

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

BALDWIN TECHNOLOGY CO INC  
Form 10-Q  
May 12, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

Form 10-Q

[Mark One]

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For quarter ended March 31, 2006

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9334

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-3258160  
(I.R.S. Employer  
Identification No.)

2 Trap Falls Road, Suite 402, Shelton, Connecticut 06484  
(Address of principal executive offices) (Zip Code)

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

N/A  
(Former name, former address and former fiscal year, if changed since  
last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

YES [ ] NO [X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class -----	Outstanding at April 28, 2006 -----
Class A Common Stock \$0.01 par value	13,629,287
Class B Common Stock \$0.01 par value	1,365,111

BALDWIN TECHNOLOGY COMPANY, INC.

INDEX

	Page -----
Part I Financial Information	
Item 1 Financial Statements	
Consolidated Balance Sheets at March 31, 2006 (unaudited) and June 30, 2005	1-2
Consolidated Statements of Income for the three and nine months ended March 31, 2006 (unaudited) and 2005 (unaudited)	3
Consolidated Statements of Changes in Shareholders' Equity for the nine months ended March 31, 2006 (unaudited)	4
Consolidated Statements of Cash Flows for the nine months ended March 31, 2006 (unaudited) and 2005 (unaudited)	5-6
Notes to Consolidated Financial Statements (unaudited)	7-13
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	13-20
Item 3 Quantitative and Qualitative Disclosures About Market Risk	20

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Item 4 Controls and Procedures	20
Part II Other Information	
Item 1A Risk Factors	21
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 6 Exhibits	21
Signatures	22

### BALDWIN TECHNOLOGY COMPANY, INC.

#### CONSOLIDATED BALANCE SHEETS (IN THOUSANDS) (UNAUDITED)

#### ASSETS

	March 31, 2006	June 30, 2005
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash	\$ 17,059	\$ 15,443
Accounts receivable trade, net of allowance for doubtful accounts of \$1,649 (\$1,962 at June 30, 2005)	27,930	27,160
Notes receivable, trade	9,457	8,090
Inventories, net	23,609	22,755
Deferred taxes	382	416
Prepaid expenses and other	3,035	3,132
	-----	-----
Total Current Assets	81,472	76,996
	-----	-----
<b>MARKETABLE SECURITIES:</b>		
Cost \$599 (\$610 at June 30, 2005)	1,015	678
	-----	-----
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Land and buildings	939	936
Machinery and equipment	2,172	2,082
Furniture and fixtures	3,680	3,796
Capital leases	246	391
	-----	-----
	7,037	7,205
Less: Accumulated depreciation and amortization	(3,748)	(3,790)
	-----	-----
Net Property, Plant and Equipment	3,289	3,415
	-----	-----
<b>PATENTS, TRADEMARKS AND ENGINEERING DRAWINGS, at cost, less accumulated amortization of \$4,857 (\$4,559 at June 30, 2005)</b>		
	2,556	2,561
<b>GOODWILL, less accumulated amortization of \$3,302 (\$3,456 at June 30, 2005)</b>		
	10,566	10,922
<b>DEFERRED TAXES</b>	10,354	10,623
<b>OTHER ASSETS</b>	3,600	4,156

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

TOTAL ASSETS	----- \$112,852 =====	----- \$109,351 =====
--------------	-----------------------------	-----------------------------

The accompanying notes to consolidated financial statements are an integral part of these statements.

1

BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2006	June 30, 2005
	-----	-----
CURRENT LIABILITIES:		
Loans payable	\$ 2,549	\$ 2,705
Current portion of long-term debt	1,248	1,033
Accounts payable, trade	15,343	14,789
Notes payable, trade	9,318	9,278
Accrued salaries, commissions, bonus and profit-sharing	7,074	7,641
Customer deposits	4,955	3,320
Accrued and withheld taxes	1,518	2,041
Income taxes payable	1,778	1,204
Other accounts payable and accrued liabilities	8,442	9,486
	-----	-----
Total current liabilities	52,225	51,497
	-----	-----
LONG TERM LIABILITIES:		
Long-term debt	10,574	12,223
Other long-term liabilities	6,748	6,400
	-----	-----
Total long-term liabilities	17,322	18,623
	-----	-----
Total liabilities	69,547	70,120
	-----	-----
SHAREHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par, 45,000,000 shares authorized, 16,695,140 shares issued at March 31, 2006 and 16,575,349 shares issued at June 30, 2005	167	166
Class B Common Stock, \$.01 par, 4,500,000 shares authorized, 2,086,258 shares issued at March 31, 2006 and 2,137,883 shares issued at June 30, 2005		
	21	21
Capital contributed in excess of par value	57,521	57,065
Accumulated Deficit	(3,311)	(7,632)
Accumulated other comprehensive income	1,628	2,332

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Less: Treasury stock, at cost:		
Class A - 3,630,202 shares at March 31, 2006 and June 30, 2005		
Class B - 172,464 shares at March 31, 2006 and June 30, 2005	(12,721)	(12,721)
	-----	-----
Total shareholders' equity	43,305	39,231
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$112,852	\$109,351
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these statements.

