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BALDWIN TECHNOLOGY CO INC

Form 8-K

October 25, 2002

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

October 10, 2002
Date of Report (Date of earliest event reported)

BALDWIN TECHNOLOGY COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	1-9334	13-3258160
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

Twelve Commerce Drive, Shelton, CT. 06484
(Address of Principal Executive Offices and Zip Code)

(203) 402-1000
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if changed since Last Report)

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Item 2. Acquisition or Disposition of Assets

On October 10, 2002, Baldwin Technology Company, Inc. ("Baldwin or the Company") sold substantially all of the assets of its Baldwin Kansa subsidiary ("BKA"). The consideration received for the transaction, after certain post-closing adjustments (and net of certain transaction costs of approximately \$33,000) was approximately \$3,736,000, which approximated the net book value of the assets sold. During the fourth quarter of the fiscal year ended June 30, 2002, the Company recorded an impairment charge of \$5,434,000 related to the goodwill associated with this business, as the recorded value of this goodwill exceeded the assessment of its fair value made by the Company. The Company utilized the net proceeds from this transaction to reduce its outstanding debt.

On September 26, 2001, the Company sold substantially all of the assets of its Roll Handling Group ("RHG"). The Company recorded an impairment charge during the fiscal year ended June 30, 2001 of approximately \$14,831,000 as a

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result of the write-off of assets, primarily patents and goodwill, including \$961,000 of cumulative translation adjustments associated with this business. The Company filed a Current Report on Form 8-K dated September 26, 2001, related to this transaction.

On November 16, 2001, the Company sold substantially all of the assets of its Print on Demand ("POD") business. As a result of this sale, the Company recorded an impairment charge during the fiscal year ended June 30, 2001 of approximately \$687,000 to write-off the goodwill associated with the POD business. On September 27, 2000, the Company sold substantially all of the assets of its Baldwin Stobb Division ("BSD"). The effects of the POD and BSD transactions were insignificant to Baldwin's consolidated financial statements, and together they comprise the "Other" category in the accompanying notes to the unaudited pro forma financial information, presented below.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(b) Pro forma financial information

- (1) Unaudited Pro Forma Condensed Consolidated Balance Sheet at June 30, 2002.
- (2) Unaudited Pro Forma Condensed Consolidated Statements of Income for the fiscal years ended June 30, 2002, 2001 and 2000.

(c) Exhibits

- 10.55 Asset Purchase Agreement, dated as of October 3, 2002 by and among Baldwin Kansa Corporation and Gerald E. Waddell, Ronnie K. Swint and Vektek, Inc. (filed as Exhibit 10.55 to the Company's Annual Report on Form 10-K dated June 30, 2002 and incorporated herein by reference).

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated statements of income for the fiscal years ended June 30, 2002, 2001 and 2000 as well as the unaudited pro forma condensed consolidated balance sheet as of June 30, 2002, were prepared to illustrate the estimated effects of the divestitures of BKA, the RHG, the POD business and BSD and the application of the net proceeds from the BKA and RHG divestitures to the Company's outstanding debt. The unaudited pro forma condensed consolidated statements of income assume that these sales occurred at the beginning of the periods presented. The unaudited pro forma condensed consolidated balance sheet assumes that the sale of BKA occurred as of June 30, 2002.

The unaudited pro forma financial information presented is derived from the audited financial statements of Baldwin as of and for the fiscal years ended June 30, 2002, 2001 and 2000. The unaudited pro forma financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of Baldwin, including the notes thereto, appearing in Baldwin's Annual Report on Form 10-K for the fiscal year ended June 30, 2002. The unaudited pro forma financial information does not purport to be indicative of the results of operations or financial condition that would have been reported

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had the events assumed occurred on the dates indicated, nor does it purport to be indicative of results of operations, or financial condition that may be achieved in the future.

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BALDWIN TECHNOLOGY COMPANY, INC.
 UNAUDITED PRO FORMA FINANCIAL INFORMATION
 CONDENSED CONSOLIDATED BALANCE SHEET
 (IN THOUSANDS)

ASSETS

	JUNE 30, 2002 -----
CURRENT ASSETS:	
Cash and cash equivalents	\$ 5,106
Accounts receivable trade, net of allowance for doubtful accounts	26,627
Notes receivable, trade	13,390
Inventories	22,821
Prepaid expenses and other	7,437
Total current assets	----- 75,381 -----
MARKETABLE SECURITIES	430 -----
PROPERTY, PLANT AND EQUIPMENT, at cost:	
Land and buildings	785
Machinery and equipment	4,238
Furniture and fixtures	3,076
Leasehold improvements	458
Capital leases	428
	----- 8,985
Less: Accumulated depreciation and amortization	(3,975) -----
Net property, plant and equipment	5,010 -----
PATENTS, TRADEMARKS AND ENGINEERING	
DRAWINGS, net of accumulated amortization	2,061
GOODWILL, net of accumulated amortization	9,618
DEFERRED TAXES	6,277
OTHER ASSETS	6,025
TOTAL ASSETS	----- \$ 104,802 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

