash flows from operating activities:		
Net loss	(185,530)	(46,950)
Depreciation and amortization	52,418	59,536
Other adjustments to reconcile net income to net cash from operating activities	39,340	(7,407)
Change in inventories	26,484	(49,359)
Other changes in operating activities	(16,608)	(30,974)
Restructuring reserve	41,799	25,994
Litigation expenses	(18,120)	-
Management severance expenses	(10,629)	-

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Net cash used in operating activities	(70,846)	(49,160)
Cash flows from investing activities:		
Sale / (Purchase) of activities net of cash disposed / (acquired)	-	(122)
Purchase of property, plant and equipment	(22,258)	(71,535)
Other changes in investing activities	(10,839)	(51,131)
Net cash used in investing activities	(33,097)	(122,788)
Cash flows from financing activities:		
Proceeds from sale-leaseback operations	11,762	-
Other changes in financing activities	(9,219)	(6,944)
Net cash provided by (used in) financing activities	2,543	(6,944)
Effect of exchange rate changes on cash	22,500	(27,460)
Net increase (decrease) in cash and cash equivalents	(101,400)	(178,892)
Cash and cash equivalents, beginning of period	490,652	636,284
Cash and cash equivalents, end of period	411,752	429,932

Gemplus International SA
Business segment and geography reporting

Business segment reporting

Second Quarter 2002 Compared with second Quarter 2001

Revenues	Three months ended June 30,		% change
	2002	2001	
	(millions of euros)		
Telecommunications.....	141.8	166.7	(15%)
Financial services and security.....	68.0	69.2	(2%)
Disposed operations (*).....	-	16.4	(100%)
Total.....	209.8	252.3	(17%)

Gross margin	Three months ended June 30,		% change
	2002	2001	
	(millions of euros)		
Telecommunications.....	34.6	66.7	(48%)

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Financial services and security.....	13.8	18.5	(26%)
Disposed operations (*).....	-	7.5	(100%)
Total.....	48.4	92.7	(48%)
	=====	=====	=====

(*) including Skidata and Tag activities which disposals occurred during the third quarter of 2001.

Six Months 2002 Compared with Six Months 2001

Revenues	Six months ended June 30,		
	2002	2001	% change
	(millions of euros)		
Telecommunications.....	263.2	380.0	(31%)
Financial services and security.....	123.1	131.6	(6%)
Disposed operations (*).....	-	34.3	(100%)
Total.....	386.3	545.9	(29%)
	=====	=====	=====

Gemplus International SA Business segment and geography reporting

Gross margin	Six months ended June 30,		
	2002	2001	% change
	(millions of euros)		
Telecommunications.....	66.5	151.1	(56%)
Financial services and security.....	18.1	28.3	(36%)
Disposed operations (*).....	-	13.2	(100%)
Total.....	84.6	192.6	(56%)
	=====	=====	=====

(*) including Skidata and Tag activities which disposals occurred during the third quarter of 2001.

Geographic reporting

Second Quarter 2002 Compared with second Quarter 2001

Revenues	Three months ended June 30,		
	2002	2001	% change
	(millions of euros)		
Europe, Middle East and Africa.....	104.3	106.6	(2%)
Asia.....	63.2	74.6	(15%)

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Americas.....	42.3	54.7	(23%)
Disposed operations (*).....	-	16.4	(100%)
Total.....	209.8	252.3	(17%)
	=====	=====	=====

Six Months 2002 Compared with Six Months 2001

Revenues	Six months ended June 30,		
	2002	2001	% change
	(millions of euros)		
Europe, Middle East and Africa.....	195.8	245.2	(20%)
Asia.....	107.5	171.9	(38%)
Americas.....	83.0	94.5	(12%)
Disposed operations (*).....	-	34.3	(100%)
Total.....	386.3	545.9	(29%)
	=====	=====	=====

(*) including Skidata and Tag activities which disposals occurred during the third quarter of 2001.

Second Quarter Fiscal
2002 Results
Conference Call

Presenters: Ron Mackintosh - Chief Executive Officer
Yves Guillaumot - Chief Financial Officer

July 31, 2002

Disclaimer

Some of the statements contained in this presentation constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activities, performance, or achievements expressed or implied by such forward-looking statements. Actual events or results may differ materially. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this presentation include, but are not limited to: trends in wireless communication and mobile commerce markets; our ability to develop new technology, and the effects of competing technologies developed and expected intense competition generally in our main markets; profitability of our expansion strategy; challenges to or loss of our intellectual property rights; our ability to establish and maintain strategic relationships in our major

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

businesses; our ability to develop and take advantage of new software and services; and the effect of future acquisitions and investments on our share price. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this presentation speak only as of this presentation. We are under no duty to update any of the forward-looking statements after this date to conform such statements to actual results or to reflect the occurrence of anticipated results.

