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BALDWIN TECHNOLOGY CO INC
Form 10-Q
May 13, 2004

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

[Mark one]

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

For quarter ended March 31, 2004

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

13-3258160

(State or other jurisdiction of incorporation or organization)

I.R.S. Employer Identification No.)

Twelve Commerce Drive, Shelton, Connecticut 06484

(Address of principal executive offices)

(Zip Code)

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

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 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES

NO

The number of shares outstanding of each of the issuer's classes of common stock, as of May 8, 2004 is as follows:

Class

Outstanding at May 8, 2004

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Class A Common Stock	
\$0.01 par value	12,832,647
Class B Common Stock	
\$0.01 par value	2,181,883

BALDWIN TECHNOLOGY COMPANY, INC.

INDEX

Part I Financial Information

Item 1 Financial Statements

Consolidated Balance Sheets at March 31, 2004 (unaudited) and June 30, 2003

Consolidated Statements of Operations for the three and nine months ended March 31, 2004 (unaudited) and 2003 (unaudited)

Consolidated Statements of Changes in Stockholders' Equity for the nine months ended March 31, 2004 (unaudited)

Consolidated Statements of Cash Flows for the nine months ended March 31, 2004 (unaudited) and 2003 (unaudited)

Notes to Consolidated Financial Statements (unaudited)

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Item 4 Controls and Procedures

Part II Other Information

Item 5 Submission of Matters to a Vote of Security Holders

Item 6 Exhibits and Reports on Form 8-K

Signatures

BALDWIN TECHNOLOGY COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS

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	March 31, 2004	

	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,364	\$
Accounts receivable trade, net of allowance for doubtful accounts of \$2,378 (\$2,286 at June 30, 2003)	25,097	
Notes receivable, trade	13,182	
Inventories, net	25,348	
Deferred taxes	594	
Prepaid expenses and other	6,180	

Total Current Assets	82,765	

MARKETABLE SECURITIES:		
Cost \$606 (\$505 at June 30, 2003)	644	

PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land and buildings	973	
Machinery and equipment	3,391	
Furniture and fixtures	3,801	
Leasehold improvements	477	
Capital leases	322	

	8,964	
Less: Accumulated depreciation and amortization	(4,368)	

Net Property, Plant and Equipment	4,596	

PATENTS, TRADEMARKS AND ENGINEERING DRAWINGS, at cost		
Less accumulated amortization of \$4,119 (\$3,824 at June 30, 2003)	2,245	
GOODWILL, less accumulated amortization of \$3,635 (\$3,227 at June 30, 2003)	11,377	
DEFERRED TAXES	7,643	
OTHER ASSETS	4,168	

TOTAL ASSETS	\$ 113,438	\$
	=====	==

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

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LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2004	June 30 2003
	----- (Unaudited)	-----
CURRENT LIABILITIES:		
Loans payable	\$ 2,875	\$ 3
Current portion of long-term debt	19,807	16
Accounts payable, trade	13,469	12
Notes payable, trade	9,990	8
Accrued salaries, commissions, bonus and profit-sharing	6,365	4
Customer deposits	4,330	3
Accrued and withheld taxes	1,921	2
Income taxes payable	2,039	1
Other accounts payable and accrued liabilities	11,974	11
	-----	-----
Total Current Liabilities	72,770	63
	-----	-----
LONG-TERM LIABILITIES:		
Long-term debt	2,365	
Other long-term liabilities	7,091	6
	-----	-----
Total long-term liabilities	9,456	7
	-----	-----
Total Liabilities	82,226	70
	-----	-----
COMMITMENTS AND CONTINGENCIES:		
STOCKHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par, 45,000,000 shares authorized, 16,462,849 shares issued (16,458,849 shares at June 30, 2003)	165	
Class B Common Stock, \$.01 par, 4,500,000 shares authorized, 2,181,883 shares issued (2,185,883 shares at June 30, 2003)	21	
Capital contributed in excess of par value	56,986	56
Retained deficit	(17,045)	(19)
Accumulated other comprehensive income	3,734	1
Less: Treasury stock, at cost: Class A - 3,630,202 shares	(12,199)	(12)
Note receivable from a former executive for common stock issuance	(450)	
	-----	-----
Total Stockholders' Equity	31,212	26
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 113,438	\$ 96
	=====	=====

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(UNAUDITED)

