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KBA-Metronic GmbH Veitshöchheim	Accounting / financial reports	Annual financial statements for the business year from 01/01/2017 to 12/31/2017	01.06.2018

KBA-Metronic GmbH

Veitshochheim

Annual financial statements as of December 31, 2017 and management report

Management report for the 2017 financial year

Legal and economic basics

KBA-METRONIC GmbH, registered at the Würzburg District Court under HRB 62, had share capital of EUR 50 thousand as of December 31, 2017. KBA-MePrint AG, Veitshöchheim, is the sole shareholder of KBA-METRONIC GmbH. A profit transfer agreement was entered in the commercial register on October 31, 2011, which the company concluded with the sole shareholder on October 26, 2011. The company's shareholders' meeting approved on October 27, 2011. Both companies are included in the consolidated financial statements of Koenig & Bauer AG, Würzburg.

The company develops, produces and sells devices and machines for industrial marking and for special applications in printing technology. The "Industrial Identification" product range includes inkjet printing systems, laser coding and labeling systems, thermal transfer technologies, separation systems and hot stamping technology.

Development, production and administration are located on our own property of 16,733 sqm in Veitshöchheim near Würzburg. The company's production, assembly and office space covers an area of 13,501 square meters, of which 3,045 square meters were rented to KBA-MePrint AG as of December 31, 2016. Since July 24, 2017, 1,119 sqm of office space has been leased to rde-Regionale Dienstleistungen Energie GmbH & Co. KG, Würzburg.

Sales are guaranteed at the headquarters in Veitshöchheim, through sales offices and service locations in Germany and Austria, as well as a subsidiary in the Netherlands, a joint venture in China and another joint venture in Poland. In addition, there are business relationships with international distributors who also largely guarantee service and customer support on site.

In the 2015 financial year, an agency agreement was concluded with Koenig & Bauer AG, Würzburg, which regulates the procurement of various Group services (shared services), in particular the use of trademark rights.

With the notarized minutes of the shareholders' meeting of KBA-METRONIC GmbH and the extraordinary general meeting of KBA-MePrint AG on November 29, 2017, the approval of the two aforementioned bodies to the draft merger agreement on the transfer of the assets of KBA-MePrint AG (transferring legal entity) to KBA-METRONIC GmbH (legal entity taking over) with effect from January 1, 2018. Among other things, it was decided that the shares in KBA-METRONIC GmbH held by KBA-MePrint AG would be granted directly to Koenig & Bauer AG as consideration for the transfer of assets.

The merger agreement between KBA-MePrint AG (transferring company) and KBA-METRONIC GmbH (receiving company) was notarized on December 7, 2017.

Macroeconomic environment and business development

In the course of the year, the economic environment in Germany developed positively overall, which was also reflected in an increase in the annual forecasts. According to a forecast by DIW, the gross domestic product (GDP) in Germany grew by 1.2% in 2017 compared to 2016 and was therefore slightly below the forecast from the previous year. This also reflects the development in the euro zone.

Demand for products (incoming orders) from KBA-METRONIC GmbH increased by a total of +14.6% in the year under review (previous year: +3.5%). The changes in incoming orders are as follows: In the area of devices +24.6% (previous year -17.1%), in the area of services +5.5% (previous year +38.1%) %), spare parts + 10.1% (previous year +26.9%) and consumables -1.2% (previous year +37.4%). Overall, sales in domestic business increased by + 2.8% (previous year + 22.0%), while international sales increased by + 4.1% (previous year + 30.5%) record.

In the Koenig & Bauer Group, the central target and control parameters for the business units are key figures determined on the basis of the International Financial Reporting Standards (IFRS), such as sales and earnings before interest and taxes (EBIT) as well as incoming orders and the order backlog. The most important performance indicators from this point of view are sales revenue and earnings before interest and taxes.

Sales development

In 2017 sales of EUR 42,172 thousand (previous year: EUR 40,841 thousand) were realized. The sales forecast for 2017, which assumed an increase in business volume to EUR 42,597 thousand, was slightly missed. The sales are distributed across the individual divisions as follows:

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	2017 kEUR	2016 kEUR	Change %
equipment	20,169	19,694	+ 2.4%
spare Parts	7,838	7,054	+ 11.1%
service	5,884	5,472	+ 7.5%
Consumables	6,678	6,539	+ 2.1%
Contract / external production	864	820	+ 5.3%
Others	1,040	1,455	-28.5%
Sales deductions	-300	-193	+ 55.4%
Total sales	42,172	40,841	+ 3.3%

Compared to the previous year, the company's investment activity in the field of labeling technologies has changed insofar as there was stronger demand in foreign business than in domestic business, which, however, also developed positively. The share of export sales in total sales increased to 55.2% in the reporting year (previous year: 54.7%). Exports (as a percentage of total sales) went to countries of the European Union with 23.7% (previous year: 28.3%), with 11.9% (previous year: 11.3%) to Asia, with 18 .5% (previous year 14.0%) to America and 1.1% (previous year 1.2%) to other countries.

