BALDWIN TECHNOLOGY CO INC
Form 10-K
October 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2003 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.)
12 COMMERCE DRIVE SHELTON, CONNECTICUT (Address of principal executive offices)	06484 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 203-402-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
CLASS A COMMON STOCK PAR VALUE $.01	AMERICAN STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

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 for 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

Aggregate market value of the of the registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the

registrant's common stock on December 31, 2002 as reported by the American Stock Exchange on that date was $5,926,000.

Number of shares of Common Stock outstanding at August 31, 2003:

Class A Common Stock..............	12,828,647
Class B Common Stock..............	2,185,883
Total...........................	15,014,530

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12 and 13 are incorporated by reference into Part III of this Form 10-K from the Baldwin Technology Company, Inc. Proxy Statement for the 2003 Annual Meeting of Stockholders. (A definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Form 10-K.)

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CAUTIONARY STATEMENT -- This Annual Form 10-K may contain statements which constitute "forward-looking" information as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission ("SEC") in its rules, regulations and releases. Baldwin Technology Company, Inc. (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 from estimates contained in the Company's forward-looking statements are set forth in Exhibit 99 to this Annual Report on Form 10-K for the year ended June 30, 2003.

PART I

ITEM 1. BUSINESS

Baldwin Technology Company, Inc. ("Baldwin" or the "Company") is a leading global manufacturer of accessories and controls for the printing and publishing industry. The Company offers its customers a broad range of products designed to enhance the quality of printed products and increase the productivity and cost-efficiency of the print manufacturing process while addressing the environmental concerns and safety issues involved in the printing process. Baldwin's products include cleaning systems, fluid management and ink control systems, web press protection systems and drying systems.

The Company sells its products both to printing press manufacturers who incorporate the Company's products into their own printing systems for sale to printers, and to printers to upgrade the quality and capability of existing and new printing presses. The Company has product development and manufacturing facilities, as well as sales and service operations, in strategic markets worldwide.

During the first quarter of the fiscal year ending June 30, 2003, the Company committed to a plan to dispose of substantially all of the assets of its Baldwin Kansa subsidiary ("BKA"); the transaction closed on October 10, 2002. The consideration received for the transaction, after certain post-closing adjustments, was approximately $3,736,000, which approximated the net book value of the assets sold. During the fiscal year ended June 30, 2002, the operating results and future prospects of BKA deteriorated. As a result, the goodwill associated with BKA exceeded the assessment of its fair-value made by the Company, and the Company recorded a goodwill impairment charge of $5,434,000 in the fourth quarter of the fiscal year ended June 30, 2002. BKA is accounted for as a discontinued operation, therefore, for all periods presented, amounts previously reported in continuing operations have been reclassified to reflect BKA as a discontinued operation. For a further discussion, see Note 18 to the Consolidated Financial Statements.

On November 16, 2001, the Company sold substantially all of the assets of its subsidiary Baldwin Document Finishing Systems, Inc. ("BDF"), the sole operation unit in the Print On-Demand ("POD") business to Finishing and Systems Technology LLC ("FAST"), a new company formed by the management of the POD business. The consideration included the Company retaining a note receivable from FAST in the amount of $137,000 plus interest at 8%, due in three equal annual installments on the anniversary date of the sale. The first installment was due in November 2002, which was not paid, and in May 2003, FAST filed for Chapter 7 bankruptcy protection. As a result, the Company wrote-off the entire amount of the note of $137,000 in May 2003. The remaining assets of the POD business are not material. The revenues and corresponding expenses attributable to the POD business are included in the Company's consolidated financial statements only for the periods that the POD business was owned by the Company. As a result of its decision to sell the POD business, the Company recorded an impairment charge of $687,000 during the fiscal year ended June 30, 2001 to write-off goodwill associated with the POD business. During the fiscal year ended June 30, 2002, the Company recorded a loss on the sale of the POD business of approximately $8,000.

On September 26, 2001, the Company sold substantially all of the assets of the Roll Handling Group ("RHG"). The revenues and corresponding expenses attributable to the RHG are included in these consolidated financial statements only for the periods that the RHG business was owned by the Company. As a result of the decisions to sell the RHG business, the Company recorded an impairment charge during the fiscal year ended June 30, 2001 of approximately $14,831,000 associated with the write-off of assets, primarily goodwill related to the RHG business. During the fiscal year ended June 30, 2002, The Company recorded a loss on the sale of the RHG business of approximately

$250,000 during the fiscal year ended June 30, 2002 and an additional loss of approximately $211,000 during the fiscal year ended June 30, 2003.

On September 27, 2000, the Company sold substantially all of the assets of its Baldwin Stobb Division ("BSD"). The revenues and corresponding expenses attributable to BSD are included in the Company's consolidated financial statements only for the periods that BSD was owned by the Company. The Company recorded a loss of $831,000 on the sale of BSD in the fiscal year ended June 30, 2001.

LIQUIDITY

On August 18, 2003, Baldwin and certain of its subsidiaries, 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 by payment in full, shall terminate in its entirety on August 15, 2005. The credit facility 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 facility 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 interest rate will be reduced by 0.50% or whole increments thereof for each whole increment of Disclosed EBITDA (as 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. The initial borrowings under the credit facility amounted to $18,874,000, of which the Company utilized $16,243,000 to retire its previously existing debt 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 Credit Agreement does not require the Company to satisfy 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.

The Company has experienced operating losses and debt covenant violations over the past three fiscal years. As more fully discussed in this Form 10-K, the Company has embarked on restructuring plans and undertaken other actions aimed at improving the Company's competitiveness, operating results and cash flow. These actions have included the sale of certain businesses, as noted above, the consolidation of other operations and headcount reductions related to the consolidations and weak market conditions. As a result of these actions, combined with the new credit agreement discussed above, 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 with Maple. 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.

INDUSTRY OVERVIEW

Baldwin operates in a highly fragmented market. The Company defines its business as that of providing accessories and controls for the printing and publishing industry. The Company believes that it produces the most complete line of accessories and controls for the printing and publishing industry.

The Company's products are used by printers engaged in all commercial printing processes including lithography, flexography and digital printing. The largest share of its business is in offset (lithographic) printing. Offset printing is the largest segment of the domestic and international printing market and is used primarily for printing books, magazines, business forms, catalogs, greeting cards, packaging and newspapers. The Company's products are designed to improve the printing process in terms of both the quality of the finished product as well as its cost efficiency.

Offset printing represents a significant segment of the U.S. commercial printing industry, and has become the dominant technology in the international printing market. The Company believes that the future growth of its international markets will be attributable in large part to the increased use of offset printing. The Company has established operations in strategic geographic locations to take advantage of growth opportunities in these markets. Baldwin's worldwide operations enable it to closely monitor new product developments in different printing markets and to introduce new products, or adapt existing ones, to meet the printing equipment requirements of specific local markets throughout the world.

PRINCIPAL PRODUCTS

The Company manufactures and sells many different products to printers and printing press manufacturers. The Company's product development efforts are focused on the needs of the printer and the printing press manufacturers. Typically, it takes a new product several years after its introduction to make a significant contribution to the Company's net sales. As a product progresses through its life cycle, the percentage of sales to printing press manufacturers generally increases as the product's acceptance by the printing industry increases and printers begin to specify certain of the Company's products as part of their accessory and controls equipment package selected when ordering new printing presses. Historically, the Company's products have had a long life cycle as the Company continually upgrades and refines its product lines to meet customer needs and changes in printing press technology. The Company's products help printers address increasingly demanding requirements for print quality and environmental and safety issues, as well as enhance productivity and reduce materials waste.

The Company's products range in unit price from under $100 to approximately $50,000. Baldwin's principal products are described below:

CLEANING SYSTEMS. The Company's Cleaning Systems products clean the cylinders of an offset press and include the Press Washer, Automatic Blanket Cleaner, Newspaper Blanket Cleaner, Chill Roll Cleaner, Digital Plate Cleaner and Guide Roll Cleaner, all of which reduce paper waste, volatile organic compound ("VOC") emissions and press downtime, as well as improve productivity, print quality and safety of operation for the press operator. In the fiscal

years ended June 30, 2003, 2002 and 2001, net sales of Cleaning Systems represented approximately 54.9%, 45.8% and 48.6% of the Company's net sales, respectively.

FLUID MANAGEMENT SYSTEMS. The Company's Fluid Management Systems control the supply, temperature, cleanliness, chemical composition and certain other characteristics of the fluids used in the lithographic printing process. Among the most important of these products are the Company's Refrigerated Circulators and Spray Dampening Systems. In the fiscal years ended June 30, 2003, 2002 and 2001, net sales of Fluid Management Systems represented approximately 21.0%, 23.9% and 20.1% of the Company's net sales, respectively.

OTHER ACCESSORY AND CONTROL PRODUCTS. The Company's Web Press Protection Systems, designed in response to the increasing number of web leads used in printing today's colorful newspapers, provide an auto-arming electronic package offering high quality press protection in the

event of a web break. The Company's Ink Control Systems regulate many aspects of the ink feed system on a printing press. These products include Ink Agitators, Ink Mixers and Ink Level Systems which reduce ink and paper waste. Other products include Ultraviolet and Infrared Dryers and Gluing Systems. In the fiscal years ended June 30, 2003, 2002 and 2001, net sales of Other Accessory and Control Products represented approximately 24.1%, 26.2%, 8.0% of the Company's net sales, respectively.