	For the three months ended March 31,		For the
	2004	2003	end
Net sales	\$ 42,770	\$ 31,061	\$ 116,7
Cost of goods sold	29,389	22,957	79,7
Gross profit	13,381	8,104	36,9
Operating expenses:			
General and administrative	4,071	3,540	12,3
Selling	2,943	2,871	8,1
Engineering and development	4,205	3,937	11,5
Restructuring charges	-	67	4
	11,219	10,415	32,4
Operating income (loss)	2,162	(2,311)	4,4
Other expense (income):			
Interest expense	1,383	499	3,7
Interest income	(34)	(58)	(
Royalty income, net	(1,217)	(1,310)	(2,7
Other expense (income), net	648	62	(9
	780	(807)	(1
Income (loss) from continuing operations before income taxes	1,382	(1,504)	4,5
Provision for income taxes	677	(387)	1,9
Income (loss) from continuing operations	705	(1,117)	2,6
Discontinued operations (Note 10):			
Loss from operations of discontinued component	-	-	
Gain on sale of discontinued component	-	-	
Net income (loss)	\$ 705	\$ (1,117)	\$ 2,6
Net income (loss) per share - basic and diluted:			
Continuing operations	\$ 0.05	\$ (0.07)	\$ 0.
Discontinued operations - loss from operations	-	-	
Discontinued operations - gain on sale	-	-	
	\$ 0.05	\$ (0.07)	\$ 0.
Weighted average shares outstanding:			
Basic	15,015	15,015	15,0
Diluted	15,429	15,015	15,2

The accompanying notes to consolidated financial statements

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are an integral part of these statements.

3

BALDWIN TECHNOLOGY COMPANY, INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARES)
 (UNAUDITED)

	Class A Common Stock		Class B Common Stock		Capital Contributed In Excess of Par	Retained Deficit
	Shares	Amount	Shares	Amount		
Balance at June 30, 2003	16,458,849	\$ 165	2,185,883	\$ 21	\$ 56,986	\$(19,653)
Net income for the nine months ended March 31, 2004						2,608
Translation adjustment						
Unrealized gain on available-for-sale securities, net of tax						
Unrealized gain on forward contracts, net of tax						
Conversion of B shares into A shares	4,000		(4,000)			
Comprehensive Income						
Balance at March 31, 2004	16,462,849	\$165	2,181,883	\$ 21	\$ 56,986	\$(17,045)

	Accumulated Other Comprehensive Income	Treasury Stock		Note receivable from a former executive for Common Stock Issuance	Comprehensive Income
		Shares	Amount		
Balance at					

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June 30, 2003	\$	1,411	(3,630,202)	\$(12,199)	\$	(450)
Net income for the nine months ended March 31, 2004					\$	2,608
Translation adjustment		2,213				2,213
Unrealized gain on available-for-sale securities, net of tax		80				80
Unrealized gain on forward contracts, net of tax		30				30
Conversion of B shares into A shares						
Comprehensive Income					\$	4,931
						=====
Balance at March 31, 2004	\$	3,734	(3,630,202)	\$(12,199)	\$	(450)
		=====	=====	=====		=====

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 end March 31,	
	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 2,608	\$ (
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,324	
Accrued retirement pay	225	
Provision for losses on accounts receivable	86	
Gain from disposition of business	-	
Restructuring charges	424	
Deferred income taxes	2	
Changes in assets and liabilities, net of businesses sold:		
Accounts and notes receivable	(2,117)	

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Inventories	(910)	
Prepaid expenses and other	1,394	
Other assets	260	
Customer deposits	654	
Accrued compensation	968	
Payments against restructuring charges	(1,166)	
Accounts and notes payable, trade	997	
Income taxes payable	(123)	
Accrued and withheld taxes	(181)	
Other accounts payable and accrued liabilities	(100)	
Interest payable	77	
	-----	-----
Net cash provided by operating activities	4,422	
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of businesses, net	-	
Additions of property, plant and equipment	(358)	
Additions of patents and trademarks	(373)	
	-----	-----
Net cash (used) provided by investing activities	(731)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term and short-term borrowings	22,409	
Long-term and short-term debt repayments	(19,557)	
Principal payments under capital lease obligations	(70)	
Payment of debt financing costs	(2,533)	
Other long-term liabilities	62	
	-----	-----
Net cash provided (used) by financing activities	311	
	-----	-----
Effect of exchange rate changes	1,412	
	-----	-----
Net increase (decrease) in cash and cash equivalents	5,414	
Cash and cash equivalents at beginning of period	6,950	
	-----	-----
Cash and cash equivalents at end of period	\$ 12,364	\$
	=====	=====