Second Quarter Fiscal 2002 Financial Results

Introduction

- o Strongest quarterly growth for a year, with improved margin:
 - o solid volume growth in Telecom,
 - o improved momentum in Financial Services and Security
- o Restructuring delivering more than expected
- o On track for profitability in Q4 2002
- o Non-cash write-down of a loan to Dr Marc Lassus

Second Quarter Fiscal 2002 Financial Results

2Q/2002 Revenue

- o Revenue at 209.8 M EUR, up 19% sequential
- o Geographical breakdown (as a % of sales)
 - o Asia-Pacific: 30.1%
 - o EMEA: 49.7%
 - o Americas: 20.2%
- o Breakdown by activity
 - o Telecom
 - o Wireless volume up 41% vs. Q1 02
 - o Telecom applications up 145%
 - o Financial Services & Security
 - o Sequential revenue growth exceeds 23%
 - o Smart card banking business up 71%

Second Quarter Fiscal 2002 Financial Results

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Gross Margin

- o Gross Margin at 23.1% (up 2.6 pt on Q1/2002)
- o Favorable business mix with Banking at FSS
- o Lower purchasing cost of chips offset by price pressure in Telecom

Second Quarter Fiscal 2002 Financial Results

Cost Structure

- o Operating Expenses: 72.6 M EUR (down 13% on Q1/2001 and 31% year on year nominally reported)
- o Positive impacts of cost cutting measures and of restructuring plan generated 10.9 MEUR savings
- o 2002 restructuring on track
- o 62 M EUR of the projected 65 M EUR restructuring charge
- o To date:
 - o 615 departures
 - o headcount reduction plans in Germany and France mostly in Q3
 - o on track to reach target of 1,140 people reduction

Second Quarter Fiscal 2002 Financial Results

Operating and net losses

- o Operating Loss
 - o Pre-restructuring charges: - 24.2 M EUR
 - o Post restructuring charges: - 67.4 M EUR
- o Net Loss
 - o Before amortization of goodwill and non-cash write-down of a loan to Dr Lassus: - 48.9 M EUR
 - o Post amortization and non-cash write-down of a loan to Dr Lassus: - 123.1 M EUR

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Second Quarter Fiscal 2002 Financial Results

Strong Balance Sheet

- o Strong Cash and Cash Equivalents at 412 M EUR
- o Net cash outflow: 38.3 M EUR, excluding exceptional items limited to 9.1 M EUR
- o Capital expenditure contained at 10.1 M EUR
- o Inventory level down 16% or 21 M EUR
- o Day Sales Outstanding (DSOs) at a record low of 53 days

Second Quarter Fiscal 2002 Financial Results

Segmented Revenue Results

EUR (millions)	Q2/2002	Q2/2001*	% Change
Revenue by Segment			
Telecommunications	141.8	166.7	-15%
Financial Services & Security	68.0	69.2	-2%
Disposed operations	-	16.4	-100%
Revenue by Geography			
EMEA	104.3	106.6	-2%
Americas	42.3	54.7	-23%
Asia	63.2	74.6	-15%
Disposed operations	-	16.4	-100%

*Restated from Skidata and Tag

Second Quarter Fiscal 2002 Financial Results

Financial Summary

- o Further strengthening of leadership position in smart card market

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

- o All fundamentals in place to return to profitability by Q4 '02
- o Revenue growth
- o Improved gross margin
- o Expense control
- o Strong balance sheet
- o Limited cash outflow

Second Quarter Fiscal 2002 Financial Results

Continuing Good Progress on Core Objectives

- o Restructuring will deliver profitability in Q4 2002
- o Business re-engineering low cost producer goal
 - o Detailed review of manufacturing, procurement and systems base
 - o Planning to achieve a further 100 M EUR cost savings / efficiency gains by mid 2004
- o Strategic planning to increase value added
 - o "Design to cost" re-engineering of processes
 - o Developing Gemplus customer relationships at strategic level
- o Potential partnerships and strategic moves

Second Quarter Fiscal 2002 Financial Results

Card Marketplace

1/2

- o Continued sales price pressure Gemplus objectives of "low cost" and "value added" producer
- o Strong volume growth of card shipments in FSS and Telecom plus new markets, e.g. personal identification
- o FSS:
 - o EMV migration (230 million estimated chip cards by January 2005)
 - o Migration concentrated in 2003 and 2004
 - o Geld Karte impact this year - second half weighted
 - o 2 - 3 year card replacement cycle

Second Quarter Fiscal 2002 Financial Results

Edgar Filing: GEMPLUS INTERNATIONAL SA - Form 6-K

Card Marketplace

2/2

- o Telecom:
 - o Pressures for mobile operators to upgrade installed SIM cards
 - o Impact expected 2003 onwards
 - o Telecom Application growth
- o Personal identification cards trials growing
 - o Gemplus tendering
- o Gemplus strong market share
 - o 33.6% card volume share *
 - o 27.8% card value share *

(*Source: Frost and Sullivan)

Second Quarter Fiscal 2002 Financial Results

Summary

- o Confident of achieving profitability in Q4 2002
- o Gemplus - a leaner and stronger business
- o On track to achieve longer term business objectives in a growing and changing card market
- o Successor to interim CEO to be announced by August 15

Second Quarter Fiscal 2002 Financial Results

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 2, 2002

GEMPLUS INTERNATIONAL S.A.

By: /s/ Stephen Juge

Name: Stephen Juge
Title: Executive Vice President and
General Counsel

