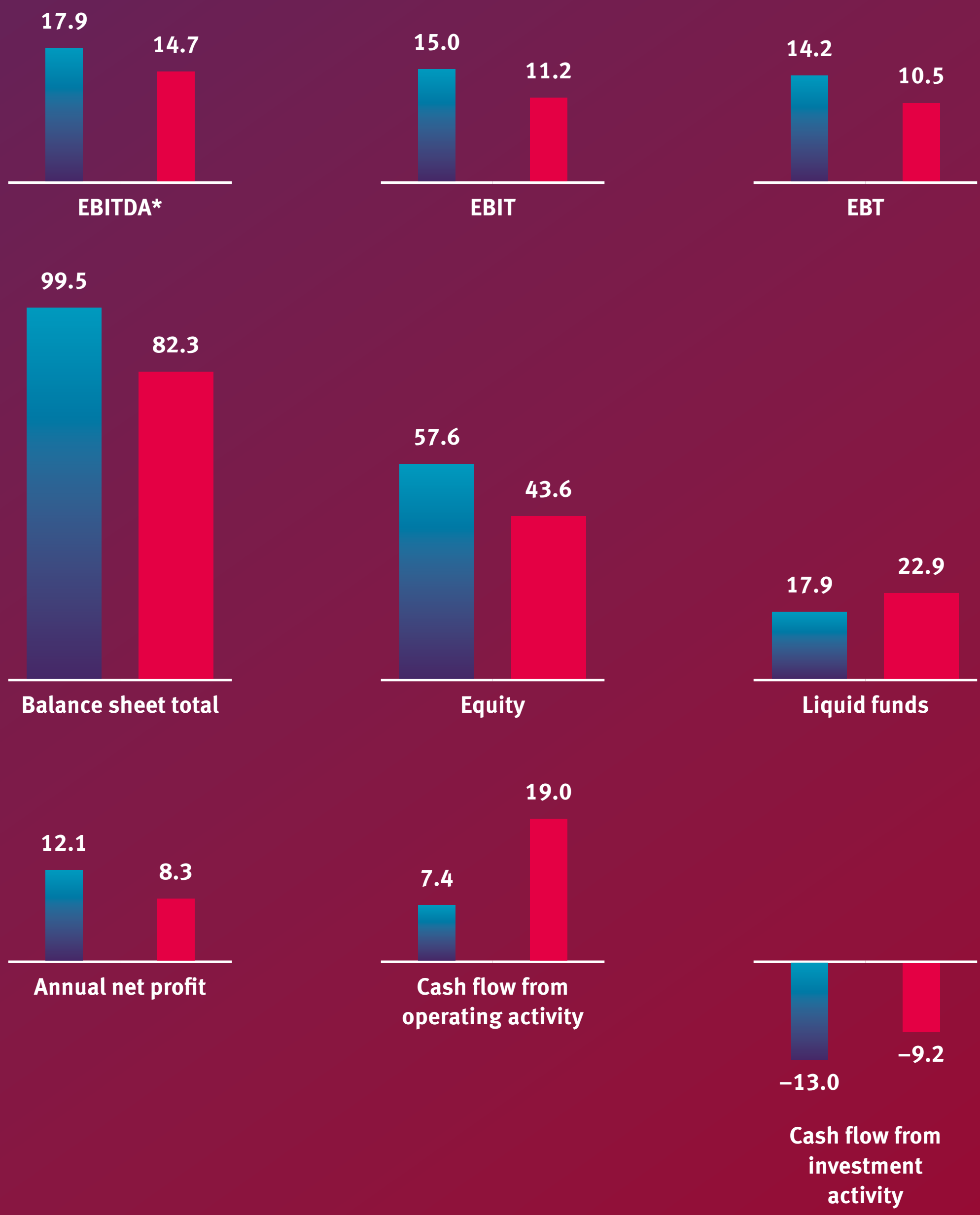
ANNUAL REPORT 2021

Consolidated key ratios pursuant to HGB

in million euros

2021 2020



* Earnings before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets

Content

Report of the Supervisory Board

Management Report and Group Management Report

Consolidated financial statement

Report of the Supervisory Board

Report of the Supervisory Board 2021

Dear Shareholders,

The Supervisory Board diligently performed the duties incumbent on it according to the law, articles of association and rules of procedure in the 2021 financial year and, in this context, monitored the activities of the Management Board of msg life ag in managing the company, guiding it in an advisory capacity. It compared actual business performance against its targets at each meeting and scrutinised the operational and strategic performance of the company in detail. The reasons behind any divergences and their possible knock-on effects on the company's short, medium and long-term plans were also discussed.

Besides decisions requiring consent, the Supervisory Board always discussed the current indicators of the earnings, financial and assets position of the msg life Group at each meeting. Additionally, the Management Board reported to the Supervisory Board on other important projects including, for example, the current sales and project situations in the individual divisions, the general development of the national and international market climates, short and longer-term corporate strategy as well as possible cooperative ventures.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND MANAGEMENT BOARD

All significant matters of relevance to the company were always reported to the Supervisory Board promptly and comprehensively. The Management Board also informed the Supervisory Board of any events of particular note during periods between meetings.

To prepare for their decisions, the members of the Supervisory Board were provided with detailed reports by the Management Board in advance. In these documents, the Management Board provided the Supervisory Board with monthly details of the key performance indicators, with any deviations from plans being explained in detail.

Additionally, the Chairman of the Supervisory Board was in constant contact with the Management Board – especially the Chairman of the Management Board – and inquired about current business developments and important transactions.

ACTIVITIES OF THE SUPERVISORY BOARD IN THE 2021 FINANCIAL YEAR

The Supervisory Board met five times in the 2021 financial year. Due to the Covid-19 pandemic, four meetings were held as teleconferences; the meeting on 23 September 2021 was held in person. All members of the Supervisory Board were present at every meeting and for every resolution.

The Supervisory Board received detailed reports from the Management Board in preparation for each meeting. In performing its functions and work, the Supervisory Board drew on the written and verbal information provided by the members of the Management Board; written and verbal information was also provided by the auditor with regard to the audit of the annual financial statements and consolidated financial statements for the 2020 financial year.

At its meeting on 4 February 2021, the Supervisory Board discussed the Management Board report on the current business situation of the company and in the individual segments, as well as major sales projects. Additionally, the Supervisory Board and the Management Board discussed the ongoing strategic collaboration between msg life ag and the msg Group company msg nexinsure ag in the context of their joint solution msg.Insurance Suite. Annual reports were also given on risk management, compliance, auditing and data protection.

On 15 April 2021, the Supervisory Board discussed the annual financial statements and consolidated financial statements, as well as the condensed management report and Group management report for the 2020 financial year. After consulting the auditor and the Management Board extensively, the Supervisory Board approved the annual financial statements for the 2020 financial year and the consolidated financial statements. Furthermore, the Supervisory Board examined the report on relationships with affiliated companies on the basis of the audit report prepared for that purpose and, in light of the outcome of its examination, did not raise any objections to the declaration of the Management Board at the end of the report; due to the potential conflict of interest, Supervisory Board members Dr Christian Hofer and Johann Zehetmaier did not take part in this examination or the resolution. At the meeting, the Supervisory Board also discussed holding the annual general meeting on 24 June 2021 as a virtual annual general meeting again due to the Covid-19 pandemic; in this context, the Supervisory Board agreed with the resolution of the Management Board and approved the corresponding agenda. In addition to current business performance, the Supervisory Board discussed the status of a few current projects from the head office departments. Moreover, the Supervisory Board discussed and approved the long-term objectives of the Management Board at this meeting.

At the meeting held after the annual general meeting on 24 June 2021, the Supervisory Board appointed, from among its members, Johann Zehetmaier as Chairman and Dr Martin Strobel as Deputy Chairman. Alongside the current business situation, the Management Board also reported to the Supervisory Board about the current status of the collaboration between msg life and msg nexinsure in particular.

On 23 September 2021, the Management Board and the Supervisory Board discussed the ongoing development of business and sales. They also discussed the strategy of the company in international markets and a publicly funded project in which msg life and the Ludwig Maximilian University of Munich are developing an innovative AI-based migration solution. Additionally, the Management Board informed the Supervisory Board about msg insur:it, the planned new co-brand between msg life and msg nexinsure.

In its meeting on 15 December 2021, the Supervisory Board discussed issues including the current business situation and the strategic development of the msg life Group in great depth. Additionally, the targets for 2022 were discussed and adopted.

AUDIT OF THE 2021 FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The annual general meeting held on 24 June 2021 appointed Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in Düsseldorf as auditor of the annual financial statements and consolidated financial statements for the 2021 financial year.

The auditor audited the 2021 financial statements and consolidated financial statements as well as the condensed management report and Group management report and granted an unqualified audit certificate. The 2021 annual financial statements and consolidated financial statements, the condensed management report and Group management report and the audit reports of the auditor were made available to every member of the Supervisory Board in good time prior to the Supervisory Board meeting on 29 April 2022. In this meeting, the Supervisory Board addressed the annual financial statements and consolidated financial statements as well as the condensed management report and Group management report for the 2021 financial year and discussed the drafts with the auditor and the Management Board. The auditor reported on the key outcomes of the audit in the process.

The Supervisory Board conducted its own detailed audit of the annual financial statements, the consolidated financial statements, the condensed management report and the Group management report, and raised no objections to them. In its meeting on 29 April 2022, the Supervisory Board adopted the annual financial statements and consolidated financial statements prepared by the Management Board. Consequently, the annual financial statements were adopted in accordance with section 172 of the AktG.

CHANGES TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

By resolution of the annual general meeting on 24 June 2021, the provisions in the articles of incorporation concerning the number of members of the Supervisory Board who are to be elected by the annual general meeting was changed to four Supervisory Board members. Likewise, by resolution of the annual general meeting on 24 June 2021, Dr Thomas Noth, Dr Martin Strobel, Johann Zehetmaier and Dr Jürgen Zehetmaier were elected to the Supervisory Board of the company. Dr Christian Hofer and Klaus Kuhnle stepped down from the Supervisory Board.

The Supervisory Board of msg life ag appointed Holger Gorissen, Robert Hess and Jens Stäcker as new members of the company's Management Board with effect from 1 February 2021. Holger Gorissen resigned from the Management Board with effect from the end of business on 31 December 2021.

The Supervisory Board thanks the members of the Management Board who served in the reporting period for their unfaltering dedication and reliability. Furthermore, the Supervisory Board would like to thank the employees of the msg life Group for their commitment and their once again outstanding work in the 2021 financial year, especially in light of the Covid-19 pandemic.

Leinfelden-Echterdingen, 29 April 2022

For the Supervisory Board

JOHANN ZEHETMAIER
Chairman of the Supervisory Board

Management Report and Group Management Report

The following management report is the condensed management report and Group management report of msg life ag, Leinfelden-Echterdingen. It tracks the business performance of the msg life Group, including that of the individual Group company of the same name, msg life ag, including the operating results for the 2021 financial year from 1 January 2021 to 31 December 2021, as well as the situation of the Group and the individual company as at the reporting date, 31 December 2021. All statements apply to the msg life Group (in the following also 'msg life') as a whole. Should the individual Group company be meant or should something different apply to the individual Group company in the course of the report, this will be explicitly mentioned or explained accordingly.

As of the reporting date, msg life ag (and its Group companies) is an indirect subsidiary of msg group GmbH, Ismaning. Hereinafter, the term 'msg Group' is used for msg group GmbH and its Group companies.

On 25 September 2020, msg life ag, Leinfelden-Echterdingen, and msg systems ag, Ismaning, signed a control agreement, which was amended on 6 November 2020. The annual general meetings of msg life ag and msg systems approved this control agreement on 10 November 2020 and 18 November 2020 respectively. The control agreement took effect retroactively as of 1 January 2021 when it was entered in the commercial register for msg life ag at the Stuttgart District Court on 20 January 2021.

The reporting currency is the euro, and the rounding is done to thousands or millions of euros. This can give rise to rounding differences of up to one arithmetical unit.

The Group's foundations

Business model

Since 1980, the msg life Group has been developing IT system solutions, advising customers on how to implement their IT strategies successfully and has developed into a leading provider of software, advice and digital cloud solutions for life insurance companies and pension fund institutions in Europe and, in particular, health insurance companies in the United States. In addition to enjoying a leading market position in the German-speaking countries, msg life's software is deployed worldwide. The solutions of the company are being used in over 30 countries.

As a holding company, the individual Group company is responsible for financing the Group companies as well as for their strategic and, to a limited extent, operational management. The holding company is primarily responsible for determining the target markets, defining the product range and making decisions concerning mergers and acquisitions. The holding company is responsible for central and staff functions such as sales, marketing, human resources, finance, business operations, controlling, internal auditing, data protection, compliance management, risk management, organisation and IT services and law.

The holding company's commercial activities are restricted mainly to the settlement of services within the Group and to financing; it operates only rarely as a contracting partner in customer projects. Within the scope of services, it is mainly the above-mentioned central and staff functions incumbent on the holding company that are settled. The purpose of the financing activity consists primarily of making interest-bearing loans to Group companies, making cash investments and distributing earnings from participating interests.

The primary income potential for the holding company lies in earnings from participating interests. For this reason, the disclosures of the Group concerning the development of markets, the general economic environment and opportunities and risks also apply to the holding company.

On the reporting date, the customers of msg life primarily consisted of insurers focusing on life insurance and pension fund institutions in Europe and, in the United States, in particular health insurance and group insurance providers. The services of msg life range from the development and implementation of standard software and the provision of digital consultancy services to the handling of full IT operations (cloud solutions).

The headquarters of msg life ag are located in Leinfelden-Echterdingen near Stuttgart, Germany. Other German branches are located in Munich, Hamburg and Cologne. The office in Düsseldorf was moved to Cologne in the 2021 financial year. msg life ag is also represented in Vienna (Austria), Regensdorf (Switzerland), Almere (Netherlands), Bratislava, Košice and Žilina (Slovakia), Maribor (Slovenia), Oporto (Portugal), Madrid (Spain) and New York, Denver and Boca Raton (USA).

According to the published announcements and the information available to msg life ag, direct or indirect interests exceeding 25 per cent of the shares as at 31 December 2021 were as follows:

Entity with reporting obligation	Type of interest	Number of shares
msg systems ag (Ismaning)	Direct	77.17%
msg group GmbH (Ismaning)	Indirect	77.17%

Organisational structure

Irrespective of its corporate structure, the msg life Group is divided up into business units assigned to market sectors or markets. This responsibility encompasses both the further development of the respective solution portfolio and the handling of customer projects, and is assumed at divisional level. The heads of these divisions and the managing directors comprise the next senior management level below the msg life ag Management Board.

Management and monitoring

As at 31 December 2021, the Management Board of msg life ag consisted of Rolf Zielke (Chairman), Dr Aristid Neuburger (Deputy Chairman), Francesco Cargnel, Holger Gorissen, Robert Hess, Milenko Radic, Jens Stäcker and Dr Wolf Wiedmann.

Holger Gorissen, Robert Hess and Jens Stäcker have all been appointed as members of the Management Board of the company with effect from 1 February 2021. Holger Gorissen stepped down as a member of the Management Board of msg life ag with effect from the end of business on 31 December 2021. Furthermore, after the end of the reporting period, Dr Aristid Neuburger and Jens Stäcker stepped down as members of the Management Board of the company with effect from the end of business on 28 February 2022.

By resolution of the annual general meeting on 24 June 2021, the provisions in the articles of incorporation concerning the number of members of the Supervisory Board who are to be elected by the annual general meeting was changed to four Supervisory Board members. Likewise, by resolution of the annual general meeting on 24 June 2021, Dr Thomas Noth, Dr Martin Strobel, Johann Zehetmaier and Dr Jürgen Zehetmaier were elected to the Supervisory Board of the company. Dr Christian Hofer and Klaus Kuhnle stepped down from the Supervisory Board.

As at 31 December 2021, the Supervisory Board of the company had four members: Johann Zehetmaier (Chairman), Dr Martin Strobel (Deputy Chairman), Dr Thomas Noth and Dr Jürgen Zehetmaier.

msg life AG and the msg Group company msg nexinsure ag, Ismaning, have been working closely together for many years in the context of the joint solution msg. Insurance Suite. The two companies are now moving even closer together and have had a joint management team with unified responsibilities since 1 February 2021. Additionally, msg life and msg nexinsure have been sharing the new co-brand msg insur:it in the insurance market since December 2021, underlining their leading role as a provider of insurance products. The new co-brand msg insur:it notwithstanding, msg life and msg nexinsure will remain independent legal units.

In September 2021, pursuant to Section 52 (2) of the German Limited Liability Companies Act (GmbHG), the shareholders' meeting of msg life central europe gmbh passed a resolution setting a target of (at least) 0% for the proportion of women on the Supervisory Board of msg life central europe gmbh and among the managing directors of msg life central europe gmbh by 31 December 2025. The shareholders' meeting is of the opinion that personal qualifications and ability, not gender, should be the decisive factor with regard to filling positions on the Supervisory Board and among the managing directors. As such, no considerations that are not solely based on the candidate's personal and professional suitability for a role should be decisive.