Earnings situation

KBA-METRONIC GmbH generated EBIT of EUR 5,289 thousand in 2017 (previous year: EUR 5,183 thousand): This is above the result of EUR 4.5 million planned in the previous year and the most recently forecast result of EUR 5.1 million The improvement in earnings results from a shift within the sales divisions compared to planning. The result of the 2017 reporting year (before profit transfer) was operationally characterized by good international business on the device side and by an overall positive development in after-sales sales. In relation to the operating performance, the cost of materials ratio was 31.9% (previous year 34.4%) and the personnel expenses ratio was 40.4% (previous year 38.5%). The decrease in the cost of materials ratio is mainly due to a changed product mix and the changed distribution of sales across the divisions. In return, this changed product mix and the changed distribution of sales resulted in an increase in the personnel expense ratio. The current result was increased by group allocations for legal services and the use of trademark rights of Koenig & Bauer AG, Würzburg, with EUR 906 thousand (previous year: EUR 787 thousand) as well as individual value adjustments to receivables of EUR 105 thousand (previous year: EUR 372 thousand) in other operating expenses burdened. In addition, the effects of exchange rates on the expense side have increased significantly. In the year under review, exchange rate losses of EUR 436 thousand (previous year: EUR 101 thousand) and exchange rate gains of EUR 129 thousand (previous year: EUR 222 thousand) were posted. Due to the profit and loss transfer agreement concluded in October 2011, effective from the 2011 financial year and not yet terminated, no income taxes were incurred, as the company as a controlled company is not subject to income taxation for tax purposes. The company's results are taxed by the parent company, KBA-MePrint AG. As of the 2011 financial year, the profit and loss transfer agreement that has not been terminated has not been subject to income taxes, as the company as a subsidiary is not subject to income taxation. The company's results are taxed by the parent company, KBA-MePrint AG. As of the 2011 financial year, the profit and loss transfer agreement that has not been terminated has not been subject to income taxes, as the company as a subsidiary is not subject to income taxation. The company's results are taxed by the parent company, KBA-MePrint AG.

Assets and financial position

The equity of KBA-METRONIC GmbH remains unchanged as of December 31, 2017 at EUR 14,820 thousand (previous year: EUR 14,820 thousand). Due to the profit and loss transfer agreement with KBA-MePrint AG, the 2017 annual result was transferred. The equity ratio as of December 31, 2017 was 59.6% (previous year: 56.9%). The balance sheet total decreased by EUR 1,191 thousand to EUR 24,855 thousand (previous year: EUR 26,046 thousand). The main changes result from the reduction in liquid funds by EUR 462 thousand and by EUR 908 thousand due to the reduction in inventories due to the improvement in the monitoring of working capital. In this context, on the liabilities side, trade payables fell to EUR 1,530 thousand (previous year: EUR 1,721 thousand). Receivables from affiliated companies developed in the opposite direction, increasing by around EUR 0.5 million, while liabilities to affiliated companies were reduced by EUR 0.5 million. The liabilities to affiliated companies primarily include liabilities from the holding contribution of Koenig & Bauer AG as well as the liability from the profit and loss transfer agreement. The remaining liability from the purchase of the customer base after sales business of KBA-MePrint AG was repaid in the reporting year.

In summary, it can be stated that the net assets and earnings situation continued to develop positively overall in 2017. Despite the negative cash flow from operating activities, the financial position can be characterized as stable.

Important events

The company has been certified according to ISO 9001/2008 since 2011; the certificate was valid until September 14th, 2018. In September 2017, a recertification audit of the system was carried out, which confirmed the maintenance of the certificate with a validity until September 14th, 2018.

A corporate plan with a 3-year forecast for the financial years 2018 to 2020 was drawn up for the company. It will be updated for the next few years.

The multi-year business plan was still supported by strategic measures.

The international network of sales representatives and agencies was expanded and deepened. The Asia-Pacific region and the installation of a further sales coordinator for the region of Central and Latin America must be mentioned above all. In the 2017 financial year, service and sales training courses were once again held for our representatives and sales staff in order to optimize service quality. The further expansion of our international activities remains the focus of our sales activities.

