BALDWIN TECHNOLOGY CO INC
Form 10-Q
November 14, 2005

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

FORM 10-Q

[Mark one]
[X] Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For quarter ended September 30, 2005

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.)

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 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 X NO ----

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES ____ NO X ____

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

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 October 31, 2005
Class A Common Stock $0.01 par value	13,017,647
Class B Common Stock $0.01 par value	1,935,419

BALDWIN TECHNOLOGY COMPANY, INC.

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BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

ASSETS

	September 30, 20
CURRENT ASSETS:	
Cash and cash equivalents	$ 15,4
Accounts receivable trade, net of allowance for doubtful accounts of $1,964 ($1,962 at June 30, 2005)	24,4
Notes receivable, trade	9,9
Inventories, net	23,1
Deferred taxes	3
Prepaid expenses and other	4,4
Total Current Assets	77,7
MARKETABLE SECURITIES:	
Cost $605 ($610 at June 30, 2005)	7
PROPERTY, PLANT AND EQUIPMENT, at cost:	
Land and buildings	9
Machinery and equipment	2,1
Furniture and fixtures	3,7
Capital leases	3
	7,3
Less: Accumulated depreciation and amortization	(3,9
Net Property, Plant and Equipment	3,3
PATENTS, TRADEMARKS AND ENGINEERING DRAWINGS, at cost, less accumulated amortization of $4,658 ($4,559 at June 30, 2005)	2,6
GOODWILL, less accumulated amortization of $3,392 ($3,456 at June 30, 2005)	10,7

DEFERRED TAXES	10,5
OTHER ASSETS	3,7
TOTAL ASSETS	$ 109,5

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

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BALDWIN TECHNOLOGY COMPANY, INC.

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2005
CURRENT LIABILITIES:	
Loans payable	$ 2,643
Current portion of long-term debt	1,306
Accounts payable, trade	14,715
Notes payable, trade	9,535
Accrued salaries, commissions, bonus and profit-sharing	5,778
Customer deposits	2,851
Accrued and withheld taxes	2,010
Income taxes payable	1,239
Other accounts payable and accrued liabilities	9,775
Total current liabilities	49,852
LONG TERM LIABILITIES:	
Long-term debt	12,693
Other long-term liabilities	6,640
Total long-term liabilities	19,333
Total liabilities	69,185
SHAREHOLDERS' EQUITY:	
Class A Common Stock, $.01 par, 45,000,000 shares authorized, 16,617,849 shares issued at September 30, 2005 and 16,575,349 shares issued at June 30, 2005	167
Class B Common Stock, $.01 par, 4,500,000 shares authorized, 2,137,883 shares issued at September 30, 2005 and June 30, 2005	21
Capital contributed in excess of par value	57,149
Accumulated Deficit	(6,439)
Accumulated other comprehensive income	2,159
Less: Treasury stock, at cost:	

Class A - 3,630,202 shares at September 30, 2005 and June 30, 2005	
Class B - 172,464 shares at September 30, 2005 and June 30, 2005	(12,721)
Total shareholders' equity	40,336
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 109,521

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

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BALDWIN TECHNOLOGY COMPANY, INC.

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

	For the three months ended September 30,	
	2005	2004
Net Sales	$ 42,645	$ 39,997
Cost of goods sold	28,589	27,906
Gross Profit	14,056	12,091
Operating Expenses:		
General and administrative	4,688	3,991
Selling	3,434	3,342
Engineering and development	3,780	3,358
	11,902	10,691
Operating income	2,154	1,400
Other (income) expense:		
Interest expense	298	952
Interest income	(28)	(23)
Royalty income, net	(200)	(754)
Other (income) expense, net	67	(13)
	137	162
Income before income taxes	2,017	1,238
Provision for income taxes	824	519
Net income	$ 1,193	$ 719

Net income per share - basic and diluted		
Income per share - basic	$ 0.08	$ 0.05
Income per share - diluted	$ 0.08	$ 0.05
Weighted average shares outstanding:		
Basic	14,923	14,873
Diluted	15,474	15,351