Important products and services

The company's core product is the policy management system msg.Life Factory, with which life insurance and pension products can be managed. The range of core insurance systems is rounded off by the policy administration system msg.Life and the all-sector system Unified Administration Platform (UAP), the latter being focused on smaller insurance companies and insurtechs, primarily in Europe.

The key specialist and across-the-board functions in the core line of business are covered in particular by the products msg.ZVK Factory (a system for managing supplementary pension funds), msg.Zulagenverwaltung (a system designed to manage the allowances of contracts subsidised under the Riester system), msg. RAN (pension settlement and documentation system), Unified Product Platform (a health and group insurance product platform, in particular in the US market), msg. Office (transaction control and document processing), msg.Tax Connect (legal tax notifications), msg.Tax Data tax exemption orders (solution for the automated management of tax exemption orders and non-assessment certificates), msg.Tax Data – Pflege-Bahr (solution for the automation of allowances processes and reporting procedures for private supplementary care insurance), msg.Sales (multichannel sales platform) with msg.Underwriting (risk assessment component) and msg.Ilis (insurance liability information system). There is also msg.Pension for managing time value accounts and company pensions, msg.Pension Data (automated provision of data for digital pension overview), msg. Marsy-Pension (an administrative solution for the management of company pension commitments) and msg. Online Insure (a self-service portal for digital communication with end customers). msg life also offers a wide array of consulting and services, ranging from software implementation to policy migration, with the migration department also offering the two migration software solutions msg.Migration System and msg.Migration Archive.

msg.Life Factory and other key components are part of msg.Insurance Suite, the common insurance platform of the msg Group. msg.Insurance Suite is a holistic industrial standard for all sectors of the insurance industry. The solution covers and integrates all necessary system components for an insurance company. msg life, msg nexinsure and the msg Group are collaborating closely in order to market msg.Insurance Suite. This collaboration and the full convergence of the components of msg.Insurance Suite are important elements of the product strategy.

Economic report

Macroeconomic and sector-specific conditions

At the time of writing of the condensed management report and Group management report, the impact of the Russian invasion of Ukraine in 2022 on the general economic and sector-specific conditions in the current 2022 financial year and beyond was not yet evident and has therefore not been taken into account in the following disclosures regarding both subject areas.

The Covid-19 pandemic continues to overshadow international economic activity. According to the Global Economic Prospect Report published by the World Bank in January 2022, the global economy is in a distinct decline compounded by new variants of Covid-19 as well as high inflation, debt and income inequality, following a strong upturn in 2021. Economists expect the global growth rate to fall from 5.5 per cent in 2021 to 4.1 per cent this year. The World Bank expects it to increase by 3.2 per cent in 2023.

The International Monetary Fund (IMF) recently downgraded the forecast it released last October in its updated World Economic Outlook in January 2022. The IMF expects the global economy to grow by just 4.4 per cent this year, following growth of 5.9 per cent last year – 0.5 per cent less than initially forecast. The IMF attributes this to the current Covid-19 situation, supply bottlenecks and the high rate of inflation. Like the World Bank, the IMF predicts growth of 3.2 per cent in 2023.

The IMF has downgraded its forecast by 1.2 percentage points to 4 per cent for the USA this year, the world's largest economy. The IMF has even downgraded its forecast by 0.8 percentage points to 4.8 per cent for China, the world's second-largest economy.

According to the IMF, the dramatic rise in inflation will remain high in 2022 due to ongoing supply difficulties and high energy prices. The organisation expects industrialised nations to see an average inflation rate of 3.9 per cent. The average rate of inflation in developing countries and emerging economies is expected to be 5.9 per cent.

With regard to Europe, the experts at the IMF expect the economy to grow by 5.0 per cent in 2021 and by 4.3 per cent this year. The forecasts of the OECD (Organisation for Economic Co-operation and Development) are somewhat more optimistic: The experts expect growth of 5.2 per cent in the previous year and 4.3 per cent in 2022. According to the experts, new variants of Covid-19 and insufficient rates of vaccination are just two factors that represent risks. Additionally, economic stimulus packages are running out and corrections are looming on the property markets.

According to the calculations of the Federal Statistical Office, Germany's GDP grew by 2.8 per cent in 2021 after having fallen by 4.6 per cent in the same period in the previous year. 'After economic performance had increased again last summer despite growing delivery bottlenecks and material shortages, the recovery of the German economy came to a halt at the end of the year due to the fourth Covid-19 wave and another reinforcement of Covid-19 preventive measures', reported the Federal Statistical Office in January 2022. Compared to the crisis in 2020, economic performance improved in almost every area in 2021. However, it has not yet reached its pre-crisis level.

The economic performance of the manufacturing sector improved by 4.4 per cent year-on-year. The aggregated economic sector of trade, transport, accommodation and food services saw growth of just 3.0 per cent. Following growth of 3.8 per cent in 2020, the construction sector reported a slight decline of 0.4 per cent. Other services, which include culture, entertainment, sports and creative activities, were hit particularly hard by the crisis: Their economic performance grew by just 0.6 per cent, following a decline of 10.5 per cent in the same period in the previous year.

In 2021, foreign trade recovered from the dramatic setback it suffered in 2020. Germany exported 9.4 per cent more goods and services abroad than in the same period in the previous year. Imports grew by 8.6 per cent. This means that foreign trade in 2021 was only slightly below the level it had reached in 2019.

The German government expects the country's economic recovery to accelerate over the course of the year. That being said, it is set to be less strong than initially predicted. 'The impact of the coronavirus pandemic continues to be felt', says a press release published by the Federal Ministry for Economic Affairs and Climate Action in January 2022. In spite of this, the economy remains 'robust'. The GDP is expected to grow by 3.6 per cent year-on-year. As such, economic performance will surpass its pre-crisis levels for the first time. As recently as December 2021, major German economic institutions downgraded their forecasts for 2022. For example, the Kiel Institute for the World Economy lowered its GDP forecast from 5.1 per cent to 4.0 per cent and the Halle Institute for Economic Research downgraded its growth forecast from 4.8 per cent to 3.5 per cent.

Under the more difficult conditions of the Covid-19 pandemic, the German insurance industry closed the 2021 financial year with a 'solid' performance, concludes Wolfgang Weiler, president of the Gesamtverband der Deutschen Versicherungswirtschaft (GDV), at its annual media conference in January 2022. He announced that insurers reported an increase in premiums of 1.1 per cent (previous year: 1.6 per cent) across all segments, reaching 223.4 billion euros.

The outlook for 2022 is cautiously optimistic. According to the GDV, the industry expects premium growth of between 2 and 3 per cent. With regard to life insurance, the Covid-19 pandemic can be expected to have an impact on business prospects in the current year too. Premium growth of between 1 and 2 per cent could be considered realistic here. The GDV expects a weaker performance from traditional life insurance products, although market-oriented products are expected to grow more strongly. 'The decisive factors here are the economic prospects of private households and the general political conditions for private old-age pensions in the current legislative period', said Weiler.

The GDV goes on to report that the premium income of life insurers and pension funds amounted to around 102 billion euros in the financial year ended. That amount is 1.4 per cent lower than in 2020. Whereas current premium income increased slightly to 65.3 billion euros, one-time premiums declined to 36.5 billion euros (-4.7 per cent).

According to the GDV, new Riester business performed well with growth of 12 per cent to 310,500 contracts. The portfolio largely remained stable, with around 10.4 million contracts. With regard to basic pensions, the number of newly brokered policies increased by almost 40 per cent to 119,000 contracts. This caused the overall portfolio to grow by 4 per cent to 2.5 million contracts.

The rating agency Moody's is confident about German life insurers: 'The pressure on life insurance is lifting gradually', said Christian Badorff, a credit analyst at Moody's, according to the business newspaper Handelsblatt in October 2021. Although the industry is still under pressure in 2022 due to low interest rates, it is set to stabilise. Moody's has upgraded its outlook for the sector from negative to stable. Life insurers are increasingly shifting new business to products that protect capital, it continues. Additionally, the additional interest reserves have suppressed the risks of their long-term interest guarantees.

The persistently low interest rates were a concern of the insurance industry in the 2021 financial year as well. The ECB launched a multi-billion-euro emergency purchase programme in March 2020 to mitigate the severe economic impacts of the Covid-19 crisis: under the Pandemic Emergency Purchase Programme (PEPP), the ECB will purchase up to 1.85 billion euros' worth of government and corporate bonds until March 2022 at the earliest.

In September 2021, the ECB decided to reduce the rate of PEPP purchases moderately. The ECB announced its decision at the most recent ECB meeting on 3 February 2022. At the same time, the ECB left the key interest rate in the Eurozone at 0 per cent, while the deposit facility rate also remained unchanged at -0.5 per cent. This means that banks must continue to pay penalty rates if they deposit surplus money with the ECB.

In light of the rapid rise in inflation, ECB President Christine Lagarde refused to rule out an interest rate increase this year. As such, the ECB is prepared to adjust all available instruments in order to reach its 2 per cent inflation target in the medium term. Lagarde made an announcement to this effect at the press conference afterwards. According to Eurostat, the statistical office of the European Union, the rate of inflation in Eurozone countries rose from 5.0 per cent in December 2021 to 5.1 per cent in January 2022. High energy costs were the main driver. According to the Federal Statistical Office, inflation in Germany fell to 4.9 per cent in January 2022 from 5.3 per cent in the previous month.

In light of interest rates having remained low for years, the Federal Ministry of Finance decided in March 2021 to lower the projected interest rate for new life insurance contracts from 0.9 per cent to 0.25 per cent from 1 January 2022 onwards. The German actuarial association Deutsche Aktuarvereinigung (DAV) had called for this to happen numerous times, as extensive premium guarantees were no longer reasonable from an actuarial standpoint due to the persistently low interest rates. In November last year, the DAV also recommended that this level remain in place until 2023: 'We do not currently see signs of a noticeable recovery in interest rates in the near future, not least in light of the economic uncertainty caused by the Covid-19 pandemic', said Herbert Schneidemann, chairman of the DAV, to support the recommendation.

For this reason, more and more insurers are developing new products with different guarantee models, moving away from traditional policies with guaranteed interest in the process. In the financial year ended, some insurers even abandoned the 100 per cent premium guarantee completely. They only offer a complete premium guarantee where they are required by law to do so.

Regulatory matters were also high on the list of insurers' priorities in the financial year ended. Be it the European Transparency Directive, the revision of Solvency II or the introduction of new international financial reporting rules (IFRS 17), the implementation of statutory regulations has made it necessary to make extensive adjustments. For many companies, this is a tremendous effort involving an enormous number of resources. In 2021, the European Commission presented its proposed revision of the regulatory regime Solvency II which has been in force since 2016. The legislative procedure currently involves the European Parliament and the European Council. According to the GDV, the amendments should remain balanced because Solvency II has proven itself so far.

In March 2021, the European Commission introduced the Transparency Directive (Sustainable Finance Disclosure Regulation; SFDR) for financial service providers. The directive governs the disclosure obligations of product providers and financial advisors in terms of sustainability in strategies, processes and products. The regulatory requirements also apply to insurance brokers, life insurers and providers of company pension schemes. The Regulatory Technical Standards (RTS) that expand on the directive are expected to apply from mid-2022 onwards. This will increase the amount of regulatory paperwork for life insurers and providers of company pension schemes.

With regard to old-age pensions, the German government has also decided to introduce a digital pension overview. It aims to provide customers with a quick overview of their statutory, company and private pension entitlements. The German Pension Overview Act (RentÜG) came into effect on 18 February 2021. The law requires all providers of private and company old-age pensions to connect to the portal if they are obliged to send regular summaries to their customers while they are paying into the pension. After a 21-month development phase, the platform is set to go live in autumn 2023.

Finally, the launch of a voluntary Pan-European Pension Product (PEPP) has been decided on a European level. The regulatory technical standards were defined in March 2021. PEPP is to be available throughout Europe, although providers will have to meet strict criteria before they are permitted to offer it. The European pension is designed to be complementary to existing state, statutory and occupational pension systems. Potential providers of the pension include insurance companies, company pension funds, banks and administrators of alternative investment funds.

Digitisation also remains at the top of the agenda for the German insurance industry. In particular, digitisation has been accelerated greatly by the Covid-19 crisis. Digitised business processes enable the ever-greater integration of systems across divisions, segments and company boundaries. That makes it possible to exploit the potential represented by the standardisation and automation of processes to a greater extent. Fully automated processes lead to enormous gains with regard to efficiency as well as significantly lower costs.

Insurers' expenses on IT also reflect the relevance of digitisation: according to the GDV, the insurance industry invested around 5.6 billion euros in its IT in the 2020 financial year, compared to around 5.5 billion euros in 2019. At 2.55 per cent, the IT cost ratio (the ratio of IT expenses to companies' gross premium income) remained almost constant. According to the GDV publication 'Insurance IT: A key to greater sustainability' published in January 2022, software standardisation, the replacement of legacy systems and cloud computing are among the most important IT projects. According to Branchenkompass Insurance 2021, the replacement of legacy systems with cloud computing IT is considered a recurring theme in the industry. It reports that more than 60 per cent of insurers are currently working to migrate to cloud-based solutions.

In Europe, the insurance industry largely managed to remain on track in 2020, the first year of the pandemic, according to the European Insurance Study 2021 published by Zeb Consulting in December 2021. Although insurers did have to accept larger drops in profits and premiums in some cases, the industry was in good overall condition when it was hit by the crisis, enabling it to mostly remain profitable. Even the European Insurance and Occupational Pensions Authority (EIOPA) describes the European insurance industry as 'fundamentally robust'. This is demonstrated by the results of the stress test 2021 that were published in December 2021. The test included 43 major European insurance groups, including five from Germany.

Likewise, insurers in the USA have survived the crisis relatively well. This is the conclusion of the article entitled 'Der Versicherungsmarkt USA im Blick' ('A look at the US insurance market') published by the R&D service provider Versicherungsforen Leipzig in December 2021. It states that gross premiums grew by 0.6 per cent overall in 2020. Although growth of 1.2 per cent was achieved in the non-life segment, life premiums decreased by 1.4 per cent. With gross premiums of 2.5 billion dollars, the US insurance industry is a global market leader: the USA accounts for more than 40 per cent of the global market.

Development of business

In the German-speaking market, the msg life Group is the market leader with the services and products it offers for life insurers and pension fund institutions and more than half of all leading life insurers in these countries are its customers. The Group's research and development activities are aimed at continuously reinforcing its leading position. With the regulatory requirements still changing constantly and the increasingly dynamic variety of products, insurance companies are increasingly pursuing a strategy of replacing their previous in-house software solutions with standard software.

msg life's products and consulting services are now a fixed part of the msg Group's portfolio for the insurance industry. And as an associated company in the msg Group, msg life is an even more significant strategic partner for its customers and an even more attractive employer for the employees.

In the TRAIL.X (TRustworthy Artificial Intelligence in Life Insurance) project that was launched in 2021, msg life and the Ludwig Maximilian University of Munich are developing deep neural networks (DNNs) for the actuarial computation module. These will enable life insurers to replace old system generations, map their core functions with artificial intelligence and integrate them into a modern system. Actuarial functions will be transferable automatically with AI and connected to a modern policy administration system. Trustworthy AI and automated machine learning are two topics that play an important role in this context.

The project breaks new technological ground and will create a fundamentally new hybrid technology at the point where machine learning, software development and actuarial mathematics intersect. The work ties in closely with the work in an ongoing migration project for an msg life customer and will be subsidised for three years by the Bavarian Ministry of Economic Affairs, Regional Development and Energy (StMWi).

Business with existing customers in 2021 was characterised by extremely stable, successful projects as well as a continuous flow of new contracts. The company expects these developments to continue in 2022.

msg life was able to achieve sales successes in almost every region in which the company operated in 2021:

In the German-speaking market, the contracts for a proof of concept relating to the potential rollout of msg. Insurance Suite were signed with a well-known life insurer and, shortly after the end of the reporting period, a start-up life insurer. Furthermore, the long-standing customer HUK-Coburg awarded contracts to roll out msg.RAN and msg.Tax Data. Likewise, the company was awarded contracts to roll out msg.Tax Data from Öffentliche Versicherung Braunschweig and AXA Lebensversicherung AG. ERGO also placed an order to introduce msg.Life Product, the mathematical component of msg. Life Factory.

msg life is also cultivating the Benelux market intensively from the German-speaking countries. After gaining AEGON in the Netherlands as a customer in 2020, msg life is generating interest there with its range of products, especially from insurance groups which operate nationally.

The business of msg life in the United States for primarily health and group insurers was satisfactory up to the end of the reporting period. FJA-US, Inc. – the msg life Group company located in the United States – recorded continuous successful development with solutions such as the Unified Distribution Platform, the Unified Product Platform and the web-based multi-channel platform msg.Sales. In the 2021 financial year, the company attracted two new, well-known customers from the health and life insurance segments and recorded overall growth in customer demand for services.