The joint venture company founded in 2016, with a focus on sales and service activities, based in Poznan / Poland, was able to close the first full financial year within the scope of planning.

On December 22, 2017, the parent company Koenig & Bauer AG concluded a syndicated credit line of EUR 350 million with a bank consortium. In addition to a guarantee credit line of EUR 200 million, the financing includes a revolving credit line of EUR 150 million, which can be increased by EUR 50 million. The credit lines have a term of five years with two extension options of one year each until December 2024. KBA-METRONIC GmbH and other selected German companies in the Koenig & Bauer Group guarantee the collateral for the bank consortium.

Subsidiaries

The development at **KBA-METRONIC Nederland BV, Bergschenhoek / Netherlands** , has stabilized overall in the last few financial years. However, no positive result could be achieved in the past financial year due to planned cost increases due to the further expansion of sales activities in the Benelux countries and missed sales plans. Sales of industrial labeling products fell by -11.5% compared to the previous year (previous year: -2.1%). The company achieved a net loss of EUR -63 thousand (previous year: EUR 21 thousand for the year).

The **KBA-Metronic (Hangzhou) Co., Ltd., Hangzhou** , has not achieved with sales and after-sales activities in the Chinese market in 2017, the planned sales volume, however, sales increased by 29.8% was roughly on. EUR 2,418 thousand (previous year: EUR 1,862 thousand) increased. The main sales drivers were inkjet printers from local production. The company's annual result in 2017 of EUR 182 thousand (previous year: EUR -70 thousand) improved by well over 300% compared to the previous year. The costs for expanding the sales and service network continued to have a negative impact.

The newly founded in May of last year **KBA-Metronic Polska sp. z oo** , based in Poznan / Poland, is a joint venture company in which KBA-METRONIC has a capital share of 80%. The activities are geared towards sales and service in the labeling market. In the financial year sales of EUR 1,134 thousand (previous year: EUR 530 thousand) and an annual result of EUR 0 thousand (previous year: EUR -88 thousand) were achieved, which was in line with expectations.

staff

The number of employees at KBA-METRONIC GmbH as of December 31, 2017 was 265 (previous year: 268) (excluding managing directors, employees who are inactive and released from work).

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	12/31/2017 Number	12/31/2016 number
Technical staff	157	159
Commercial employees	108	109
total	265	268
including trainees	24	28

The average age in the reporting year was 41 years (previous year: 40.8 years), the average length of service was 13.1 years (previous year: 12.8 years).

The share of people with disabilities or equals in the 2017 financial year was 6.8% (previous year 7.1%).

The expenses for further and advanced training amounted to EUR 123 thousand (previous year: EUR 147 thousand).

Research and Development

Development projects (including innovative further developments of existing technologies) were continued and completed in the year under review. The development projects for industrial marking technologies in the past financial year were characterized by the pilot series development of the betaJET (XENIO). Furthermore, the creation of the specifications for the next generation "alphaJET" was pushed forward in various core team meetings. As in the previous year, the focus was on the further development of software products and hot stamping technology. These products were presented to the market and released for sale. Research and development expenses totaled EUR 1,897 thousand (previous year: EUR 1,806 thousand).

Investments

Operational investment measures continued to be treated restrictively in the 2017 financial year. Investments in fixed assets totaling EUR 300 thousand (previous year: EUR 847 thousand) were made.

Opportunity and risk report

Market risks

The applications of industrial marking are still diverse and still sufficiently available. A clear change in the market situation can be seen through the strategic activities of global competitors. In the marketing mix, these focus more and more on the point of pricing with the focus on securing after-sales sales. As part of a relaunch of the “Koenig & Bauer” brand started in September 2017 by the group parent company, we are implementing this as part of a clear communication strategy. As the only provider of complete solutions in the labeling market, KBA-METRONIC tries to clearly differentiate itself from the orientation of its competitors.

Interest rate and financial risks

With the cancellation agreement dated May 31, 2017, the collateral trust agreement with Commerzbank AG and Sparkasse Mainfranken was terminated and the collateral was released. The credit supply by the lending banks is still guaranteed. The existing framework credit agreements can be used if necessary. It is assumed that these lines will continue to be extended. Letters of comfort were issued as security to the lending banks by the parent company Koenig & Bauer AG, Würzburg, for the respective terms. Other risks can arise from fluctuations in interest rates.

The company is exposed to the risk of currency fluctuations due to USD invoicing. To reduce this risk, the company uses hedging transactions if necessary in compliance with the guidelines specified by Koenig & Bauer AG, Würzburg. There were no currency hedging transactions on the balance sheet date.