NEWSPAPER INSERTER EQUIPMENT AND MAILING MACHINE SYSTEMS. Newspaper Inserter Equipment collates and inserts sections and advertising material into newspapers. The cost of materials in the printing industry continues to pressure printers to reduce other costs, particularly labor costs. When manual processes are replaced by newspaper inserters, payback periods as low as six months have been realized by some purchasers of this equipment. Mailing Machine Systems fold, label and prepare newspapers for mailing. These products were produced at the Company's BKA facility. The Company decided to exit this business, and completed the sale of substantially all the assets of BKA on October 10, 2002. For all periods presented, BKA is shown as a discontinued operation and therefore none of BKA's sales are included in the Company's net sales.

The Company entered the short-run, POD market in January of 1997. This business venture marketed and distributed finishing equipment for the digital printing market. The results of operations for this business were not material for all periods presented. Net sales for the POD business are included for the entire fiscal year ended June 30, 2001, and only for three months in the fiscal year ended June 30, 2002. There were no net sales included for the POD business in the fiscal year ended June 30, 2003. As part of the Company's restructuring plan, the Company exited this market upon the completion of the sale of substantially all the assets of the POD business on November 16, 2001.

ROLL HANDLING SYSTEMS. The Company's Roll Handling Systems unwind, rewind and splice paper and other substrates supplied to presses in rolls and also control the tension and position of web materials. This equipment eliminates unnecessary press stoppages and allows an efficient work flow. The RHG product lines were sold on September 26, 2001. Net sales for the RHG are included for the entire fiscal year ended June 30, 2001, and only for three months in the fiscal year ended June 30, 2002. In the fiscal years ended June 30, 2002 and 2001, net sales of Roll Handling Systems represented approximately 4.1% and 20.1% of the Company's net sales, respectively. There were no sales included for the RHG in the fiscal year ended June 30, 2003.

MATERIAL HANDLING/STACKING SYSTEMS. The Company's Material

Handling/Stacking Systems automate the handling of the printed product. The efficient counting, stacking, packing and compressing of printed materials helps to increase press utilization and productivity, reduce and control waste and decrease pressroom labor requirements. This product line was sold on September 27, 2000, when the Company sold substantially all the assets of BSD. Net sales for BSD are included only for three months in the fiscal year ended June 30, 2001, and represented approximately 3.2% of the Company's net sales. There were no sales included for BSD in the fiscal years ended June 30, 2003 and 2002.

WORLDWIDE OPERATIONS

The Company believes that it is the only manufacturer of accessories and controls for the printing and publishing industry, which has complete product development, manufacturing and marketing capabilities in the Americas, Europe and Asia.

The following table sets forth the percentages of the Company's net sales attributable to its geographic regions for the fiscal years ended June 30, 2003, 2002 and 2001:

	YEARS ENDED JUNE 30,		
	2003	2002	2001
Americas	20.3%	21.0%	30.4%
Europe	41.8	42.1	37.9
Asia	37.9	36.9	31.7
Total	100.0%	100.0%	100.0%

In the Americas, the Company operates in North, Central and South America through its U.S. subsidiaries and a sales office in Brazil. In Europe, the Company operates through its subsidiaries in Germany, Sweden, France, England and the Netherlands. In Asia, the Company operates through its subsidiaries in India, Japan, China and Australia. All of the Company's subsidiaries are wholly owned except for two subsidiaries, one in which the Company holds a 90% interest, and another in which the Company holds an 80% interest. The sale of the RHG on September 26, 2001 reduced operations in Sweden, China and the United States, while the sale of BKA on October 10, 2002 further reduced operations in the United States.

For additional information relating to the Company's segments and operations in its three geographic regions, see Note 6 to the Consolidated Financial Statements.

RESTRUCTURING CHARGES

During March 2000, the Company initiated a restructuring plan (the "March 2000 Plan") that included the consolidation of production into certain facilities, and a 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. Accordingly, the Company recorded restructuring charges in the amounts of $220,000, $621,000 and $2,277,000 for the fiscal years ended June 30, 2003, 2002 and 2001, respectively, related to the March 2000 Plan. The

$220,000 relates 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 accessories and controls 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 have reorganized on a global basis, management decided to restructure the Company along functional lines on a global basis. Rather than have sales, product development and production activities at each decentralized business unit, the March 2000 Plan included the centralization of these activities. Product lines that were previously being produced at multiple facilities were consolidated with similar product lines at existing facilities. The former corporate headquarters was vacated and relocated to the Shelton, Connecticut facility to take advantage of the space created by the downsizing at that facility. Severance costs will be paid through October 2003, the majority of which is expected to be paid during the first quarter of the fiscal year ending June 30, 2004. Facility lease termination costs are expected to be paid through April 2006.

The Company expects to incur approximately $50,000 in additional unaccrued restructuring costs related to the March 2000 Plan during the fiscal year ending June 30, 2004, which will be expensed as incurred. The estimated total cash cost of the restructuring program is expected to be approximately $8,324,000, with approximately $660,000 expected to be spent during the fiscal year ending June 30, 2004 and approximately $971,000 (primarily facility lease costs) expected to be spent

over the balance of the terms of the leases extending for approximately three years. The March 2000 Plan was expected to save the Company approximately $8,843,000 annually following full implementation; however, approximately $1,876,000 of this savings was related to the divested RHG, which will not be realized under the March 2000 Plan.

In response to weak market conditions, in August 2002, the Company announced additional restructuring activities (the "August 2002 Plan"), which reduced total worldwide employment by approximately 160. Accordingly, the Company recorded an additional restructuring charge of approximately $3,385,000 during the fiscal year ended June 30, 2003 related to the August 2002 Plan. These reductions are expected to reduce operating costs by approximately $7,500,000 annually after the August 2002 Plan is fully implemented, which is expected to occur by the end of October 2003. The Company expects that the severance costs will be paid through December 2003 and approximately $400,000 in lease termination costs will be paid through December 2006. In August 2003, the Company expanded the August 2002 Plan and announced additional employment reductions of 15 in the United States and 8 in the United Kingdom. In addition, the Company closed its office in Dunstable, England and is currently running its two separate business operations from its Poole, England location in an effort to reduce or eliminate certain costs as part of its global restructuring efforts. The additional costs associated with the expansion of the August 2002 Plan amounted to approximately $400,000, comprised of; $243,000 in severance costs, $130,000 in lease termination costs and $27,000 in other costs associated with this expansion, which will be expensed as incurred. The majority of these costs will be recognized in the first quarter of the fiscal year ended June 30, 2004.

ACQUISITION STRATEGY

The Company is not currently seeking acquisition targets as the Company is focusing on operating its core business and implementing the cost reductions

associated with its restructuring plans. An element of the Company's growth strategy is to eventually make strategic acquisitions of companies and product lines in related business areas. In such case, the Company's acquisition strategy would involve: (i) acquiring entities that will strengthen the Company's position in the accessories and controls segment and whose products can be sold through the Company's existing distribution network; (ii) entering new end-user market segments and extending existing markets; and (iii) acquiring companies which contribute new products to the Company and which can benefit from the Company's manufacturing and marketing expertise and financial support. Subsequent to an acquisition, the Company's strategy would be to integrate the acquired companies processes and controls with those currently existing in the Company's structure with a view towards enhancing sales, productivity and operating results.

MARKETING, SALES AND SUPPORT

MARKETING AND SALES. While the Company markets its products in most countries throughout the world, the product mix and distribution channels vary from country to country. The Company has approximately 67 employees devoted to marketing and sales activities in its three principal worldwide markets and more than 150 dealers, distributors and representatives worldwide. The Company markets its products throughout the world through these direct sales representatives, distributors and dealer networks. The Company markets its products to printing press manufacturers ("OEMs") and to newspaper and commercial printers. For the fiscal year ended June 30, 2003, approximately 45% of the Company's net sales were to OEMs and approximately 55% were directly to printers.

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SUPPORT. The Company is committed to after-sales service and support of its products throughout the world. Baldwin employs approximately 90 service technicians, who are complemented by product engineers, to provide field service for the Company's products on a global basis.

BACKLOG. Backlog represents unfilled product orders, which Baldwin has received from its customers under valid contracts or purchase orders. The Company's backlog was $49,709,000 as of June 30, 2003, $48,707,000 as of June 30, 2002 and $60,589,000 as of June 30, 2001. The above backlog amounts have been adjusted to exclude the backlog of the BKA business, the assets of which were sold on October 10, 2002, as BKA is reported as a discontinued operation. Included in the June 30, 2001 backlog was $10,513,000 related to the Company's former RHG, the assets of which were sold in September 2001.

CUSTOMERS. For the fiscal year ended June 30, 2003, one customer accounted for more than 10% of the Company's net sales. Koenig and Bauer Aktiengesellschaft ("KBA") accounted for approximately 13% of the Company's net sales. The ten largest customers of Baldwin (including KBA) accounted for approximately 46%, 44% and 49%, respectively, of the Company's net sales for the fiscal years ended June 30, 2003, 2002 and 2001. Sales of Baldwin's products are not considered seasonal. Sales in three of the last five years have been greater in the first six months of its fiscal year than in the second six months of its fiscal year (see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations").