The range of services offered by msg life in the United States encompasses not only software products and technical consulting services on all aspects of product and tariff structuring, but also operator models – with the latter generating growing interest in the market. In 2021, the company's gained its first customers for such an operator model (i.e. SaaS) in which the customer pays a fee to use and operate the software.

msg life serves the Spanish and Portuguese markets with an office in Spain and its own local office in Portugal which is now also being used as a product development unit. The development of msg life's business with existing customers in that market was positive again in 2021 and it successfully managed to launch the project for its new customer, the non-life insurance company SegurCaixa Adeslas. Moreover, an acquisition was completed successfully for Mutual Medica in Spain and the project began shortly after the end of the reporting period. msg life continues to expect sales successes in that market in the current year.

msg life is serving the Central and Eastern European markets as well as other niche markets and segments from Slovenia in particular; as German-language insurers are particularly striving to access these highly competitive markets, they regularly offer interesting sales opportunities for msg life. The company has a presence in many Eastern European countries with the Unified Administration Platform (UAP). As a result of the growing consulting business that is developing in connection with its local presences, msg life expects these markets to generate cross-selling effects. In the reporting period, SwissCaution awarded a contract to roll out the UAP. msg life received another contract for this system from Calingo Insurance AG in Switzerland, as well as from Zurich Cantonal Bank shortly after the end of the reporting period.

As previously reported, there were numerous new orders for msg life in 2021 and the company expects relevant new business in the 2022 financial year. Business with existing customers in connection with the software components was also strong. Additionally, nearly all of the major projects set out in the corporate plan were executed in the reporting period. As in previous years, msg life focused on sales projects in well-established markets in particular in the 2021 financial year.

During the reporting period, msg life continued to work on the introduction of an information security management system (ISMS). Significant aspects of the establishment of the ISMS are the definition and implementation of more security guidelines in the software development process and other technical, HR and IT processes – with the objective of subsequent certification pursuant to the internationally recognised standard ISO:IEC 27001. The internationally recognised institute TÜV Rheinland is accompanying the process as certifying body.

Summarised evaluation of the company's business situation

The 2021 financial year was another strong year for the msg life Group. Numerous sales successes with the corresponding licence income, the very stable business with existing customers and continually low travel costs due to the still-ongoing coronavirus pandemic resulted in the targets set at the beginning of the financial year with regard to the financial key performance indicators of Group revenue from its own business (HGB) and Group earnings (HGB) being exceeded.

In the reporting period, the msg life Group recorded gross Group revenue from its own business under German GAAP of 176.1 million euros and Group earnings before interest, taxes, depreciation and amortisation (EBITDA) under German GAAP of 17.9 million euros.

The business situation of the company in the 2021 reporting year can be described as positive overall. The foundations exist for positive development in 2022 and beyond. Last year's prognosis in the separate financial statements forecast positive net results for the year; as the holding company, the individual Group company finished the 2021 financial year with net profit of 10.8 million euros.

Non-financial performance indicators

The msg life Group's efficiency is reflected not only in its commercial indicators, but also in its non-financial performance indicators. The most important of these in the msg life Group are the issues that concern its employees. The relevant disclosures can be found in the 'Employees' chapter within this condensed management report and Group management report.

Earnings, financial and assets position

The following disclosures regarding the earnings, financial and assets position of the Group by 31 December 2021 are based on the German Commercial Code (HGB).

The Group's earnings position

DEVELOPMENT OF TURNOVER

As at the balance sheet date, there were no changes to the consolidation group described in the consolidated financial statements for the 2020 financial year as at 31 December 2020.

The msg life Group's turnover in the financial year ended amounted to 193.8 million euros, which is 6.3 million euros higher than the figure for the 2020 financial year, corresponding to growth of 3.4 per cent.

During the financial year, service turnover increased by 8.5 million euros from 141.7 million euros to 150.2 million euros. As at 31 December 2021, service turnover makes up 77.5 per cent (previous year: 75.6 per cent) of total turnover. Product-based turnover overall was down by 2.2 million euros to 43.6 million euros (previous year: 45.8 million euros). In terms of product-based turnover, licensing income came to 14.1 million euros in the reporting period (previous year: 18.7 million euros), which represents 7.3 per cent of total turnover (previous year: 10.0 per cent). Maintenance turnover came to 23.6 million euros in 2021 (previous year: 21.0 million euros) and therefore makes up 12.2 per cent of the total turnover (previous year: 11.2 per cent).

The other turnover largely comprised computing centre services in 2021. This figure remained nearly constant in the past financial year at 5.9 million euros (previous year: 6.1 million euros).

As for the regional breakdown of turnover, the aggregate figure for Germany in the 2021 financial year totalled 172.2 million euros (previous year: 159.3 million euros) and 21.6 million euros in other countries (previous year: 28.2 million euros). Consequently, the level of demand for msg life solutions in the German-speaking market remains high.

The msg life Group reported a decrease in turnover in its US business, where turnover fell from 23.7 million euros to 17.6 million euros. Slovenia is the second-strongest foreign market in terms of turnover, with turnover in the 2021 financial year amounting to 1.7 million euros (previous year: 2.1 million euros). In Portugal and Spain, the company experienced a slight increase in turnover of 0.2 million euros to 0.8 million euros. Turnover in Austria was down to 0.2 million euros (previous year: 0.3 million euros), In Switzerland, turnover decreased slightly by 0.1 million euros in 2021, down to 1.2 million euros. At 0.1 million euros, turnover remained stable in the Benelux region.

The national affiliate in Slovakia generates turnover primarily for other Group companies, so that the external turnover it generates is correspondingly low.

The change in inventories decreased by 16.9 million euros from 8.4 million euros to -8.5 million euros in the financial year, causing the gross revenue of the company to decrease by 10.5 million euros to 185.3 million euros, representing a 5.4 per cent reduction. In particular, this effect is due to a project being carried out in cooperation with msg systems ag in which the gross revenue was 15.2 million euros lower than in the previous year.

DEVELOPMENT OF EARNINGS

In the financial year just ended – just like in the previous year – no development work for new software was capitalized. The item other operating income came to 2.0 million euros (previous year: 2.6 million euros).

Total costs in the 2021 financial year amounted to 169.5 million euros (previous year: 183.8 million euros); they decreased by 14.3 million euros, which corresponds to a reduction of 7.8 per cent. The largest proportion of total costs comprised personnel costs at 105.6 million euros (previous year: 105.6 million euros), which represents a share of 62.3 per cent (previous year: 57.4 per cent) relative to the average number of 1,185 employees (previous year: 1,157 employees).

At 44.5 million euros (previous year: 59.5 million euros), procured services represented a large proportion of total costs. The significant decrease in procured services of 15.2 million euros in the 2021 financial year is due to other services which contain expenses of 9.2 million euros (previous year: 25.4 million euros) resulting from the successful delivery of a milestone within the framework of a major project in cooperation with msg systems ag.

Procured services include external freelance staff whose costs amounted to 12.2 million euros in the 2021 financial year (previous year: 10.7 million euros). Procured services cover special requirements such as capacity utilisation peaks due to new projects and, as such, they are a variable element in the total costs.

Personnel costs and material expenses decreased by a total of 15.1 million euros to 150.1 million euros (previous year: 165.2 million euros). The personnel costs are at almost the same level as in the previous year. Other operating expenses accounted for 11.4 per cent of total costs in 2021, an increase compared with the previous year (10.1 per cent), and came to 19.4 million euros (previous year: 18.6 million euros). As in the previous year, the main component of other operating expenses is rent for office space of 7.0 million euros (primarily renting).

Over the course of the Covid-19 pandemic, travel expenses associated with products decreased further and were just 0.4 million euros in the 2021 financial year (previous year: 0.9 million euros). Communication costs decreased slightly, falling by 0.1 million euros from 0.9 million euros to 0.8 million euros. Likewise, consulting, accounting and Supervisory Board expenses decreased by 0.5 million euros to 2.0 million euros in the 2021 financial year (previous year: 2.5 million euros).

As a result, in the 2021 financial year, the Group was able to generate earnings before interest, taxes, depreciation and amortisation (EBITDA) of 17.9 million euros (previous year: 14.7 million euros).

The sum of all depreciation and amortisation decreased by 0.7 million euros to 2.8 million euros (previous year: 3.5 million euros). Depreciation of property, plant and equipment amounted to 2.4 million euros (previous year: 2.7 million euros). Scheduled amortisation of intangible assets amounted to 0.4 million euros (previous year: 0.8 million euros).

Altogether, the positive operating result in the 2021 financial year was 15.0 million euros (previous year: 11.2 million euros).

The financial result amounted to –0.8 million euros (previous year: –0.7 million euros). The Group is completely equity-financed and is not dependent on borrowing.

The Group's income from ordinary activities improved in 2021 by 3.7 million euros, bringing it to 14.2 million euros (previous year: 10.5 million euros). This resulted in income tax expenses of 2.1 million euros for the 2021 financial year, which exactly matches the tax expenditure of 2.1 million euros in the previous year.

After taking into account other taxes, net income for the 2021 financial year was 12.1 million euros (previous year: 8.3 million euros).

The Group's financial position

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Financial management is designed to enable the msg life Group to have the necessary funds at its disposal at all times so that it is capable of taking action in its operating activities to deal with volatility of incoming orders, fluctuations in customers' payment behaviour and investment needs. In the process, all the significant risks to which the msg life Group is potentially exposed must be recognised at an early stage and the necessary scope for suitable protective measures provided for. Within the framework of liquidity management, care is taken that sufficient funds and appropriate liquidity reserves are freely available at all times. In the financial year ended, the msg life Group was able to meet all payment obligations in their entirety.

FINANCING ANALYSIS

The income and operating cash flows of the Group are not, on the whole, exposed to any interest rate risk. In general, liquid funds are invested for short periods. Financial liabilities are short to medium term in nature.

With regard to the credit risk (default risk), there are no significant concentrations on individual customers in the Group. Receivables are not insured, primarily due to the high credit rating of the customers in the insurance sector.

Liquid funds in bank accounts decreased by 5.0 million euros and amounted to 17.9 million euros as at 31 December 2021 (by 31 December 2020: 22.9 million euros). Cash pooling exists for the German companies within the msg life Group. Additionally, the Group invested 23.4 million euros in cash in US treasury bonds (previous year: 11.0 million euros), in order to generate interest income on a part of its existing cash holdings. This also means that liquid funds increased by 7.4 million euros to 41.3 million euros (previous year: 33.9 million euros).

In the 2021 financial year, msg life generated an operative cash flow in the amount of 7.4 million euros (previous year: 19.0 million euros). The msg life Group closed the 2021 financial year with earnings before taxes on income (EBT) of 14.2 million euros in total (previous year: 10.5 million euros).

Cash flow from investing activities amounted to -13.0 million euros (previous year: -9.2 million euros), whereby investments in property, plant and equipment, in the form of technical equipment, accounted for 1.4 million euros and the purchase of US treasury bonds for 11.5 million euros.

There were no particularities in the cash flow from financing activities in the financial year ended, and as such it was -0.1 million euros in the 2021 financial year (previous year: 0.1 million euros).

The Group's assets position

ASSET STRUCTURE ANALYSIS

At 57.9 per cent, the equity ratio of the Group as at 31 December 2021 has undergone positive development compared to the previous year (previous year: 53.0 per cent) and equity amounted to 57.6 million euros (previous year: 43.6 million euros). As at 31 December 2021, the Group's total assets are 99.5 million euros (previous year: 82.3 million euros), which represents an increase of 17.2 million euros.

In the reporting year, current assets increased from 74.5 million euros in the previous year to 92.3 million euros. Essentially, this development was due to the fact that securities were 12.4 million euros higher and accounts receivable were 6.9 million euros higher as at the reporting date. On the other hand, liquid funds decreased by 5.0 million euros from 22.9 million euros to 17.9 million euros, which had the opposite effect.

The net total of the line item 'Inventories' has increased from 4.3 million euros to 7.5 million euros as payments received on account and work in progress exceeded the payments received on account of customer projects as at the reporting date. Due to the chosen method of open recognition, the net amount of 7.5 million euros has been recognised under inventories.

Non-current assets decreased on the whole by 1.5 million euros, from 6.6 million euros in the previous year to 5.1 million euros. In the 2021 financial year, property, plant and equipment decreased by 1.1 million euros. Overall, intangible assets decreased by 0.4 million euros to 1.0 million euros. Before they were netted against deferred tax liabilities, the deferred tax assets totalled 0.3 million euros (previous year: 0.4 million euros).

Provisions decreased by a total of 1.8 million euros to 25.8 million euros. Essentially, this change was due to the decrease in other provisions by 2.7 million euros to 17.7 million euros.

All in all, provisions account for 25.9 per cent of the balance sheet total, compared with 33.6 per cent in the previous year.

Liabilities amounted to 13.2 million euros. The increase of 4.4 million euros compared to the previous year is due to the increase in liabilities to affiliated companies of 3.6 million euros to 7.5 million euros, an increase in trade payables of 1.5 million euros and the decrease in other liabilities by 0.7 million euros to 2.6 million euros.

The Group has no financial liabilities due to banks (neither current nor non-current). All in all, the ratio of liabilities to total assets increased from 10.7 per cent in the previous year to 13.2 per cent now.

The 2021 financial year was above expectations. This development was caused by numerous sales successes with the corresponding licence income, stable business with existing customers and lower travel costs due to the Covid-19 pandemic. The Management Board of msg life ag expects the earnings, financial and assets position of the company this year to remain at the same level as in the previous year.

Significant events influencing the earnings, financial and assets position of msg life ag in the annual financial statements pursuant to the German Commercial Code (HGB)

EARNINGS POSITION

Compared to the previous year, turnover decreased by 6.5 million euros from 56.5 million euros to 50.0 million euros. This development was driven by turnover from third parties which decreased by 9.4 million euros, and internal turnover (i.e. turnover from companies within the msg life Group) which increased by 2.9 million euros. Other operating income came to 0.4 million euros (previous year: 0.6 million euros).

Expenses for the procurement of services were 11.6 million euros lower than in the previous year and amounted to 28.4 million euros in the financial year ended (previous year: 40.0 million euros).

Both in the 2021 financial year and in the same period in the previous year, the development of msg life ag's turnover and expenses resulting from the procurement of services was mainly due to the interim delivery of a milestone within the framework of a major project with msg systems ag.

At 8.4 million euros (previous year: 8.9 million euros), personnel expenses were just 0.5 million euros lower than the previous year.

The item of depreciation of property, plant and equipment from the separate financial statements prepared in accordance with German GAAP (HGB) decreased slightly to 0.4 million euros in the financial year ended (previous year: 0.5 million euros).

Other operating expenses, mostly consisting of administrative costs with affiliated companies, rent and legal and consultancy costs, bookkeeping costs and Supervisory Board remuneration, increased by 1.5 million euros from 17.1 million euros to 18.6 million euros in the financial year ended.

Under its profit transfer agreements, the company received 16.1 million euros from msg life central europe gmbh (previous year: 14.6 million euros) and 1.0 million euros of income from msg life global gmbh (previous year: 0.8 million euros).

In the 2021 financial year, as in the previous year, the net interest result of msg life ag amounted to -0.4 million euros and mainly comprises interest expenses for pension and anniversary provisions or accrued interest on IC liabilities to affiliated companies.

Income tax expenses amounted to 0.9 million euros in the 2021 financial year (previous year: 0.3 million euros).

Overall, for the 2021 financial year, msg life ag generated a net profit under the German Commercial Code (HGB) in the amount of 10.8 million euros (previous year: 5.2 million euros).

FINANCIAL POSITION AND ASSETS

Non-current assets increased by 0.4 million euros to 58.2 million euros (previous year: 57.8 million euros) because the company made larger investments in new hardware. The scheduled depreciation of property, plant and equipment had the opposite effect. Property, plant and equipment came to 1.0 million euros (previous year: 0.6 million euros).

msg life ag's current assets increased by 14.6 million euros to 53.9 million euros in the financial year ended (previous year: 39.3 million euros). This development is largely due to an increase in advance payments made within the framework of a major project with msg systems ag, as well as trade receivables as at 31 December 2021.

Trade receivables increased by 7.9 million euros to 10.2 million euros (previous year: 2.3 million euros).

Receivables from affiliated companies increased by 1.9 million euros to 3.7 million euros (previous year: 1.8 million euros). Liabilities to affiliated companies decreased by 0.7 million euros to 25.7 million euros (previous year: 26.4 million euros).

As at the reporting date, cash and cash equivalents were 1.0 million euros lower than in the previous year, reaching a balance of 10.6 million euros at the end of the year (previous year: 11.6 million euros). The company was completely equity-financed in the 2021 financial year (as was the case in 2020) and, as such, there were no deferred liabilities to banks.

Equity amounts to 53.2 million euros (previous year: 42.4 million euros), which represents an increase of 10.8 million euros. The net loss decreased to 1.4 million euros (previous year: net loss of 12.2 million euros) due to the current net result for the year, which does not put the company in a position to distribute dividends.

Total assets as at 31 December 2021 amounted to 113.5 million euros (previous year: 97.2 million euros).

Research and development

Focus of R & D activities

For msg life, research and development (R & D) serves not only to develop and expand standard software solutions, but also to extend its consulting expertise. Such expertise manifests itself in the strategic development of employee know-how, as well as in the further development of software tools that give efficient support to the consulting activities. Needless to say, all R & D activities are subject to the imperative of sustainable cost-efficiency.

