

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Baldwin Technology Company, Inc. (BLD)



KARL S. PUEHRINGER has served as a Director of Baldwin Technology Company, Inc. since June 2006. He was elected Chief Executive Officer of the company on July 1, 2007. He also currently serves as President of the company, an office he has held, together with that of Chief Operating Officer, since July 2005. From November 2001 through June 2005, Mr. Puehringer was a Vice President of the company, responsible primarily for the company's European operations. Prior to joining Baldwin, Mr. Puehringer served as a Manager at A.T. Kearney in Munich, where he was responsible for project management from 1999 to 2001. From 1996 to 1998, he was President and a Director of Voest-Alpine MCE, Indonesia, and from 1993 to 1996 he was Managing Director of Voest-Alpine Ice, Mexico.

SECTOR – INDUSTRIAL EQUIPMENT

TWST: Please begin with a brief historical sketch of the company and a picture of the things you are doing right now.

Mr. Puehringer: We celebrated our company's 90th anniversary last year as a global leader in Process Automation Equipment for the Print Media Market. We were founded in 1918 and we're headquartered in Shelton, Connecticut. Our fiscal year runs through the end of June; fiscal year 2008 revenues were \$236 million with \$14 million EBITDA. We're proud of the number of patents that we have and the products we have been able to develop over the decades. At the moment, we have 548 employees and since 1987, we've been a public company. We currently trade on the NYSE Amex Exchange under the ticker symbol BLD.

I'll give you a quick overview of our current sales mix. More than 50% of our sales during our last fiscal quarter were recurring revenues derived from consumables, service, parts and our U.S. food blends operation, and consequently, less than 50% of our revenue during Q3 FY09 came from equipment. By region, 26% of our revenues are in the Americas. Our largest region is Europe, which accounts for slightly less than half of our business, and the second largest region is Asia with Japan being the other most important country for Baldwin. The geographic balance in sales is a major strength of Baldwin.

TWST: What are the principal products that you sell?

Mr. Puehringer: Our principal products are what we call

process automation equipment for the printing process and related consumables. We sell equipment that's attached to printing presses. Our products make the printing process more effective and more efficient; they make the machines more productive and improve the quality of print while reducing the environmental footprint of that press equipment. Our U.S. based food blends operation blends and packages dry ingredients for food companies. That operation originated from our corn starch powder used in the graphics arts industry.

TWST: What are the differences between your equipment and equipment that is provided by other companies?

Mr. Puehringer: We are a first mover in many product categories within our industry. The range of equipment we offer is unparalleled. There is no other company that can provide the same range of solutions to our customers. We offer the best solution for each specific application. With applications, I am referring to the different market segments that we serve – sheet fed, commercial-web or newspaper and semi-commercial -- and also the different operations that a printer might be running, depending on what paper stock and what ink he is using and what kind of print job he is running.

TWST: Can you give us a sort of broad profile of the kinds of customers you have?

Mr. Puehringer: Less than half of our revenue is from direct sales to press manufacturers. Those are the companies that sell press equipment to printers and publishers and they have selected Baldwin products as standard equipment on their presses. Three

major press manufacturers are based in Germany. Another important country for press equipment is Japan. We also have one important U.S. based customer. In addition, there are a number of press manufacturers in China and India who are looking more and more at Baldwin type of process automation equipment. We're really excited about opportunities from those emerging countries.

The other half of our revenues comes directly from printers and publishers. This is mainly revenues from our consumables, parts and service operations, as well as retrofit services. We sell, promote and service our equipment directly with those printers and publishers who are looking to improve their installed base of printing presses by investing in Baldwin equipment.

TWST: You spoke of upcoming opportunities. What is the outlook for the industry in general and for your company in particular?

Mr. Puehringer: We make a distinction between short term and mid-to-long term. Short term, our industry has been significantly impacted by the current economic environment. Our industry reacts very quickly to changes in GDP because a decline in GDP means a decline in advertising dollars spent and a decline in advertising dollars results in less printing and thus less investment in press equipment. So in the short term, we have seen a significant decline in

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demand for new press equipment and a resulting decline of revenues as just now reported by Baldwin. So what we're doing in the short term is adjusting our capacity and our cost structure. And as we reported during our last earnings conference call following Q3 of fiscal 2009, I'm proud we have reacted very quickly and aggressively to the circumstances. In the short term, we benefit from those 50% recurring revenues because those revenues are less impacted and show much less cyclicity compared to revenue from the equipment side.

When we look at mid/long term, we are excited about the opportunities we see ahead. Several trends within the printing industry favor Baldwin's services and products. Shorter runs of print jobs, increased demand for product quality, the drive towards efficiency and productivity and the demand to reduce the environmental footprint are in line with the value proposition of our services.

We have identified several growth opportunities: First is the opportunity in emerging markets. We have operations in China and in India. Those countries, even in this current financial downturn, show very solid GDP growth rates, they have increasing literacy rates and a growing middle class. These are fundamentally good indicators for growth of demand for print and therefore for growing demand for print equipment. Additionally, printers in those emerging countries are looking more and more to automate their print equipment and reduce the environmental impact of their operations. All of that plays in favor of Baldwin products.