RESEARCH, DEVELOPMENT AND ENGINEERING

The Company believes its research, development and engineering efforts have been an important factor in establishing and maintaining its leadership position in the field of accessories and controls for the printing and publishing industry. The Company has won six Intertech Awards from the Graphic Arts

Technical Foundation. The Intertech Award was established in 1978 to recognize technologies that are predicted to have a major impact on the graphic communications industry, but are not yet in widespread use in the marketplace. Baldwin has devoted substantial efforts to adapt its products to almost all models and sizes of printing presses in use worldwide.

The Company has product development functions at several of its locations. While the Company believes that this approach to research and development has helped the Company to react quickly to meet the needs of its customers, coordination of the Company's product development activities required more centralization, which was accomplished with the Company's restructuring efforts. The restructured organization focuses attention on opportunities within the respective markets, while avoiding duplicative efforts within the Company.

Baldwin employs approximately 119 persons whose primary function is new product development, application engineering or modification of existing products. The Company's total expenditures for research, development and engineering for the fiscal years ended June 30, 2003, 2002 and 2001 were $16,148,000, $15,451,000 and $17,135,000, respectively, representing approximately 12.0%, 11.0% and 9.9% of the Company's net sales in each fiscal year, respectively.

PATENTS

The Company owns or licenses a number of patents and patent applications relating to a substantial number of Baldwin's products. Patented products represent a significant portion of the Company's net sales for all periods presented. The Company's patents expire at different times during the next twenty years; however, one significant group of patents, which provide for the majority of the Company's current royalty income, are scheduled to expire in February 2005. The expiration of patents in the near future is not expected to have a material adverse effect on the Company's net sales; however,

royalty income and cash flows, are expected to be negatively impacted upon the expiration of this group of patents. The Company has also relied upon and intends to continue to rely upon unpatented proprietary technology, including the proprietary engineering required to adapt its products to a wide range of models and sizes of printing presses. The Company believes its rights under, and interests in, its patents and patent applications, as well as its proprietary technology, are sufficient for its business as currently conducted.

MANUFACTURING

The Company conducts its manufacturing operations through a number of operating subsidiaries. In North America, the Company has a manufacturing facility in Kansas. In Europe, the Company has subsidiaries with manufacturing and assembly facilities in Germany and Sweden. In Asia, Baldwin has manufacturing and assembly facilities in India and Japan.

In general, raw materials required by the Company can be obtained from various sources in the quantities desired. The Company has no long-term supply contracts and does not consider itself dependent on any individual supplier.

The nature of the Company's operations is such that there is little, if any, negative effect upon the environment, and the Company has not experienced any serious problems in complying with environmental protection laws and regulations.

COMPETITION

Within the highly fragmented printing press accessory industry, the Company produces and markets what it believes to be the most complete line of accessories and controls. Numerous companies, including vertically integrated printing press manufacturers, manufacture and sell products, which compete with one or more of the Company's products. These printing press manufacturers generally have larger staffs and greater financial resources than the Company.

The Company competes by offering customers a broad product line, coupled with a well-known reputation for the reliability of its products and its commitment to service and after-sale support. The Company's ability to compete effectively in the future will depend upon the continued reliability of its products, after-sale support, its ability to keep its market position with new proprietary technology and its ability to develop new products which meet the demands of the printing and publishing industry.

EMPLOYEES

At June 30, 2003, the Company employed 533 persons (plus 15 temporary and part-time employees), of which 193 are production employees, 67 are marketing, sales and customer service employees, 209 are research, development, engineering and technical service employees and 64 are management and administrative employees. In Europe, employees are represented by various unions under contracts with indefinite terms. In Sweden, 1, 4, and 11 of the Company's 98 employees, are represented by Ledarna (SALF), Metall, and Svenska Industritjanstemanna Forbundet, respectively. In Germany, 42 of the Company's 191 employees, are represented by the IG Metall (Metalworker's Union). The Company considers relations with its employees and with its unions to be good.

ITEM 2. PROPERTIES

The Company owns and leases various manufacturing and office facilities aggregating approximately 400,000 square feet at June 30, 2003. The table below presents the locations and ownership of these facilities:

	SQUARE FEET OWNED	SQUARE FEET LEASED	TOTAL SQUARE FEET
North America	0	164,000	164,000
Germany	0	102,000	102,000
Sweden	13,000	50,000	63,000
England	0	8,000	8,000
Japan	0	42,000	42,000
All other, foreign	0	21,000	21,000
Total square feet owned and leased	13,000	387,000	400,000

The Company believes that its facilities are adequate to carry on its business as currently conducted.

ITEM 3. LEGAL PROCEEDINGS

Baldwin is involved in various legal proceedings from time to time,

including actions with respect to commercial, intellectual property, and employment matters. The Company believes that it has meritorious defenses against the claims currently asserted against it and intends to defend them vigorously. However, the outcome of litigation is inherently uncertain, and the Company cannot be sure that it will prevail in any of the cases currently in litigation. The Company believes that the ultimate outcome of any such cases will not have a material adverse effect on its results of operations, financial position or cash flows, however, there can be no assurances that an adverse determination would not have a material adverse effect on the Company.

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

No matters were submitted to a vote of security holders since November 21, 2002.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) PRICE RANGE OF CLASS A COMMON STOCK

The Company's Class A Common Stock is traded on the American Stock Exchange ("AMEX") under the symbol "BLD". The following chart sets forth, for the calendar periods indicated, the range of closing prices for the Company's Class A Common Stock on the consolidated market, as reported by the AMEX.

	HIGH	LOW
2001 (CALENDAR YEAR)		
First Quarter	$1.85	$1.28
Second Quarter	$1.40	$1.15
Third Quarter	$1.27	$0.88
Fourth Quarter	$1.50	$0.60
2002 (CALENDAR YEAR)		
First Quarter	$1.63	$1.07
Second Quarter	$1.75	$1.31
Third Quarter	$1.50	$0.28
Fourth Quarter	$0.87	$0.20
2003 (CALENDAR YEAR)		
First Quarter	$0.65	$0.29
Second Quarter	$0.71	$0.18
Third Quarter	$0.79	$0.41
Fourth Quarter (through October 9)	$1.22	$0.45

(b) CLASS B COMMON STOCK

The Company's Class B Common Stock has no established public trading market.

(c) APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

As of August 30, 2003, the number of record holders (excluding those listed under a nominee name) of the Company's Class A and Class B Common Stock totaled 311 and 27, respectively. The Company believes, however, that there are approximately 1,800 beneficial owners of its Class A Common Stock.

(d) DIVIDENDS

Declarations of dividends depend upon the earnings and financial position of the Company and are within the discretion of the Company's Board of Directors. However, certain of the Company's debt agreements prohibit the payment of dividends. No dividend in cash or property shall be declared or paid on shares of the Company's Class B Common Stock unless simultaneously therewith there is declared or paid, as the case may be, a dividend in cash or property on shares of Class A Common Stock of at least 105% of the dividend on shares of Class B Common Stock (see Note 13 to the Consolidated Financial Statements).

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ITEM 6. SELECTED FINANCIAL DATA

The Company's statement of operations and balance sheet data as it relates to the fiscal years ended June 30, 2003, 2002 and 2001 have been derived from the Company's audited financial statements (including the Consolidated Balance Sheets of the Company at June 30, 2003 and 2002 and the related Consolidated Statements of Operations of the Company for the fiscal years ended June 30, 2003, 2002 and 2001 appearing elsewhere herein). Certain transactions have affected comparability, specifically, the Company's disposal of assets of certain businesses. During the fiscal year ended June 30, 2002, the operating results and future prospects of the Baldwin Kansa subsidiary ("BKA") deteriorated. As a result, the goodwill associated with BKA exceeded the assessment of its fair-value made by the Company, and the Company recorded a goodwill impairment charge of $5,434,000 in the fiscal year ended June 30, 2002. In September 2001, the Company sold substantially all of the assets of its Roll Handling Group ("RHG") and its Print On-Demand ("POD") business. The Company recorded impairment charges related to the RHG and the POD business of $14,831,000 and $687,000, respectively, in the fiscal year ended June 30, 2001 and losses on the sale of the RHG of $250,000 and the POD business of $8,000 in the fiscal year ended June 30, 2002. The Company recorded an additional loss on the sale of RHG of $211,000 in the fiscal year ended June 30, 2003. In September 2000, the Company disposed of substantially all of the assets of its Baldwin Stobb Division ("BSD"). The Company recorded a loss on the sale of BSD of $831,000 in the fiscal year ended June 30, 2001. The revenues and corresponding expenses attributable to these divested operations are included in the consolidated financial statement only for the periods that the businesses were owned by the Company. Effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets." As a result, the Company no longer amortizes goodwill. Goodwill amortization expense amounted to $0, $0, $973,000, $1,028,000 and $995,000 for the fiscal years ended June 30, 2003, 2002, 2001, 2000 and 1999, respectively. The following information should be read in conjunction with the aforementioned financial statements and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED JUNE 30,				
	2003	2002	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				