The msg life Group does not conduct open-ended research, but instead focuses on purely target-oriented research. Special importance is attached to close communication with the market and customers as their assessment of the products' relevance to business success is crucial. The msg life Group therefore attaches a great deal of importance to its cooperation with customers in the user and operator groups as well as with partners (IBM or the msg Group, for example) in relation to its most important products. The approaches devised within the framework of research are presented, discussed and evaluated within the user and operator groups at an early stage and, if required, on a cross-product basis. The evaluation is conducted with particular regard to users' interest in acquiring the product enhancements. In this way, new releases of standard software products are generally partially financed by advance orders from some of the customers.

As there are no user groups that can be accessed for the placement of new products or the opening up of new markets, early customer models are used which reward a customer's early decision in favour of a new product with commercial benefits.

Purchasing R & D expertise

In its capacity as market leader in its core business, the msg life Group is usually unable to have recourse to ready-made external research findings. This particularly applies to specialist thematic areas in the customers' sectors. As a sector-specific service provider, the company prefers to rely on its own research, which builds upon its participation in trade conferences, association activities and joint projects with partner companies. Future trends, too, can usually be identified more reliably on the basis of the systematic reviewing of customer requirements from projects and canvassing situations than on the basis of external surveys. It goes without saying that the qualification level of the Group's employees is updated continuously by means of selective (also external) ongoing training activities. In the technology sector, msg life makes use of rapidly developing standards and non-proprietary technologies right through to freely available open-source products. The company also safeguards the quality of its own technological orientation by maintaining close partnerships with IBM and with selected colleges and universities.

R & D expenditure

The msg life Group's R & D expenditure totalled 11.195 million euros in the 2021 financial year (previous year: 8.934 million euros). Once again, no development expenses were capitalised.

Employees

On 31 December 2021, the msg life Group had 1,204 permanent employees including managing directors (31 December 2020: 1,172 permanent employees).

For the company, the 2021 financial year was again overshadowed by the restrictions on working in offices and on customers' premises due to the pandemic, as well as the extremely high percentage of employees who worked from home. As the company was able to master this decentralised way of working largely without issue in the second year of the pandemic, it has laid a robust cornerstone for the future of work organisation at msg life. The company took the various services it offers to support employees and their families further in 2021, and made further improvements to this field with a service provider and its extensive range of options and services.

In order to find new employees, the company offers recruitment opportunities in various job profiles and at various career levels. msg life uses the networks and expertise of employees within the sector; a recommendation programme has been established and will be expanded. In addition to its own networks, the Internet remains the most important medium for achieving the company's recruitment success. msg life thus places emphasis on using relevant online channels, far-reaching platforms as well as niche job markets, and implements its strategies in the fields of search engine optimisation and search engine advertising by using target-group-specific landing pages.

In the context of its long-term growth long strategy and the related strategic increase in personnel, msg life was able to stabilise the number of applications at a very high level in 2021, the year of the pandemic. The company once again received approximately 3,000 applications. The conversion of all application and onboarding processes to digital formats has been made even more professional. This was and is still being welcomed by applicants and will be a new benchmark even after the end of the pandemic. The year 2021 saw the introduction of the option to have time-delayed interviews, in which applicants are asked individual interview questions in videos and are able to respond with their own recorded answers.

The onboarding process for new employees was almost exclusively remote and digitised in 2021. msg life has been holding welcome and introductory events for all new employees for years. In the course of these onboarding sessions, the strategic orientation of the company is presented, as well as its targets in each field of business. The aim is also to give the new colleagues a broad network within the entire company as quickly as possible. In 2021, msg life took on the challenge of supporting new employees with a structured onboarding scheme. Innovative online collaboration formats, which are now well established, advanced and more professional, were used for these purposes.

In the interests of ongoing professional training, msg life is also continuing to support the extra-occupational training course for actuaries at the German actuarial association Deutsche Aktuarvereinigung (DAV).

msg life promotes employees as part of its in-house 'life talent' programme. Using a structured selection process, employees are identified as talents if they are developing very quickly and positively and they have the potential to take on a strategic and leading role in the company in the future. Within the programme, the participants identify their own strategic topics, work independently on questions and projects and take their results back to the company with the approval of the Management Board. In addition to individual support and professional development of the employees, the central goals of the programme, which starts on an annual basis, is good networking and long-term retention of the talents in the company, as well as allowing knowledge to be transferred as broadly, quickly and pragmatically as possible, in particular with regard to new topics. Within this context, the practised reality of flat hierarchies at msg life is both the foundation as well as the target of the successful implementation of the programme. The talent programme will be expanded and extended with a high-potential programme from 2022 onwards.

The remuneration model used by the company is continuously developed in a targeted fashion. It focuses on the roles and performance of fairness and employees, ensures that remuneration continues to meet the market standards and serves as a key benchmark for structured, individual salary changes.

In 2021, msg life continued to digitise its entire range of qualification courses systematically. In Qualification Suite, the company now has a modern and powerful learning management system which bundles all training and qualification topics and the associated processes into a single platform. This platform offers the ability to manage purchased training courses and the company's own qualification content in equal measures, to develop the content further and to provide these to the relevant target groups. Moreover, the system's ability to support multiple clients and languages allows for the flexible integration of additional user groups such as customers and the foreign subsidiaries of the company, something which was done in the USA, Portugal and Slovakia in 2021.

As part of the opening of new international insurance markets, the company continued its far-reaching qualification campaign in 2021 with regard to the English skills of employees.

In particular, the rapid availability of training content for changing target groups is a fundamentally crucial factor in the development of additional training formats. Numerous advanced training opportunities are also available, including from internal speakers in certain subjects.

Other legal and economic factors

Shareholders' rights and duties

Shareholders have property and administrative rights. The property rights include, in particular, the right to participate in profits (section 58, paragraph 4, of the German Stock Corporation Act – AktG) and liquidation proceeds (section 271 of the AktG), as well as pre-emption rights to shares in the event of capital increases (section 186 of the AktG).

The administrative rights include the right to attend the annual general meeting and speak, ask questions, put forward motions and exercise voting rights. Shareholders can assert these rights by initiating, in particular, actions for information and rescission.

Each share guarantees one vote at the annual general meeting. The annual general meeting elects the members of the Supervisory Board and the auditor of the financial statements; it decides, in particular, on the formal approval of the actions of the members of the Management Board and the Supervisory Board, alterations to the articles of incorporation, corporate action, empowerment to acquire treasury shares and, if required, the conducting of a special audit, the premature dismissal of members of the Supervisory Board and a dissolution of the company.

Opportunity and risk report

General

All the following estimations regarding opportunities and risks were made on the reporting date, 31 December 2021.

In the type of business it conducts, the msg life Group is exposed to a large number of uncertainties which, if realised, can affect the Group's earnings, financial and assets position, and that of the company, either positively or negatively, or result in msg life falling short of or exceeding the targets it has set itself for the future development of its business.

Among the Management Board's most important tasks in the overall management of the Group are, in close coordination with the Supervisory Board, laying down general conditions and processes of risk management for the msg life Group, monitoring the degree of compliance with them and, in conjunction with the heads of the operating units and the administrative departments, regularly analysing the development of risks in the respective segments.

The msg life Group's risk management system is documented in a risk manual. One employee in the holding company's Organisation & IT Services division has been appointed risk manager of the Group and is thereby entrusted with submitting the prevailing risk management system to regular internal evaluation and documenting this process. It is the responsibility of the managers of the individual divisions to continuously monitor and deal with the risks to which their own divisions are exposed.

The foundation of good risk management is the reliable and prompt provision of the management with relevant information about the course of business. For this purpose, msg life has set up a monthly controlling and reporting system.

The early risk detection system of msg life ag proved successful in 2021 as well and it was not necessary to revisit it. The entire procedure is described in the risk management manual and was approved by the Risk Board (risk manager and Management Board). The employees responsible for this field were trained accordingly. As part of the ongoing ISO 27001 certification project, the management of information security risks has been expanded further within the overriding central risk management system.

In accordance with the current version of the guideline, monthly reports were prepared on the most significant risks and the operative and central divisional managers and employees with special positions in terms of risks were surveyed three times per year. The Risk Board met three times in 2021. At the same time, data protection, the company's internal auditing, IT security and compliance management were incorporated into the early risk detection system. The corresponding risk report for 2021 was presented to the Supervisory Board in February 2022.

In 2021, the msg life Group's profile did not change significantly with regard to the main types of opportunity and risk areas to which it is exposed. Below, individual types of risk that are identified as being important are explained in greater detail. The specification of these risks does not imply that other risks which have not been mentioned will not have a significant impact on msg life's earnings, financial and assets position.

Strategic opportunities

msg life regards the continuation of regulation throughout the insurance sector as a direct consequence of the financial crisis. Like the ongoing low-interest phase, this regulation is necessitating a great deal of adaptation with regard to the solutions currently used in the insurance sector and is reinforcing the trend towards the use of standard software and cross-sector platform solutions – such as those offered by msg life. At this time, the situation in the insurance market is proving to be an opportunity for the company, as demonstrated by the new contracts over the past few years and current sales projects.

In the past, the Group company FJA-US, Inc. profited from the Patient Protection and Affordable Care Act (Obamacare) which was enacted in 2013 in terms of both turnover and earnings. After the Patient Protection and Affordable Care Act suffered from a lack of support from the Trump administration, the Biden administration pressed on with an improvement to the Patient Protection and Affordable Care Act in late 2021 in the form of the Build Back Better Act. As a result, state healthcare programmes such as Medicare, Medicare Advantage and Medicaid can be expected to grow further. Thanks to its now well-established partnerships with leading providers such as Companion Data Services, the msg life Group company in the USA can offer end-to-end services including claims handling. Additionally, the company successfully expanded its related activities in the health and group insurance market and further diversified its range of services.

Opportunities from regulatory developments

Regulatory adjustments as a result of legislative amendments are generating additional demand for consulting services and new or modified products among existing customers and, if integrated quickly into the products on offer, can constitute a crucial competitive advantage. Consequently, as described in detail in the 'Research and development' chapter within this condensed management report and Group management report, the relevant R & D activities at msg life serve, firstly, the further development and enhancement of standard software solutions, and secondly, the expansion of available expertise on consulting topics.

Product- and service-specific opportunities

In addition, msg life's employees are crucial to the company's innovative power and the customers' value added – and are therefore instrumental in the growth and profitability of the msg life Group as a whole. More information about the future opportunities being generated by msg life's employees can be found in the 'Employees' chapter within this condensed management report and Group management report.

Risk assessment

The following risks are listed in descending order based on their estimated probability of occurrence and impacts. Additionally, unless indicated otherwise, the following disclosures concern all the fields of business.

Project and product risks

The main potential source of risk in the course of operating activity lies in the calculation of the complex projects and in their organisational, functional, technical and commercial handling. These risks are controlled and monitored by means of the valid Group-wide standards for project and project risk management. The risk nevertheless remains that projects cannot be realised profitably for the msg life Group because costs exceed the agreed budget, deadlines cannot be met or the services rendered fail to comply with the agreed functional specifications or the required quality, and the msg life Group will therefore have to grant a discount or pay compensation. The overall risk profile of all ongoing projects was further reduced in 2021. The existing risks of individual projects have been appropriately taken into account for 2022. The cumulative occurrence in multiple projects could, however, lead to negative effects.

In the 2021 financial year, particular attention was paid to the potential impact of the current Covid-19 pandemic on the company. The company was quick to take comprehensive action in order to remain operational including, in particular, providing all employees with the necessary hardware and software to work remotely from home and moving almost all work to cyberspace both quickly and consistently. Nevertheless, there is a risk that msg life employees fall ill and are unable to work on customer projects or that customers are unable to perform the necessary supporting services. In turn, it might not be possible to reach agreed project milestones on time or at all, resulting in a negative impact on the economic development of the company. Looking at the 2021 financial year, it is once again evident that none of these risks arose and, for this reason – and also because of the steps taken by msg life and the performance of its project business in the current financial year 2022 – the company still sees no significant effects on its operating and financial performance as a result of the Covid-19 pandemic at the time these financial statements were prepared.

Like all software products, the msg life Group's products can have defects whose elimination under guarantee increases costs and thereby influences the profit margin or even leads to compensation claims against the msg life Group. The msg life companies generally assume the warranty which is customary in the industry. As far as possible, liability obligations are limited contractually to the legal minimum and are secured with appropriate liability insurance policies. It can nevertheless not be entirely ruled out that contractually agreed limitations on liability will be regarded as invalid and the existing insurance cover will be available to an insufficient extent or not at all – even if this is improbable.

The msg life Group also uses software from external suppliers in its own software products. This third-party software can contain defects that might have an adverse effect on the functional capability of the msg life Group's own products. Problems in the execution of projects and software defects that can occur in the operation of software produced by msg life can do lasting damage to the reputation of the msg life Group and thereby have a substantial impact on the future course of business.

Personnel risks

msg life's success depends crucially on the skills, qualifications and motivation of its employees. Certain employees in key positions are particularly important in this respect. If msg life is unable to get these employees to commit themselves to the company or to recruit qualified and skilled employees and develop them further on a continuous basis, msg life's success can suffer significant adverse effects due to the resultant loss of expertise. In addition, an excessive burden on the company's own employees could necessitate the deployment of expensive external capacities if the risk of quality losses in project development is to be averted. This applies particularly when the likely demographic trends are taken into consideration. In connection with this, msg life will be affected particularly by the probable decline in graduate numbers, the resultant competition to recruit them and the increasing costs this will lead to.

msg life counters this risk with an extensive set of measures. A continuous exchange of views with the employees on all factors affecting their work environment at standardised interviews with a facility for qualified feedback, internal training to prevent monopolies of knowledge and skills, on-the-job graduate training and the recruitment of suitable people through all of the usual market channels are just a few examples of these. In addition, the leadership guidelines for managers are designed to strengthen the employees' identification with the company.

Economic risks

The general economic trend affects the behaviour of potential customers as far as their investment in IT infrastructure and their expenditure on ongoing management consulting are concerned. An economic downturn could reduce the volume of the market on which msg life has trained its sights. Any capacity adjustment measures which are regarded as necessary to counter such developments might take effect only after a time lag and would lead to restructuring costs. With the volume-related remuneration models, a delay in portfolio growth caused by the general economic situation could result in a postponement of the planned diminution in fixed costs.

In the event of demand falling as a consequence of economic crises, msg life assumes that this would take effect rather more slowly among existing product customers because, in that segment, loyalty to the solution deployed ensures that any requisite adjustments will also be ordered. With regard to new customers, postponements of planned investments can lead to reductions in turnover, especially in product business.

All of the aforementioned economic risks also apply to the current Covid-19 pandemic. In light of the development of its business with new and existing customers and its project business in the reporting period and in 2022 so far, the company does not foresee any significant impact on its economic or operational development at the time of writing of these annual financial statements.

The aforementioned economic risks also apply to the Russian invasion of Ukraine in February of this year and the resulting economic sanctions against Russia. It is impossible to judge the economic effects of this crisis on the course of business of the msg life Group in 2022. At the time of preparation of the annual financial statements, however, msg life does not expect any significant changes to its economic or operational development.

Competition risks

With its solutions, msg life is a leading sector-based service provider for life insurers and pension funds in Europe and in particular for health and group insurers in the United States. This has led to a concentration and therefore an increase in market development risks. At the same time, this increases the company's profitability. msg life will therefore attempt to persevere with its existing strategy, including in its current product segments and regional markets, and to cover entire value chains and product ranges with its solutions. In this way, it hopes to achieve a decisive competitive advantage on the market, particularly vis-à-vis new competitors with aggressive pricing policies.

Technological risks

As with all comparable companies, the functional capacity of the business processes is also dependent on the availability and secure operational capacity of the IT infrastructure. External events such as fire, lengthy power or network failures, operational errors or acts of sabotage can, among other things, render the IT infrastructure inoperable. The msg life systems, and also those of its customers, can succumb to viruses which damage and incapacitate the systems or the network. Internal or external attacks can damage, distort or delete information and can result in confidential data and information being accessed. The probability and the extent of damage caused by viruses and hackers, by unauthorised persons accessing the IT system and by confidential information being accessed cannot be estimated to the fullest extent.

Recovery expenses, loss of production and recourse claims from customers and third parties as a result of system breakdowns or attacks could cause significant damage which, in turn, could influence earnings and endanger the future of the company.

Since IT security is strategically significant, extensive technical and organisational steps are, as far as possible, taken within the framework of the IT security concept. These steps include restrictive authorisation and access controls, regular backups and penetration tests and adequate contractual arrangements with service providers for outsourced systems and telephone and other communication links. In order to provide protection against penetration by viruses, the latest software available on the market is deployed as a matter of principle. Access restrictions prevent potentially infected software from being installed on the msg life computer network without authorisation. Defined security requirements limit access by unauthorised persons and ensure that data is protected. Financial loss is limited by appropriate insurance policies.

Risks from takeovers

msg life is currently interested in expanding its market position in German-speaking countries and internationally, primarily through organic growth. This can also be supported in parallel by strategic acquisitions. The success of an acquisition is dependent upon whether the acquired company can be successfully integrated in the Group structure and the desired synergy effects can be generated.