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

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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 Excess	Retained
	Shares	Amount	Shares	Amount	of Par	Defici
Balance at June 30, 2005	16,575,349	$166	2,137,883	$21	$57,065	$ (7,63
Net income for the three months ended September 30, 2005						1,19
Translation adjustment						
Unrealized gain on available-for-sale securities, net of tax						
Unrealized loss on forward contracts, net of tax						
Comprehensive Income						
Shares issued under Stock Option Plan	42,500	1			84	

Balance at September 30, 2005	16,617,849	$167	2,137,883	$21	$57,149	$ (6,43

	Treasury Stock		Comprehensive
	Shares	Amount	Income
Balance at June 30, 2005	(3,802,666)	$(12,721)	
Net income for the three months ended September 30, 2005			$ 1,193
Translation adjustment			(310)
Unrealized gain on available-for-sale securities, net of tax			57
Unrealized loss on forward contracts, net of tax			80
Comprehensive Income			$ 1,020
Shares issued under Stock Option Plan			
Balance at September 30, 2005	(3,802,666)	$(12,721)	

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

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

	For the three months ende	
	September 30,	
	2005	20

Cash flows from operating activities:		
Net income	$ 1,193	$
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	349	
Accrued retirement pay	323	
Provision for losses on accounts receivable	30	
Stock option expense	41	
Deferred income taxes	30	
Changes in assets and liabilities		
Accounts and notes receivable	449	
Inventories	(560)	
Prepaid expenses and other	(1,310)	
Other assets	335	
Customer deposits	(457)	
Accrued compensation	(1,815)	
Payments against restructuring charges	--	
Accounts and notes payable, trade	574	
Income taxes payable	67	
Accrued and withheld taxes	(31)	
Other accounts payable and accrued liabilities	394	
Interest payable	(40)	
Net cash (used for) operating activities	(428)	
Cash flows from investing activities:		
Additions of property, plant and equipment	(163)	
Additions of patents and trademarks	(215)	
Net cash used by investing activities	(378)	
Cash flows from financing activities:		
Long-term and short-term debt borrowings	899	
Long-term and short-term debt repayments	(29)	
Principal payments under capital lease obligations	(28)	
Payment of debt financing costs	--	
Proceeds of stock option exercise	85	
Other long-term liabilities	14	
Net cash used by financing activities	941	
Effects of exchange rate changes	(167)	
Net (decrease) in cash and cash equivalents	(32)	
Cash and cash equivalents at beginning of period	15,443	
Cash and cash equivalents at end of period	$ 15,411	$

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

BALDWIN TECHNOLOGY COMPANY, INC.

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

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	For the three months ended September 30,	
	2005	2004
Cash paid during the period for:		
Interest	$338	$1,181
Income taxes	$766	$1,552

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

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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 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.

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 "Maple 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 September 30, 2004) for loans denominated in U.S. Dollars or (ii) 3.775% (5.525% for the period ended September 30, 2004) for loans denominated in Euros. The amended 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 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.

	(IN THOUSANDS)			
	SEPTEMBER 30, 2005		JUNE 30, 2005	
	CURRENT	LONG-TERM	CURRENT	LONG-TE
Revolving Credit Facility due October 1, 2008, interest rate 5.525% plus three-month euribor rate (2.153% at June 30)	$ --	$ --	$ --	$11,50
Revolving Credit Facility due October 1, 2008, interest rate 3.775% plus three-month euribor rate (2.108% at September 30)	--	11,426	--	-
Term loan payable by foreign subsidiary due September 2008, interest rate 1.81%(a)	294	588	--	-
Term Loan payable by foreign subsidiary due December 8, 2006, interest rate 1.5%	881	440	902	45
Note payable by foreign subsidiary through 2008, interest rate 5.95%	116	232	115	25
Note payable by foreign subsidiary through February 2007, interest rates ranging from 4.58% to 4.67%	15	7	16	1
	$ 1,306	$12,693	$ 1,033	$12,22

(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 interest rate swap converts variable rate 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 $34,096 including $28,000 available under the Maple GmbH Credit Agreement. As of September 30, 2005, the Company had $18,130 outstanding under these credit facilities, including $12,915 under the Maple GmbH Credit Agreement.