2

BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	For the three months ended March 31,		For the nine months ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Net Sales	\$45,447	\$43,673	\$131,918	\$124,902
Cost of goods sold	30,384	29,232	88,013	85,663
	-----	-----	-----	-----
Gross Profit	15,063	14,441	43,905	39,239
	-----	-----	-----	-----
Operating Expenses:				
General and administrative	4,912	4,877	14,551	12,827
Selling	3,694	3,364	10,780	10,329
Engineering and development	3,537	4,104	11,135	11,326
Restructuring charges	--	(338)	--	(338)
	-----	-----	-----	-----
	12,143	12,007	36,466	34,144
	-----	-----	-----	-----
Operating income	2,920	2,434	7,439	5,095
	-----	-----	-----	-----
Other (income) expense:				
Interest expense	256	462	803	1,985
Interest income	(31)	(26)	(92)	(79)
Royalty income, net	--	(280)	(200)	(1,797)
Other (income) expense, net	(43)	(95)	36	29
	-----	-----	-----	-----
	182	61	547	138
	-----	-----	-----	-----
Income before income taxes	2,738	2,373	6,892	4,957
Provision for income taxes	993	864	2,571	1,941
	-----	-----	-----	-----
Net income	\$ 1,745	\$ 1,509	\$ 4,321	\$ 3,016
	=====	=====	=====	=====

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Net income per share - basic and diluted				
Income per share - basic	\$ 0.12	\$ 0.10	\$ 0.29	\$ 0.20
Income per share - diluted	0.11	0.10	0.28	0.20
	-----	-----	-----	-----
Weighted average shares outstanding:				
Basic	14,966	14,911	14,947	14,895
	=====	=====	=====	=====
Diluted	15,806	15,274	15,649	15,315
	=====	=====	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these statements.

3

BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT SHARES) (UNAUDITED)

	Class A Common Stock		Class B Common Stock		Capital Contributed In	Retained	Accumulated
	Shares	Amount	Shares	Amount	Excess of Par	Deficit	Other Comprehensive Income
	-----	-----	-----	-----	-----	-----	-----
Balance at							
June 30, 2005	16,575,349	\$166	2,137,883	\$21	\$57,065	\$(7,632)	\$2,332
Net income for the nine months ended March 31, 2006						4,321	
Translation adjustment							(917)
Unrealized gain on available-for- sale securities, net of tax							201
Deferred stock based compen- sation					330		
Unrealized gain on forward contracts, net of tax							12
Comprehensive Income							

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Conversion of Shares	51,625	(51,625)					
Shares issued under Stock Option Plan	68,166	1			126		
Balance at March 31, 2006	16,695,140	\$167	2,086,258	\$21	\$57,521	\$(3,311)	\$1,628

The accompanying notes to consolidated financial statements are an integral part of these statements.

4

BALDWIN TECHNOLOGY COMPANY, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

	For the nine months ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 4,321	\$ 3,016
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,053	1,210
Accrued retirement pay	600	173
Provision for losses on accounts receivable	74	76
Stock compensation expense	332	--
Write off of fixed assets	55	80
Restructuring charges	--	(338)
Deferred income taxes	57	5
Changes in assets and liabilities:		
Accounts and notes receivable	(3,352)	1,646
Inventories	(1,221)	1,651
Prepaid expenses and other	4	2,001
Other assets	443	(430)
Customer deposits	1,775	631
Accrued compensation	(487)	(633)
Payments against restructuring charges	--	(469)
Accounts and notes payable, trade	1,367	(1,303)
Income taxes payable	608	(1,373)
Accrued and withheld taxes	(523)	(286)
Other accounts payable and accrued liabilities	(924)	(457)
Interest payable	(37)	(95)
Net cash provided by operating activities	4,145	5,105
Cash flows from investing activities:		

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Additions of property, plant and equipment	(630)	(473)
Additions of patents and trademarks	(296)	(498)
	-----	-----
Net cash (used) by investing activities	(926)	(971)
	-----	-----
Cash flows from financing activities:		
Long-term and short-term debt borrowings	899	--
Long-term and short-term debt repayments	(2,230)	(5,234)
Principal payments under capital lease obligations	(74)	(93)
Payment of debt financing costs	--	(259)
Other long-term liabilities	(6)	54
Proceeds of stock option exercise	127	48
	-----	-----
Net cash (used) by financing activities	(1,284)	(5,484)
	-----	-----
Effects of exchange rate changes	(319)	379
	-----	-----
Net increase in cash and cash equivalents	1,616	(971)
Cash and cash equivalents at beginning of period	15,443	12,008
	-----	-----
Cash and cash equivalents at end of period	\$17,059	\$11,037
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these statements.

5

BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	For the nine months ended March 31,	
	2006	2005
	-----	-----
Cash paid during the period for:		
Interest	\$ 840	\$2,080
Income taxes	\$1,921	\$3,286

The accompanying notes to consolidated financial statements are an integral part of these statements.

6

BALDWIN TECHNOLOGY COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

(UNAUDITED)

### NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

Baldwin Technology Company, Inc. and its subsidiaries ("Baldwin" or the "Company") are engaged primarily in the development, manufacture and sale of accessories and controls for the printing industry.

The accompanying unaudited consolidated financial statements include the accounts of Baldwin and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in compliance with the rules and regulations of the Securities and Exchange Commission. These financial statements reflect all adjustments of a normal recurring nature, which are in the opinion of management, necessary to present a fair statement of the results for the interim periods. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's latest Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

### NOTE 2 - RECENTLY ISSUED ACCOUNTING STANDARDS:

On June 1, 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle as well as changes required by an accounting pronouncement that do not otherwise include specific transition provisions. Previously, most changes in accounting principle were required to be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application in prior periods' financial statements of a change in accounting principle as if that principle had always been used. In addition, SFAS 154 requires that retrospective application of a change in accounting principle be limited to the direct effects of the change while indirect effects should be recognized in the period of the accounting change. SFAS 154 will be effective for fiscal years beginning after December 15, 2005. The impact of the adoption of SFAS 154 will depend upon the nature of accounting changes the Company may initiate in future periods, if any.