Liquidity risks

Managing liquidity risk includes ensuring that the company always has sufficient liquid funds or credit lines available to enable it to meet its payment obligations and hedge against risks resulting from fluctuations in payment flows. Among other things, the payment obligations consist of interest and redemption payments.

Liquidity risk also includes the risk of not being able to obtain sufficient liquidity at the expected terms when required (refinancing risk).

Under the management mechanisms now in place, the daily holdings of cash and cash equivalents and the monthly rolling financial plans are monitored by the company's management. The purpose of liquidity management is to finance predictable deficits at standard market terms under normal market conditions. This means that losses from both borrowing capital at excessive interest rates as well as investing surplus funds at interest rates below the market level should be avoided.

Because of the company's current holdings of cash and cash equivalents, msg life ag considers the liquidity risk to be low at present. The msg life Group has sufficient liquid funds to enable it to service its financial liabilities.

As at the balance sheet date, the company had loan agreements with three banks totalling 7.500 million euros. As at the reporting date, the loans had been used in the amount of 1.560 million euros for security deposits.

Risk reporting in respect of the use of financial instruments

Objective and methods of financial risk management:

Financial risk management is designed to put the msg life Group in a position to recognise all the significant risks to which it is potentially exposed at an early stage and to take appropriate countermeasures.

The potential risks to the msg life Group associated with financial instruments consist notably of liquidity risks – which can result in a company being unable to raise the funds needed to settle its financial liabilities – currency risks resulting from its activities in various currency areas, default risks arising from the non-fulfilment of contractual obligations by contracting parties and interest rate risks caused by movements in the market interest rate leading to a change in the fair value of a financial instrument and interest-related cash flow risks, which lead to a change in the future cash flows of a financial instrument due to changes in market interest rates.

Organisation:

The company has organised its risk management process along clear, functional lines. Specific tasks have been assigned to the individual organisational units involved in the risk management process. More information is available under 'General' in this section.

Credit risks (default risks):

Credit risk arises from deteriorating economic circumstances of the company's debtors or counterparties. Firstly, this results in a risk of partial or complete default on contractually agreed payments and, secondly, in a reduction in the value of financial instruments due to a poorer credit rating.

Credit risk management is responsible for the operational measurement and management of credit risks. Its functions include, in particular, monitoring credit risk positions and exposure and analysis of credit ratings.

In terms of credit risk, the Group is only exposed to risk in relation to trade receivables. Adequate valuation allowances have been made to cover the estimated default risk. As the credit rating of clients in the insurance industry is generally good, the receivables are not insured. The maximum default risk is in principle equivalent to the nominal values less the valuation allowances. There is no other loan collateral and there are no other risk-mitigating agreements (such as guarantees, land charges or pledges) in place. Usage reservations exist until payment is complete. For invoiced receivables, the net balance of additions to and reversals of valuation allowances was 819,000 euros (previous year: 14,000 euros). On each effective date, trade receivables do not include any carrying amounts for which terms have been renegotiated and which would otherwise be overdue.

With regard to the analysis of trade receivables which are overdue but not impaired as at the end of the reporting period, the reader is referred to section IV 'Notes on the statement of financial position', number 3 'Trade receivables' in the notes.

There are no default risks in relation to cash and cash equivalents. These are invested at banks with good ratings.

There are no significant default risks in relation to other financial assets.

Liquidity risks:

Managing liquidity risk includes ensuring that the company always has sufficient liquid funds or credit lines available to enable it to meet its payment obligations and hedge against risks resulting from fluctuations in payment flows. Among other things, the payment obligations consist of interest and redemption payments. Liquidity risk also includes the risk of not being able to obtain sufficient liquidity at the expected terms when required (refinancing risk).

Under the management mechanisms now in place, the daily holdings of cash and cash equivalents and the monthly rolling financial plans are monitored by the company's management. The purpose of liquidity management is to finance predictable deficits at standard market terms under normal market conditions. This means that losses from both borrowing capital at excessive interest rates as well as investing surplus funds at interest rates below the market level should be avoided.

Because of the company's large holdings of cash and cash equivalents, the msg life Group considers the liquidity risk to be low at present. The msg life Group has sufficient liquid funds to enable it to service its financial liabilities.

In addition, as at the reporting date, there are credit lines with banks amounting to 7.5 million euros, of which 1.560 million euros had been used at the reporting date for security deposits.

In the 2021 financial year and in the previous year, no income from debt waivers was realised.

Market risks:

Market risks result from changes in market prices. These cause the fair values of financial instruments or future cash flows relating to them to fluctuate. Market risks encompass interest rate, currency and other price risks (such as commodity prices and share prices).

Price risks:

The msg life Group is not exposed to any price risks.

Interest rate risks:

Interest rate risks result from a fluctuation in the fair value or future cash flows of a financial instrument due to changes in market interest rates.

The income and operating cash flows of the Group are not, on the whole, exposed to any interest rate risk. There are no significant interest rate risks in relation to its financial assets. The investment of cash and cash equivalents is done on a short-term basis and undergoes the normal market fluctuations. On the condition that all other parameters remained unchanged, the company assumes that interest rates were ten base points lower (higher) in the reporting period. In this case, the net result for 2021 would have been 8,000 euros lower (higher) (previous year: 8,000 euros lower (higher)) and the equity components would have been 8,000 euros lower (higher) (previous year: 8,000 euros lower (higher)).

In the reporting period as well as the previous year, there were no (interest-bearing) financial liabilities with variable interest rates.

Currency risks:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the most part, the operating companies of the Group carry out their business activities in their respective countries. The Group – with the exception of the United States – is therefore not exposed to any significant currency risks in its operating business. A total of 90 per cent of its revenues are generated in eurozone countries (previous year: 87 per cent), and the remainder in Switzerland and the United States. The currency risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 15 per cent (previous year: 13 per cent). In the case of trade payables, currency risks occur in relation to the 3 per cent of liabilities not denominated in euros (previous year: 5 per cent). Differences arising from currency conversion of financial statements from a foreign currency to the Group currency for the creation of consolidated financial statements do not affect currency risk because the respective changes in foreign currency are recognised under equity with no effect on income.

Information on risk concentration (concentration risks):

The company does not have any dependencies on the procurement side. On the sales side, there tend to be concentrations of risk due to the geographic distribution of turnover. For example, Germany accounts for an 88.8 per cent share of turnover (previous year: 85.0 per cent).

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers accounted for a 64.0 per cent share of turnover (previous year: 61.1 per cent) and a 33.7 per cent share of trade receivables (previous year: 37.9 per cent).

With regard to cash and cash equivalents, there is no concentration on individual institutions.

Overall assessment of the opportunities and risks

msg life believes that, in light of the likelihood of their occurrence and their effects, the risks described above do not represent a threat to the company's continued existence either individually or as a whole. Senior management remains confident that the Group's earning power constitutes a solid basis for the future development of its business and will generate the resources that will be necessary for the Group to pursue the opportunities that present themselves. In view of its leading position on the market, its functional and technological innovative power, its committed employees and its processes for the early identification of risks, msg life is confident that, in 2022, it will again be able to deal successfully with the challenges that arise from the aforementioned risks.

Forecast

Market and competition

With more than 1,200 employees at sites in Germany, the Netherlands, Austria, Switzerland, Slovakia, Slovenia, Portugal, Spain and the United States, msg life is very well positioned in the field of software and consulting services for insurance companies and pension fund institutions. msg life's wide range of digitised products and services for life insurance companies in Europe and, in particular, health and group insurance companies in the United States, gives it excellent market opportunities and a promising competitive position.

In connection with its ongoing internationalisation strategy, msg life and IBM have entered into a partnership to open up new insurance markets. The goal is to significantly increase the competitiveness of international insurance companies through a fully digitised end-to-end solution, thereby securing their future.

In the past, the strategic presence of msg life in each foreign market was an important success factor when it came to attracting new customers. It is also becoming more and more apparent that Group companies want to put the solutions implemented for one region at the disposal of other Group companies in other countries – which can advance the ongoing internationalisation of msg life as a service provider for its customers. Besides the established partnership with IBM, the objective in the 2022 financial year is to press ahead with major sales projects, especially in the established foreign markets, as in the 2021 financial year.

The Benelux countries are an important market in this regard, where msg life, in cooperation with IBM, gained its largest new customer so far in AEGON in the Netherlands, and is now working on the related introductory project.

The Austrian market is also a cornerstone of msg life's international activities: msg life has enjoyed a number of highly significant successes there in recent years. The placement and further development of the consulting portfolio for the German-language markets and the marketing of msg life products in the countries of Central and Eastern Europe is carried out from Vienna. On the Swiss market, too, msg life sees good prospects for the further expansion of its business and is represented with its own offices and by various well-known life insurers such as AXA and Schweizerische Mobiliar. An innovative, AI-based and previously unique migration solution developed by msg life will be used at AXA in 2023 in the context of the acquisition of the legacy portfolio.

msg life has a direct presence in Central and Eastern Europe with its subsidiaries in Slovakia and Slovenia. Moreover, the Iberian Peninsula is a highly interesting market which is cultivated by msg life's offices in Portugal and Spain. msg also uses the location in Portugal as a product development unit.

With regard to the US market, msg life is currently examining whether it would be possible to deploy a localised version of its portfolio of European life insurance products in connection with its specific US products as an integrated solution. Overall, msg life continues to enjoy steady growth in the various insurance sectors in the US market and intends to exploit the potential for business that this represents. In addition to the implementation and integration of specific software products, the range of services offered by msg life encompasses a variety of consulting services in connection with product and tariff modelling, for example, as well as operator models – these are generating growing interest in the market.

The target group of the msg life Group company there is predominantly health and group insurers and, in future, will also include life insurers on the basis of the US product portfolio. The expansion and diversification of the company's own range of solutions and partnerships with specialised service providers are being used to unlock new customer groups. Now that the Biden administration has built on the Patient Protection and Affordable Care Act, msg life expects the state healthcare programmes such as Medicare, Medicare Advantage and Medicaid to grow further with the sales opportunities this provides. In the US market, msg life is also examining the potential for a commercial partnership in the field of health insurance.

Following an excellent 2021 financial year, msg life is registering a high level of demand for solutions in the first quarter of the current 2022 financial year – from insurance companies in Germany and other countries in equal measure. In this context, msg life also expects to see further regulation throughout the financial services sector. Be it the revision of Solvency II, the new international accounting standard IFRS 17, the European Transparency Directive, the rollout of a digital pension overview or the introduction of PEPP, the ongoing implementation of numerous regulatory requirements necessitates comprehensive changes to the solutions which are currently used and ties up vast amounts of insurers' resources. This means that the use of versatile, cost-effective standard software remains highly attractive throughout the insurance industry.

Consequently, the German-speaking market will remain very challenging for all insurance companies this year and probably in the years to come. The ongoing trend towards internationalisation and consolidation is another factor and, given the efforts to reduce costs and increase efficiency within insurance companies, there is a clear correlation between modern and flexible IT on the one hand and corporate success on the other.

Despite persistently difficult general conditions, private life insurance cover remains indispensable in Germany in view of the demographic trend and the necessity of covering against biometric risks. In the process, almost all insurers are striving to enhance their existing product ranges and develop new, innovative ones – this goes for all existing product groups, control layers and legal forms. The companies' starting situations and the pressure on them to innovate vary and are consequently bringing about a variety of innovations. The focus is on products that tick more than one box at the same time: products that satisfy the desire of the policyholders for security, returns and flexibility, meet the needs of the insurer in terms of more efficiency and profitability and comply with the regulatory requirements at the same time.

In terms of the conventional capital accumulation products, modifications of the guarantees are dominant, for example through the use of current calculation guidelines or by dispensing with the annual interest guarantee. With the biometric products, too, there is a great deal of action on the market. Dynamic hybrid products have become the standard now and there is a continuous flow of innovative products in addition to them which allow, for example, investment in funds, but also the purchasing of options on the basis of traditional basic cover. Insurance companies at the larger end of the scale in particular are offering products for old-age provision with capital guarantees on the basis of unit-linked approaches with investment guarantees.

Given the current challenges, microservice-oriented architectures designed to quickly support modified business models and high system versatility for the rapid introduction of innovative products are factors crucial to the success of insurance companies. The developments in insurance products described above are typically not associated with particular product families. The platform economy is also playing a key role in the insurance industry this year: numerous insurers are now using platforms and ecosystems to provide digital products and services beyond what had previously been their core business – this in turn is opening up new ways to create value.

Artificial intelligence (AI) is also becoming increasingly relevant as a topic. The use of AI (and automated machine learning at its heart) not only improves efficiency through automation, but also facilitates new technical approaches which in turn pave the way for entirely new business models, services and products. In connection with AI, insurers are also concentrating on robo-advisers, advanced analytics and blockchain.

For one, msg life is responding to this with the TRAIL.X project, where deep neural networks (DNNs) are being developed for the actuarial computation module in cooperation with the Ludwig Maximilian University of Munich. These DNNs will enable life insurers to replace old system generations, map their core functions with artificial intelligence and integrate them into a modern system.

For larger insurance companies, the acquisition of closed insurance contract portfolios that are no longer available for sale ('run-off' portfolios) from mainly smaller insurance companies remains an important factor. This enables the latter to generate positive effects for their books, and buyers can generate significant economies of scale and cost synergies. Modern asset management with modern and powerful IT systems plays a decisive role in this regard as well in the more efficient management of contracts.

The digitisation of our economy and society has been accelerated greatly by the Covid-19 pandemic and remains one of the most significant challenges facing the German insurance industry. Digitised business processes enable the ever-greater integration of systems across divisions, segments and company boundaries. That makes it possible to exploit the potential represented by the standardisation and automation of processes to a greater extent. Fully automated processes lead to enormous gains with regard to efficiency as well as significantly lower costs. The subjects of customer centricity and individualisation, industrialisation and automation, analytics and data effectiveness, and standardisation and integration are at the heart of the digitisation trend. Insurers are increasingly committed to cloud solutions with which IT capacities can be adapted to meet the level of demand in a flexible manner.

With digitisation, modern insurance products and services can be made available on new channels or integrated into new sales and cooperation platforms; all of this requires extensive changes to the IT landscapes of insurers in order for the new technology and platforms to be integrated and is taken into account by msg life when it develops its products and services. The company already has SaaS and cloud-based solutions to support its customers with the digitisation process, thanks in no small part to its strategic collaboration with IBM.

In light of these developments, msg life anticipates that insurance companies will show a general interest in the software and consulting solutions it will be offering in 2022.

Further development of products and services

msg life is pressing ahead with the further technical and functional optimisation and completion of its product range in the fields of life insurance and pensions. The necessary investments for this are being kept at a relatively normal level for a software company in the current year.

Continuous delivery, an important strategic element, will continue to be implemented in 2022 in order to further optimise the development process with and for customers.

The full convergence of the components of msg.Insurance Suite, the central, common insurance platform of the msg Group, and the sales-related collaboration taking place in this context remain key aspects of the product strategy. msg.Insurance Suite is a holistic industrial standard for all sectors of the insurance industry and is therefore a unique overall solution on the market.

The development of the policy management system msg.Life Factory and its components on the basis of innovative, cloud-native architecture remains a core project in terms of products. In 2022, msg life will earmark approximately 11,400 person-days in development capacity for this and for the further convergence of the components of msg.Life Factory into msg.Insurance Suite.

In connection with msg.Insurance Suite, msg life is still experiencing strong market demand with regard to migration. The company is therefore continuing to hone its own expertise in the migration of entire platforms and is focusing on the further acceleration of migration projects through innovative approaches such as AI, automation and expanded correction processes.

In its consulting business, msg life also relies on its unique selling point of being able to transfer tried-and-tested solutions from the msg life product area even to non-product customers more cost-effectively than any of its competitors.

With regard to the ongoing global Covid-19 pandemic, msg life still sees no significant impacts on the operational or economic development of the company, including in light of the steps taken by msg life and the development of its business with new and existing customers and projects in the 2022 financial year so far.

In the 2022 financial year, msg life expects Group earnings before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets (EBITDA) of between 14.0 and 18.0 million euros and gross Group revenue from its own business of between 165.0 and 180.0 million euros in accordance with German GAAP.

As the holding company, the individual Group company expects a positive result under HGB in the 2022 financial year.

The aforementioned targets are based on circumstances prior to the Russian invasion of Ukraine in February of this year and the resulting economic sanctions against Russia. It is impossible to judge the effects of this crisis on the course of business of the msg life Group in 2022. At the time of preparation of the annual financial statements, however, msg life does not expect any significant changes to its economic or operational development, and is therefore currently not deviating from the above targets for 2022.