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,

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	2004	2003
	-----	-----
Cash paid during the period for:		
Interest	\$ 3,815	\$ 1,578
Income taxes	\$ 1,924	\$ 1,937

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

6

BALDWIN TECHNOLOGY COMPANY, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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 Company has experienced operating losses and debt covenant violations over the past three fiscal years. As more fully discussed in the notes to the consolidated financial statements, the Company has embarked on restructuring plans (see Note 9) and undertaken other actions aimed at improving the Company's competitiveness, operating results and cash flow. These actions have included the sale of certain non-core operating units (see Note 10), the consolidation of manufacturing facilities and headcount reductions. As a result of these actions, combined with a credit agreement which was entered into on August 18, 2003 (see Note 3), management believes that the Company's cash flows from operations, along with available bank lines of credit and alternative sources of borrowings, if necessary, are sufficient to finance its working capital and other capital requirements over the term of the current financing agreement, which if not terminated by the Lender on August 15, 2004 or by the Company at any time by payment in full, shall terminate in its entirety on August 15, 2005. Management is exploring financing alternatives and believes that the Company's debt can be refinanced on a long-term basis. Management further believes that additional actions can be taken to reduce operating expenses and that assets can be sold to meet liquidity needs, if necessary.

The accompanying unaudited consolidated financial statements include the accounts of Baldwin 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. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements reflect all adjustments, 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, 2003. Operating results for the three and nine months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2004. All significant inter-company transactions have been eliminated in consolidation.

NOTE 2 - RECENTLY ISSUED ACCOUNTING STANDARDS:

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In December 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 132R ("SFAS 132R"), "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS 132R revises employers' disclosures about pension plans and other postretirement benefits plans. It does not change measurement or recognition of those plans required by SFAS No. 87 ("SFAS 87"), "Employers' Accounting for Pensions." The Company has adopted the disclosure provisions of SFAS 132R. The adoption of SFAS 132R is not expected to have a material effect on the Company's financial position, results of operations or cash flow.

In December 2003, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104 ("SAB 104") "Revenue Recognition," which supercedes Staff Accounting Bulletin No. 101 ("SAB 101") "Revenue Recognition in Financial Statements." The

7

primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. SAB 104 is not expected to have a material impact on the Company's revenue recognition.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liability and Equity." SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity and requires that those instruments be classified as liabilities (or assets in certain circumstances) in statements of financial position. SFAS 150 affects the issuer's accounting for certain types of freestanding financial instruments and also requires disclosure about alternative ways of settling the instruments and the capital structure of entities--all of whose shares are mandatorily redeemable. SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective as of July 1, 2003 for the Company. SFAS 150 is not expected to have a material impact on the Company's current capital structure, but may in the future should the Company enter into transactions with certain types of freestanding financial instruments.

RECLASSIFICATIONS:

Certain prior year items have been reclassified to conform to the current period's presentation.

NOTE 3 - REVOLVING CREDIT FACILITY:

On August 18, 2003, the Company entered into a \$20,000,000 credit agreement (the "Credit Agreement") with Maple Bank GmbH ("Maple" or "Lender"), which if not terminated by the Lender on August 15, 2004 or by the Company at any time by payment in full, shall terminate in its entirety on August 15, 2005. The Credit Agreement is collateralized by substantially all of the accounts and notes receivable of the Company and a portion of the Company's inventory up to a maximum amount of \$5,000,000. Borrowings under the Credit Agreement are subject to a borrowing base and bear interest at a rate equal to the three-month Eurodollar rate (as defined in the Credit Agreement) plus (i) 10% for loans denominated in U.S. Dollars or (ii) 11.5% for loans denominated in Euros. The Credit Agreement provides that the interest rate will be reduced by 0.50% or whole increments thereof for each whole increment of Disclosed EBITDA (as