STATEMENT OF OPERATIONS DATA:					
Net sales	$134,208	$140,091	$173,308	$189,364	$223,215
Cost of goods sold	93,788	98,814	123,546	129,880	154,109
Gross profit	40,420	41,277	49,762	59,484	69,106
Selling, general and administrative expenses	26,953	30,627	37,337	39,497	39,402
Research, development and engineering expenses	16,148	15,451	17,135	18,118	19,805
Provision for loss on the disposition of pre-press operations	(45)	(86)	(472)	0	2,400
Restructuring charges	3,605	621	2,277	5,664	870
Settlement and impairment charges	1,250	0	15,518	0	0
Operating (loss) income	(7,491)	(5,336)	(22,033)	(3,795)	6,629
Interest expense	2,411	1,792	2,014	1,819	2,299
Interest (income)	(281)	(288)	(288)	(319)	(410)
Royalty (income), net	(3,034)	(4,252)	(3,899)	(3,111)	(3,468)
Other (income) expense, net	2,251	1,037	(940)	98	284

	YEARS ENDED JUNE 30,				
	2003	2002	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
(Loss) income from continuing operations before income taxes	(8,838)	(3,625)	(18,920)	(2,282)	7,924
Provision (benefit) for income taxes	2,578	6,684	698	(5,675)	4,514
(Loss) income from continuing operations	(11,416)	(10,309)	(19,618)	3,393	3,410
Discontinued operations:					
(Loss) income from operations	(253)	(241)	1,446	1,443	2,215
Impairment charges	0	(5,434)	0	0	0
Gain on sale	543	0	0	0	0
Net (loss) income	$(11,126)	$(15,984)	$(18,172)	$ 4,836	$ 5,625
(Loss) income per share from continuing operations:					
Basic (loss) income per share	$ (0.76)	$ (0.69)	$ (1.33)	$ 0.22	$ 0.20
Diluted (loss) income per share	$ (0.76)	$ (0.69)	$ (1.33)	$ 0.22	$ 0.20
(Loss) income per share from discontinued operations:					
Basic (loss) income per share	$ 0.02	$ (0.38)	$ 0.10	$ 0.09	$ 0.13

Diluted (loss) income per share	$ 0.02	$ (0.38)	$ 0.10	$ 0.09	$ 0.13
Weighted average number of shares:					
Basic	15,015	14,915	14,787	15,652	16,801
Diluted	15,015	14,915	14,787	15,652	17,148

	JUNE 30,				
	2003	2002	2001	2000	1999
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Working capital	$ 4,064	$ 22,319	$ 22,409	$ 32,575	$ 30,619
Total assets	$96,833	$108,488	$133,890	$160,035	$159,355
Short-term debt	$19,548	$ 10,788	$ 14,060	$ 11,316	$ 10,290
Long-term debt	$ 521	$ 11,873	$ 8,428	$ 11,882	$ 16,515
Total debt	$20,069	$ 22,661	$ 22,488	$ 23,198	$ 26,805
Shareholders' equity	$26,281	$ 33,754	$ 45,460	$ 70,369	$ 66,540

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL. The following is management's discussion and analysis of certain factors, which have affected the consolidated financial statements of Baldwin Technology Company, Inc. ("Baldwin" or the "Company").

During the first quarter of the fiscal year ended June 30, 2003, the Company committed to a plan to dispose of substantially all of the assets of its Baldwin Kansa subsidiary ("BKA"); the transaction closed on October 10, 2002. The consideration received for the transaction, after certain post-closing adjustments, was approximately $3,736,000, which approximated the net book value of the assets sold.

During the fourth quarter of the fiscal year ended June 30, 2002, the Company recorded an impairment charge of $5,434,000 related to the goodwill associated with this business as the recorded value of this goodwill exceeded the assessment of its fair value made by the Company. For a further discussion, see Note 18 to the Consolidated Financial Statements. The effects of this transaction on the consolidated financial statements are discussed below where significant. For all periods presented, BKA is reported as a discontinued operation and therefore is not included in the continuing operations of the Company.

On September 26, 2001, the Company sold substantially all of the assets of its Roll Handling Group ("RHG"). The Company recorded an impairment charge during the fiscal year ended June 30, 2001 of approximately $14,831,000 as a result of the write-off of assets, primarily patents and goodwill, associated with this business. The Company recorded a loss of $211,000 and $250,000 on the sale of RHG in the fiscal years ended June 30, 2003 and 2002, respectively. The

Company recorded a similar write-off of goodwill of approximately $687,000, during the fiscal year ended June 30, 2001 associated with the Company's Print On-Demand business ("POD") as the Company also exited this business. As a result, the revenues and corresponding expenses attributable to RHG and the POD business are included in these consolidated financial statements only for the periods their operations were owned by the Company. The Company recorded a loss of $8,000 on the sale of the POD business in the fiscal year ended June 30, 2002. The effects of these transactions on the consolidated financial statements are discussed below where significant.

On September 27, 2000, the Company sold substantially all the assets of its Baldwin Stobb Division ("BSD"). As a result, the revenues and corresponding expenses attributable to BSD are included in these consolidated financial statements only for the periods BSD was owned by the Company. The Company recorded a loss of $831,000 on the sale of BSD in the fiscal year ended June 30, 2001. The effects of this transaction on the consolidated financial statements are discussed below where significant.

Net sales and operating loss of RHG, POD and BSD as included in the accompanying consolidated financial statements, were as follows for the fiscal years ended June 30:

	2003	2002	2001
Net sales....................................	$ 0	$4,782,000	$ 40,375,000
Operating loss...............................	$(164,000)	$ (883,000)	$(14,859,000)

The Company does not consider its business to be seasonal. For three of the last five fiscal years, sales in the first six months were greater than the last six months. The decline in net sales in the second half of the fiscal year ended June 30, 2003 is primarily due to the global printing and publishing industry economic slowdown. The decline in net sales in the second half of the fiscal year ended June 30, 2002 is primarily due to the global printing and publishing industry economic slowdown following the events of September 11, 2001, and the disposition of the RHG. The decline in net sales in the second half of fiscal 1999 was primarily due to the lower sales to Goss Graphic Systems, Inc. ("Goss") and lower sales volume in the Japanese markets. The following schedule shows the Company's net sales for such six-month periods, adjusted for the treatment of BKA as a discontinued operation over the last five fiscal years to reflect the comparison.

FISCAL YEAR	FIRST SIX MONTHS	SECOND SIX MONTHS
2003...	$ 68,092,000	$ 66,116,000
2002...	$ 71,692,000	$ 68,399,000
2001...	$ 85,595,000	$ 87,713,000
2000...	$ 93,608,000	$ 95,756,000
1999...	$116,181,000	$107,034,000

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the following statements and certain other statements contained herein are based on current expectations. Similarly, the press releases we issue and other public statements we make from time to time may contain language that is forward-looking. These forward-looking statements may be identified by the use of forward-looking words or phrases such as "forecast," "believe," "expect," "intend," "anticipate," "should," "plan," "estimate," and "potential," among others. 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 are set forth in Exhibit 99 to this Annual Report on Form 10-K for the fiscal year ended June 30, 2003.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Baldwin's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Baldwin to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, Baldwin evaluates its estimates, including those related to product returns, bad debts, inventories, investments, asset impairments, intangible assets, income taxes, financing operations, warranty obligations, restructuring, pensions and other post-retirement benefits, contingencies and litigation. Baldwin bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Baldwin believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Baldwin maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Baldwin's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required. Baldwin provides for the estimated cost of product warranties at the time revenue is recognized. While Baldwin engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, Baldwin's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from Baldwin's estimates, revisions to the estimated warranty liability would be required. Baldwin writes down its

inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Baldwin records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. Baldwin has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation

allowance. In the event Baldwin were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset valuation allowance would increase income in the period such determination is made. Likewise, should Baldwin determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset valuation allowance would be recorded through a charged to income in the period such determination is made. In addition, Baldwin recognizes reserves for contingencies when it becomes probable that such a contingency exists.

Effective July 1, 2001, Baldwin adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Accordingly, Baldwin no longer amortizes goodwill but instead tests goodwill for impairment at the reporting unit level, at least annually, by determining the fair value of the reporting unit based on a discounted cash flow model, and comparing it with its book value. If, during the annual impairment review, the book value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill is compared with the carrying amount of the unit's goodwill. If the carrying amount exceeds the implied fair value, goodwill is written down to its implied fair value. SFAS 142 requires management to estimate the fair value of each reporting unit, as well as the fair value of the assets and liabilities of each reporting unit, other than goodwill. The implied fair value of goodwill is determined as the difference between the fair value of a reporting unit, taken as a whole, and the fair value of the assets and liabilities of such reporting unit.

Other long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Events which could trigger an impairment review include, among others, a decrease in the market value of an asset, the asset's inability to generate income from operations and positive cash flow in future periods, a decision to change the manner in which an asset is used, a physical change to the asset or a change in business climate. Baldwin calculates estimated future undiscounted cash flows, before interest and taxes, of the related operation and compares it to the carrying value of the asset in determining whether impairment potentially exists. If a potential impairment exists, a calculation is performed to determine the fair value of the long-lived asset. This calculation is based upon a valuation model and discount rate commensurate with the risks involved. Third party appraised values may also be used in determining whether impairment potentially exits. Future adverse changes in market conditions or poor operating results of a related reporting unit may require the Company to record an impairment charge in the future.

RESULTS OF OPERATIONS

The following table sets forth certain of the items (expressed as a percentage of net sales) included in the Selected Financial Data and should be read in connection with the Consolidated Financial Statements of the Company, including the notes thereto, presented elsewhere in this report.