Leinfelden-Echterdingen, 14 April 2022
msg life ag

ROLF ZIELKE
Chairman of the Management Board

FRANCESCO CARGNEL
Member of the Management Board

ROBERT HESS
Member of the Management Board

MILENKO RADIC
Member of the Management Board

DR WOLF WIEDMANN
Member of the Management Board

Consolidated financial statement

Consolidated income statement

		2021 Euro	2020 Euro
1.	Sales	193,807,879	187,469,962
2.	Increase or decrease in work in progress	−8,531,147	8,368,855
3.	**Gross income**	**185,276,732**	**195,838,817**
4.	Other operating income	2,033,091	2,630,178
5.	Cost of materials		
a)	Cost of purchased goods	−62,302	−120,458
b)	Cost of purchased services	−44,430,884	−59,531,515
		−44,493,186	**−59,651,973**
6.	Personnel expenses		
a)	Wages and salaries	−89,136,256	−90,358,191
b)	Social security and pension costs	−16,428,034	−15,203,684
		−105,564,290	**−105,561,875**
7.	Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	−2,809,185	−3,496,585
8.	Other operating expenses	−19,397,979	−18,551,774
9.	**Operating result/EBIT**	**15,045,183**	**11,206,788**
10.	Other interest and similar income	37,005	135,844
11.	Interest and similar expenses	−850,777	−867,029
12.	Taxes on income	−2,079,816	−2,087,289
13.	**Earnings after taxes**	**12,151,595**	**8,388,314**
14.	Other taxes	−9,768	−84,041
15.	**Net profit/loss for the year**	**12,141,827**	**8,304,274**
16.	Loss carried forward	−22,494,097	−30,798,371
17.	**Net loss for the year**	**−10,352,270**	**−22,494,097**

Consolidated cash flow statement

		2021	2020
		Euro	Euro
	Net income for the period	**12,141,827**	**8,304,274**
+	Depreciation of fixed assets	2,809,185	3,496,585
+/–	Increase/decrease in provisions	–2,271,306	5,405,274
+/–	Other non-cash expenses and income	286,668	–949,083
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investment or financing activities	–11,315,534	6,768,699
+/–	Increase/decrease in trade payables and other liabilities not related to investment or financing activities	4,388,534	–4,909,881
+	Loss from the disposal of subsidiaries	0	156,358
+	Loss arising from the disposal of fixed assets	16,710	203,043
–	Income from grants	–54,202	–214,789
+/–	Interest expenses/income	823,098	731,185
+/–	Income tax expenditure/income	2,079,817	2,087,289
–	Income tax payments	–1,509,522	–2,098,679
=	**Cash flow from ordinary operations**	**7,395,275**	**18,980,275**
–	Cash outflow for investments in intangible fixed assets	0	–1,067
–	Cash outflow for investments in tangible fixed assets	–1,351,867	–3,411,267
–	Incoming payments due to the disposal of investments as part of the short-term disposition of finance	–11,473,014	–5,795,700
–	Cash outflow in connection with the disposal of subsidiaries	0	–88,567
–	Cash outflow in order to acquire or create plan assets	–219,893	–46,145
+	Interest received	31,985	178,995
=	**Cash flow from investment activity**	**–13,012,789**	**–9,163,751**
+	Incoming payments from grants received	54,202	214,789
–	Interest paid	–114,179	–101,380
=	**Cash flow from financing activities**	**–59,977**	**113,409**
	Net changes in cash and cash equivalents	–5,677,490	9,929,932
+/–	Changes in cash and cash equivalents due to exchange rates	627,705	–479,279
+	Cash and cash equivalents at beginning of period	22,904,780	13,454,127
=	**Cash and cash equivalents at end of period**	**17,854,995**	**22,904,780**

Consolidated statement of financial position

ASSETS	31.12.2021 Euro	31.12.2020 Euro
A. Fixed assets		
I. Intangible assets		
1. Franchises, trademarks, patents, licences and similar rights	1,029,822	1,393,289
	1,029,822	**1,393,289**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on third-party land	532,951	586,856
2. Other fixtures and fittings, tools and equipment	3,530,506	4,518,650
3. Advance payments and plant and machinery in process of construction	25,158	86,002
	5,191,508	**4,690,879**
III. Financial assets		
Investments	0	2,556
	0	2,556
	5,118,437	**6,587,353**
B. Current assets		
I. Inventories		
1. Work in progress	31,461,624	39,975,631
2. Advance payments	30,808,854	23,512,900
	62,270,478	63,488,531
3. Advance payments received on account of orders	−54,729,508	−59,164,380
	7,540,970	**4,324,151**
II. Accounts receivable and other assets		
1. Trade receivables	38,294,703	34,722,326
2. Accounts due from affiliated companies	3,504,482	178,026
3. Other assets	1,684,588	1,398,082
	43,483,773	**36,298,434**
III. Securities		
Other securities	23,404,293	11,012,441
	23,404,293	**11,012,441**
IV. Cash on hand, cash in banks and cheques	**17,854,995**	**22,904,780**
	92,284,031	**74,539,806**
C. Prepaid expenses	**2,096,077**	**1,167,368**
D. Excess of plan assets over post-employment benefit liability	**0**	**15,334**
Total assets	**99,498,545**	**82,309,861**

LIABILITIES	31.12.2021	31.12.2020
	Euro	Euro
A. Equity		
I. Subscribed capital	**42,802,453**	**42,802,453**
II. Capital reserves	**11,704,847**	**11,704,847**
III. Revenue reserves		
1. Legal reserves	3,376	3,376
2. Other revenue reserves	11,786,545	11,786,545
	11,789,921	**11,789,921**
IV. Equity difference from foreign currency translation	**1,637,397**	**–216,961**
V. Net loss for the year	**–10,352,270**	**–22,494,097**
	57,582,348	**43,586,163**
B. Provisions		
1. Provisions for pensions and similar obligations	6,914,871	6,439,327
2. Tax provisions	1,194,508	756,139
3. Other provisions	17,691,944	20,427,918
	25,801,323	**27,623,384**
C. Liabilities		
1. Trade payables	3,068,109	1,601,945
2. Liabilities to affiliated companies	7,501,865	3,920,843
3. Other liabilities	2,583,556	3,288,090
	13,153,530	**8,810,878**
D. Deferred income	**2,961,344**	**2,286,369**
E. Deferred tax liabilities	**0**	**3,067**
Total liabilities and shareholders' equity	**99,498,545**	**82,309,861**

Consolidated statement of changes in equity

Consolidated statement of changes in equity 2021	Subscribed capital	Capital reserves
	Euro	Euro
As at 1 January 2021	**42,802,453**	**11,704,847**
Currency translation		
Consolidated annual net income		
As at 31 December 2021	**42,802,453**	**11,704,847**

Consolidated statement of changes in equity 2020	Subscribed capital	Capital reserves
	Euro	Euro
As at 1 January 2020	**42,802,453**	**11,704,847**
Currency translation		
Consolidated annual net income		
As at 31 December 2020	**42,802,453**	**11,704,847**

			Parent company shareholders' equity		Group equity
Revenue reserves		Equity difference from foreign currency translation	Net accumulated losses of the Group	Total	Total
Legal reserve	Other revenue reserves				
Euro	Euro	Euro	Euro	Euro	Euro
3,376	**11,786,545**	**–216,961**	**–22,494,097**	**43,586,163**	**43,586,163**
		1,854,358		**1,854,358**	**1,854,358**
			12,141,827	**12,141,827**	**12,141,827**
3,376	**11,786,545**	**1,637,397**	**–10,352,270**	**57,582,348**	**57,582,348**

			Parent company shareholders' equity		Group equity
Revenue reserves		Equity difference from foreign currency translation	Net accumulated losses of the Group	Total	Total
Legal reserve	Other revenue reserves				
Euro	Euro	Euro	Euro	Euro	Euro
3,376	**11,786,545**	**1,693,315**	**–30,798,371**	**37,192,165**	**37,192,165**
		–1,910,276		**–1,910,276**	**–1,910,276**
			8,304,274	**8,304,274**	**8,304,274**
3,376	**11,786,545**	**–216,961**	**–22,494,097**	**43,586,163**	**43,586,163**

Notes

I. General remarks

The msg life Group is a leading consulting and software company for the insurance and retirement savings market. Its software solutions primarily support life insurance companies and pension fund institutions in Europe and in particular health and group insurance companies in the United States in the design, implementation and administration of their products.

The headquarters of the msg life Group are at Humboldtstrasse 35, 70771 Leinfelden-Echterdingen, Germany. msg life ag is a joint stock company in accordance with German law. It is listed in the commercial register of the Stuttgart District Court under HRB 731887.

These consolidated financial statements of msg life ag, Leinfelden-Echterdingen, Germany (hereinafter referred to as 'msg life ag'), as at 31 December 2021, encompass the parent company and all of the subsidiaries (hereinafter referred to as the 'msg life Group'). The reporting year corresponds to the calendar year.

On 14 April 2022, the Management Board of msg life ag approved the consolidated financial statements for forwarding to the Supervisory Board, and therefore for publication. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

As it has not made use of the exemption in section 291, paragraph 1, of the German Commercial Code (HGB), the company is obliged to prepare consolidated financial statements pursuant to section 290 of the HGB. As at 31 December 2021, the company prepared consolidated financial statements and its condensed management report and Group management report in accordance with German GAAP pursuant to section 290 et seq. of the HGB and section 150 et seq. of the German Stock Corporation Act (AktG).

For reasons of clarity and comprehensibility, all legally prescribed annotations in relation to items in the consolidated statement of financial position and the consolidated income statement are shown in the notes.

The consolidated income statement was prepared according to the total-cost method.

The reporting currency is the euro, and the rounding is done to thousands or millions of euros. This can give rise to rounding differences of up to one arithmetical unit.

The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) and deposited with the electronic register of companies under HRB 731 887 at Stuttgart Local Court (Amtsgericht). As at the reporting date, msg life ag is an indirect subsidiary of msg group GmbH, which prepares the consolidated financial statements for the largest number of Group companies.

On 25 September 2020, msg life ag, Leinfelden-Echterdingen, and msg systems ag, Ismaning, signed a control agreement, which was amended on 6 November 2020. The annual general meetings of msg life ag and msg systems approved this control agreement on 10 November 2020 and 18 November 2020 respectively. The control agreement took effect retroactively as of 1 January 2021 when it was entered in the commercial register for msg life ag at the Stuttgart District Court on 20 January 2021.

The global coronavirus pandemic continued unabated in 2021. Looking at the 2021 financial year, however, it is once again evident that the pandemic did not have a significant effect on msg life's business. For this reason – and also because of the steps taken by msg life and the performance of its project business in the current financial year 2022 – the company still sees no significant effects on its operating and financial performance as a result of the Covid-19 pandemic at the time these financial statements were prepared. At this point, we refer to the corresponding statements in the opportunity and risk report of the condensed management and Group management report for the 2021 financial year.

msg life AG and the msg Group company msg nexinsure ag, Ismaning, have been working closely together for many years in the context of the joint solution msg.Insurance Suite. The two companies are now moving even closer together and have had a joint management team with unified responsibilities since 1 February 2021. Additionally, msg life and msg nexinsure have been sharing the new co-brand msg insur:it in the insurance market since December 2021, underlining their leading role as a provider of insurance products. Besides the new co-brand msg insur:it, msg life and msg nexinsure will remain independent legal units.

II. General accounting and valuation methods

The annual financial statements of the subsidiaries included in the consolidated financial statements and of the parent company are prepared according to the following accounting and valuation methods and in compliance with the statutory requirements:

Intangible assets acquired for valuable consideration are valued at original cost less depreciation according to the straight-line method, with a useful life of between three and 15 years. If it is likely to be permanently impaired, it is written down. The goodwill was already fully amortised as at 31 December 2021.

The company has opted not to recognise internally generated intangible fixed assets pursuant to section 248, paragraph 2, sentence 1, of the HGB.

Fixed assets are carried at original cost, less regular linear depreciation in the case of depreciable assets. The useful lives are between three and ten years. Depreciable movable fixed assets that can be used independently and whose (net) costs per individual item exceed 250 euros, but not 800 euros, qualify as low-value assets and are immediately recognised as expenses in the year of acquisition.

Assets with a cost of less than 250 euros are recognised as expenses.

Inventories are measured at historical cost. Apart from the unit costs, the costs of production also include an appropriate proportion of the overhead costs and write-downs. The loss-free valuation rule is observed. Work contracts which extend across multiple financial years are treated as work in progress until the milestone is delivered, fully or in part, to the customer. Advance payments received on account of orders are written off openly from inventories.

Accounts receivable and other assets are valued at their face value as a matter of principle. Receivables with terms exceeding one year are deducted. A lump-sum valuation adjustment amounting to 0.5% of the net accounts receivable is established for the general credit risk and to cover loss of interest, provided that no payments on account have been made.

Marketable securities are recognised at the lower of historical cost or fair value on the reporting date.

Cash in hand, bank balances and cheques are recognised at their nominal amount.

Foreign currency transactions are converted by Group companies on the date on which the transaction is first recognised at the mean spot exchange rate applicable in the month of the transaction. Monetary assets and liabilities in a foreign currency are converted at every reporting date in accordance with section 256a, sentence 2, of the HGB, using the mean spot exchange rate on the relevant reporting date. Differences arising from the settlement or conversion of monetary items are recognised in profit or loss.

The asset and liability items of foreign business operations (with the exception of equity) are converted into euros within the scope of consolidation at the mean spot exchange rate on the respective reporting date in accordance with section 308a of the HGB. Income and expenses are converted at the average exchange rates for the month. Exchange rate volatility and seasonal influences are not taken into account due to immateriality. Any resulting conversion difference is reported in Group equity in the item provided for this purpose. Exchange rate-related differences in the context of receivables and payables and elimination of intercompany profit and loss are also recognised in profit or loss for reasons of simplification.

As accruals, expenses are recognised prior to the reporting date in so far as they represent expenses for a defined period after the reporting date.

Provisions for pensions and similar obligations are measured on the basis of actuarial calculations carried out using the projected unit credit method and with consideration for the 2018 G mortality tables from Professor Heubeck or the BVG 2015 generation tables. The provisions for pensions and other obligations are discounted at the average market interest rate for the preceding ten years published by the German Central Bank for an assumed remaining term of 15 years.

Tax provisions have been set up to the amount of the anticipated tax burden (the settlement amount).

The other provisions are valued at the settlement amount allowing for all discernible risks, expected risks and anticipated increases in prices and costs. Provisions with terms exceeding one year are subject to the deduction of an average market rate of interest for the last seven years that is appropriate for the term of each provision as determined by the German Central Bank (Deutsche Bundesbank). The provision for severance payments is measured using the projected unit credit method. An actuarial interest rate of 1.1 per cent p.a. (previous year: 1.6 per cent p.a.) and a salary increase rate of 2.5 per cent p.a. (previous year: 1.45 per cent p.a.) were used in the calculation on each key date.

Liabilities are valued at the settlement amount on the statement of financial position date.

Advance payments received on account of orders are recognised at their net value. The company has made use of the option provided by section 268, paragraph 5, sentence 2, of the HGB to openly deduct payments received on account of inventories from the line item ‘Inventories’ on the assets side.

Income received prior to the reporting date is recognised under accruals and deferrals as long as it represents revenue for a specific time after the reporting date.

The deferred taxes are calculated in line with the temporary concept. According to the temporary concept, deferred taxes are formed for all temporary and virtually permanent accounting and measurement differences between the values of assets and liabilities recognised under commercial and tax law.

When the deferred tax assets are determined, deferred tax assets on losses carried forward must be taken into account in the amount of the offset of losses that is to be expected within the next five years. Accordingly, no deferred tax assets were recognised for tax losses on 31 December 2021, taking their realisability into account.

The deferred taxes are determined on the basis of the tax rates which apply or are expected as per the current legal position in the individual countries at the time of realisation. The impact of changes in tax rates on deferred taxes will be posted through profit and loss when the change in the law comes into force.

Deferred tax assets and liabilities are set off against each other.

III. Consolidation group

1. Subsidiary

Subsidiaries are companies over which msg life ag has a direct or indirect controlling influence. msg life ag has a controlling influence over another company when it holds the majority of the voting rights directly or indirectly and has the means of controlling it.

Inclusion in the consolidated financial statements begins at the point in time from which the possibility of control exists and ends when the possibility of control ceases to exist.

As at 31 December 2021, as in the previous year, the following companies were fully consolidated in the Group headed by msg life ag as the parent company:

Company	Shareholding (%)	Abbreviations
msg life central europe gmbh [1]	100	(msg life central europe)
with the subsidiary msg life Slovakia s.r.o., Bratislava (Slovakia) [3]	100	(msg life Slovakia)
with the subsidiary msg life Switzerland AG, Regensdorf (Switzerland) [3]	100	(msg life Switzerland)
with the subsidiary msg life Austria Ges.m.b.H., Vienna (Austria) [3]	100	(msg life Austria)
with the subsidiary msg life Benelux B.V., Amsterdam (Netherlands) [3]	100	(msg life Netherlands)
msg life global gmbh [1,2]	100	(msg life global)
with the subsidiary FJA-US, Inc., New York (USA) [4]	100	(FJA-US)
with the subsidiary msg life odateam d.o.o., Maribor (Slovenia) [4]	100	(msg life OdaTeam)
with the subsidiary msg life Iberia, Unipessoal LDA, Porto (Portugal) [4]	100	(msg life Portugal)

[1] There are profit and loss transfer agreements with msg life central europe gmbh, Munich, and msg life global gmbh, Munich.
[2] 98.11 per cent of the shares in msg life global gmbh, Munich, are held by msg life ag, Leinfelden-Echterdingen, and 1.89 per cent are held by msg life central europe gmbh, Munich.
[3] This is an indirect equity interest. The shares are held by msg life central europe gmbh, Munich.
[4] This is an indirect equity interest. The shares are held by msg life global gmbh, Munich.