Failure risk

We counter the risk that customer receivables cannot be paid through our receivables management. Customer credit checks are at the beginning of every business relationship with new customers. Overdue receivables are identified through regular dunning runs and these are subsequently followed up. Known default risks are taken into account through appropriate individual value adjustments. In addition, there are appropriate general value adjustments on receivables.

Procurement risk

These could be risks with regard to access to the procurement markets or the availability of purchasing materials, price developments, the development of the exchange rate of the foreign currencies relevant to the company, the competitive situation and increasing material costs. Further risks can arise from the upcoming negotiations on wage and salary agreements.

In addition, KBA-METRONIC GmbH is included in the group-wide risk early warning system of Koenig & Bauer AG.

In summary, it can be said that there are currently no risks that could jeopardize the company's existence.

Forecast report - outlook for 2018

GDP growth of 2.2% is forecast for 2018, which would be in a similar framework to the previous year. The economic and political developments in important non-European countries, which are a decisive factor for the export-oriented German economy, remain unchanged. The global economy and thus the investment activity of the industry will also depend intensively in 2018 on geopolitical developments and currency developments in emerging countries and in the USD area.

The management of KBA-METRONIC GmbH expects sales volume to grow in 2018 with a reasonable return. Current corporate planning assumes an increase in sales volume of around 9.5%. This is mainly due to further increases in international business and in after-sales in the labeling division. Earnings before interest and taxes of around EUR 6 million are expected.

This forecast is based on various assessments. The company is equipped with attractive and competitive products. Innovations ensure the company's competitiveness in its regional sales areas and application markets. The new developments of last year have meanwhile established themselves well on the domestic and international markets. We expect significant increases in sales with these products. The consistent expansion of the national and international sales network also supports successful order acquisition. Continuity and expansion of the sales and service team paired with low fluctuation ensure positive development of the company.

The assessments made in the management report are based on current expectations and forecasts as well as the information currently available. Due to the uncertainties inherent in any planning, the actual development may deviate from these estimates.

Veitshöchheim, February 28, 2018

KBA-METRONIC GmbH

Oliver Volland, managing director

German Stuis, managing director

Balance sheet as of December 31, 2017

assets

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	December 31, 2017		December 31, 2016	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible Assets				
1. Purchased software	44,605.70		53,256.50	
2. Customer base acquired against payment	1,760,527.78		1,980,861.11	
3. Advance payments made on intangible assets	10,350.00	1,815,483.48	0.00	2,034,117.61
II. Tangible assets				
1. Land and buildings	3,655,701.85		3,924,650.27	
2. Technical systems and machines	458,042.52		162,253.27	
3. Other equipment, factory and office equipment	473,299.04		497,834.73	
4. Advance payments and assets under construction	0.00	4,587,043.41	302,326.00	4,887,064.27
III. Financial assets				
Shares in affiliated companies		521,860.79		521,860.79
		6,924,387.68		7,443,042.67
B. Current Assets				
I. Inventories				
1. Raw materials and supplies	2,098,195.64		2,331,088.71	
2. Work in progress	2,324,516.35		3,006,332.53	
3. Finished products and merchandise	1,430,862.96		1,647,353.71	
4. ./. Advance payments received on orders	-10,890.66	5,842,684.29	-233,716.38	6,751,058.57
II. Receivables and other assets				

	December 31, 2017		December 31, 2016	
	EUR	EUR	EUR	EUR
1. Trade accounts receivable	5,323,669.83		5,192,045.73	
2. Receivables from affiliated companies	1,620,571.64		1,163,724.19	
3. Other assets	107,778.08	7,052,019.55	15,646.76	6,371,416.68
III. Cash in hand, bank balances		4,907,964.85		5,369,651.74
		17,802,668.69		18,492,126.99
C. Prepaid expenses		119,584.52		102,589.98
D. Active difference from the				
Asset netting		8,676.47		8,676.47
		24,855,317.36		26,046,436.11

liabilities

	December 31, 2017	December 31, 2016
	EUR	EUR
A. Equity		
I. Drawn capital	50,000.00	50,000.00
II. Capital reserve	14,028,312.19	14,028,312.19
III. Profit carried forward	742,052.40	742,052.40
	14,820,364.59	14,820,364.59
B. Provisions		
Other provisions	1,816,062.66	2,433,384.41
C. Liabilities		
1. Trade accounts payable	1,530,244.12	1,720,882.84
2. Liabilities to affiliated companies	5,500,316.16	6,027,896.55
3. Other Liabilities	918,283.96	854,826.44
- of which from taxes EUR 265,005.82 (previous year EUR 268,354.91) -		
- of which in the context of social security EUR 43,902.95 (previous year EUR 6,422.14) -		
	7,948,844.24	8,603,605.83
D. Prepaid expenses	270,045.87	189,081.28
	24,855,317.36	26,046,436.11