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defined in the Credit Agreement) that equals or exceeds \$1,250,000 for any fiscal quarter commencing with the quarter ending December 31, 2003. In no event however, may the interest rate be less than 10.5% per annum. As a result of the Company exceeding the Disclosed EBITDA for the quarter ended December 31, 2003, the interest rate was reduced beginning January 1, 2004 by 0.68% for loans denominated in U.S. Dollars and 1.5% for loans denominated in Euros. The Company also attained the Disclosed EBITDA target in the quarter ended March 31, 2004, and as a result the interest rate reduction will remain in effect for the fourth quarter of fiscal 2004. The initial borrowings under the Credit Agreement amounted to \$18,874,000, of which the Company utilized \$16,243,000 to retire its previously existing debt and associated interest with Fleet National Bank and Wachovia Bank National Association, and the remainder of the borrowings was utilized for closing costs and working capital purposes. The closing costs are being amortized and included in interest expense through August 15, 2004. The Credit Agreement does not require the Company to meet any financial covenants, except for a limitation on annual capital expenditures and a prohibition against additional credit facilities; 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. Although there can be no guarantee, management

8

is exploring additional financing alternatives and believes that the Company's debt can be refinanced on a long-term basis.

Prior to this refinancing with Maple, on October 31, 2000, the Company entered into a \$35,000,000 revolving credit facility (the "Credit Facility") with Fleet National Bank and First Union National Bank, now known as Wachovia Bank National Association (collectively the "Banks"), which had an original scheduled maturity date of October 31, 2003. The Credit Facility consisted of a \$25,000,000 revolving credit line (the "Revolver") and a \$10,000,000 credit line to be utilized for acquisitions, (the "Acquisition Line"). On January 28, 2002, the Credit Facility was amended (the "Amended Credit Facility"), to among other things, remove the Acquisition Line, reduce the Revolver to \$21,000,000 (subject to a borrowing base), and change the maturity date to October 1, 2002. In addition, \$4,000,000 of the existing Revolver was converted into a term loan (the "Term Loan"), which matured on June 28, 2002, resulting in available borrowings under the Revolver from July 1, 2002 to October 1, 2002 of \$17,000,000. The Amended Credit Facility required the Company to satisfy certain financial covenants including minimum operating income covenants. The Revolver had associated commitment fees, which were calculated quarterly, at a rate of one-half of one percent per annum of the unused portion of the Revolver.

The Company had experienced operating and net losses, and debt covenant violations over the past three fiscal years. During the quarters ended March 31, 2002 and June 30, 2002, the Company did not meet its minimum operating income covenants contained in the Amended Credit Facility, and further the Company did not make the required \$4,000,000 principal payment on the Term Loan on June 28, 2002. The Banks granted a forbearance of the collection of the indebtedness until October 1, 2002 and on October 30, 2002, the Company and the Banks entered into an amendment to further amend and extend the Amended Credit Facility and waive the covenant violations and Term Loan default (the "Extended Credit Facility"). The Extended Credit Facility, totaling \$20,900,000, consisted of a \$17,000,000 revolving credit line (the "Extended Revolver") and a \$3,900,000 term loan (the "Extended Term Loan") each due July 1, 2003. The Extended Credit Facility required the Company to utilize the net proceeds of \$3,736,000 from the sale of certain assets of its wholly-owned subsidiary Baldwin Kansa Corporation

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("BKA") (see Note 10) plus \$464,000 from the Company's cash flows to reduce outstanding borrowings under the Extended Revolver by \$4,200,000 before October 30, 2002, of which \$2,700,000 permanently reduced the Extended Revolver and \$1,036,000 was thereafter available for future borrowings, subject to a borrowing base calculation. Additionally, beginning in December 2002 and extending through June 2003, the Company was required to permanently reduce the Extended Revolver by making monthly principal payments of \$125,000. The Company was also required to permanently reduce the Extended Revolver by \$5,000,000 on December 30, 2002 and by \$5,000,000 on March 30, 2003, but only if the Company generated non-operating alternative sources of financing. As the Company did not generate any alternative sources of financing after entering into the Extended Credit Facility on October 30, 2002, the Company was not required to make, and did not make, the \$5,000,000 payment on December 30, 2002 or the \$5,000,000 payment on March 30, 2003. Additionally, at September 30, 2002 and March 31, 2003, the Company was not in compliance with its debt covenants, and received waivers for the non-compliance. At June 30, 2003, the Company had outstanding borrowings of \$16,112,000 under the Extended Revolver and Extended Term Loan, and this entire outstanding balance, which was classified as current as of June 30, 2003, was repaid from the proceeds of the refinancing with Maple on August 18, 2003.

In December 2003, the Company, through its Japanese subsidiary, obtained a YEN 300,000,000 term loan (approximately \$2,875,000), which matures in December 2006 (the "Japanese Term Loan"). The Japanese Term Loan is subject to semi-annual principal payments of YEN 50,000,000 and bears interest at the Tokyo Inter Bank Offered Rate ("TIBOR") plus 0.75%.