	YEARS ENDED JUNE 30,		
	2003	2002	2001
Net sales...	100.0%	100.0%	100.0%

Cost of goods sold	69.9	70.5	71.3
Gross profit	30.1	29.5	28.7
Selling, general and administrative expenses	20.1	23.9	21.5
Research, development and engineering expenses	12.0	11.0	9.9
Provision for loss on the disposition of pre-press operations	0.0	(0.1)	(0.3)
Restructuring, impairment and settlement charges	3.6	0.5	10.3
Operating loss	(5.6)	(3.8)	(12.7)
Interest expense	(1.8)	(1.3)	(1.2)
Interest income	0.2	0.2	0.2
Other income, net	0.6	2.3	2.8
Loss from continuing operations before income taxes	(6.6)	(2.6)	(10.9)
Provision for income taxes	1.9	4.8	0.4
Loss from continuing operations	(8.5)	(7.4)	(11.3)
Discontinued operations:			
(Loss) income from operations	(0.2)	(0.2)	0.8
Impairment charge	0.0	(3.8)	0.0
Gain on sale	0.4	0.0	0.0
Net loss	(8.3)%	(11.4)%	(10.5)%

FISCAL YEAR ENDED JUNE 30, 2003 VERSUS FISCAL YEAR ENDED JUNE 30, 2002

CONSOLIDATED RESULTS

NET SALES. Net sales for the fiscal year ended June 30, 2003 decreased by $5,883,000, or 4.2%, to $134,208,000 from $140,091,000 for the fiscal year ended June 30, 2002. Currency rate fluctuations attributable to the Company's overseas operations increased net sales for the current period by $10,309,000. Otherwise, net sales would have decreased by $16,192,000, of which $4,782,000 relates to the divestiture of the Company's former RHG, BSD and POD businesses. Excluding the divested businesses, and the effects of currency translation, net sales would have decreased by $11,410,000 over the prior fiscal year.

GROSS PROFIT. Gross profit for the fiscal year ended June 30, 2003 was $40,420,000 (30.1% of net sales), compared to $41,277,000 (29.5% of net sales) for the fiscal year ended June 30, 2002, a decrease of $857,000 or 2.1%. Gross profit decreased by $1,040,000 due to the effects of dispositions over the prior fiscal year, and increased by $3,471,000 as a result of fluctuations in currency rates. Excluding the divested businesses and the effects of foreign currency translations, gross profit would

have decreased by $3,288,000 over the prior fiscal year, due primarily to decreased sales levels, increased warranty costs and higher freight costs and continuing pricing pressures.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $26,953,000 (20.1% of net sales) for the fiscal year ended June 30, 2003, compared to $30,627,000 (21.9% of net sales) for the prior fiscal year, a decrease of $3,674,000. Currency rate fluctuations increased the current fiscal year's expenses by $1,407,000 and the effect of net dispositions from the prior fiscal year reduced expenses by $1,267,000. Excluding the divested businesses and the effects of the currency translation,

selling expenses would have decreased by $892,000 and general and administrative expenses would have decreased by $2,922,000. Selling expenses decreased primarily as a result of reductions in staffing levels and decreases in sales commissions resulting from lower sales volumes. General and administrative expenses decreased primarily as a result of decreased compensation expense associated with reductions in personnel due to the Company's restructuring efforts and reduced incentive compensation expense resulting from the lower profitability of the Company in the current fiscal year, while the prior fiscal year included a $439,000 bad debt charge related to a major OEM customer, additional compensation of $112,000 related to a loan to an officer of the Company, and increased consulting and subcontracting costs.

ENGINEERING AND DEVELOPMENT EXPENSES. Engineering and development expenses increased by $697,000 over the prior fiscal year. Fluctuations in currency rates increased these expenses by $1,687,000, while the exclusion of costs associated with the divested RHG business reduced these expenses by $659,000; otherwise, these expenses would have decreased by $331,000. The decrease in these expenses relates primarily to decreased research and development labor and project costs and reductions in engineering costs primarily in the United States attributed to reduced personnel costs associated with the planned restructurings. As a percentage of net sales, engineering and development expenses increased by 1.0% to 12.0% for the year ended June 30, 2003 compared to 11.0% for the year ended June 30, 2002.

RESTRUCTURING AND OTHER CHARGES. Restructuring and other charges consist primarily of restructuring charges of $3,603,000 and a settlement charge of $1,250,000 associated with a customer dispute related to a business unit that was divested in 2000, which is to be settled primarily for product in lieu of cash. The restructuring charges included $220,000 associated with the Company's March 2000 restructuring plan, which were expensed as incurred and $3,385,000 associated with the Company's August 2002 plan. The August 2002 plan consists of $2,840,000 in additional employee severance and benefit costs, $437,000 in lease termination costs, $20,000 in asset write-offs and $88,000 in incremental costs associated with the restructuring plan.

INTEREST AND OTHER. Interest expense for the fiscal year ended June 30, 2003 increased by $619,000 to $2,411,000, compared to $1,792,000 for the fiscal year ended June 30, 2002. Currency rate fluctuations increased interest expense by $156,000 in the current period. The remainder of the increase was due primarily to higher interest rates partially offset by lower long-term debt levels outstanding during the current period, primarily as a result of applying the proceeds from the BKA divestiture to reduce outstanding long-term debt. Interest income was $281,000 and $288,000 for the fiscal years ended June 30, 2003 and June 30, 2002, respectively. Currency rate fluctuations increased interest income by $36,000 in the current period. Other income and expense, net, amounted to an expense of $2,251,000 for the fiscal year ended June 30, 2003 compared to $1,037,000 for the fiscal year ended June 30, 2003. These amounts include foreign currency transaction (losses) gains of $(879,000) and $18,000 for the current and prior periods, respectively. Currency rate fluctuations negatively impacted other income and expense by $240,000 in the current period. The ineffective portions of derivative financial instruments, which qualify as hedges pursuant to SFAS No. 133

"Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") amounted to losses of $5,000 and $45,000 for the fiscal years ended June 30, 2003 and 2002, respectively, while derivative financial instruments which do not qualify as hedges pursuant to SFAS 133 amounted to a gain of $200,000 and a loss of $413,000 respectively. Other income and expense in the current fiscal year also includes a $446,000 write-down of deferred financing costs in the current

period and an additional $928,000 associated with the pursuit of certain financing and strategic alternatives, and a $211,000 pre-tax loss on the sale of the RHG. The prior year period included a write-down of deferred financing costs of $255,000 and a $250,000 pre-tax loss on the sale of RHG.

INCOME TAXES. The Company recorded an income tax provision of $2,578,000 for the fiscal year ended June 30, 2003 as compared to $6,684,000 for the fiscal year ended June 30, 2002. Certain items have significantly affected the Company's tax provision. Specifically, in the current year, foreign income taxed at rates higher than the U.S. statutory tax rate and the recording of $4,911,000 and $6,210,000 valuation allowances primarily against certain of its foreign and domestic deferred tax assets resulted in additional tax charges for the fiscal years ended June 30, 2003 and 2002, respectively. Currency rate fluctuations increased the tax provision by $74,000 in the current period.

LOSS FROM CONTINUING OPERATIONS. Loss from continuing operations for the fiscal year ended June 30, 2003 was $11,416,000 as compared to $10,309,000 for the fiscal year ended June 30, 2002, or $0.76 per share, basic and diluted, and $0.69 per share, basic and diluted, respectively. For the current period, currency rate fluctuations increased the net loss by $227,000 and net dispositions decreased the net loss by $735,000. The net loss in the current fiscal year includes a settlement charge related to a customer dispute associated with a business unit that was divested in 2000.

DISCONTINUED OPERATIONS. Loss from operations of discontinued operations for the year ended June 30, 2003 was $253,000, as compared to $241,000 for the year ended June 30, 2002, and relates to BKA. The increase in the loss is primarily the result of reduced revenues and gross profit margins, being partially offset by decreased operating expenses in the current period, as the business is included only for three months in the current year period. A gain on the sale of BKA of $543,000 was recorded in the quarter ended December 31, 2002 as a result of the sale of the entity being completed on October 10, 2002.

NET LOSS. The Company's net loss amounted to $11,126,000 for the year ended June 30, 2003, compared to $15,984,000 for the year ended June 30, 2002. Currency rate fluctuations increased the net loss by $227,000 in the current period. Net loss per share amounted to $0.74 basic and diluted for the year ended June 30, 2003, as compared to $1.07 basic and diluted for the year ended June 30, 2002.

OUTLOOK

The Company's business is highly dependant on sales to OEM press manufacturers, newspaper publishers and commercial printers. During the third quarter of the fiscal year ended June 30, 2002, Baldwin began to see signs of softening demand from its principal customers as the advertising industry, which is typically a leading indicator, had weakened. Baldwin had anticipated reduced demand for its products during the subsequent quarters, which adversely affected revenues and earnings over this period. In an effort to reduce operating costs, the Company entered into a new restructuring plan in August 2002, to reduce total employment worldwide by approximately 160. This restructuring plan allowed the Company to reduce operating costs to a level more commensurate with its revenue stream. However, as the industry continued to soften in the third and fourth quarters of the fiscal year ended June 30, 2003, the Company expanded its restructuring plan in the first quarter of the fiscal year ended June 30, 2004, to further reduce employment by approximately 15 in the

United States and 8 in the United Kingdom. Additionally, the Company closed its office in Dunstable, England, and is currently running its two separate business

operations from its Poole, England location in an effort to reduce or eliminate certain costs as part of its global restructuring efforts.