At all of the subsidiaries, the reporting date corresponds to the Group's reporting date.

msg life central europe gmbh, Munich, and msg life global gmbh, Munich, have made full use of the exemption in section 264, paragraph 3, of the German Commercial Code (HGB) for the 2021 financial year.

2. Consolidation principles

Capital is consolidated according to the purchase method of accounting.

Any difference remaining on the assets side after netting is recognised as goodwill on the assets side and amortised over its conventional useful life of five years.

There is no more goodwill to recognise in the 2021 financial year, following the deconsolidation of the shares in spheos GmbH & Co. KG, Munich, and spheos Verwaltungs GmbH, Munich, in the previous year.

Receivables and payables are offset in the consolidated financial statements by eliminating the receivables and the corresponding payables between the companies included in the consolidated financial statements.

Expenses and earnings between all included, fully consolidated companies were eliminated.

IV. Notes on the statement of financial position

1. Fixed assets

The development of fixed assets in the financial year and in the previous year, including their breakdown, is presented separately in the consolidated statement of changes in fixed assets (see Appendix to the notes).

The intangible assets are essentially software purchased from third parties.

Intangible assets are amortised on a straight-line basis over an expected useful life. The expected useful life of software purchased from third parties is between three and 15 years.

The disposal in the financial assets concerns an interest in ARGE FJA KR BU-System, Munich, which has not been consolidated. The msg life Group had few means of participating in the financial and business decision-making processes of the company and as such has no significant influence over the company.

2. Inventories

Inventories predominantly include as-yet-uninvoiced sales relating to customer orders. The amount stated includes some fixed-price projects, which have been capitalised while observing the loss-free valuation rule.

Payments on account of unfinished purchased services totalling 28.300 million euros (previous year: 23.105 million euros) are attributable to a major project received in 2018 and have been paid to msg systems ag, Ismaning. These payments made on account are offset by payments totalling 28.888 million euros (previous year: 23.105 million euros) received on account from customers.

Payments received on account of orders totalling 54.730 million euros (previous year: 59.164 million euros) have been offset in full against inventories. This leaves net inventories of 7.541 million euros (previous year: 4.324 million euros).

3. Trade receivables

Trade receivables totalled 38.295 million euros as at 31 December 2021 (previous year: 34.722 million euros). Of this, 38.198 million euros (previous year: 34.576 million euros) are due within one year and 97,000 euros are due within five years.

4. Accounts due from affiliated companies

As in the previous year, the accounts due from affiliated companies of 3.504 million euros as at 31 December 2021 (previous year: 178,000 euros) were due within one year. This increase is due to the continuous expansion of the collaboration between msg life and the msg Group company msg nexinsure.

With regard to the composition of the accounts due from affiliated companies, see section VII. ‘Related parties’, number 3 ‘Other transactions with related parties’.

5. Other assets

The other assets which, as in the previous year, are all payable within one year, can be broken down as follows:

	31 December 2021 Thousand euros	31 December 2020 Thousand euros
Value added tax	954	308
Corporate income tax	303	303
Security deposits	189	171
Trade tax	0	204
Sundry	239	412
Total	**1,685**	**1,398**

6. Marketable securities

The US treasury bonds held in current assets at 23.404 million euros (previous year: 11.012 million euros) are short-term investments. In 2021, interest income of 23,000 euros was recognised through profit or loss (previous year: 109,000 euros).

7. Cash on hand, cash in banks and cheques

These are cash in hand, bank balances and cheques totalling 17.855 million euros (previous year: 22.905 million euros).

8. Prepaid expenses and deferred income

In particular, the partial amounts of the maintenance fees and rent for IT equipment paid in the reporting year totalling 2.096 million euros (previous year: 1.167 million euros) that do not give rise to expenditure until the following year are reported under the prepaid expenses of 1.907 million euros (previous year: 869,000 euros).

9. Subscribed capital

As in the previous year, the subscribed capital as at 31 December 2021 totals 42,802,453.00 euros and is fully paid in.

Overall, the subscribed capital is still divided into 42,802,453 no-par-value bearer shares, each representing a computational equity stake of 1 euro. Each share entitles its holder to one vote. No preference shares are issued.

The following authorised capital was available in the period under review:

Authorised capital 2020/I

The annual general meeting on 10 November 2020 authorised the Management Board to increase the company's share capital by 09 November 2025 with the approval of the Supervisory Board by issuing new no-par-value bearer shares against cash contributions or contributions in kind on one or more occasions, albeit by no more than 21,401,226 euros in total (authorised capital 2020/1). The new shares must be offered to the shareholders for subscription; they may also be taken on by banks or by a company which operates in accordance with section 53, paragraph 1, sentence 1 or section 53b, paragraph 1, sentence 1, or paragraph 7 of the German Banking Act (KWG), on condition that the shares are offered to the shareholders for subscription. The Management Board is authorised to exclude the shareholders' pre-emptive rights with the approval of the Supervisory Board and in compliance with the precise regulations and, subject to the approval of the Supervisory Board, to determine the remaining conditions of share issuance, including the issue price and the further details of the share rights.

10. Capital reserves

Capital reserves include the amount received in excess of the nominal price when shares are issued. By 31 December 2021, as in the previous year, the capital reserves totalled 11,704,846.80 euros.

Only the restrictions of section 150 of the AktG on the payment of dividends or repayment of capital apply to the capital reserve.

11. Group revenue reserves

The Group revenue reserves include the profits of the companies within the scope of the consolidated financial statements, unless they have been paid out as dividends.

12. Equity difference from foreign currency translation

Differences arising from currency conversion, with no impact on earnings, from the financial statements of foreign subsidiaries are included in this balance sheet item.

The statement of changes in equity provides a detailed breakdown of the changes in the Group revenue reserves and the equity difference from foreign currency translation.

13. Net accumulated losses of the Group and appropriation of net profit

The statement of financial position has been prepared with consideration for the appropriation of some of the net income for the year. The net accumulated losses of 10.352 million euros as at 31 December 2021 (previous year: 22.494 million euros) consist of a loss carryforward of 22.494 million euros (previous year: 30.798 million euros) and net income for the year of 12.142 million euros (previous year: 8.304 million euros).

Under the German Stock Corporation Act, dividends available for distribution depend on the net profit which msg life ag declares in its financial statements, drawn up in accordance with the provisions of the German Commercial Code. The company is not in a position to distribute dividends.

No dividend is anticipated for the 2021 financial year.

14. Pension provisions

Pension agreements exist for the parent company and for one domestic and one foreign subsidiary within the msg life Group in the form of direct defined-benefit obligations. In defined-benefit plans, the employer undertakes to make the promised pension payments and to finance them by forming pension provisions or separate plan assets for pension purposes.

Provisions for pension obligations are formed on the basis of plans for retirement, incapacity and survivors' benefit. Group pension obligations to employees are based on direct and indirect pension commitments. Benefits from direct pension obligations are fundamentally determined as a function of monthly salary and length of service with the company.

The amount of the pension obligation is calculated by actuarial methods using the internationally accepted projected unit credit method, with future obligations being calculated on the basis of the proportional entitlements acquired on the reporting date. Evaluation takes account of assumed trends for the relevant variables which affect the amount of benefit. Actuarial calculations are required for all benefit systems.

Not only assumptions about life expectancy and incapacity, but also premises using the biometric principles of the 2018 G mortality tables from Professor Heubeck or the BVG 2015 generation tables play a role.

The calculations are based on the following actuarial assumptions for the respective reference dates:

2021	**msg life ag**	**msg life central europe**	**msg life Switzerland**
	% per year	% per year	% per year
Actuarial interest rates	1.94	1.94	1.94
Projected increase in salaries	n.a.	n.a.	1.25
Rate of pension progression (civil service adjustment)	1.80	1.80	0.00
Inflation rate	n.a.	n.a.	n.a.

2020	**msg life ag**	**msg life central europe**	**msg life Switzerland**
	% per year	% per year	% per year
Actuarial interest rates	2.38	2.38	2.38
Projected increase in salaries	n.a.	n.a.	1.25
Rate of pension progression (civil service adjustment)	1.80	1.80	0.00
Inflation rate	n.a.	n.a.	n.a.

The claims arising from the plan assets (counter-guarantee insurance and fixed-term deposits) have been offset against the obligations. The following table shows the amounts offset in the statement of financial position:

31 December 2021	msg life ag Thousand euros	msg life central europe Thousand euros	msg life Switzerland Thousand euros	Total Thousand euros
Obligation less	1,523	6,163	3,393	11,079
Fair value of plan assets	1,043	0	3,121	4,164
Subtotal	480	6,163	272	6,915
Reclassification in accordance with section 246, paragraph 2, of the HGB	0	0	0	0
Pension provisions	**480**	**6,163**	**272**	**6,915**

31 December 2020	msg life ag Thousand euros	msg life central europe Thousand euros	msg life Switzerland Thousand euros	Total Thousand euros
Obligation less	1,523	5,959	3,158	10,640
Fair value of plan assets	1,043	0	3,173	4,216
Subtotal	480	5,959	−15	6,424
Reclassification in accordance with section 246, paragraph 2, of the HGB	0	0	15	15
Pension provisions	**480**	**5,959**	**0**	**6,439**

The difference of 6.915 million euros (previous year: 6.439 million euros) is recognised as a liability in the statement of financial position.

The settlement amount which is equivalent to the offset plan assets is 5.653 million euros (previous year: 5.405 million euros).

The fair value which corresponds to the historical costs of the offset assets is 4.164 million euros (previous year: 4.216 million euros).

Pursuant to section 246, paragraph 2 of the HGB, in conjunction with section 314, paragraph 1, no. 17 of the HGB, the netted expenses (interest expenses on obligations) and income (income from counter-guarantee insurance and fixed-term deposits) in connection with the above netting of liabilities and assets in the reporting year amounted to 685,000 euros (previous year: 702,000 euros) and can be broken down as follows:

2021	msg life ag Thousand euros	msg life central europe Thousand euros	msg life Switzerland Thousand euros	Total Thousand euros
Interest expenses on obligations	88	460	199	747
Interest income from plan assets	0	0	62	62
Netted expenses and income 2021	88	460	137	685

2020	msg life ag	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Interest expenses on obligations	91	453	194	738
Interest income from plan assets	0	7	29	36
Netted expenses and income 2020	91	446	165	702

The difference resulting from interest determined in accordance with section 253, paragraph 6, sentence 1, of the HGB is as follows:

31 December 2021	msg life ag	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Obligation when interest is calculated at the average market interest rate for the past seven years of 1.37%	1,597	6,623	3,596	11,816
Obligation when interest is calculated at the average market interest rate for the past ten years of 2.38%	1,523	6,164	3,393	11,080
Difference as defined in section 253, paragraph 6, sentence 1, of the HGB as at 31 December 2021	**74**	**459**	**203**	**736**

31 December 2020	msg life ag	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Obligation when interest is calculated at the average market interest rate for the past seven years	1,617	6,518	3,341	11,476
Obligation when interest is calculated at the average market interest rate for the past ten years	1,523	5,959	3,121	10,603
Difference as defined in section 253, paragraph 6, sentence 1, of the HGB as at 31 December 2020	**94**	**559**	**220**	**873**

15. Tax provisions

The tax provisions concern unknown obligations predominantly arising from taxes dependent on income as at the reporting date. The current tax provisions of 1.195 million euros (previous year: 756,000 euros) are essentially income taxes from Germany totalling 743,000 euros (previous year: 50,000 euros), income taxes from the USA totalling 280,000 euros (previous year: 181,000 euros) and federal, state and municipal taxes in Switzerland totalling 114,000 euros (previous year: 54,000 euros).

16. Other provisions

	31 December 2020	Foreign currency differences	Utilisa-tions	Reversals	Transfer	31 December 2021
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Personnel-related provisions	18,011	237	8,964	931	7,449	15,802
Outstanding incoming invoices	1,516	0	831	53	322	954
Sundry	900	–6	411	20	473	936
Other provisions	**20,427**	**231**	**10,206**	**1,004**	**8,244**	**17,692**

The reversals of provisions are reported in the consolidated income statement under other operating income.

The valuation as at the reporting date takes into account the financial charges the company is expected to have to bear.

The personnel-related provisions essentially consist of short-term provisions for holidays, overtime and entitlements to variable remuneration of 13.239 million euros (previous year: 15.678 million euros), long-term provisions for anniversary bonuses of 1.452 million euros (previous year: 1.409 million euros) and long-term provisions for settlements of 801,000 euros (previous year: 676,000 euros).

The provision for anticipated incoming invoices relates to other operating expenses and the costs of purchased services and of the annual financial statements.

The other provisions essentially included the provisions formed for archiving and renovation, the costs of the annual report and the remuneration for the Supervisory Board.

17. Liabilities

The remaining terms of the liabilities developed as follows:

31 December 2021	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Trade payables	3,068	0	0	3,068
Liabilities to affiliated companies	7,502	0	0	7,502
Other liabilities	2,197	387	0	2,584
Of which from taxes	1,316	0	0	1,316
Of which for social security	318	0	0	318
Total liabilities	**12,767**	**387**	**0**	**13,154**

31 December 2020	< 1 year Thousand euros	1 to 5 years Thousand euros	> 5 years Thousand euros	Total Thousand euros
Trade payables	1,602	0	0	1,602
Liabilities to affiliated companies	3,921	0	0	3,921
Other liabilities	2,901	387	0	3,288
Of which from taxes	1,745	0	0	1,745
Of which for social security	573	0	0	573
Total liabilities	**8,424**	**387**	**0**	**8,811**

a. Liabilities to affiliated companies

With regard to the composition of liabilities to affiliated companies, see section VII 'Related parties', number 3 'Other transactions with related parties'.

b. Other liabilities

The other liabilities due in up to one year essentially concern wage and church tax liabilities of 1.105 million euros (previous year: 1.111 million euros) and VAT liabilities of 190,000 euros (previous year: 539,000 euros).

The other liabilities due in between one and five years concern two funding loans.

msg life Austria and the Austrian Forschungsförderungsgesellschaft mbH (FFG) signed an initial research funding agreement on 27 April 2017. msg life Austria received a loan of 196,000 euros at an interest rate of 0.75 per cent p.a. on current accounts, which is to be repaid at the same amount on 30 June 2022. The interest is to be paid subsequently either in half-yearly intervals or at the time the loan comes due. The loan was disbursed in three tranches between 2017 and 2018.

On 27 April 2018 the second funding agreement was concluded between msg life Austria and FFG, consisting of a loan and a research grant. msg life Austria received a research loan of 200,000 euros at an interest rate of 0.75 per cent p.a. on current accounts, which is to be repaid at the same amount on 30 June 2022. The interest is to be paid subsequently either in half-yearly intervals or at the time the loan comes due.

A total of 80 per cent of the funding commitment (160,000 euros out of 200,000 euros) and 80 per cent of the associated grant (98,000 euros out of 122,000 euros) were disbursed in 2018. The remaining 20 per cent of the loan and grant, amounting to 40,000 euros and 24,000 euros respectively, were received in 2020.

The funds will be repaid by 30 June 2022.

18. Prepaid expenses and deferred income

As in the previous year, the deferred income of 2.961 million euros (previous year: 2.286 million euros) included the partial amounts of the maintenance fees received in the reporting year that will not give rise to income until the following year.

19. Deferred tax liabilities

The deferred taxes were determined using the relevant country-specific tax rates that were between 20 per cent and 30 per cent in the 2021 financial year (previous year: between 19 per cent and 30 per cent). Changes in tax rates that had already been decided upon as of the balance sheet date were taken into account when the deferred taxes were determined. Deferred tax assets and liabilities in the amount of 333,000 euros (previous year: 426,000 euros) and 333,000 euros (previous year: 429,000 euros), respectively, and 0,000 euros net (previous year: 3,000 euros) result from the overall consideration of the differences between the valuation according to commercial law and the tax valuation. Essentially, they concern deferred taxes on the measurement of intangible assets.

20. Contingent liabilities and other financial obligations

The other financial obligations amount to 43.612 million euros in total (previous year: 45.507 million euros) and comprise obligations from leases, tenancy agreements and service contracts. The leases concern leased operating and office equipment, the rental contracts concern rented office space and the maintenance contracts concern hardware and software.

On behalf of msg life Austria, msg life central europe has assumed sole liability towards the Austrian Research Promotion Agency (FFG) as guarantor and payer of the loan of 200,000 euros granted in 2018 until the settlement date on 30 June 2022. With regard to the loan, please see number 17 Liabilities.

V. Notes to the consolidated income statement

The income statement was prepared according to the cost-summary method as in the year before.

1. Sales

The sales of the Group can be broken down as follows by field of activity:

	2021 Thousand euros	2020 Thousand euros
Services	150,158	141,661
Maintenance	23,617	20,996
Licences	14,145	18,727
Other income	5,888	6,086
Group turnover	**193,808**	**187,470**

The service turnover contains rental income of 220,000 euros (previous year: 228,000 euros).