9

The Company received a waiver from Maple in connection with this loan, and received the proceeds in December 2003. The Company is currently considering alternative uses for the funds.

The Company maintains relationships with both foreign and domestic banks, which combined have extended credit facilities to the Company totaling \$27,292,000, including \$20,000,000 available under the Credit Agreement. As of March 31, 2004, the Company had \$25,047,000 outstanding under these credit facilities, including \$18,713,000 under the Credit Agreement. Total debt as reported on the balance sheet at March 31, 2004 was \$2,126,000 higher than it would have been if June 30, 2003 exchange rates had been used.

NOTE 4 - NET INCOME (LOSS) PER SHARE:

Basic net income (loss) per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) 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 income (loss) per share include 215,000 and 414,000 additional shares, respectively, for the three and nine months ended March 31, 2004 and zero additional shares for the three and nine months ended March 31, 2003, which represent potentially dilutive securities. Outstanding options to purchase 1,399,000 and 1,400,000 shares of the Company's common stock for the nine months ended March 31, 2004 and 2003, respectively, are not included in the above calculation to compute diluted net income (loss) per share as they have an anti-dilutive effect.

NOTE 5 - OTHER COMPREHENSIVE INCOME:

Accumulated Other Comprehensive Income ("AOCI") is comprised of various

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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 and consists of cumulative translation adjustments, unrealized gains and losses on available-for-sale securities and unrealized gains and losses on derivative instruments. AOCI consists of the following:

(in thousands)	March 31, 2004	June 30, 2003
	-----	-----
	(Unaudited)	
Cumulative translation adjustments	\$ 3,681	\$ 1,472
Unrealized gain (loss) on investments, net of deferred taxes of \$16 (\$41 at June 30, 2003)	23	(57)
Unrealized gain (loss) on derivatives, net of deferred taxes of \$15 (\$2 at June 30, 2003)	30	(4)
	-----	-----
	\$ 3,734	\$ 1,411
	=====	=====

10

NOTE 6 - INVENTORIES:

Inventories consist of the following:

(in thousands)	March 31, 2004	June 30, 2003
	-----	-----
	(Unaudited)	
Raw materials	\$ 12,312	\$ 11,006
In process	5,419	5,669
Finished goods	7,617	6,094
	-----	-----
	\$ 25,348	\$ 22,769
	=====	=====

Foreign currency translation effects increased inventories by \$1,669,000 from June 30, 2003 to March 31, 2004.

NOTE 7 - DERIVATIVES:

On April 27, 2001, the Company entered into an interest rate swap agreement with Fleet National Bank (the "Fleet Swap"). The effect of this agreement was to convert \$15,000,000 of the Company's variable rate debt into fixed rate debt with an interest rate of 4.98% with the maturity the same as the then existing credit facility. Included in interest expense was zero and \$196,000, respectively, for the three and nine months ended March 31, 2004 and \$137,000 and \$386,000, respectively for the three and nine months ended March 31, 2003 associated with the Fleet Swap, which expired on October 30, 2003.

On December 8, 2003, the Company entered into an interest rate swap

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agreement with Sumito-Mitsui Bank. The effect of this agreement was to convert the Japanese Term Loan variable rate debt into fixed rate debt with an interest rate of 1.5% with the maturity the same as the Japanese Term Loan. The Company did not incur or record additional charges associated with this swap agreement in the quarter ended March 31, 2004, which will expire on December 8, 2006.

As a result of entering into the Extended Credit Facility on October 30, 2002, as defined in Note 3, which changed various provisions of the Amended Credit Agreement, also defined in Note 3, including the maturity date, the Fleet Swap no longer qualified as an effective cash flow hedge. Therefore, adjustments to the fair value of the Fleet Swap subsequent to October 30, 2002 were recorded in earnings through its maturity date of October 30, 2003. The adjustments to the fair value of this portion of the Fleet Swap resulted in a gain for the three and nine months ended March 31, 2004 of zero and \$196,000, respectively, and \$122,000 and \$57,000, respectively, for the three and nine months ended March 31, 2003, which was recorded in "Other income and expense" in the accompanying consolidated statements of operations.