Income statement for the period from January 1 to December 31, 2017

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	2017		2016	
	EUR	EUR	EUR	EUR
1. Sales		42,172,178.59		40,841,339.49
2. Reduction (previous year increase) in the inventory of finished and unfinished products		-842,959.32		521,243.68
3. Other operating income		783,216.24		795,986.91
4. Cost of materials				
a) Expenses for raw materials, consumables and supplies and for purchased goods	-13,085,534.96		-14,143,307.61	
b) Expenses for purchased services	-338,513.91	-13,424,048.87	-359,266.47	-14,502,574.08
5. Personnel expenses				
a) Wages and salaries	-14,401,002.42		-13,778,682.05	
b) Social security and pension costs	-2,609,831.56	-17,010,833.98	-2,438,348.85	-16,217,030.90
- of which for pensions EUR 73,428.07 (previous year EUR 79,653.80) -				
6. Depreciation on intangible assets and				
Property, plant and equipment		-811,983.58		-783,834.59
7. Other operating expenses		-5,543,838.23		-5,432,714.66
8. Other Interest and Similar Income		2,590.30		255.76
9. Interest and Similar Expenses		-6,426.64		-5,890.20
- of which to affiliated companies EUR 0.00 (previous year EUR 993.75) -				
10. Profit after tax		5,317,894.51		5,216,781.41

	2017		2016	
	EUR	EUR	EUR	EUR
11. Other taxes		-35,557.64		-39,191.57
12. Profits transferred on the basis of a profit transfer agreement		-5,282,336.87		-5,177,589.84
13. Annual net income		0.00		0.00

Appendix for the 2017 financial year

General

The company operates under the name KBA-METRONIC GmbH and has its headquarters in 97209 Veitshöchheim, Benzstrasse 11. It is registered at the Würzburg District Court under the registration number HR B 62.

The annual financial statements for the 2017 financial year were prepared in accordance with the provisions of the Commercial Code for large corporations.

The income statement (P&L) was drawn up using the total cost method.

Accounting and valuation principles

Acquired intangible assets are capitalized at cost and amortized over a useful life of three to five years. The acquired customer base is amortized over ten years.

Tangible assets are valued at the capitalized acquisition or production costs less scheduled depreciation, which is calculated based on the maximum tax rates, partly using the degressive method and partly using the linear method. The useful life is between three and 40 years. For new additions from the years before 2008 and in the period 2009 to 2010, which are depreciated using the degressive method, the maximum tax rate applies. Since the corporate tax reform, from the calendar year 2008, fixed assets with individual acquisition costs of up to EUR 150 net are immediately written off in full and recorded as an expense.

The financial assets are generally shown at cost. Impairments are taken into account through appropriate depreciation.

Raw materials, consumables and supplies as well as goods are valued at the average acquisition and production costs or at the lower fair value on the balance sheet date, with appropriate deductions being made to take account of reduced marketability and usability.

Finished and unfinished goods are valued at production cost. In the case of components and assemblies, these are determined by calculating the individual costs and the necessary material and manufacturing overheads as well as the depreciation of the fixed assets used.

The advance payments received for orders were openly deducted from the inventories in accordance with Section 268 (5) HGB.

The receivables are stated at their nominal values. To take risks and impairments into account, appropriate individual and general value adjustments are made and deducted from the asset values. Long-term foreign currency receivables are converted using the rate on the booking date or the lower rate on the balance sheet date. Short-term foreign currency receivables are converted using the mean spot exchange rate on the balance sheet date. In the case of receivables with a remaining term of more than one year, discounting is applied.

Liquid funds are valued at their nominal value or, in the case of foreign currency holdings, at the mean spot exchange rate on the balance sheet date.

The prepaid expenses include payments made before the balance sheet date, which represent expenses for a certain time after the balance sheet date.