FISCAL YEAR ENDED JUNE 30, 2002 VERSUS FISCAL YEAR ENDED JUNE 30, 2001

CONSOLIDATED RESULTS

NET SALES. Net sales for the fiscal year ended June 30, 2002 decreased by $33,217,000, or 19.2%, to $140,091,000 from $173,308,000 for the fiscal year ended June 30, 2001. Currency rate fluctuations attributable to the Company's overseas operations decreased net sales for the fiscal year ended June 30, 2002 by $5,890,000. Otherwise, net sales would have decreased by $27,327,000, of which $35,593,000 relates to the divestiture of the Company's former RHG, BSD and POD businesses. Excluding the divested businesses, and the effects of currency translation, net sales would have increased by $8,266,000 in the fiscal year ended June 30, 2002 over the fiscal year ended June 30, 2001.

GROSS PROFIT. Gross profit for the fiscal year ended June 30, 2002 was $41,277,000 (29.5% of net sales), compared to $49,762,000 (28.7% of net sales) for the fiscal year ended June 30, 2001, a decrease of $8,485,000 or 17.1%. Gross profit was lower due primarily to the effects of dispositions from the prior fiscal year, which accounted for approximately $9,143,000, to increased warranty costs primarily on spray dampening equipment and continuing pricing pressures. Gross profit decreased by $1,996,000 as a result of fluctuations in currency rates. Excluding the divested businesses and the effects of currency translation, gross profit would have increased by $2,654,000 in the fiscal year ended June 30, 2002 over the fiscal year ended June 30, 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $30,627,000 (21.9% of net sales) for the fiscal year ended June 30, 2002, compared to $37,337,000 (21.5% of net sales) for the prior fiscal year, a decrease of $6,710,000. Currency rate fluctuations decreased expenses for the fiscal year ended June 30, 2002 by $857,000 and the effect of net dispositions from the fiscal year ended June 30, 2001 reduced expenses by $4,189,000. Excluding the divested businesses and the effects of currency translation, selling expenses would have increased by $434,000 while general and administrative expenses would have decreased by $2,098,000. Selling expenses increased primarily as a result of higher trade show and advertising costs (including related travel costs), which more than offset reductions in staffing levels and decreases in sales commissions resulting from lower sales volumes. General and administrative expenses decreased primarily as a result of reductions in personnel due to the Company's restructuring efforts, reduced incentive and deferred compensation expenses resulting from the lower profitability of the Company and decreased goodwill amortization expense due to the adoption of SFAS 142. Goodwill amortization expense for the fiscal years ended June 30, 2002 and 2001 amounted to $0 and $973,000, respectively. These decreases were partially offset by an additional $439,000 bad debt charge related to a major OEM customer, additional compensation of $112,000 related to a loan to an officer of the Company, and increased consulting and subcontracting costs in the fiscal year ended June 30, 2002.

ENGINEERING AND DEVELOPMENT EXPENSES. Engineering and development expenses for the fiscal year ended June 30, 2002 decreased by $1,684,000 over the fiscal year ended June 30, 2001. Fluctuations in currency rates decreased these expenses by $491,000; otherwise, these expenses would have decreased by $1,193,000. The decrease in these expenses relates primarily to the exclusion of costs associated with the divested RHG business and to the reduced engineering costs primarily in the United States attributed to reduced personnel costs associated with the planned restructuring, offset by increased research and development labor and project costs.

RESTRUCTURING AND OTHER CHARGES. Restructuring and other charges consist primarily of restructuring charges of $621,000 in the fiscal year ended June 30, 2002, while the fiscal year ended June 30, 2001 included restructuring charges of $2,277,000 and asset impairment charges of $15,518,000, primarily patents and goodwill associated with the divestiture of the RHG and POD businesses. The restructuring charges of $621,000 recorded during the fiscal year ended June 30, 2002 were expensed as incurred and included a credit adjustment of $541,000 recorded during the fourth quarter of the fiscal year ended June 30, 2002, relating to severance benefits as those costs were not expected to be paid under this restructuring plan. The $621,000 consists of $115,000 in additional employee severance and benefit costs, $15,000 in facility lease termination costs and $491,000 in incremental costs associated with the restructuring plan.

INTEREST AND OTHER. Interest expense for the fiscal year ended June 30, 2002 decreased by $222,000 to $1,792,000, compared to $2,014,000 for the fiscal year ended June 30, 2001. Currency rate fluctuations decreased interest expense by $13,000 in the fiscal year ended June 30, 2002. The remainder of the decrease was due primarily to lower interest rates and lower long-term debt levels outstanding during the fiscal year ended June 30, 2002, primarily as a result of applying the proceeds from the RHG divestiture to reduce outstanding long-term debt. Interest income was $288,000 for each of the fiscal years ended June 30, 2002 and June 30, 2001. Currency rate fluctuations decreased interest income by $37,000 for the fiscal year ended June 30, 2002. Other income and expense, net, amounted to an expense of $1,037,000 for the fiscal year ended June 30, 2002 compared to income of $940,000 for the fiscal year ended June 30, 2001. These amounts include foreign currency transaction gains of $18,000 and $334,000 for the fiscal years ended June 30, 2002 and 2001, respectively. Currency rate fluctuations negatively impacted other income and expense by $7,000 for the fiscal year ended June 30, 2002. The ineffective portions of derivative financial instruments, which qualify as hedges pursuant to SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") amounted to losses of $45,000 and $29,000 for the fiscal years ended June 30, 2002 and 2001, respectively, while derivative financial instruments which do not qualify as hedges pursuant to SFAS 133 amounted to a loss of $413,000 and a gain of $345,000 respectively. Other income and expense also includes a $255,000 write-down of deferred financing costs in the fiscal year ended June 30, 2002, recorded as a result of the renegotiation of the Amended Credit Facility (as defined below under "Liquidity and Capital Resources") and a $250,000 pre-tax loss on the sale of the RHG. The fiscal year ended June 30, 2001 included a pre-tax gain of $1,213,000 related to a favorable settlement of a patent litigation suit and an $831,000 pre-tax loss on the sale of BSD.

INCOME TAXES. The Company recorded an income tax provision of $6,684,000 for the fiscal year ended June 30, 2002 as compared to $698,000 for the fiscal year ended June 30, 2001. Certain items have significantly increased the Company's tax provision. Specifically, in the fiscal year ended June 30, 2002, foreign income taxed at rates higher than the U.S. statutory tax rate and the recording of a $6,210,000 valuation allowance primarily against certain of its domestic deferred tax assets resulted in additional tax charges. Currency rate fluctuations reduced the tax provision by $178,000 in the fiscal year ended June 30, 2002.

LOSS FROM CONTINUING OPERATIONS. Loss from continuing operations for the fiscal year ended June 30, 2002 was $10,309,000 as compared to $19,618,000 for the fiscal year ended June 30, 2001, or $0.69 per share, basic and diluted, and $1.33 per share, basic and diluted, respectively. For the fiscal year ended June 30, 2002, currency rate fluctuations increased the net loss by $487,000 and net dispositions increased the net loss by $2,115,000. Additionally, the fiscal year ended June 30, 2002 includes a $6,210,000 charge related to increased valuation allowances for certain deferred tax assets. The net loss in the fiscal year

ended June 30, 2001 includes asset impairment charges of $14,831,000

associated with the sale of the RHG and $687,000 associated with the disposition of the POD business.

DISCONTINUED OPERATIONS. Loss from operations of discontinued operations for the year ended June 30, 2002 was $241,000 as compared to income of $1,446,000 for the year ended June 30, 2001 and relates to BKA. The increase in the loss is primarily the result of weak market conditions, which resulted in reduced revenues and gross profit margins, being slightly offset by decreased operating expenses in the fiscal year ended June 30, 2002. In the fourth quarter of the fiscal year ended June 30, 2002, the Company recorded an impairment charge of $5,434,000 related to the goodwill associated with BKA, as the recorded value of this goodwill exceeded the assessment of its fair value made by the Company.

NET LOSS. The Company's net loss amounted to $15,984,000 for the year ended June 30, 2002, compared to $18,172,000 for the year ended June 30, 2001. Currency rate fluctuations increased the net loss by $487,000 in the fiscal year ended June 30, 2002. Net loss per share amounted to $1.07 basic and diluted for the year ended June 30, 2002, as compared to $1.23 basic and diluted for the year ended June 30, 2001.

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.

LIQUIDITY AND CAPITAL RESOURCES

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 by payment in full, shall terminate in its entirety on August 15, 2005. The credit facility 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 facility 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 interest rate will be reduced by 0.50% or whole increments thereof for each whole increment of Disclosed EBITDA (as 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. The initial borrowings under the credit facility 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 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.

Prior to this refinancing with Maple, and 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 (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 maintain 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. Commitment fees for the fiscal years ended June 30, 2003, 2002 and 2001 were $4,000, $24,000 and $47,000, respectively.

The Company has experienced operating and net losses, and debt covenant violations over the past three 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 each due July 1, 2003 (the "Extended Term Loan"). 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 ("BKA") (see Note 8) 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 became 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 since 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 from 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 has been classified as current as of June 30, 2003, which was entirely repaid from the proceeds of the refinancing with Maple on August 18, 2003.