NOTE 4 - NET INCOME 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. For the three months ended September 30, 2005 and 2004, the weighted average shares outstanding used to compute diluted net income per share include potentially dilutive securities of 551,000 and 478,000 shares, respectively. Outstanding options to purchase 197,000 and 640,000 shares, respectively, of the Company's common stock for the three months ended September 30, 2005 and 2004, respectively, are not included in the above calculation to compute diluted net income per share as their exercise price exceeded their 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:

	(in thousands) September 30, 2005	June 30, 2005
	(Unaudited)	
Cumulative translation adjustments	$ 2,097	$ 2,407
Unrealized gain on investments, net of tax	97	40
Unrealized gain (loss) on forward contracts, net of tax	45	(35)
Minimum pension liability, net of tax	(80)	(80)
	$ 2,159	$ 2,332

NOTE 6 - INVENTORIES:

Inventories consist of the following:

	September 30, 2005 (Unaudited)	June 30, 2005
	(in thousands)	
Raw materials	$11,752	$11,453
In process	4,377	4,409
Finished goods	7,023	6,893
	$23,152	$22,755

Foreign currency translation effects decreased inventories by $163 from June 30, 2005 to September 30, 2005.

NOTE 7 -- GOODWILL AND OTHER INTANGIBLE ASSETS:

The changes in the carrying amount of goodwill for the three months ended September 30, 2005 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(in thousands)		
Balance as of July 1, 2005	$ 14,378	$ 3,456	$ 10,922
Effects of currency translation	(230)	(64)	(166)
Balance as of September 30, 2005	$ 14,148	$ 3,392	$ 10,756

Intangible assets subject to amortization are comprised of the following:

	(in thousands)			
	As of September 30, 2005		As of June 30, 2005	
Intangible Assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	$7,330	$4,658	$7,120	$4,559
Other	923	742	937	746
Total	$8,253	$5,400	$8,057	$5,305

Amortization expense associated with these intangible assets was $121 and $161, respectively, for the three months ended September 30, 2005 and 2004. 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 months ended September 30, 2005 and 2004:

	(in thousands) Pension Benefits For the three months Ended September 30, 2005	2004
Service cost	$ 64	$ 67
Interest cost	12	15
Expected return on plan assets	(4)	(1)
Amortization of transition obligation	3	3
Amortization of net actuarial gain	(3)	-
Net periodic benefit cost	$ 72	$ 84

During the three months ended September 30, 2005 and 2004 the Company made no contributions to the plans.

NOTE 9 - STOCK OPTIONS:

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 was 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. The Company's stock option plans, which are shareholder approved, permits the grant of share options and shares of which 428,833 are available for future grants at September 30, 2005. 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 a 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 months ended September 30, 2005 and as if the fair value recognition provisions had been applied for the three months ended September 30, 2004:

(in thousands, except share and per share data)

	Three months ended September 30, 2005	2004
Net income as reported	1,193	719
Add: stock-based employee compensation included in reported net income, net of related tax effects ($41K pre-tax)	27	--
Deduct: stock-based employee compensation expense determined as if the fair value method was used for all years presented	(27)	(13)
As Reported Net Income/Pro Forma Net Income	1,193	706
Income per share:		
Basic and diluted as reported	0.08	0.05
Basic and diluted pro forma	0.08	0.05

The following table summarizes activity under the plans for the first quarter of 2006:

THE 1986 PLAN

	CLASS A	CLASS B	OPTION PRICE RANGE	WEIGHTED AVERAGE PRICE A	WEIGHTED AVERAGE PRICE B	CLASS A C
Outstanding at June 30, 2005......	183,000	105,000	$3.00-$6.72	$4.21	$6.72	8,055
Granted..........................						
Canceled.........................	(80,000)	(105,000)	$5.38-$6.72	$5.38	$6.72	
Exercised........................	(5,000)		$3.00	$3.00		
Outstanding at September 30, 2005.	98,000	0	$3.00-$5.62	$3.32		8,055
Exercisable at September 30, 2005.	98,000	0	$3.00-$5.62	$3.32		8,055