The number two growth area for Baldwin is from alliances. Baldwin has an unparalleled global brand and infrastructure. We have been around for 90 years. We have been in Japan for 41 years and in Germany for 38 years. We have presence in all major markets for print. Smaller companies that have marketable technologies but don't have a global reach are now looking to partner with Baldwin. We have signed several alliance agreements in recent years and we will continue to look for further opportunities to do so. That's a great value proposition for the partners, for Baldwin, and for our customers.

We have also identified further growth opportunities in digital printing and flexography. Our food blend operation here in the U.S. also provides us with solid growth. We look to further expand our revenue through the press manufacturers because they are looking to outsource. We also have an organic growth component mainly driven through our consumables, spare parts and services. We have the unique benefit that our award winning and patent protected consumable offerings are gaining market share driven by environmental demands to lower the VOC (Volatile Organic Compound) emission in the printing process. In total, we identified potential growth opportunities of close to \$110 million in additional revenues on an annual run rate in the next three to five years.

TWST: With these opportunities in mind, what are the key elements in your strategy as you look out over the next two to three years?

Mr. Puehringer: Short term, our focus is clearly on managing our working capital. We successfully reduced our inventory and actively managed our accounts receivable levels. We consistently generated cash over the years and in recent quarters. Secondly, we have adjusted our capacity and cost structure to fit the current market reality. Thirdly, we are looking for new opportunities through new alliances. Mid-to-long term, our strategy is to leverage what has been built over the last 90 years and that's the strong well-known Baldwin brand and a strong global presence to leverage our technology and our position in the emerging countries and be a consolidator in a very significant market for print. Print volume globally is more than \$600 billion a year. Printers and publishers are looking to increase productivity, improve efficiency, and the quality of print and they are looking to reduce the impact on the environment. All of those things can be addressed and accomplished with our equipment and the related consumables.

TWST: What about possible challenges or problems? What could you be worrying about over the next few years?

Mr. Puehringer: We are facing a fairly high degree of volatility in demand for our type of equipment. We experienced that in 2001 and 2002 and we see it now again. Volatility in demand for

press equipment is undoubtedly a challenge. But we have proven we are able to adjust very quickly to that environment. There are certain segments that will not show growth going forward. One example, most often cited when people talk with us, is the North American newspaper industry. The tonnage for newsprint will significantly decline over the next few years. However, in the short term, the newspaper segment actually represents an opportunity because the publishers must improve their efficiency and we have technology that helps them to achieve exactly that. It's important for investors to understand that newspapers in North America represent only 2% of the total world market for print and that the decline in North American Newsprint is being offset to some degree by growth in emerging countries.

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TWST: In a broad sort of way and without making an actual prediction, what would you reasonably expect the company to look like in about three years?

Mr. Puehringer: As we did over the last years before the world economic crises also hit our industry segment, we want to continue to show consistent profitable growth. We want to expand our position in recurring revenue such as consumables, service and spare parts. We will build an even stronger presence and a stronger revenue base in emerging countries. We will prove to our alliance partners that they made the right choice to join forces with Baldwin. And finally, we will further strengthen our relationships with the OEM press manufacturers.

TWST: For the benefit of the potential investor, what might be some year-by-year milestones that he or she could be looking for?

Mr. Puehringer: A key milestone will be growth in market share. With the exception on organic growth in our recurring revenue components, we are not relying on organic growth for press equipment. One aspect of this is we are looking to consolidate the industry. So the growth of market share in the equipment segment is important. A second indicator is the growth of our recurring revenue stream. Our consumables are the answer for environmental pressure that the printers are facing. We see a growing market share with our consumables. That's one of the reasons why more than 50% of our revenue stream was from recurring revenues in the last quarter. Investors also need to look at the consistent cash generation, top-line growth and growth in profits.

TWST: Could you go on from there to tell us a little bit about your own background and expertise and the same for one or two of your colleagues?

Mr. Puehringer: I'm Austrian. I studied physics at the Technical University in Vienna, then joined forces with an Austrian industrial firm and managed their operations in Mexico and Indone-

sia where we built and installed power plants. Later I attended Stanford University for an Executive MBA, served two and a half years in management consulting and then joined Baldwin. That was almost eight years ago. I initially managed global manufacturing and then managed the European business. I became president and COO of Baldwin Technology in the summer of 2005 and became president and CEO in the summer of 2007. I have been living with my family for the last three years in the United States. I have two children.

Dr. Steffen Weisser, managing director of Baldwin's German operations, joined us in September 2007. His managerial background from the German textile machinery industry has come in very handy in our recently implemented restructuring initiatives. Steffen completed the consolidation of our operations in Germany

in March 2009 to improve the cost structure. As a newly named Vice President of Baldwin, effective July 1, 2009, Steffen will take on the responsibility for global operations manager.