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JUNE 30,
2002

CURRENT LIABILITIES:	
Loans payable	\$ 5,372
Current portion of long-term debt	1,680
Accounts payable, trade	12,616
Notes payable, trade	7,837
Accrued salaries, commissions, bonus and profit-sharing	3,297
Customer deposits	4,741
Accrued and withheld taxes	1,719
Income taxes payable	1,297
Other accounts payable and accrued liabilities .	13,171

Total current liabilities	51,730

LONG-TERM LIABILITIES:	
Long-term debt	11,873
Other long-term liabilities	7,447

Total long-term liabilities	19,320

Total liabilities	71,050

TOTAL SHAREHOLDERS' EQUITY	33,752

COMMITMENTS AND CONTINGENCIES	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 104,802
	=====

See accompanying notes to unaudited pro forma financial information.

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BALDWIN TECHNOLOGY COMPANY, INC.
UNAUDITED PRO FORMA FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE FISCAL YEARS ENDED JUNE 30,		
	2002	2001	2000
	-----	-----	-----
Net sales	\$ 135,310	\$ 132,933	\$ 142,407
Cost of goods sold	95,078	93,117	94,108
	-----	-----	-----
Gross profit	40,232	39,816	48,299
	-----	-----	-----
Operating expenses:			
General and administrative	17,532	19,593	18,598
Selling	12,655	12,660	13,981
Engineering	8,271	8,833	8,561
Research and development	5,708	4,597	4,487

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Provision for loss on the disposition of pre-press operations	(86)	(472)	--
Restructuring charges	604	1,977	3,286
	-----	-----	-----
	44,684	47,188	48,913
	-----	-----	-----
Operating loss	(4,452)	(7,372)	(614)
	-----	-----	-----
Other (income) expense:			
Interest expense	1,474	1,202	987
Interest (income)	(286)	(278)	(240)
Royalty (income), net	(4,252)	(3,899)	(3,111)
Other expense (income), net	599	(1,488)	93
	-----	-----	-----
	(2,465)	(4,463)	(2,271)
	-----	-----	-----
(Loss) income before income taxes	(1,987)	(2,909)	1,657
	-----	-----	-----
(Benefit) provision for income taxes	6,784	950	(4,645)
	-----	-----	-----
Net (loss) income	\$ (8,771)	\$ (3,859)	\$ 6,302
	=====	=====	=====
Basic and diluted (loss) income per share	\$ (0.59)	\$ (0.26)	\$ 0.40
	=====	=====	=====
Weighted average shares outstanding:			
Basic and diluted	14,915	14,787	15,652
	=====	=====	=====

See accompanying notes to unaudited pro forma financial information.

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BALDWIN TECHNOLOGY COMPANY, INC.
NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

NOTE 1 - The Company completed the sale of four businesses in four different transactions. The Company sold substantially all of the assets of BKA on October 10, 2002 to which this Current Report on Form 8-K relates. The Company also sold substantially all of the assets of the RHG on September 26, 2001; substantially all of the assets of the POD business on November 16, 2001; and substantially all of the assets of BSD on September 27, 2000. Therefore, for each of the periods presented, the unaudited pro forma financial information presented herein gives effect to the elimination of BKA, the RHG, the POD business and BSD from the Company's operations and the reduction of interest expense as a result of utilizing the net proceeds of the BKA and RHG divestitures to reduce outstanding debt.

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NOTE 2 - REPRESENTS THE ADJUSTMENT OF THE HISTORICAL BALDWIN CONSOLIDATED FINANCIAL INFORMATION AS OF JUNE 30, 2002.