THE 1996 PLAN

OPTION PRICE WEIGHTED AVERAGE PRICE

	CLASS A	CLASS B	RANGE	A	B	CLASS A	C
Outstanding at June 30, 2005......	1,275,667		$0.58-$5.50	$ 2.36		39,000	
Granted..........................	105,000		$4.49	$4.49			
Canceled.........................							
Exercised........................	(37,500)		$1.05-$3.19	$1.86			
Outstanding at September 30, 2005..	1,343,167		$0.58-$5.50	$ 2.54		39,000	
Exercisable at September 30, 2005..	468,335		$0.58-$5.50	$2.04		39,000	

The shares under option at September 30, 2005 were in the following 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
$0.58 -- $3.75	1,397,167	6.3 years	$2.41	522,335	$1.75
$3.88 -- $6.88	92,000	2.4 years	$5.51	92,000	$5.51

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NOTE 10 - CUSTOMERS:

During the three months ended September 30, 2005, one customer accounted for more than 10% of the Company's net sales. Koenig and Bauer Aktiengesellschaft ("KBA") accounted for approximately 17% and 18% of the Company's net sales for the three months ended September 30, 2005 and 2004, respectively.

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 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 2005	2004

Warranty reserve at June 30, 2005 and 2004	$ 2,840	$ 2,714
Additional warranty expense accruals	943	987
Payments against reserve	(1,005)	(888)
Effects of currency rate fluctuations	(7)	56
Warranty reserve at September 30, 2005 and 2004	$ 2,771	$ 2,869

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

FORWARD-LOOKING STATEMENTS

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, (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.

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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 Form 10-K for the fiscal year ended June 30, 2005. There have been no material changes during the three months ended September 30, 2005.

THREE MONTHS ENDED SEPTEMBER 30, 2005 VS. THREE MONTHS ENDED SEPTEMBER 30, 2004

CONSOLIDATED RESULTS

Net sales for the three months ended September 30, 2005 increased by $2,648,000, or 6.6%, to $42,645,000 from $39,997,000 for the three months ended September 30, 2004. Currency rate fluctuations attributable to the Company's overseas operations decreased net sales by $249,000 in the current period. Excluding the effects of currency translation net sales increased $2,896,000 or 7.2%.

The net sales increase reflects increased sales in Europe, $2,100,000. Increased demand, particularly in Germany, for the Company's cleaning systems, water systems and web controls account primarily for the increased revenue in Europe. In the Americas, primarily the U.S., sales increased $900,000 on the strength of increased commercial cleaning systems, web controls and parts and service revenues. In Asia, net sales were relatively flat. Softness in the Japanese newspaper market was offset by newspaper shipments from the markets served by the Company's Australian subsidiary.

Gross profit for the three months ended September 30, 2005 was $14,056,000 (33.0% of net sales) as compared to $12,091,000 (30.2% of net sales) for the three months ended September 30, 2004, an increase of $1,965,000 or 16.3%. Currency rate fluctuations decreased gross profit by $115,000 in the current period. Excluding the effects of currency rate fluctuation, gross profit would have increased by $2,080,000. Gross profit as a percentage of net sales increased primarily due to improvements in volume noted above, lower material costs, and favorable absorption of fixed overhead costs.

Selling, general and administrative expenses amounted to $8,122,000 for the three months ended September 30, 2005 as compared to $7,333,000 for the same period in the prior fiscal year, (amounts representing 19.0% and 18.3% of respective period sales) an increase of $789,000 or 10.8%. Currency rate fluctuations decreased these expenses by $46,000 in the current period. Otherwise, selling, general and administrative expenses would have increased by $837,000. Selling expenses increased by $117,000, which primarily relates to increased marketing costs in Japan, as the Company seeks to develop new opportunities in the Asia/Pacific region. General and administrative expenses increased by $720,000 primarily in the U.S. due to increased compensation costs commensurate with improved business performance, vesting associated with deferred compensation plans and higher consulting costs associated with Sarbanes-Oxley compliance implementation.