Peter Hultberg, managing director of our Swedish operations, joined us as a result of an acquisition in 1995. He has also been elected a Vice President as of July 1, 2009, and will lead the global marketing, sales and service functions.

Our CFO John Jordan, joined Baldwin in the spring of 2007. His previous experience as VP and Treasurer of a large-publicly traded global manufacturing company has served him well as he continues to lead our global cash management system, management of our working capital, implementation of several process improvements and oversight of our active investor relations program.

TWST: When you became CEO, did you institute any changes in how things were done?

Mr. Puehringer: I became CEO in the summer of 2007. The focus at the beginning when I became CEO was the integration of two acquisitions that we had just concluded, Oxy-Dry and Hildebrand. I also strengthened our leadership structure. I hired a new Chief Financial Officer, a new president for our important Japanese operations and a new president for our German operations. We also have been highly focused on leveraging our global position through alliances and we have been able to strengthen our position in the emerging countries. Since last October, we have had to deal with the current economic situation.

TWST: In integrating these other companies into your structure, what were the key factors there?

Mr. Puehringer: At the beginning, it was undoubtedly communications, both internally as well as externally. We needed to communicate to our customers the logic of why we acquired those two companies. This was actually a fairly easy task because they were very logical acquisitions, a very sensible bolt-on expansion of our technology in segments that we serve. It was very reassuring

that customers warmly welcomed the two acquisitions. Communication on the internal side was very, very important in explaining to the employees of the acquired companies what their future would be like with us and how we intended to integrate their operations into our company. We also had to do some initial restructurings. We had some layoffs, but we did those fairly quickly and efficiently. So communication was first, restructuring was second. The third area of focus was product development. We updated their technology and introduced new versions of their products.

TWST: Do you see any need to improve the company's capital structure?

Mr. Puehringer: While a company's capital structure can always be strengthened, I believe the capital structure of our company is strong. Our current net debt is around \$15 million, which I view as the right level for a company our size.

TWST: Do you feel that Baldwin is sufficiently well understood by the investment community or are there things they might be missing?

Mr. Puehringer: I believe investors are failing to appreciate Baldwin's growth opportunities. What we are often fighting here in the United States is the current stream of bad news about the U.S. newspaper industry. Whenever investors talk to us, they point to the slowdown in the U.S. newspaper business, which they interpret to mean that print is going away. That's absolutely not the case. I want to emphasize that while newspapers in North America are a challenged industry and the newspaper tonnage will be reduced significantly, that only represents 2% of a \$600 billion annual global print market. Newspaper circulation is growing throughout Asia where 74% of the world's largest 100 newspapers are located.

The largest segment of print is packaging -- 33% of print volume is driven by packaging and the packaging segment is growing both in developed as well as in emerging countries.

So the image problem we have been continuously struggling with over the last 12 to 24 months is that Baldwin, as a company that serves the global printing industry, is identified with the gloomy news coming from North American newspaper publishers.

TWST: Then to sum up what you've been saying, what would be the two or three best reasons for the long-term investor to look closely at Baldwin Technology?

Mr. Puehringer: The best reason to buy Baldwin shares is our stock price. Our current share price does not represent the substantial current and future value of the company. Therefore we believe Baldwin represents a great investment opportunity. The second reason is cash. We have been a consistent cash generator for years by being profitable and by managing our working capital in a very professional and successful manner. Investors should look at the opportunities for this group. Look at our strong global brand. Look at our highly efficient and effective global infrastructure.

Look at the unique suite of technologies we offer and the corresponding opportunities. We have communicated to our investors that going forward we see further growth potential.

TWST: Is there anything that you would like to add or re-emphasize, especially regarding strategies, long-term objectives and reasons for the investors to look at the company?

Mr. Puehringer: I would re-emphasize that we believe our current stock price does not reflect the true value of the company. I also want to stress Baldwin's consistent cash generation capability, with consistent earnings over the past years, a cash tax rate at or below 20% and strong working capital management all contributing to positive cash flows. Thirdly, we are building our future on a strong set of assets. We will further leverage those going forward. We are really excited about our opportunities. We have a great management team. We have strong technologies. We have a solid, efficient infrastructure and we now have the right cost structure for a market that has experienced a significant downturn. We look forward to the time when market demand returns to more normal levels and we can take full advantage of the leverage we have in a print market that is clearly not going away.

TWST: I would like to ask you one more thing. Your training in physics and then your training in the MBA program at Stanford, how have those things benefited you as you look across the length of your career?

Mr. Puehringer: My studies of technical physics at the Technical University in Vienna were invaluable. I gained significant knowledge of engineering and science fundamentals so I feel at home when it comes to design of products and processes within the printing industry. The five years in Vienna gave me a very solid basis for my professional career. The Stanford Masters Degree at the business school involved understanding and managing financial statements, the importance of the balance sheet, cash flow and management related processes. I learned management tools that I apply every day in my position as president and CEO of a public company.

TWST: Thank you. (MC)

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