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ASSETS
(IN THOUSANDS)

	AS OF JU	
	----- HISTORICAL	----- B
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,106	\$
Accounts receivable trade, net of allowance for doubtful accounts.....	27,262	
Notes receivable, trade	13,390	
Inventories	24,928	
Prepaid expenses and other	7,474	
	-----	-----
Total current assets	78,160	
	-----	-----
MARKETABLE SECURITIES	430	
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land and buildings	2,669	
Machinery and equipment	5,526	
Furniture and fixtures	3,716	
Leasehold improvements	458	
Capital leases	428	
	-----	-----
	12,797	
Less: Accumulated depreciation and amortization	(6,453)	(
	-----	-----
Net property, plant and equipment	6,344	
	-----	-----
PATENTS, TRADEMARKS AND ENGINEERING		
DRAWINGS, net of accumulated amortization	2,061	
GOODWILL, net of accumulated amortization	9,618	
DEFERRED TAXES	6,277	
OTHER ASSETS	6,025	
	-----	-----
TOTAL ASSETS	\$ 108,915	\$
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	AS OF JUNE 30, 2002		
	----- HISTORICAL	----- BKA	----- ADJUSTMENTS
CURRENT LIABILITIES:			
Loans payable	\$ 5,372	\$ -	\$ -
Current portion of long-term debt	5,416	--	(3,736) (a)
Accounts payable, trade	12,816	200	--
Notes payable, trade	7,837	--	--

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Accrued salaries, commissions, bonus and profit-sharing	3,432	135	--
Customer deposits	4,765	24	--
Accrued and withheld taxes	1,719	2	--
Income taxes payable	1,297	--	--
Other accounts payable and accrued liabilities	13,187	14	--
	-----	-----	-----
Total current liabilities	55,841	375	(3,736)
	-----	-----	-----
LONG-TERM LIABILITIES:			
Long-term debt	11,873	--	--
Other long-term liabilities	7,447	--	--
	-----	-----	-----
Total long-term liabilities	19,320	--	--
	-----	-----	-----
Total liabilities	75,161	375	(3,736)
	-----	-----	-----
TOTAL SHAREHOLDERS' EQUITY	33,754	3,738	3,736 (b)
	-----	-----	-----
COMMITMENTS AND CONTINGENCIES			
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$108,915	\$ 4,113	\$ -
	=====	=====	=====

- (a) Adjustment reflects a reduction in the current portion of long-term debt as a result of utilizing the net proceeds from the sale of BKA of \$3,736,000.
- (b) Adjustment reflects an increase to total shareholders' equity as a result of the net proceeds from the sale of BKA of \$3,736,000.

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NOTE 3 - REPRESENTS THE ADJUSTMENT OF THE HISTORICAL BALDWIN CONSOLIDATED FINANCIAL INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2002.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE FISCAL YEAR ENDED JUNE 30, 2002			
	HISTORICAL	BKA	RHG	OTHER
	-----	---	---	-----
Net sales	\$ 145,625	\$ 5,533	\$ 4,855	\$ (73)
Cost of goods sold	102,866	4,052	3,893	(157)
	-----	-----	-----	-----
Gross profit	42,759	1,481	962	84
	-----	-----	-----	-----
Operating expenses:				
General and administrative	18,768	431	715	90
Selling	13,749	662	370	62
Engineering	9,033	240	448	74
Research and development	6,253	392	153	--
Provision for loss on the disposition of pre-press operations	(86)	--	--	--
Restructuring charges	621	--	17	--

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Impairment charges	5,434	5,434	--	--
	-----	-----	-----	-----
	53,772	7,159	1,703	226
	-----	-----	-----	-----
Operating loss	(11,013)	(5,678)	(741)	(142)
	-----	-----	-----	-----
Other (income) expense:				
Interest expense	1,792	--	40	--
Interest (income)	(290)	(2)	(2)	--
Royalty (income), net	(4,252)	--	--	--
Other expense, net	1,037	--	430	8
	-----	-----	-----	-----
	(1,713)	(2)	468	8
	-----	-----	-----	-----
(Loss) income before income taxes ...	(9,300)	(5,676)	(1,209)	(150)
	-----	-----	-----	-----
Provision (benefit) for income taxes	6,684	--	--	--
	-----	-----	-----	-----
Net (loss) income	\$ (15,984)	\$ (5,676)	\$ (1,209)	\$ (150)
	=====	=====	=====	=====
Basic and diluted (loss) income per	\$ (1.07)	\$ (0.38)	\$ (0.08)	\$ (0.01)
share	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic and diluted	14,915	14,915	14,915	14,915
	=====	=====	=====	=====

(c) Adjustment reflects a decrease in interest expense attributable to a reduction in debt of \$3,736,000 outstanding during the fiscal year ended June 30, 2002 relating to BKA and \$4,500,000 outstanding until October 2001 relating to the RHG and was computed at an average variable rate of 5.73%.

(d) Adjustment reflects an effective income tax rate of 36.0% for the fiscal year ended June 30, 2002 on the above interest savings.