The provisions for pensions were determined according to the projected unit credit method using the "Heubeck 2005 G mortality tables" and taking into account a pension trend of 1.75% (previous year 1.75%). As of December 31, 2017, the average market interest rate of the last 10 years with a remaining term of 15 years of 3.68% (previous year 4.01%) in accordance with the Provision Discounting Ordinance was used for discounting. V. m. § 253 Abs. 2 HGB used. The pension provisions amount to EUR 24 thousand (previous year: EUR 18 thousand). The difference according to Section 253 (6) HGB amounts to EUR 6,000. After offsetting against the asset value to secure the obligation (plan assets with acquisition costs of EUR 32,000;

The provisions take into account all identifiable risks and uncertain obligations that are subject to passivation and are recognized at the settlement amount required according to a reasonable commercial assessment. The percentage for determining the general warranty provision is 1.0% (previous year: 1.0%) of the sales subject to warranty. Individual warranty risks are also taken into account.

The liabilities are shown at settlement amounts. Long-term liabilities in foreign currencies are converted at the rate on the booking date or the higher rate on the balance sheet date. Short-term liabilities are converted using the mean spot exchange rate on the balance sheet date.

Income before the balance sheet date is shown under deferred income, which represents income after the balance sheet date.

Notes on the balance sheet

Capital assets

The development of the individual items of fixed assets as of December 31, 2017 is shown in the appendix to the notes.

As part of the restructuring of KBA-MePrint AG, Veitshöchheim, the after-sales business of this company was acquired in a purchase agreement dated December 23, 2015. The customer base acquired was capitalized at EUR 2,200 thousand and will be depreciated over an expected useful life of ten years at an annual rate of EUR 220 thousand. The book value as of December 31, 2017 was EUR 1,760 thousand.

Explanation of the shares in affiliated companies:

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	Equity KEUR	proportion of %	Result of the last financial year year	KEUR
Foreign companies				
KBA-METRONIC Nederland BV, Bergschenhoek / Netherlands	-621	100.0	2017	-63
KBA-Metronic (Hangzhou) Co., Ltd., Hangzhou / China [1], [2]	-49	67.0	2017	182
KBA-Metronic Polska sp. z oo, Poznan / Poland [3], [4]	79	80.0	2017	0

[1] preliminary conclusion

[2] Conversion at the closing rate of 1: 7, 79375 Chinese Renminbi Yuan

[3] preliminary conclusion

[4] Conversion at the closing rate of 1: 4, 17359 Polish zloty

The shares in affiliated companies in the amount of EUR 340 thousand relate to the joint venture KBA-Metronic (Hangzhou) Co., Ltd. founded in 2013. in China. Another EUR 182 thousand relates to the joint venture KBA-Metronic Polska sp. z oo in Poland.

Receivables and other assets

With the exception of a deposit of EUR 4 thousand, all receivables and other assets have a remaining term of less than one year, as in the previous year.

The receivables from affiliated companies essentially result from deliveries and services.

Equity

The 2017 annual result was transferred as part of the profit and loss transfer agreement concluded with the sole shareholder. As a result, equity remains unchanged at EUR 14,028,321.59.

Other provisions

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	12/31/2017 KEUR	December 31, 2016 TEUR
Personnel costs	740	701
Warranties and goodwill	357	344
Provision for restructuring (in connection with reconciliation of interests dated December 7, 2015)	281	727
Trade association	128	128
Rest	310	533
	1,816	2,433

liabilities

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	Remaining term up to one year December 31, 2017 kEUR	Remaining term over one year and up to five years December 31, 2017 EUR thousand	Remaining term of more than five years December 31, 2017 EUR thousand
liabilities from goods and services	1,530	0	0
(Previous year)	(1,721)	(0)	(0)
Liabilities to affiliated companies	5,500	0	0
(Previous year)	(6,021)	(6)	(0)
Other liabilities	686	233	0
(Previous year)	(855)	(0)	(0)
	7,716	233	0
(Previous year)	(8,597)	(6)	(0)

With the cancellation agreement dated May 31, 2017, the collateral trust agreement with Commerzbank AG and Sparkasse Mainfranken was terminated and the collateral was released. The credit line granted by Sparkasse Mainfranken remains unchanged at EUR 1,900 thousand.

The current account lines at the institutes are covered by guarantees from Koenig & Bauer AG, Würzburg.

The **liabilities to affiliated companies** in the amount of EUR 131 thousand (previous year: EUR 86 thousand) are short-term liabilities to Koenig & Bauer AG, Würzburg, mainly from calculated group allocations. The amount of EUR 5,282 thousand (previous year: EUR 5,877 thousand including liabilities from deliveries and services) relates to liabilities to the sole shareholder from the profit and loss transfer agreement for the 2017 annual result. The remainder relate to liabilities from deliveries and services.

Derivative financial instruments

There were no derivative financial instruments as of the balance sheet date.