The ability of the Company to achieve and maintain profitability depends in part on management's successful execution of the restructuring plans discussed in Note 5 to the Consolidated Financial Statements and other business factors outside of the control of management. Management believes, although there can be no guarantee, that as the Company's profitability improves, alternative sources

of financing will be available to finance the existing facilities at lower interest rates.

The Company maintains relationships with both foreign and domestic banks, which combined have extended credit facilities totaling $21,469,000 at June 30, 2003, including amounts available under the Revolver. As of June 30, 2003, the Company had $19,413,000 outstanding under these credit facilities including $16,112,000 under the Revolver and Term Loan. Total debt levels as

reported on the balance sheet at June 30, 2003 are $427,000 higher than they would have been if June 30, 2002 exchange rates had been used.

On April 27, 2001, the Company entered into an interest rate swap agreement with Fleet National Bank, which matures on October 30, 2003, to fix the LIBOR portion of its interest rate at 4.98% for a principal amount of $15,000,000 with the maturity the same as the Credit Facility. The effect of this interest rate swap added $525,000 and $383,000 to interest expense for the fiscal years ended June 30, 2003 and 2002, respectively and a pre-tax loss of zero and $63,000 ($54,000 after-tax) loss to Other Comprehensive Income ("OCI") at June 30, 2002, respectively.

The Company's working capital decreased by $18,255,000 or 81.8% from $22,319,000 at June 30, 2002, to $4,064,000 at June 30, 2003. Foreign currency rate fluctuations increased working capital by $2,496,000; otherwise working capital would have decreased by $20,751,000. Working capital decreased primarily due to a portion of the long-term debt being reclassified to short-term, decreases in accounts and notes receivable, inventories and other prepaid expenses, and increases in notes payable, accrued compensation, accrued interest and income taxes payable. Offsetting these items were increases in cash and decreases in loans payable, customer deposits, and accrued expenses. On October 10, 2002, the Company divested its BKA business. The proceeds of $3,736,000 plus $464,000 from the Company's cash flows were utilized to reduce outstanding bank debt by $4,200,000.

The Company provided $2,366,000 and $4,963,000 for investing activities for the fiscal year ended June 30, 2003, and 2002, respectively. The decrease in the cash provided by investing activities is primarily the result of greater proceeds from the sale of the RHG in the fiscal year ended June 30, 2002, than the proceeds from the sale of BKA in the fiscal year ended June 30, 2003. Net capital expenditures made to meet the normal business needs of the Company for the fiscal years ended June 30, 2003, and June 30, 2002, including commitments for capital lease payments, were $1,370,000 and $2,040,000, respectively. The Company has capital expenditures of approximately $500,000 planned for the fiscal year ending June 30, 2004.

The net cash used by financing activities was $3,733,000 for the fiscal year ended June 30, 2003 as compared to $2,786,000 for the fiscal year ended June 30, 2002. The difference was primarily caused by higher net repayments of the Company's long-term and short-term debt and additional payments of debt financing costs in the current fiscal year.

On September 10, 2001, one large OEM customer, Goss Graphic Systems, Inc. ("Goss") filed for bankruptcy protection under a prearranged Chapter 11 proceeding in the U.S. Bankruptcy Court. Goss's European and Asian subsidiaries were not included in this proceeding. The Company received timely payments, on a post petition basis, from the foreign subsidiaries of Goss, and continues to monitor the status of all Goss payments. At June 30, 2002, the Company's consolidated balance sheet included approximately $1,979,000 of trade receivables from Goss, of which approximately $1,029,000 relates to Goss's

European and Asian subsidiaries, which are not included in the bankruptcy proceeding. The balance of $950,000 was fully reserved. As a result of this bankruptcy filing, the Company increased its bad debt reserve related to Goss by $439,000 and $536,000 during the fiscal years ended June 30, 2002 and 2001, respectively. The bad debt write-off in the fiscal year ended June 30, 2002 relates to sales made in the fiscal year ended June 30, 2002, prior to the bankruptcy filing. At June 30, 2003, the Company's consolidated balance sheet included approximately $1,687,000 of trade receivables from Goss, of which approximately $966,000 relates to Goss's European and Asian subsidiaries, which are not included in the bankruptcy proceeding. The balance of $721,000 is fully reserved. The reserve was decrease of $229,000 was the result of a write-off of an identical amount of domestic accounts receivable of the Company.

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During March 2000, the Company initiated a restructuring plan (the "March 2000 Plan") that included the consolidation of production into certain facilities, and a 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 in the amounts of $220,000 and $2,277,000 for the fiscal years ended June 30, 2003 and 2002, respectively related to the March 2000 Plan. The $220,000 relates 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 have reorganized on a global basis, management decided to restructure the Company along functional lines on a global basis. Rather than have sales, product development and production activities at each decentralized business unit, the restructuring plan included the centralization of these activities. Product lines that were previously being produced in the Emporia, Kansas, (USA); Shelton, Connecticut, (USA); Malmo, Sweden; Augsburg, Germany; and Lombard, Illinois (USA) facilities, were consolidated with the production facilities located in Augsburg, Germany; Emporia, Kansas (USA) and Malmo, Sweden. Roll handling products previously produced in the Rockford, Illinois (USA) facility were consolidated with similar products designed and manufactured in the Company's facilities in Shanghai, China and Amal, Sweden. These Roll Handling businesses were sold on September 26, 2001. The corporate headquarters was vacated and relocated to the Shelton, Connecticut (USA) facility in order to take advantage of the space created by the downsizing at that facility previously noted. The restructuring charge of $220,000 recorded during the fiscal year ended June 30, 2003 includes approximately $64,000 in employee severance and benefit costs, $149,000 in facility lease termination costs, and $7,000 in additional exit costs related to the March 2000 Plan, which were expensed as incurred. As of June 30, 2003, $660,000 is included in "Other accounts payable and accrued liabilities" and $791,000 is included in "Other long-term liabilities."

The Company expects to incur approximately $50,000 (primarily insurance and property tax costs related to the leased facilities) in additional unaccrued restructuring costs related to the March 2000 Plan during the fiscal year ending June 30, 2004, which will be expensed as incurred. The estimated total cash cost of the March 2000 Plan is expected to be approximately $8,324,000, with approximately $660,000 expected to be spent during the fiscal year ending June 30, 2004 and approximately $971,000 (primarily facility lease costs) expected to be spent over the balance of the lease terms of approximately three years. The March 2000 Plan was expected to save the Company approximately $8,843,000 annually following full implementation; however, approximately $1,876,000 of this savings was related to the divested RHG, which due to the sale of RHG, will

not be realized under the March 2000 Plan.

In response to weak market conditions, in August 2002, the Company announced additional restructuring activities (the August 2002 Plan"), which reduced total worldwide employment by approximately 160. Accordingly, the Company recorded an additional restructuring charge of approximately $3,385,000 during the fiscal year ended June 30, 2003 related to the August 2002 Plan. These reductions are expected to reduce operating costs by approximately $7,500,000 annually after the August 2002 Plan is fully implemented, which is expected to occur by the end of December 2003. The Company expects that the severance costs will be paid through December 2003 and approximately $400,000 in lease termination costs will be paid through December 2004. In August 2003, the Company expanded the August 2002 Plan and announced additional employment reductions of 15 in the United States and 8 in the United Kingdom. In addition, the Company closed

one of its offices in the United Kingdom and is currently running its two separate business operations from one location in an effort to reduce certain redundancy costs. The additional costs associated with the expansion of the August 2002 Plan amounted to approximately $400,000, comprised of; $243,000 in severance costs, $130,000 in lease termination costs and $27,000 in other costs associated with this expansion, which will be expensed as incurred. The majority of these costs will be recognized in the first quarter of the fiscal year ended June 30, 2004.

During the Company's fiscal year ended June 30, 2002, the German Tax Authority changed its position regarding the taxability of certain intercompany dividends. As a result, several companies, including Baldwin, were assessed additional tax on dividends paid from 1994 through 1996. At this point in time, the proposed assessment would result in a tax charge of approximately $2,570,000 and the elimination of previously reserved tax. However, based on precedent, the Company believes it will prevail in this matter and there will be no material financial impact as a result of the German Tax Authority's change in position. It is expected that the German Tax Authority will assess the Company during the second or third quarter of the fiscal year ended June 30, 2004. Under German tax law, an assessment is payable at the time it is assessed, however, a Company is permitted to request a deferral of the payment from the German Tax Authority through various alternatives. Management believes a deferral will be granted, however no assurances can be given that such deferral will be granted.

The Company believes however, that its cash flow from operations, along with the available bank lines of credit and alternative sources of borrowing are sufficient to finance its working capital and other capital requirements over the term of the current financing with Maple.

At June 30, 2003 and 2002, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose 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 June 30, 2003 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	2004	2005	2006	2007	2008	2009 AND THEREAFTER
Contractual Obligations:							
Loans payable.........	$ 3,301	$ 3,301	$ 0	$ 0	$ 0	$ 0	$ 0
Capital lease obligations.........	262	69	74	74	16	16	13
Long-term debt........	16,768	16,247	129	128	123	113	28
Non-cancelable operating lease obligations.........	14,252	4,117	3,659	3,132	1,590	929	825
Total contractual cash obligations.........	$34,583	$23,734	$3,862	$3,334	$1,729	$1,058	$866

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NEW ACCOUNTING STANDARDS

See Note 2 to the Consolidated Financial Statements for information concerning new accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company operates internationally and is exposed to certain market risks arising from transactions that in the normal course of business include fluctuations in interest rates and currency exchange rates. While the Company occasionally uses derivative financial instruments in order to manage or reduce these risks, typically currency futures contracts and interest rate swap agreements, the Company does not enter into derivative or other financial instruments for trading or speculative purposes.