The FASB issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140" ("SFAS 155") and Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140" ("SFAS 156") during February and March 2006, respectively. SFAS 155 and SFAS 156 are effective for fiscal years beginning after September 15, 2006. The subject matter and underlying accounting requirements for these statements is generally not applicable to any of the Company's existing business or financing operations. Accordingly, it is anticipated that SFAS 155 and 156 will have no impact on the Company's consolidated financial position, results of operations or cash flows.

### NOTE 3 - LONG TERM DEBT:

Effective July 1, 2005, the Company amended its primary source of outside financing, the revolving credit agreement with Maple Bank GmbH (the "Credit Agreement"). Borrowings under the credit facility are subject to a borrowing base and bear interest at a rate equal to the three-month Euribor rate (as defined in the Credit Agreement) plus (i) 3.375%, (5.125% for the period ended March 31, 2005) for loans denominated in U.S. Dollars or (ii) 3.775% (5.525% for the period ended March 31, 2005) for loans denominated in Euros. The Credit

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Agreement does not require the Company to meet any financial covenants, except for the limitation on annual capital expenditures; however, it contains a material adverse effect clause, which provides that Maple Bank would not be obligated to fund any loan, convert or continue any loan as a LIBOR loan or issue any new letters of credit in the event of a material adverse effect. Management does not anticipate that such an event will occur; however, there can be no assurance that such an event will not occur.

7

	(IN THOUSANDS)			
	MARCH 31, 2006		JUNE 30, 2005	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
Revolving Credit Facility due October 1, 2008, interest rate 5.525% plus three-month euribor rate (2.153% at June 30) .....	\$ --	\$ --	\$ --	\$11,504
Revolving Credit Facility due October 1, 2008, interest rate 3.775% plus three-month euribor rate (2.637% at March 31) .....	--	9,976	--	--
Term loan payable by foreign subsidiary due September 2008, interest rate 1.81%(a) ...	282	425	--	--
Term Loan payable by foreign subsidiary due December 8, 2006, interest rate 1.5% .....	850	--	902	450
Note payable by foreign subsidiary through 2008, interest rate 5.95% .....	116	173	115	259
Note payable by foreign subsidiary through February 2007, interest rates ranging from 4.58% to 4.67% .....	--	--	16	10
	-----	-----	-----	-----
	\$1,248	\$10,574	\$1,033	\$12,223
	=====	=====	=====	=====

(a) Yen 100,000,000 3-year term loan (approximately \$882,000). Quarterly principal payments of Yen 8,333,000, interest rate at Tokyo Inter Bank offered rate (TIBOR) plus .075%. The Company entered into an interest rate swap that converts variable rate payable on the loan to fixed rate of 1.81% and has the same maturity date as the term loan.

The Company maintains relationships with both foreign and domestic banks, which combined have extended short and long term credit facilities to the Company totaling \$36,094,000, including \$30,000,000 available under the Credit Agreement. As of March 31, 2006, the Company had \$17,533,000 outstanding under these credit facilities, including \$13,138,000 (including letters of credit) under the Credit Agreement.

#### NOTE 4 - NET INCOME (LOSS) PER SHARE:

Basic net income per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution of securities that could share in the earnings of an entity. The weighted average shares outstanding used to compute diluted net

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

income per share include 840,000 and 702,000 of potentially dilutive shares, respectively, for the three and nine months ended March 31, 2006 and 363,000 and 420,000 of potentially dilutive shares, respectively, for the three and nine months ended March 31, 2005. Outstanding options to purchase 179,000 and 841,000 shares of the Company's common stock for the nine months ended March 31, 2006 and 2005, respectively, are not included in the above calculation to compute diluted net income per share as their exercise prices exceeded the current market value of these shares.

### NOTE 5 -OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated Other Comprehensive Income (Loss) ("AOCI") is comprised of various items, which affect equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. AOCI is included in stockholders' equity in the consolidated balance sheets. AOCI consists of the following:

8

	(in thousands)	
	March 31, 2006	June 30, 2005
	(Unaudited)	
Cumulative translation adjustments	\$1,484	\$2,407
Unrealized gain on investments, net of tax	241	40
Unrealized loss on forward contracts, net of tax	(23)	(35)
Minimum pension liability, net of tax	(74)	(80)
	-----	-----
	\$1,628	\$2,332
	=====	=====

### NOTE 6 - INVENTORIES:

Inventories consist of the following:

	(in thousands)	
	March 31, 2006	June 30, 2005
	(Unaudited)	
Raw materials	\$11,656	\$11,453
In process	4,824	4,409
Finished goods	7,129	6,893
	-----	-----
	\$23,609	\$22,755
	=====	=====

Foreign currency translation effects decreased inventories by \$367 from

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

June 30, 2005 to March 31, 2006.

### NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS:

The changes in the carrying amount of goodwill for the nine months ended March 31, 2006 are as follows:

	(in thousands)		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	-----	-----	-----
Balance as of July 1, 2005	\$14,378	\$3,456	\$10,922
Effects of currency translation	(510)	(154)	(356)
	-----	-----	-----
Balance as of March 31, 2006	\$13,868	\$3,302	\$10,566
	=====	=====	=====

Intangible assets subject to amortization are comprised of the following:

	(in thousands)			
	As of March 31, 2006		As of June 30, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible Assets:	-----	-----	-----	-----
Patents and trademarks	\$7,412	\$4,856	\$7,120	\$4,559
Other	898	711	937	746
	-----	-----	-----	-----
Total	\$8,310	\$5,567	\$8,057	\$5,305
	=====	=====	=====	=====

Amortization expense associated with these intangible assets was \$118 and \$360, respectively, for the three and nine months ended March 31, 2006 and \$102 and \$348, respectively for the three and nine months ended March 31, 2005. The other category is included in "Other assets" on the accompanying consolidated balance sheets.

### NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS:

The following table sets forth the components of net periodic benefit costs for the Company's defined benefit plans for the three and nine months ended March 31, 2006 and 2005:

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

(in thousands)

	Pension Benefits For the three months ended March 31,		Pension Benefits For the nine months ended March 31,	
	2006	2005	2006	2005
Service cost	\$64	\$67	\$192	\$201
Interest cost	12	15	36	45
Expected return on plan assets	(4)	(1)	(12)	(3)
Amortization of transition obligation	3	3	9	9
Amortization of net actuarial gain	(3)	--	(9)	--
Net periodic benefit cost	\$72	\$84	\$216	\$252

During the nine months ended March 31, 2006 and 2005 the Company made contributions to the plans of \$307 and \$173, respectively.

NOTE 9 - STOCK BASED COMPENSATION PLANS:

Effective July 1, 2005 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), (SFAS 123(R)) "Share Based Payment". The statement focuses primarily on accounting for transactions in which an entity obtains employee services in shared-based payment transactions. SFAS 123(R) eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees", and generally requires that such transactions be accounted for using a fair-value-based method. The Company had previously accounted for its stock option plans under the recognition and measurement principals of APB 25. As all previously issued stock option awards granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant, no compensation costs related to stock option grants were reflected in net income. The effect of initially applying SFAS 123(R) is recognized as of the effective date using a modified prospective method. Under the modified prospective method the Company recognized stock-based compensation expense from July 1, 2005 as if the fair value based accounting method had been used to account for all outstanding unvested employee awards granted in prior years. Option awards, which when exercised would represent newly issued shares, are generally granted with an exercise price equal to the market price at the date of grant; generally vest in three equal annual installments commencing on the second anniversary date of grant and have ten year contractual terms. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model at the grant date.

The following table illustrates the effect on net income and income per share applying the fair value recognition provisions of SFAS 123 (R) for the three and nine months ended March 31, 2006 and as if the fair value recognition provisions had been applied for the three and nine months ended March 31, 2005:

(in thousands, except share  
and per share data)

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

	Three months ended March 31, (Unaudited)		Nine months ended March 31, (Unaudited)	
	2006	2005	2006	2005
Net income, as reported	\$1,745	\$1,509	\$4,321	\$3,016
Add: stock-based employee compensation included in reported net income, net of related tax effects (pre-tax \$153K for three months, \$256K pre-tax for nine months)	101	--	169	--
Deduct: Total stock-based employee compensation expense determined as if the fair value based method was used for all years presented	(101)	(13)	(169)	(39)
Pro forma net income	\$1,745	\$1,496	\$4,321	\$2,977
Income per share:				
Basic - as reported	\$ 0.12	\$ 0.10	\$ 0.29	\$ 0.20
Diluted - as reported	\$ 0.11	\$ 0.10	\$ 0.28	\$ 0.20
Basic - pro forma	\$ 0.12	\$ 0.10	\$ 0.29	\$ 0.20
Diluted - pro forma	\$ 0.11	\$ 0.10	\$ 0.28	\$ 0.20

In November 2005, shareholders approved the Company's 2005 Equity Compensation Plan which allows for the granting, at fair market value on the date of grant, of incentive stock options, non-qualified stock options, tandem stock appreciation rights, restricted stock and restricted stock units for up to 1,200,000 shares of Class A common stock.

At March 31, 2006, the aggregate number of shares available for future grants under all the Company's share-based compensation plans is 1,495,667.

Stock Options:

The following table summarizes stock option activity under the plans for the nine months ended March 31, 2006:

	THE 1986 PLAN					
	CLASS A	CLASS B	OPTION PRICE RANGE	WEIGHTED AVERAGE PRICE		CLASS A
				A	B	
Excercisable at June 30, 2005.....	183,000	105,000		\$4.21	\$6.72	8,055
Granted.....						
Canceled.....	(97,000)	(105,000)	\$3.00-\$5.62	\$5.28	\$6.72	(2,694)
Exercised.....	(5,000)		\$3.00	\$3.00		
Outstanding at March 31, 2006.....	81,000	0	\$3.00	\$3.00		5,361
Excercisable at March 31, 2006.....	81,000	0	\$3.00	\$3.00		5,361
Available for future option grants at						

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

March 31, 2006..... 0 0 0  
 =====

11

	THE 1996 PLAN						TH	
			OPTION PRICE RANGE	WEIGHTED AVERAGE PRICE				
	CLASS A	CLASS B		A	B	CLASS A	CLASS B	
Outstanding at June 30, 2005.....	1,275,667		\$0.58-\$5.50	\$2.36		39,000		
Granted.....	105,000		\$4.49	\$4.49				
Canceled.....	(10,500)		\$1.05-\$5.50	\$2.32				
Exercised.....	(63,166)		\$0.82-\$3.19	\$1.75				
Outstanding at March 31, 2006....	1,307,001		\$0.58-\$5.50	\$2.54		39,000		
Exercisable at March 31, 2006....	567,153		\$0.58-\$5.50	\$2.03		39,000		
Available for future option grants at March 31, 2006.....	439,333	0				0	0	
	=====	===				=====	===	

The fair value of option awards granted during fiscal year 2006 is estimated on the date of grant using the Black-Scholes option valuation model using the following assumptions: expected volatility 56.14%, expected dividend yield 0%, expected life (in years) 5 and risk free interest rate 4.7%.

The total intrinsic value of options exercised during the three and nine months ended March 31, 2006 was \$82,000 and \$185,000 respectively.