During the nine months ended March 31, 2004, the Company also had currency futures contracts that qualified as cash flow hedges; accordingly, the gain or loss on these cash flow hedges was recorded in AOCI and will be recognized when the hedged items affect earnings. Except for the Fleet Swap, hedge ineffectiveness had no material impact on earnings for the nine months ended March 31, 2004 and 2003.

11

Unrealized net gains (losses) included in AOCI are as follows:

(in thousands)	March 31, 2004	March 31, 2003
	-----	-----
	(Unaudited)	
Balance at beginning of period	\$ (4)	\$ (32)
Additional gains, net	-	28
Amounts reclassified to earnings, net	34	22
	-----	-----
Balance at end of period	\$ 30	\$ 18
	=====	=====

The unrealized net gain of \$30,000 at March 31, 2004 represents net gains on currency futures contracts, which expired at various times through January 28, 2004, and were reclassified to earnings during that period.

NOTE 8 -- GOODWILL AND OTHER INTANGIBLE ASSETS:

The changes in the carrying amount of goodwill for the nine months ended March 31, 2004 are as follows:

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	-----	-----	-----

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Balance as of July 1, 2003	\$ 13,454	\$ 3,227	\$ 10,227
Effects of currency translation	1,558	408	1,150
	-----	-----	-----
Balance as of March 31, 2004	\$ 15,012	\$ 3,635	\$ 11,377
	=====	=====	=====

Intangible assets subject to amortization are comprised of the following:

(in thousands)	As of March 31, 2004		As of June
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount
	-----	-----	-----
Intangible Assets:			
Patents and trademarks	\$ 6,364	\$ 4,119	\$ 5,961
Other	880	678	781
	-----	-----	-----
Total	\$ 7,244	\$ 4,797	\$ 6,742
	=====	=====	=====

Amortization expense associated with these intangible assets was \$136,000 and \$410,000, respectively, for the three and nine months ended March 31, 2004 and \$174,000 and \$571,000, respectively, for the three and nine months ended March 31, 2003. The other category is included in "Other assets" on the accompanying consolidated balance sheets.

NOTE 9 -- RESTRUCTURING CHARGES AND RELATED RESERVES:

During March 2000, the Company initiated a restructuring plan (the "March 2000 Plan") that included the consolidation of production into certain facilities, and reduction in total employment, primarily in the United States. The March 2000 Plan was expanded during the fourth quarter of the fiscal year ended June 30, 2001. The Company recorded restructuring charges related to the March 2000 Plan in the amounts of zero and \$23,000, respectively, for the three and nine months ended March 31, 2004 and \$94,000 and \$795,000, respectively, for the three and nine months ended March 31, 2003. These charges related primarily to additional exit costs, which were expensed as incurred. The March 2000 Plan reduced the Company's worldwide cost base and strengthened its competitive position as a leading global supplier of auxiliary equipment to the printing and publishing industry. Prior to initiating the March 2000 Plan, the Company was managed in a decentralized manner through geographically dispersed autonomous business units. Given that many of the Company's significant customers had reorganized on a global basis, management realigned the Company to support its global customer base. Rather

than have separate sales, product development and production activities at each decentralized business unit, the March 2000 Plan included centralizing control of these activities. The following table details the components of the restructuring charges and the remaining reserve balances as of March 31, 2004 and June 30, 2003 related to the March 2000 Plan:

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(in thousands)	Remaining Reserve June 30, 2003 -----	Additional Restructuring Charges -----	Payments Against Reserve -----	Remain Reser March 31 -----
Severance	\$ 55	\$ -	\$ (55)	\$
Facility lease termination costs	1,396	23	(516)	
	-----	-----	-----	-----
Total program	\$ 1,451 =====	\$ 23 =====	\$ (571) =====	\$ =====

Facility lease termination costs will be paid through April 2006. As of March 31, 2004, \$437,000 for facility lease termination costs was included in "Other accounts payable and accrued liabilities" and \$466,000 was included in "Other long-term liabilities."

In August 2002, in response to weak market conditions, the Company announced an additional restructuring plan (the "August 2002 Plan"), as a result of which total worldwide employment was reduced by approximately 160. The Company recorded an initial restructuring charge of \$3,241,000 in August 2002 and additional restructuring charges of \$144,000 during the balance of the fiscal year ended June 30, 2003 related to the August 2002 Plan. In August 2003, the Company expanded the August 2002 Plan and announced additional employee reductions of 15 in the United States and eight in the United Kingdom. In addition, the Company closed its Dunstable, England office and is currently operating its two separate United Kingdom business operations from its