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NOTE 4 - REPRESENTS THE ADJUSTMENT OF THE HISTORICAL BALDWIN CONSOLIDATED FINANCIAL INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2001.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE FISCAL YEAR ENDED JUNE 30, 2001			
	HISTORICAL	BKA	RHG	OTHER
	-----	---	---	-----
Net sales	\$ 183,615	\$ 10,307	\$ 34,417	\$ 5,958
Cost of goods sold	129,827	6,281	26,908	3,521
	-----	-----	-----	-----
Gross profit	53,788	4,026	7,509	2,437
	-----	-----	-----	-----
Operating expenses:				

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General and administrative	23,801	878	2,887	443
Selling	16,224	779	1,968	817
Engineering	11,372	292	1,742	505
Research and development	5,658	436	587	38
Provision for loss on the disposition of	(472)	--	--	--
Pre-press operations				
Restructuring charges	2,277	--	300	--
Impairment charges	15,518	--	14,831	687
	-----	-----	-----	-----
	74,378	2,385	22,315	2,490
	-----	-----	-----	-----
Operating (loss) income	(20,590)	1,641	(14,806)	(53)
	-----	-----	-----	-----
Other (income) expense:				
Interest expense	2,014	--	153	--
Interest (income)	(291)	(4)	(6)	(3)
Royalty (income), net	(3,899)	--	--	--
Other expense (income), net	(940)	(4)	(213)	765
	-----	-----	-----	-----
	(3,116)	(8)	(66)	762
	-----	-----	-----	-----
(Loss) income before income taxes	(17,474)	1,649	(14,740)	(815)
	-----	-----	-----	-----
Provision (benefit) for income taxes	698	665	(635)	(44)
	-----	-----	-----	-----
Net (loss) income	\$ (18,172)	\$ 984	\$ (14,105)	\$ (771)
	=====	=====	=====	=====
Basic and diluted (loss) income per share	\$ (1.23)	\$ 0.07	\$ (0.95)	\$ (0.05)
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic and diluted	14,787	14,787	14,787	14,787
	=====	=====	=====	=====

(e) Adjustment reflects a decrease in interest expense attributable to a reduction in outstanding debt of \$3,736,000 relating to BKA and \$4,500,000 relating to the RHG during the fiscal year ended June 30, 2001, and was computed at an average variable rate of 8.0%.

(f) Adjustment reflects an effective income tax rate of 36.0% for the fiscal year ended June 30, 2001 on the above interest savings.

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NOTE 5 - REPRESENTS THE ADJUSTMENT OF THE HISTORICAL BALDWIN CONSOLIDATED FINANCIAL INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2000.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

FOR THE FISCAL YEAR ENDED JUNE 30,

HISTORICAL BKA RHG OTHER ADJUST

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Net sales	\$ 198,602	\$ 9,238	\$ 34,415	\$ 12,542	\$
Cost of goods sold	135,146	5,266	28,262	7,510	
Gross profit	63,456	3,972	6,153	5,032	
Operating expenses:					
General and administrative	23,182	884	2,482	1,218	
Selling	19,011	792	2,073	2,165	
Engineering	12,209	326	2,309	1,013	
Research and development	5,753	340	338	588	
Restructuring charges	5,664	--	2,378	--	
	65,819	2,342	9,580	4,984	
Operating (loss) income	(2,363)	1,630	(3,427)	48	
Other (income) expense:					
Interest expense	1,819	--	159	--	
Interest (income)	(330)	(11)	(5)	(74)	
Royalty (income), net	(3,111)	--	--	--	
Other expense (income), net	98	178	(274)	101	
	(1,524)	167	(120)	27	
(Loss) income before income taxes ...	(839)	1,463	(3,307)	21	
(Benefit) provision for income taxes	(5,675)	598	(1,470)	84	
Net income (loss)	\$ 4,836	\$ 865	\$ (1,837)	\$ (63)	\$
Basic and diluted income (loss) per share	\$ 0.31	\$ 0.06	\$ (0.12)	\$ (0.00)	\$
Weighted average shares outstanding:					
Basic and diluted	15,652	15,652	15,652	15,652	15

(g) Adjustment reflects a decrease in interest expense attributable to a reduction in outstanding debt of \$3,736,000 relating to BKA and \$4,500,000 relating to the RHG during the fiscal year ended June 30, 2000, and was computed at the fixed rate of 8.17%.

(h) Adjustment reflects an effective income tax rate of 36.0% for the fiscal year ended June 30, 2000 on the above interest savings.

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SIGNATURES

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

BALDWIN TECHNOLOGY COMPANY, INC.
(REGISTRANT)

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By: /s/ VIJAY C. THARANI

VIJAY C. THARANI
(CHIEF FINANCIAL OFFICER)

Dated: October 25, 2002