The shares under option at March 31, 2006 were in the following exercise price ranges:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
\$0.58 -- \$3.75	1,254,004	6.9 years	\$2.26	619,156	\$1.79	5.3 years
\$3.88 -- \$6.88	178,997	7.0 years	\$4.90	73,997	\$5.49	2.9 years

The aggregate intrinsic value of outstanding and exercisable options at March 31, 2006 was \$5,221,000 and \$2,806,000, respectively. Total unrecognized compensation costs related to non-vested stock option awards at March 31, 2006 is \$765,000 and is expected to be recognized over a weighted-average period of approximately 2.5 years.

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

### Restricted Stock:

During the quarter ended December 31, 2005, the Company granted 143,666 restricted shares/units of common stock, which are restricted for three years from date of grant. The market value of the common stock at the date of grant was \$3.79 per share. Compensation expense of approximately \$46,000 and \$76,000, respectively, was recognized during the three and nine months ended March 31, 2006.

### NOTE 10 - CUSTOMERS:

During the three and nine months ended March 31, 2006, one customer accounted for more than 10% of the Company's net sales. Koenig and Bauer Aktiengesellschaft ("KBA") accounted for approximately 17% of the Company's net sales for each of the three and nine months ended March 31, 2006 and approximately 17% of the Company's net sales for each of the three and nine months ended March 31, 2005.

### NOTE 11 - WARRANTY COSTS:

The Company's standard contractual warranty provisions are to repair or replace, at the Company's option, product that is proven to be defective. The Company estimates its warranty

12

costs as a percentage of revenues on a product by product basis, based on actual historical experience within the Company. Hence, the Company accrues estimated warranty costs at the time of sale. In addition, should the Company become aware of a specific potential warranty claim, a specific charge is recorded and accounted for separate from the percent of revenue discussed above.

	(in thousands)	
	Warranty Amount	
	2006	2005
	-----	-----
Warranty reserve at June 30	\$ 2,840	\$ 2,714
Additional warranty expense accruals	2,610	3,215
Payments against reserve	(2,685)	(3,343)
Effects of currency rate fluctuations	(18)	144
	-----	-----
Warranty reserve at March 31	\$ 2,747	\$ 2,730
	=====	=====

### BALDWIN TECHNOLOGY COMPANY, INC.

#### ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain factors, which have affected the consolidated financial statements of Baldwin.

#### FORWARD-LOOKING STATEMENTS



## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Except for the historical information contained herein, the following statements and certain other statements contained herein are based on current expectations. Such statements are forward-looking statements that involve a number of risks and uncertainties. The Company cautions investors that any such forward-looking statements made by the Company are not guarantees of future performance and that actual results may differ materially from those in the forward-looking statements. Some of the factors that could cause actual results to differ materially include, but are not limited to the following: (i) the ability to obtain, maintain and defend challenges against valid patent protection on certain technology, primarily as it relates to the Company's cleaning systems, (ii) material changes in foreign currency exchange rates versus the U.S. Dollar, (iii) changes in the mix of products and services comprising revenues, (iv) a decline in the rate of growth of the installed base of printing press units and the timing of new press orders, (v) general economic conditions, either domestically or in foreign locations, (vi) the ultimate realization of certain trade receivables and the status of ongoing business levels with the Company's large OEM customers and (vii) competitive market influences. Additional factors are set forth in Exhibit 99 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, which should be read in conjunction herewith.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For further information regarding the Company's critical accounting policies, please refer to the Management's Discussion and Analysis section of the Company's Annual Report on

13

Form 10-K for the fiscal year ended June 30, 2005. There have been no material changes during the nine months ended March 31, 2006.

### OVERVIEW

Baldwin Technology Company, Inc. is a leading global manufacturer of press accessories and controls for the commercial and newspaper printing industries. Baldwin offers its customers a broad range of market-leading technologies, products and systems that enhance the quality of printed products and improve the economic and environmental efficiency of printing presses. Headquartered in Shelton, CT, the Company has sales and service centers and product development and manufacturing operations in the Americas, Asia and Europe. Baldwin's technology and products include cleaning systems, fluid management and ink control systems, web press protection systems and drying systems.

The Company manages its business as one reportable business segment built around its core competency in accessories and controls.

For the three and nine months ended March 31, 2006 net sales were \$45,447,000 and \$131,918,000, respectively, representing approximately a 4% and 6% improvement, respectively, over the previous year's corresponding period as reported. During the three and nine month periods, increases in revenue were attributable to the steady and stable growth in worldwide printing markets which has increased demand for the products supplied by the Company. In addition, improved relationships with customers and acceptance of the Company's products by end users has led to an increase in the Company's market share for accessories and controls.

For the three and nine months ended March 31, 2006 gross margins remained strong at approximately 33%. Versus the prior year's corresponding quarterly

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

period, margins of 33% were reported while increasing approximately 2% for the nine months ended March 31, 2006 versus the nine months period ended March 31, 2005. The increase in gross profit margins is attributable to the increased sales volume noted above, favorable overhead absorption, and lower technical service and warranty costs.

Operating income increased to approximately 6% of sales for the three and nine months ended March 31, 2006 versus 6% and 4% for the three and nine month periods ended March 31, 2005, primarily as a result of the increased revenue and improved gross margins.

In addition, the Company reduced its interest expense in both the three and six months ended March 31, 2006 versus the previous year's corresponding periods as a result of lower average debt levels and reduced interest rates. Lower royalty income has been recognized in the quarter and nine month periods ended March 31, 2006 as patents which provided the income stream expired in February 2005.

THREE MONTHS ENDED MARCH 31, 2006 VS. THREE MONTHS ENDED MARCH 31, 2005

### CONSOLIDATED RESULTS

#### NET SALES

Net sales for the three months ended March 31, 2006 increased by \$1,774,000, or 4.1%, to \$45,447,000 from \$43,673,000 for the three months ended March 31, 2005. Currency rate fluctuations attributable to the Company's overseas operations decreased net sales by \$3,716,000 in the current period, otherwise, net sales would have increased by \$5,490,000 or 12.5%.