Other financial obligations and contingent liabilities

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	12/31/2017 KEUR	December 31, 2016 TEUR
Other financial obligations according to § 285 No. 3a HGB		
Rental and leasing rates, maintenance contracts (until the end of the contractual term)	1,759	1,465

With the termination of the security trust agreement concluded with Sparkasse Mainfranken and Commerzbank AG, liability for any bank debts of KBA-MePrint AG, Veitshöchheim is no longer applicable. The credit lines of KBA-MePrint AG, Veitshöchheim, were not used in the year under review.

On December 22, 2017, the parent company Koenig & Bauer AG concluded a syndicated credit line of EUR 350 million with a bank consortium. In addition to a guarantee credit line of EUR 200 million, the financing includes a revolving credit line of EUR 150 million, which can be increased by EUR 50 million. The credit lines have a term of five years with two extension options of one year each until December 2024. Selected German companies, including KBA-METRONIC GmbH and the Koenig & Bauer Group, guarantee the collateral for the bank consortium. KBA-METRONIC GmbH's liability is limited to the company's net assets.

The company has issued a letter of comfort in favor of KBA-Metronic (Hangzhou) Co., Ltd., Hangzhou / China. We consider the risk of a claim from this liability relationship to be low due to the planned economic development of the subsidiary.

Notes on the income statement

Sales

The sales revenues resulted mainly from the sale of labeling systems and accessories. The breakdown of sales according to geographic markets gives the following picture:

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	2017 kEUR	2016 kEUR
Gross proceeds		
inland	19.208	18,678
EU member states	9,986	11,544
Rest of the world	13,278	10,812
	42,472	41,034
less		
Sales deductions	-300	-193
	42,172	40,841

Other company income

Other operating income includes EUR 368 thousand (previous year: EUR 306 thousand) income unrelated to the period. This essentially concerns the release of individual value adjustments on receivables and the release of provisions. Exchange rate gains of EUR 129 thousand (previous year: EUR 222 thousand) were incurred.

Other operating expenses

There were no significant out-of-period expenses in the financial year. Exchange rate losses resulted in the amount of EUR 436 thousand (previous year: EUR 101 thousand).

Exceptional income and expenses

There were no extraordinary expenses or income in the 2017 financial year.

Other Information

Employees (annual average)

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	2017 number	2016 number
Workers	59	65
Employees	180	171
trainee	24	25th
	263	261

The sole shareholder is KBA-MePrint AG, Veitshöchheim. Both companies are included in the consolidated financial statements of Koenig & Bauer AG, Würzburg, prepared according to the IAS / IFRS regulations adopted by the EU. These consolidated financial statements represent the exempting consolidated financial statements and the group management report for the company and are published in the electronic Federal Gazette. These consolidated financial statements also include information on the auditor's fee.

With the notarized minutes of the shareholders' meeting of KBA-METRONIC GmbH and the extraordinary general meeting of KBA-MePrint AG on November 29, 2017, the approval of the two aforementioned bodies to the draft merger agreement on the transfer of the assets of KBA-MePrint AG (transferring legal entity) to KBA-METRONIC GmbH (legal entity taking over) with effect from January 1, 2018. Among other things, it was decided that the shares in KBA-METRONIC GmbH held by KBA-MePrint AG would be granted directly to Koenig & Bauer AG as consideration for the transfer of assets.

The merger agreement between KBA-MePrint AG (transferring company) and KBA-METRONIC GmbH (receiving company) was notarized on December 7, 2017.

Supplementary report

With legal effect from January 1, 2018, the company will take over the assets of the sole shareholder KBA-MePrint AG by way of the merger through absorption. The entry in the commercial register takes place after presentation of the audited closing balance of KBA-MePrint AG. There were no other events of particular importance after the end of the financial year.

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Managing directors

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- Mr. Oliver Volland, Hille (sales, service and development)
- Mr German Stuis, Würzburg (HR, finance and production)

The remuneration of the managing director is not stated, making use of Section 286 (4) HGB.

Advisory Board

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- Dr. Mathias Dähn (Chairman of the Advisory Board), Chief Financial Officer of Koenig & Bauer AG
- Graduate engineer Claus Bolza-Schünemann, Würzburg, CEO of Koenig & Bauer AG
- Graduate economist Klaus Schmidt, Würzburg, director