Engineering and development expenses increased by $422,000 over the same period in the prior fiscal year. Currency rate fluctuations decreased these expenses by $32,000 in the current period. Excluding the effects of currency rate fluctuations, engineering and development expenses would have increased by $453,000 in the current period. This increase relates primarily to planned investment and increased activity in product development in Europe. As a percentage of net sales, engineering and development expenses increased to 8.9% for the three months ended September 30, 2005 compared to 8.3% for the same period in the prior fiscal year.

Interest expense for the three months ended September 30, 2005 was $298,000 as compared to $952,000 for the three months ended September 30, 2004. Currency rate fluctuations had a negligible effect in the current period. This decrease reflects the lower debt level of approximately $8.6 million versus the period ended September 30, 2004 coupled with lower interest rates in effect for the quarter ended September 30, 2005 as a result of the amended loan agreement with Maple GmbH and lower amortization of debt financing costs. Interest income remained generally flat and amounted to $28,000 and $23,000 for the three months ended September 30, 2005 and 2004, respectively.

Net royalty income for the three months ended September 30, 2005 was $200,000 as compared to $754,000 for the three months ended September 30, 2004. The decline in royalty income relates to the expiration of a group of patents, which were the source of the royalty income stream, in February 2005.

Other income (expense), net amounted to expense income of $67,000 for the three months ended September 30, 2005 compared to income of $13,000 for the three months ended September 30, 2004. Other income (expense), net includes net foreign currency transaction losses of $111,000.

The Company recorded an income tax provision of $824,000 for the three months ended September 30, 2005 as compared to $519,000 for the three months ended September 30, 2004. The effective tax rate of 40.9% (41.9% for the quarter ended September 30, 2004) for the three months ended September 30, 2005, reflects taxable income in the higher tax jurisdictions in which tax loss carryforwards are not available or are subject to limitations. The effective tax rate for the three months ended September 30, 2005 differs from the statutory rate as no benefit is recognized for losses incurred in certain countries as the realization of such benefits was not more likely than not. The Company continues to assess the need for its deferred tax asset valuation allowances 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.

The Company's net income amounted to $1,193,000 for the three months ended September 30, 2005, compared to net income of $719,000 for the three months ended September 30, 2004. Currency rate fluctuations had a negligible effect on net income in the current period. Net income per share amounted to $0.08 basic and diluted for the three months ended September 30, 2005 as compared to net income per share of $0.05 basic and diluted for the three months ended September 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES AT SEPTEMBER 30, 2005

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

Cash provided by (used for):	2005	2004
Operating activities	$(428,000)	$(288,000)
Investing activities	(378,000)	(373,000)
Financing activities	941,000	(171,000)
Effect of exchange rate changes on cash	(167,000)	80,000
Net (decrease) in cash and cash equivalents	$ (32,000)	$(752,000)

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Cash provided by operating activities decreased $140,000 during the quarter ended September 30, 2005 versus the prior year period. Improvements in asset management of accounts receivable (days sales outstanding improved to 51 days from 58 days) and inventory were offset by the timing of payments for accounts payable, annual incentive compensation and customer deposits.

The Company utilized $378,000 and $373,00 for investing activities for the three months ended September 30, 2005 and 2004 respectively, for additions to property, plant and equipment and patents and trademarks.

During the quarter ended September 30, 2005 the Company obtained a three-year term loan with Mizuho Bank 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 existing credit facility with Mizuhao Bank which effectively converted the variable rate debt into fixed rate debt 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 "Maple 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 September 30,2004) for loans denominated in U.S. Dollars or (ii) 3.775% (5.525% for the period ended September 30, 2004) for loans denominated in Euros. The amended 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 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. 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 $1,200,000 lower than 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 $34,096,000, including $28,000,000 available under the Maple GmbH Credit Agreement. As of September 30, 2005, the Company had $18,130,000 outstanding under these credit facilities including $12,915,000 under the Maple GmbH Credit Agreement.