14

The net sales increase (adjusted for currency effects) reflects higher sales volumes in Europe \$4,574,000 and the Americas \$2,232,000 partially offset by lower revenues in Asia \$1,316,000. In Europe, the increase in demand for the Company's products has been driven by an improving printing equipment market and further integration of Baldwin equipment into OEM printing presses. Demand for the Company's cleaning and spray dampening systems in the newspaper markets primarily account for the increased revenue. In the Americas increased demand in the commercial market for cleaning and spray dampening systems increased shipments in the U.S. Partially offsetting these improvements were lower revenues in Asia, primarily due to softness in the Japanese commercial printing market.

#### GROSS PROFIT

Gross profit for the three months ended March 31, 2006 was \$15,063,000 (33.1% of net sales) as compared to \$14,441,000 (31.3% of net sales) for the three months ended March 31, 2006, an increase of \$622,000 or 4.3%. Currency rate fluctuations decreased gross profit by \$1,349,000 in the current period. Excluding the effects of currency rate fluctuations, gross profit would have increased by \$1,971,000. This increase primarily reflects the improved sales volumes and related favorable cost absorption, which more than offset higher direct labor and material costs.

#### SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were \$8,606,000 (18.9% of net sales) for the three months ended March 31, 2006 as compared to \$8,241,000

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

(18.9% of net sales) for the same period in the prior fiscal year, an increase of \$365,000 or 4.4%. Currency rate fluctuations decreased these expenses by \$529,000 in the current period. Otherwise, selling, general and administrative expenses would have increased by \$894,000. Selling expenses increased by \$643,000. This increase is mainly due to higher commissions, trade show, advertising and subcontractor costs in the current year period. General and administrative expenses increased by \$251,000. This increase is primarily due to higher accruals related to deferred compensation, stock option and restricted stock plans, tax, audit and investor relation fees partially offset by lower insurance accruals.

### ENGINEERING AND DEVELOPMENT EXPENSES

Engineering and development expenses decreased by \$567,000 over the three months ended March 31, 2006. Currency rate fluctuations decreased these expenses by \$314,000 in the current period. Excluding the effects of currency rate fluctuations, engineering and development expenses would have decreased by \$253,000 in the current period. This decrease relates primarily to lower product management costs in Japan. As a percentage of net sales, engineering and development expenses decreased to 7.9% for the three months ended March 31, 2006 compared to 9.4% for the same period in the prior fiscal year.

### RESTRUCTURING

The Company released previously established restructuring charges of \$338,000 related to expenses avoided by relocation of its corporate offices to a new facility for the three months ended March 31, 2005.

### INTEREST AND OTHER

Interest expense for the three months ended March 31, 2006 was \$256,000 as compared to \$462,000 for the three months ended March 31, 2005. Currency rate fluctuations decreased interest expense by \$36,000 in the current period. Otherwise, interest expense would have decreased by \$170,000. This decrease was primarily due to lower interest rates in effect for the three months ended March 31, 2006 as a result of the amended credit agreement with Maple Bank GmbH and lower deferred debt financing cost amortization during the period associated with the Maple loan. Interest income amounted to \$31,000 and \$26,000 for the three months ended March 31, 2006 and 2005, respectively.

15

Net royalty income for the three months ended March 31, 2005 was \$280,000 as compared to \$0 for the three months ended March 31, 2006. The decrease in royalty income in the current period is due to the expiration of a significant group of patents in February 2005, which were the source of the royalty income.

Other income (expense), net amounted to income of \$43,000 for the three months ended March 31, 2006 compared to income of \$95,000 for the three months ended March 31, 2005. Other income (expense), net, for the three months ended March 31, 2006 and 2005, respectively, includes: net foreign currency transaction gains (losses) of \$5,000 and \$123,000 attributable to currency fluctuations.

### INCOME TAXES

The Company recorded an income tax provision of \$993,000 for the three months ended March 31, 2006 as compared to \$864,000 for the three months ended March 31, 2005. The effective tax rate of 36.3% for the three months ended March

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

31, 2006 and March 31, 2005 differs from the statutory rate and is impacted by taxable income in higher tax jurisdictions in which tax loss carry-forwards were not available and no tax benefit recognized for losses incurred in certain countries as the realization of such benefits was not more likely than not. Additionally, the quarter ended March 31, 2006 was negatively impacted by several discrete items totaling approximately \$200,000 while the quarter ended March 31, 2005 benefited from the reversal of net \$400,000 of previously recorded contingency reserves which during the quarter were deemed to be no longer probable.

### NET INCOME

The Company's net income amounted to \$1,745,000 for the three months ended March 31, 2006, compared to a net income of \$1,509,000 for the three months ended March 31, 2005. Currency rate fluctuations increased net income by \$271,000 in the current period. Net income per share amounted to \$0.12 basic and \$0.11 diluted for the three months ended March 31, 2005, as compared to a net income per share of \$0.10 basic and diluted for the three months ended March 31, 2005.

NINE MONTHS ENDED MARCH 31, 2006 VS. NINE MONTHS ENDED MARCH 31, 2005

### CONSOLIDATED RESULTS

#### NET SALES

Net sales for the nine months ended March 31, 2006 increased by \$7,016,000, or 5.7%, to \$131,918,000 from \$124,902,000 for the nine months ended March 31, 2005. Currency rate fluctuations attributable to the Company's overseas operations decreased net sales by \$7,490,000 in the current period; otherwise, net sales would have increased by \$14,506,000 or 11.6%.