INTEREST RATE AND DEBT SENSITIVITY

As of June 30, 2003, the Company had debt totaling $20,069,000, most of which bears interest at floating rates. The Company entered into an interest rate swap agreement on April 27, 2001, with a notional amount of $15,000,000 and a fixed rate of 4.98%. This interest rate swap matures on October 30, 2003. Interest rate swaps act as hedges of the underlying debt instruments to effectively change the characteristics of the interest rate without actually changing the debt instruments. As of June 30, 2003, the Company had recorded $197,000 in current liabilities; while gains of $200,000 and losses of $413,000 were recognized in other income in the fiscal years ended June 30, 2003 and 2002, respectively, associated with the changes in the fair value of this interest rate swap.

The Company performed a sensitivity analysis as of June 30, 2003, assuming a hypothetical one percentage point increase in interest rates. Holding other variables constant (such as foreign exchange rates, swaps and debt levels), a one percentage point increase in interest rates would affect the Company's pre-tax income by approximately $200,000. However, actual increases or decreases in earnings in the future could differ materially from this analysis based on the timing and amount of both interest rate changes and amounts borrowed by the Company.

CURRENCY EXCHANGE RATE SENSITIVITY

The Company derived approximately 80% of its revenues from countries outside of the United States for the fiscal year ended June 30, 2003. Results were and continue to be affected by fluctuations in foreign currency exchange rates. The Company's policy is to hedge the impact of currency rate fluctuations, which could have a material impact on the Company's financial results. The Company utilizes foreign currency exchange forward contracts to hedge certain of these exposures. The Company also maintains certain levels of cash denominated in various currencies, which acts as a natural overall hedge. The Company adopted the FASB Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" as of July 1, 2000. As of June 30, 2003, the Company had recorded $5,000 in current liabilities and a loss of $4,000 in other comprehensive income; currency exchange losses of $4,000 and gains of $45,000 were recognized in other income in the fiscal years ended June 30, 2003 and 2002, respectively, associated with these currency exchange forward contracts.

The Company performed a sensitivity analysis as of June 30, 2003 assuming a hypothetical 10% adverse change in foreign currency exchange rates. Holding all other variables constant, the analysis indicated that such a market movement would affect the Company's pre-tax income by approximately $150,000. However, actual gains and losses in the future could differ materially from this analysis based on the timing and amount of both foreign currency exchange rate movements and the Company's actual exposures and hedges.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of

BALDWIN TECHNOLOGY COMPANY, INC.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Baldwin Technology Company, Inc. and its subsidiaries at June 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective July 1, 2001.

PricewaterhouseCoopers LLP

Stamford, Connecticut
September 24, 2003

BALDWIN TECHNOLOGY COMPANY, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS

	JUNE 30, 2003	JUNE 30, 2002
CURRENT ASSETS:		
Cash and cash equivalents..............................	$ 6,950	$ 4,679
Accounts receivable trade, net of allowance for doubtful accounts of $2,286 ($1,994 at June 30, 2002).........	22,102	27,262
Notes receivable, trade................................	10,336	13,390
Inventories..	22,769	24,928
Deferred taxes...	532	893
Prepaid expenses and other.............................	4,611	6,581
Total current assets..........................	67,300	77,733
MARKETABLE SECURITIES:		
(Cost $505 at June 30, 2003 and $475 at June 30, 2002)..	407	430
PROPERTY, PLANT AND EQUIPMENT, at cost:		

Land and buildings	914	2,669
Machinery and equipment	2,896	5,526
Furniture and fixtures	3,461	3,716
Leasehold improvements	474	458
Capital leases	255	428
	8,000	12,797
Less: Accumulated depreciation and amortization	(2,978)	(6,453)
Net property, plant and equipment	5,022	6,344
PATENTS, TRADEMARKS AND ENGINEERING DRAWINGS, at cost, less accumulated amortization of $3,824 ($3,432 at June 30, 2002)	2,137	2,061
GOODWILL, less accumulated amortization of $3,227 ($3,142 at June 30, 2002)	10,227	9,618
DEFERRED TAXES	7,453	6,277
OTHER ASSETS	4,287	6,025
TOTAL ASSETS	$96,833	$108,488

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

BALDWIN TECHNOLOGY COMPANY, INC.

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	JUNE 30, 2003	JUNE 30, 2002
CURRENT LIABILITIES:		
Loans payable	$ 3,301	$ 5,372
Current portion of long-term debt	16,247	5,416
Accounts payable, trade	12,249	12,389
Notes payable, trade	8,168	7,837
Accrued salaries, commissions, bonus and profit-sharing	4,196	3,432
Customer deposits	3,175	4,765
Accrued and withheld taxes	2,102	1,719
Income taxes payable	1,975	1,297
Other accounts payable and accrued liabilities	11,823	13,187
Total current liabilities	63,236	55,414
LONG-TERM LIABILITIES:		
Long-term debt	521	11,873
Other long-term liabilities	6,795	7,447
Total long-term liabilities	7,316	19,320
Total liabilities	70,552	74,734

COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Class A Common Stock, $.01 par, 45,000,000 shares authorized, 16,458,849 shares issued	165	165
Class B Common Stock, $.01 par, 4,500,000 shares authorized, 2,185,883 shares issued (4,500,000 at June 30, 2002)	21	21
Capital contributed in excess of par value	56,986	56,986
Retained (deficit) earnings	(19,653)	(8,527)
Accumulated other comprehensive income (loss)	1,411	(2,017)
Less: Treasury stock, at cost:		
Class A -- 3,630,202 shares (3,630,202 at June 30, 2002)		
Class B -- zero shares (zero shares at June 30, 2002)	(12,199)	(12,199)
Note receivable from key executive for Common Stock Issuance	(450)	(675)
Total shareholders' equity	26,281	33,754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 96,833	$108,488

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 OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the years ended June 30,		
	2003	2002	2001
Net sales	$134,208	$140,091	$173,308
Cost of goods sold	93,788	98,814	123,546
Gross profit	40,420	41,277	49,762
Operating expenses:			
General and administrative	15,170	18,337	22,725
Selling	11,783	12,290	14,612
Engineering and development	16,148	15,451	17,135
Provision for loss on the disposition of pre-press operations	(45)	(86)	(472)
Restructuring charges	3,605	621	2,277
Settlement charges	1,250	0	0
Impairment charges	0	0	15,518
	47,911	46,613	71,795
Operating loss	(7,491)	(5,336)	(22,033)
Other (income) expense:			

Interest expense	2,411	1,792	2,014
Interest (income)	(281)	(288)	(288)
Royalty (income), net	(3,034)	(4,252)	(3,899)
Other expense (income), net	2,251	1,037	(940)
	1,347	(1,711)	(3,113)
Loss from continuing operations before income taxes	(8,838)	(3,625)	(18,920)
Provision (benefit) for income taxes:			
Domestic:			
Federal	500	3,592	(1,067)
State	0	0	(447)
Foreign	2,078	3,092	2,212
Total income tax provision	2,578	6,684	698
Loss from continuing operations	(11,416)	(10,309)	(19,618)
Discontinued operations:			
(Loss) income from operations (net of applicable income taxes of $0)	(253)	(241)	1,446
Impairment charge (net of applicable income taxes of $0)	0	(5,434)	0
Gain on sale (net of applicable income taxes of $0)	543	0	0
Net loss	$(11,126)	$(15,984)	$(18,172)
Net (loss) income per share -- basic and diluted			
Continuing operations	$ (0.76)	$ (0.69)	$ (1.33)
Discontinued operations -- (loss) income from operations	$ (0.02)	$ (0.02)	$ 0.10
Discontinued operations -- impairment charge	$ (0.00)	$ (0.36)	$ 0.00
Discontinued operations -- gain on sale	$ 0.04	$ 0.00	$ 0.00
Net loss per share -- basic and diluted	$ (0.74)	$ (1.07)	$ (1.23)
Weighted average shares outstanding:			
Basic	15,015	14,915	14,787
Diluted	15,015	14,915	14,787

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)

CLASS A COMMON STOCK		CLASS B COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	AC COM
SHARES	AMOUNT	SHARES	AMOUNT			

Balance at June 30, 2000..................	16,458,849	$165	2,000,000	$20	$57,496	$ 25,629
Year ended June 30, 2001:						
Net loss for the year................						(18,172)
Translation adjustment..........						
Effect of translation adjustment on RHG sale................						
Unrealized loss on available-for-sale securities, net of tax.................						
Comprehensive loss.....						
Shares received in connection with sale of business..........						
Purchase of treasury stock...............						
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Balance at June 30, 2001..................	16,458,849	165	2,000,000	20	57,496	7,457
Year ended June 30, 2002:						
Net loss for the Year................						(15,984)
Translation Adjustment..........						
Unrealized loss on available-for sale securities, net of tax.................						
Unrealized gain on forward contracts....						
Comprehensive loss.....						
Issuance of Class B Common Stock to Key Executive...........			185,883	1	(510)	
Purchase of treasury stock...............						
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Balanc