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 credit agreement with Maple.

At September 30, 2005 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.

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The following summarizes the Company's contractual obligations at September 30, 2005 and the effect such obligations are expected to have on its liquidity and cash flow in future periods (in thousands):

	Total at September	Fiscal Years ending

	30, 2005	2006*	2007	2008
Contractual Obligations:				
Loans payable	$ 2,643	$2,643	$ -	$ -
Capital lease obligations	136	58	38	23
Long-term debt	13,999	1,277	1,150	116
Non-cancelable operating lease obligations	24,498	2,923	5,209	2,800
Interest expense (1)	3,416	985	1,112	1,093
Total contractual cash obligations	$44,692	$7,886	$ 7,509	$4,032

* Includes only the remaining nine 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 September 30, 2005, 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 months ended September 30, 2005.

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 our fiscal quarter September 30, 2005, 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 all circumstances. No changes were made to the Company's internal control over financial reporting during the fiscal quarter ended September 30, 2005, that have materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

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

There has been no activity under the Company's stock repurchase program for the quarter ended September 30, 2005.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Annual Meeting of Stockholders was held on November 8, 2005.

(b) A brief description of matters voted upon and the results of the voting follows:

Proposal 1 - To elect two Class III Directors to serve for three-year terms or until their respective successors are elected and qualify.

SCHEDULE OF VOTES CAST FOR EACH DIRECTOR

	Total Vote for Each Director	Total Vote Withheld from Each Director
Class B		
Akira Hara	18,684,830	0
Ralph R. Whitney, Jr.	18,684,830	0

Proposal 2 - To adopt the Company's 2005 Equity Compensation Plan. Total affirmative votes 22,244,643; total negative votes 3,307,158.

ITEM 5. OTHER INFORMATION

On November 8, 2005, the Board of Directors of the Company approved the following equity compensation awards to the Company's executive officers and directors pertaining to shares of the Company's Class A Stock:

Name	Position	Award
Gerald A. Nathe	Chairman of the Board, Chief Executive Officer and Director	25,000 restricted shares
Karl S. Puehringer	President and Chief Operating Officer	20,000 restricted share units
Vijay C. Tharani	Vice President, Chief Financial Officer and Treasurer	15,000 restricted shares
Shaun J. Kilfoyle	Vice President	10,000 restricted shares
Takayuki Miyaoku	Vice President	10,000 restricted share units
Leon Richards	Controller	5,000 restricted shares
Mark T. Becker	Director	3,111 restricted shares
Rolf Bergstrom	Director	3,111 restricted share units
Samuel B. Fortenbaugh III	Director	3,111 restricted shares

Akira Hara	Director	3,111 restricted share units
Judith A. Mulholland	Director	3,111 restricted shares
Ralph R. Whitney, Jr.	Director	3,111 restricted shares

The awards of restricted shares and restricted shares units described above were made pursuant to the Company's 2005 Equity Compensation Plan (the "Plan"), which was approved by the Company's shareholders at the 2005 Annual Meeting of Shareholders held on November 8, 2005. Pursuant to the Plan, the awards vest in three equal annual installments on the first, second and third anniversaries of the date of their award.

In addition, the Board of Directors also approved (1) an increase from $16,000 to $24,000 of the annual retainer paid to each of the Company's directors who are not employees of the Company, and (2) an increase from $1,000 to $1,500 of the fee paid for each meeting of the Board of Directors, or a Committee of the Board (except for Committee meetings held in conjunction with Board Meetings) attended.

ITEM 6. 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).

10.73 Amendment to Employment Agreement between Baldwin Technology Company, Inc. and Gerald A. Nathe, dated November 14, 2005 (filed herewith).

10.74 Amendment to Employment Agreement between Baldwin Technology Company, Inc. and Karl Puehringer, dated November 14, 2005 (filed herewith).

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

Vice President, Chief Financial
Officer and Treasurer

Dated: November 14, 2005