The net sales increase (adjusted for currency effects) reflects increased sales in Europe, \$11,794,000. Improving printing equipment market conditions coupled with increased sourcing to selected OEMs, particularly in Germany, has increased demand for the Company's water systems and web controls in the commercial market and cleaning and spray dampening systems in the newspaper market. Additionally, higher shipments of cleaning and spray dampening systems in the newspaper markets increased revenue in Europe. In the Americas, particularly the U.S., sales increased \$4,856,000. This increase was primarily driven by higher demand in the commercial market for cleaning systems. In Asia, particularly Japan, net sales decreased \$2,149,000 as softness in the Japanese commercial and newspaper markets were partially offset by the market served by the Company's Australian subsidiary.

16

#### GROSS PROFIT

Gross profit for the nine months ended March 31, 2006 was \$43,905,000 (33.3% of net sales) as compared to \$39,239,000 (31.4% of net sales) for the nine months ended March 31, 2005, an increase of \$4,666,000 or 11.9%. Currency rate fluctuations decreased gross profit by \$2,800,000 in the current period. Excluding the effects of currency rate fluctuation, gross profit would have increased by \$7,467,000. Gross profit as a percentage of net sales increased primarily as a result of the higher sales volumes noted above, favorable sales mix, favorable cost absorption associated with the higher volume coupled with lower service and warranty costs.

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses amounted to \$25,331,000 (19.2% of net sales) for the nine months ended March 31, 2006 as compared to \$23,156,000 (18.5% of net sales) for the same period in the prior fiscal year, an increase of \$2,175,000 or 9.4%. Currency rate fluctuations decreased these expenses by \$1,104,000 in the current period. Otherwise, selling, general and administrative expenses would have increased by \$3,279,000. Selling expenses increased by \$1,099,000. This increase is primarily driven by increased business activity and reflects increased travel costs, commissions, and trade show expenses. General and administrative expenses increased by \$2,180,000 primarily due to increased incentive compensation accruals (including stock option and restricted stock plans), vesting associated with deferred compensation plans, and higher outside consulting services primarily for Sarbanes-Oxley Act of 2002 implementation, tax audit and other financial services

### ENGINEERING AND DEVELOPMENT EXPENSES

Engineering and development expenses decreased \$191,000 over the same period in the prior fiscal year. Currency rate fluctuations decreased these expenses by \$687,000 in the current period. Excluding the effects of currency rate fluctuations, engineering and development expenses would have increased by \$497,000 in the current period. This increase related primarily to higher employee compensation and related costs associated with product management activities. As a percentage of net sales, engineering and development expenses remained at approximately 9.0% for the nine months ended March 31, 2006 and March 31, 2005.

### RESTRUCTURING

The Company released restructuring reserves of \$338,000 for the nine months ended March 31, 2005. The release relates to costs avoided by relocation of the company's corporate office.

### INTEREST AND OTHER

Interest expense for the nine months ended March 31, 2006 was \$803,000 as compared to \$1,985,000 for the nine months ended March 31, 2005. Currency rate fluctuations decreased interest expense by \$72,000 in the current period. Otherwise, interest expense would have decreased by \$1,110,000. This decrease reflects lower average debt over the period of approximately \$8,000,000 versus the period ended March 31, 2005 coupled with lower interest rates in effect for the nine months ended March 31, 2006 as a result of the amended credit agreement with Maple, and lower deferred debt financing cost amortization. Interest income amounted to \$92,000 and \$79,000 for the nine months ended March 31, 2006 and 2005, respectively.

Net royalty income for the nine months ended March 31, 2006 was \$200,000 as compared to \$1,797,000 for the nine months ended March 31, 2005. The decrease relates to the expiration of a group of patents in February 2005 that provided the royalty income stream.

Other income (expense), net amounted to expense of \$36,000 for the nine months ended March 31, 2006 compared to income of \$29,000 for the nine months ended March 31, 2005.

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

respectively, included: net foreign currency transaction gains (losses) of (\$115,000) and \$16,000.

### INCOME TAXES

The Company recorded an income tax provision of \$2,571,000 for the nine months ended March 31, 2006 as compared to \$1,941,000 for the nine months ended March 31, 2005. The effective tax rate of 37.3% for the nine months ended March 31, 2006 and 39.2 % for the nine months ended March 31, 2005 differs from the statutory rate and is impacted by taxable income in higher tax jurisdictions in which tax loss carry-forwards were not available and no tax benefit recognized for losses incurred in certain countries as the realization of such benefits was not more likely than not. Additionally, the nine months ended March 31, 2006 was negatively impacted by several discrete items totaling approximately \$100,000 while the nine months ended March 31, 2005 included the reversal of net \$400,000 of previously recorded contingency reserves which during the quarter were deemed to be no longer probable. The Company continues to assess the need for its deferred tax asset valuation allowance in the jurisdictions in which it operates. Any adjustments to the deferred tax asset valuation allowance either positive or negative would be recorded in the income statement of the period that the adjustment was determined to be required. In particular, the Company is monitoring positive earnings trends and other positive evidence in the U.S., U.K., and France to determine if such trends could possibly require a reversal of valuation allowances.

### NET INCOME

The Company's net income amounted to \$4,321,000 for the nine months ended March 31, 2006, compared to \$3,016,000 for the nine months ended March 31, 2005. Currency rate fluctuations decreased net income by \$483,000 in the current period. Net income per share amounted to \$0.29 basic and \$0.28 diluted for the nine months ended March 31, 2006, as compared to net income per share of \$0.20 basic and diluted for the nine months ended March 31, 2005.