Veitshöchheim, February 28, 2018

KBA-METRONIC GmbH

Oliver Volland, managing director

German Stuis, managing director

Development of fixed assets in the 2017 financial year

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	Acquisition and production costs				
	1.1.2017 EUR	Additions EUR	Rebookings EUR	Disposals EUR	December 31, 2017 EUR
I. Intangible Assets					
1. Purchased software	387,862.65	15,072.50	0.00	0.00	402,935.15
2. Customer base acquired against payment	2,244,000.00	0.00	0.00	0.00	2,244,000.00
3. Advance payments made on intangible assets	0.00	10,350.00	0.00	0.00	10,350.00
	2,631,862.65	25,422.50	0.00	0.00	2,657,285.15
II. Tangible assets					
1. Land and buildings	13,777,453.61	83,300.00	0.00	0.00	13,860,753.61
2. Technical systems and machines	1,314,307.83	96,821.25	296,680.00	78,287.72	1,629,521.36
3. Other equipment, factory and office equipment	1,587,397.42	94,098.47	0.00	15,799.59	1,665,696.30
4. Advance payments and assets under construction	302,326.00	0.00	-296,680.00	5,646.00	0.00
	16,981,484.86	274,219.72	0.00	99,733.31	17,155,971.27
III. Financial assets					
1. Shares in affiliated companies	578,136.17	0.00	0.00	0.00	578,136.17
2. Loans to affiliated companies	25,000.00	0.00	0.00	0.00	25,000.00
	603,136.17	0.00	0.00	0.00	603,136.17
	20,216,483.68	299,642.22	0.00	99,733.31	20,416,392.59

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	Depreciation			
	1.1.2017 EUR	Depreciation in the financial year EUR	Disposals EUR	December 31, 2017 EUR
I. Intangible Assets				
1. Purchased software	334,606.15	23,723.30	0.00	358,329.45
2. Customer base acquired against payment	263,138.89	220,333.33	0.00	483,472.22
3. Advance payments made on intangible assets	0.00	0.00	0.00	0.00
	597,745.04	244,056.63	0.00	841,801.67

		Depreciation		
	1.1.2017 EUR	Depreciation in the financial year EUR	Disposals EUR	December 31, 2017 EUR
II. Tangible assets				
1. Land and buildings	9,852,803.34	352,248.42	0.00	10,205,051.76
2. Technical systems and machines	1,152,054.56	97,689.48	78,265.20	1,171,478.84
3. Other equipment, factory and office equipment	1,089,562.69	117,989.05	15,154.48	1,192,397.26
4. Advance payments and assets under construction	0.00	0.00	0.00	0.00
	12,094,420.59	567,926.95	93,419.68	12,568,927.86
III. Financial assets				
1. Shares in affiliated companies	56,275.38	0.00	0.00	56,275.38
2. Loans to affiliated companies	25,000.00	0.00	0.00	25,000.00
	81,275.38	0.00	0.00	81,275.38
	12,773,441.01	811,983.58	93,419.68	13,492,004.91

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	Book values	
	December 31, 2017 EUR	12/31/2016 EUR
I. Intangible Assets		
1. Purchased software	44,605.70	53,256.50
2. Customer base acquired against payment	1,760,527.78	1,980,861.11
3. Advance payments made on intangible assets	10,350.00	0.00
	1,815,483.48	2,034,117.61
II. Tangible assets		
1. Land and buildings	3,655,701.85	3,924,650.27
2. Technical systems and machines	458,042.52	162,253.27
3. Other equipment, factory and office equipment	473,299.04	497,834.73
4. Advance payments and assets under construction	0.00	302,326.00
	4,587,043.41	4,887,064.27
III. Financial assets		
1. Shares in affiliated companies	521,860.79	521,860.79
2. Loans to affiliated companies	0.00	0.00
	521,860.79	521,860.79
	6,924,387.68	7,443,042.67

Auditor's report

We have audited the annual financial statements - consisting of the balance sheet, income statement and notes - together with the bookkeeping system and the management report of KBA-METRONIC GmbH, Veitshöchheim, for the business year from January 1 to December 31, 2017. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our task is to provide an assessment of the annual financial statements, including the bookkeeping, and the management report on the basis of the audit we have carried out.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). According to this, the audit is to be planned and performed in such a way that inaccuracies and violations that have a material impact on the presentation of the asset, financial and earnings position conveyed by the annual financial statements in accordance with the principles of proper bookkeeping and the management report are given with sufficient certainty be recognized. When determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system and evidence of the information in the books and records, the annual financial statements and the management report are assessed primarily on the basis of random samples. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained during the audit, the annual financial statements comply with the statutory provisions and, in compliance with the principles of proper bookkeeping, give a true and fair view of the company's assets, financial and earnings position. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Nuremberg, February 28, 2018

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Janz, auditor

Schmidt, auditor

Approval of the annual financial statements

The annual financial statements as of December 31, 2017 were adopted on March 20, 2018.