### LIQUIDITY AND CAPITAL RESOURCES AT MARCH 31, 2006

Cash flows from operating, investing and financing activities, as reflected in the nine months ended March 31 in the Consolidated Statement of Cash Flows, are summarized as follows:

	2006	2005
	-----	-----
Cash provided by (used for):		
Operating activities	\$ 4,145,000	\$ 5,105,000
Investing activities	(926,000)	(971,000)
Financing activities	(1,284,000)	(5,484,000)
Effect of exchange rate changes on cash	(319,000)	379,000
	-----	-----
Net increase in cash and cash equivalents	\$ 1,616,000	\$ (971,000)
	=====	=====

Cash provided by operating activities decreased \$960,000 during the nine months ended March 31, 2006 versus the prior year period. Timing of collections of notes receivable and increases in inventory levels primarily account for the decline. Asset management continues to be a management focus as accounts receivable days sales outstanding has remained flat period over period at 55 days. Inventory turns have improved to 5.2 times in FY 2006 vs. 4.9 times in FY 2005.

## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

The Company utilized \$926,000 and \$971,000 for investing activities for the nine months ended March 31, 2006 and 2005 respectively, for additions to property, plant and equipment and patents and trademarks.

18

During the quarter ended September 30, 2005 the Company obtained a three-year term loan with Mizuho Bank in the amount of YEN 100,000,000, approximately \$882,000 U.S. dollars which matures in September 2008. This term loan is subject to quarterly principal payments of YEN 8,333,000 and bears interest at the Tokyo Inter Bank Offered Rate ("TIBOR") plus 0.75%. Concurrently, the Company entered into an interest swap agreement with maturity the same as the credit facility with Mizuhao Bank which effectively converted the variable rate debt into fixed rate with an interest rate of 1.81%.

Effective July 1, 2005, the Company amended its primary source of outside financing, the revolving credit agreement with Maple Bank GmbH (the "Credit Agreement"). Borrowings under the amended credit facility are subject to a borrowing base and bear interest at a rate equal to the three-month Euribor rate (as defined in the Credit Agreement) plus (i) 3.375% (5.125% for the period ended March 31, 2005) for loans denominated in U.S. Dollars or (ii) 3.775% (5.525% for the period ended March 31, 2005) for loans denominated in Euros. The Credit Agreement does not require the Company to meet any financial covenants, except for the limitation on annual capital expenditures; however, it contains a material adverse effect clause, which provides that Maple would not be obligated to fund any loan, convert or continue any loan as a LIBOR loan or issue any new letters of credit in the event of a material adverse effect. Management does not anticipate that such an event will occur; however, there can be no assurance that such an event will not occur. Management also expects that as a result of the aforementioned amendment and full amortization of debt financing costs during fiscal year 2005 interest expense for the full year ending June 30, 2006 will be approximately \$1,400,000 lower than for fiscal year ended June 30, 2005.

The Company maintains relationships with both foreign and domestic banks, which combined have extended credit facilities to the Company totaling \$36,094,000, including \$30,000,000 available under the Maple Credit Agreement. As of March 31, 2006, the Company had \$17,533,000 outstanding under these credit facilities with \$13,138,000 (including letters of credit) under the Maple Credit Agreement. Additionally, in April 2006 the Company further reduced its debt with Maple with a payment of approximately \$1,200,000.

The Company believes that its cash flows from operations, along with the available bank lines of credit and alternative sources of borrowings, if necessary, are sufficient to finance its working capital and other capital requirements through the term of the Maple Credit Agreement.

At March 31, 2006 and June 30, 2005, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance entities, special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such relationships.

The following summarizes the Company's contractual obligations at March 31, 2006 and the effect such obligations are expected to have on its liquidity and cash flow in future periods (in thousands):

	Fiscal Years ending June 30,					
	Total at March 31, 2006	2006*	2007	2008	2009	2010
Contractual Obligations:						
Loans payable	\$ 2,549	\$2,549	\$ --	\$ --	\$ --	\$ --
Capital lease obligations	137	15	46	32	24	
Long-term debt	11,822	524	823	399	10,076	
Non-cancelable operating lease obligations	24,647	1,277	6,111	3,366	2,502	1,500
Interest expense (1)	2,189	275	861	861	192	
Total contractual cash obligations	\$41,344	\$4,640	\$7,841	\$4,658	\$12,794	\$1,500

\* Includes only the remaining three months of the fiscal year ending June 30, 2006.

(1) the anticipated future interest payments are based on the Company's current indebtedness and interest rates at March 31, 2006, with consideration given to debt reduction as the result of expected payments.

#### IMPACT OF INFLATION

The Company's results are affected by the impact of inflation on manufacturing and operating costs. Historically, the Company has used selling price adjustments, cost containment programs and improved operating efficiencies to offset the otherwise negative impact of inflation on its operations.

#### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

A discussion of market risk exposures is included in Part II Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005. There have been no material changes during the three and nine months ended March 31, 2006.

#### ITEM 4: CONTROLS AND PROCEDURES:

The Company maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of these disclosure controls and procedures as of the end of the Company's fiscal quarter March 31, 2006, the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to achieve their stated purpose. However, there is no assurance that the Company's disclosure controls and procedures will operate effectively under



## Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

all circumstances. No changes were made to the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2006, that have materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

20

### PART II: OTHER INFORMATION

#### ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Exhibit 99 filed with the Company's Report on Form 10-K for the fiscal year ended June 30, 2005. There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There was no activity under the Company's stock repurchase program for the period ended March 31, 2006.

#### ITEM 6. EXHIBITS

##### (a) Exhibits

- 31.01 Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.02 Certification of the Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.01 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 (filed herewith).
- 32.02 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 (filed herewith).

21

### SIGNATURES

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.

BALDWIN TECHNOLOGY COMPANY, INC.

BY /s/ Vijay C. Tharani

-----

Edgar Filing: BALDWIN TECHNOLOGY CO INC - Form 10-Q

Vice President, Chief Financial  
Officer and Treasurer

Dated: May 12, 2006