The sales of the Group can be broken down as follows by geographical market:

	2021 Thousand euros	2020 Thousand euros
Germany	172,160	159,267
United States	17,666	23,729
Slovenia	1,702	2,147
Switzerland	1,248	1,306
Portugal and Spain	783	631
Austria	177	318
Benelux	72	72
Total	**193,808**	**187,470**

2. Other operating income

	2021 Thousand euros	2020 Thousand euros
Income from the reversal of other provisions	1,004	374
Company car and other non-monetary benefits	364	416
Foreign currency gains	203	595
Income from the reversal of pension provisions	0	394
Sundry	462	851
Total	**2,033**	**2,630**

The item 'Other' essentially comprises income of 46,000 euros from a research bonus from the Austrian finance ministry (previous year: 126,000 euros) and income of 8,000 euros (previous year: 64,000 euros) from an additional funding programme 'Employment bonus' by Austria Wirtschaftsservice Gesellschaft mbh, also from Austria. Other income of 168,000 euros (previous year: 159,000 euros) relating to the personnel department was also presented in this item.

Income relating to other periods is due to the reversal of other provisions. Essentially, these concern provisions for bonuses on the level of msg life central europe gmbh, Munich, Germany, as well as msg life Austria Ges.m.b.H., Vienna, Austria. The reversal of pension provisions in 2020 relates to msg life Switzerland AG, Regensdorf, Switzerland and is due to the departure of the beneficiary as of 31 December 2020.

3. Cost of materials

	2021 Thousand euros	2020 Thousand euros
Other services	31,991	47,774
Freelance employees	12,156	10,741
Goods purchased for resale	79	120
Other	284	1,017
Total	**44,510**	**59,652**

The significant decrease in the cost of materials is a result of the other services. This item contains expenses of 9.185 million euros (previous year: 25.425 million euros) resulting from the successful delivery of a milestone within the framework of a major project in cooperation with msg systems ag.

4. Personnel expenses

	2021 Thousand euros	2020 Thousand euros
Wages and salaries	89,136	90,358
Social security contributions	15,857	14,905
Personnel expenses excluding pensions	**104,993**	**105,263**
Pension expenses	571	299
Total	**105,564**	**105,562**

Social security contributions comprise, in particular, the employer's contribution to social insurance, voluntary social welfare expenses and contributions to the employer's liability insurance association.

Pension expenses primarily comprise the allocations to pension provisions.

The average number of employees employed during the financial year was 1,185, of whom 28 were executives and 1,157 were permanent employees (1,157 in the previous year, of whom 28 were executives and 1,129 were permanent employees).

5. Depreciation, amortisation and write-downs

For the structure and composition of the depreciation, amortisation and write-downs, see the statement of changes in fixed assets enclosed with the notes to the consolidated financial statements.

6. Other operating expenses

	2021 Thousand euros	2020 Thousand euros
Costs of business premises	6,987	6,957
IT expenses	2,944	2,313
Consulting, accounting, Supervisory Board	1,951	2,486
Advertising expenses	978	759
Communication expenses	757	901
Staff recruitment	701	603
Professional training	673	392
Motor vehicle costs	670	633
Travel expenses	432	894
Exchange losses	282	278
Sundry	3,023	2,336
Total	**19,398**	**18,552**

As in the previous year, the line item 'Miscellaneous' essentially contained insurance expenses, voluntary social welfare expenses, event costs, fees and contributions in 2021. In the 2021 financial year, there were expenses relating to other periods due to a specific valuation allowance for the accounts receivable in the amount of 800,000 euros.

The fees incurred for auditing services in the reporting year and the previous year amounted to:

	2021 Thousand euros	2020 Thousand euros
Audits of financial statements (including expenses)	190	225
Tax consulting services	45	49
Total	**235**	**274**

Of the 225,000 euros in auditing expenses shown in the previous year, 25,000 euros concern the 2019 financial year.

7. Financial result

	2021 Thousand euros	2020 Thousand euros
Interest and similar income	37	136
Interest and similar expenses	–851	–867
Financial result	**–814**	**–731**

As in the previous year, the interest income is essentially attributable to interest on cash and cash equivalents.

The interest and similar expenses include expenses of 679,000 euros (previous year: 760,000 euros) from discounting and are essentially attributable to provisions for pensions and anniversary bonuses.

8. Income taxes

The tax expenses arise from the components listed below:

	2021 Thousand euros	2020 Thousand euros
Current income tax expenses	2,083	2,084
Deferred taxes from temporary differences	–3	3
Total	**2,080**	**2,087**

VI. Notes to the consolidated cash flow statement

The cash flow statement displays the origin and use of payment flows in the 2021 and 2020 financial years. Here, payment flows from operating activities and from investment and financial activities are differentiated. The cash and cash equivalents encompass all cash in hand, bank balances and cash equivalents with a maximum term of three months as at the date of acquisition. There are no access restrictions on cash and cash equivalents.

Changes in cash and cash equivalents from operating activities are adjusted for effects from currency conversion.

Changes in cash and cash equivalents from investment and financial activities are calculated in terms of sums paid.

Changes in cash and cash equivalents from continuing activities are, in contrast, indirectly derived from earnings before taxes.

The main non-cash effects in the cash flow from operating activities were: depreciation of property, plant and equipment and intangible assets amounting to 2.809 million euros (previous year: 3.497 million euros) as well as the increase and decrease in provisions of -2.271 million euros (previous year: 5.405 million euros).

VII. Related parties

Related parties are the Management Board and the Supervisory Board of msg life ag and msg group GmbH, Ismaning, which has been the highest-level parent company of msg life ag since 16 March 2009, including its subsidiaries, joint ventures and associated companies.

1. Total remuneration of the Management Board and the Supervisory Board

Management Board remuneration

The remuneration of the Management Board active in the financial year was 2.033 million euros (previous year: 2.204 million euros). The remuneration was allocated as follows:

	2021 Thousand euros	2020 Thousand euros
Payable short-term remuneration	2,148	2,089
(Repayment) Advance on LTI	−115	115
Total	**2,033**	**2,204**

The long-term variable remuneration (LTI) was last recorded in the 2020 financial year. For the 2021 financial year, 0,000 euros were recognised against costs (previous year: 699,000 euros).

Remuneration for former members of the Management Board in 2021 amounted to 131,000 euros (previous year: 122,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 480,000 euros on 31 December 2021 (previous year: 480,000 euros).

Supervisory Board remuneration

The remuneration of the Supervisory Board amounted to 195,000 euros (previous year: 208,000 euros).

2. Share ownership of the Management Board and the Supervisory Board

As at 31 December 2021, the Management Board did not hold any shares in msg life ag. Simultaneously, the members of the Supervisory Board Mr Johann Zehetmaier, Ismaning, and Dr Jürgen Zehetmaier, Ismaning, indirectly held shares in msg life ag through msg systems ag, Ismaning, as a co-partner in msg group GmbH, Ismaning.

3. Other transactions with related parties

Other related companies and parties

There are no transactions with the members of the Management Board and the Supervisory Board beyond the aforementioned matters in the financial year.

The following table contains the total amounts from transactions between related companies for the reporting year and in the previous year:

	Income from transactions with related parties and companies		Expenses from transactions with related parties and companies		Amounts due from related parties and companies		Amounts payable to related parties and companies	
	2021	2020	2021	2020	2021	2020	2021	2020
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Related companies								
a) msg systems ag, Ismaning (parent company)	4,053	5,115	23,038	36,861	9	14	0	2,504
b) msg nexinsure AG, Ismaning (formerly innovas GmbH, Hamburg)	4,428	1,084	5,042	7,561	4,134	398	0	850
c) msg global solutions asia Pte.Ltd., Singapore	0	0	0	758	0	0	0	130
d) msg services AG, Ismaning	0	0	0	0	0	0	0	0
e) BELTIOS GmbH, Munich	184	204	2,900	3,005	16	13	0	491
f) msg systems ag, Regensdorf (Switzerland)	227	5	438	381	42	5	0	139
g) Plaut Deutschland GmbH, Ismaning	0	0	48	16	0	0	0	10
h) msg Gillardon AG, Bretten	3	3	0	0	0	0	0	0
i) msg industry advisors AG, Ismaning	0	1	0	0	0	0	0	0
j) Plaut Consulting Austria GmbH, Vienna	0	0	2	12	0	0	0	1
k) msg DAVID GmbH, Braunschweig	0	0	0	35	0	0	0	9
l) msg global solutions India Pte. Ltd, Bangalore (India)	28	0	647	0	0	0	2	0

Furthermore, msg life ag, Leinfelden-Echterdingen, made payments on account of unfinished purchased services totalling 28.300 million euros (previous year: 23.105 million euros) to msg systems ag, Ismaning. See also section IV. ‘Notes on the statement of financial position’, number 2 ‘Inventories’.

Aside from msg systems AG, all other companies specified are other related companies and parties.

The income and expenses shown as well as amounts owed to and from related parties and companies are mainly comprised of services either rendered or received.

VIII. Information on the management bodies

1. Members of the Supervisory Board in the reporting period:

Dr Christian Hofer, Chairman,
Chairman *until 24 June 2021*
Graduate Mathematician, Herrsching

Klaus Kuhnle, Deputy Chairman,
Deputy Chairman *until 24 June 2021*
Management Consultant, Grünwald

Johann Zehetmaier,
Member of the Supervisory Board *until 24 June 2021*,
Chairman *from 24 June 2021*
Managing Director of msg group GmbH, Ismaning

Dr Thomas Noth,
Member of the Supervisory Board
Managing Director of annocon Value GmbH, Hanover

Dr Martin Strobel,
Member of the Supervisory Board *until 24 June 2021*,
Deputy Chairman *from 24 June 2021*
Independent Entrepreneur, Riehen (Switzerland)

Dr Jürgen Zehetmaier,
Member of the Supervisory Board *from 24 June 2021*
Member of the Management Board of msg systems ag, Ismaning

2. Members of the Management Board:

Rolf Zielke
direct overall responsibility for Central Europe – Co-Chair *until 31 January 2021,*
Chairman of the Management Board *from 1 February 2021*
Munich

Dr Aristid Neuburger
direct overall responsibility for Central Europe – Co-Chair *until 31 January 2021,*
Deputy Chairman *from 1 February 2021 to 28 February 2022*
Graduate Mathematician, Munich

Francesco Cargnel
direct overall responsibility for Central Europe
Graduate Computer Scientist, Munich

Holger Gorissen
direct overall responsibility for Central Europe *from 1 February 2021 to 31 December 2021*
Graduate Computer Scientist, Vallendar

Robert Hess
direct overall responsibility for Central Europe *from 1 February 2021*
Graduate Business Informatics Professional, Sulz am Neckar

Milenko Radic
direct overall responsibility for Global
Graduate Business Informatics Professional, Leinfelden-Echterdingen

Jens Stäcker
direct overall responsibility for Central Europe *from 1 February 2021 to 28 February 2022*
Graduate Business Informatics Professional, Kuddewörde

Dr Wolf Wiedmann
direct overall responsibility for Central Europe
Graduate Physicist, Cologne

IX. Events after the reporting period

With regard to the ongoing global Covid-19 pandemic, msg life still sees no significant impacts on the operational or economic development of the company, including in light of the steps taken by msg life and the development of its business with new and existing customers and projects in the 2022 financial year so far.

In February of this year, after the end of the reporting period, Russia invaded Ukraine and economic sanctions were imposed on Russia as a result. It is impossible to judge the effects of this crisis on the course of business of the msg life Group in 2022. At the time of preparation of the annual financial statements, however, msg life does not expect any significant changes to its economic or operational development.

With regard to both of these topics, we also refer to the corresponding statements in the opportunity and risk report of the condensed management and Group management report for the 2021 financial year.

There were no further events after the reporting date.

Leinfelden-Echterdingen, 14 April 2022

ROLF ZIELKE
Chairman of the Management Board

FRANCESCO CARGNEL
Member of the Management Board

ROBERT HESS
Member of the Management Board

MILENKO RADIC
Member of the Management Board

DR WOLF WIEDMANN
Member of the Management Board

Consolidated statement of changes in fixed assets for the period

from 1 January 2021 to 31 December 2021

Fixed assets 2021	Historical costs of acquisition and production						
	As at 1 January 2021	**Additions**	**Reclassifi-cations**	**Disposals**	**Disposals in the con-solidation group**	**Foreign currency differences**	**As at 31 December 2021**
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
I. Intangible assets							
1. Franchises, trademarks, patents, licences and similar rights	8,591	0	0	0	0	0	8,591
2. Goodwill	31,683	0	0	0	0		31,683
	40,274	**0**	**0**	**0**	**0**	**0**	**40,274**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings, including buildings on third-party land	4,988	32	0	0	0	14	5,034
2. Other fixtures and fittings, tools and equipment	15,177	1,295	86	−305	0	57	16,310
3. Advance payments and plant and machinery in process of construction	86	25	-86	0	0	0	25
	20,251	**1,352**	**0**	**−305**	**0**	**71**	**21,369**
III. Financial assets							
1. Investments	3	0	0	−3	0	0	0
	3	**0**	**0**	**−3**	**0**	**0**	**0**
Total assets	**60,528**	**1,352**	**0**	**−308**	**0**	**71**	**61,643**

Notes to the consolidated financial statements

Accumulated depreciation/amortisation						Net carrying amounts	
As at 1 January 2021	**Additions**	**Disposals**	**Disposals in the con-solidation group**	**Foreign currency differences**	**As at 31 December 2021**	**As at 1 January 2021**	**As at 31 December 2021**
Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
7,198	363	0	0	0	7,561	1,393	1,030
31,683	0	0	0	0	31,683	0	0
38,881	**363**	**0**	**0**	**0**	**39,244**	**1,393**	**1,030**
4,402	86	0	0	14	4,502	586	532
10,658	2,360	291	0	52	12,779	4,519	3,531
0	0	0	0	0	0	86	25
15,060	**2,446**	**291**	**0**	**66**	**17,281**	**5,191**	**4,088**
0	0	0	0	0	0	3	0
0	**0**	**0**	**0**	**0**	**0**	**3**	**0**
53,941	**2,809**	**291**	**0**	**66**	**56,525**	**6,587**	**5,118**

Consolidated statement of changes in fixed assets for the period

from 1 January 2020 to 31 December 2020

Fixed assets 2020	Historical costs of acquisition and production						
	As at 1 January 2020	**Additions**	**Reclassifi-cations**	**Disposals**	**Disposals in the con-solidation group**	**Foreign currency differences**	**As at 31 December 2020**
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
I. Intangible assets							
1. Franchises, trademarks, patents, licences and similar rights	8,615	1	0	0	–25	0	8,591
2. Goodwill	32,408	0	0	0	–725		31,683
	41,023	**1**	**0**	**0**	**–750**	**0**	**40,274**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings, including buildings on third-party land	4,875	157	60	–96	0	–8	4,988
2. Other fixtures and fittings, tools and equipment	13,175	3,169	0	–1,074	–49	–44	15,177
3. Advance payments and plant and machinery in process of construction	60	86	–60	0	0	0	86
	18,110	**3,412**	**0**	**–1,170**	**–49**	**–52**	**20,251**
III. Financial assets							
1. Investments	3	0	0	0		0	3
	3	**0**	**0**	**0**	**0**	**0**	**3**
Total assets	**59,136**	**3,413**	**0**	**–1,170**	**–799**	**–52**	**60,528**

Notes to the consolidated financial statements

Accumulated depreciation/amortisation						Net carrying amounts	
As at 1 January 2020	**Additions**	**Disposals**	**Disposals in the con-solidation group**	**Foreign currency differences**	**As at 31 December 2020**	**As at 1 January 2020**	**As at 31 December 2020**
Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
6,847	376	0	−25	0	7,198	1,768	1,393
31,991	417		−725		31,683	417	0
38,838	**793**	**0**	**−750**	**0**	**38,881**	**2,185**	**1,393**
4,324	181	96	0	−7	4,402	551	586
9,095	2,523	871	−49	−40	10,658	4,080	4,519
0	0	0	0	0		60	86
13,419	**2,704**	**967**	**−49**	**−47**	**15,060**	**4,691**	**5,191**
0	0	0			0	3	3
0	**0**	**0**	**0**	**0**	**0**	**3**	**3**
52,257	**3,497**	**967**	**−799**	**−47**	**53,941**	**6,879**	**6,587**

Independent auditor's report

To msg life ag, Leinfelden-Echterdingen

Audit opinions

We have audited the consolidated financial statements of msg life ag and its subsidiaries (the Group), consisting of the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, as well as the notes to the consolidated financial statements including the presentation of accounting and valuation methods. Additionally, we have audited the condensed management report and Group management report of msg life ag for the financial year from 1 January 2021 to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

— the consolidated financial statements comply, in all material respects, with the requirements of German commercial law and, in compliance with German GAAP, give a true and fair view of the assets and financial position of the Group as at 31 December 2021 and of its earnings position for the financial year from 1 January 2021 to 31 December 2021, and

— the accompanying condensed management report and Group management report as a whole provide an appropriate view of the Group's position. In all material respects, the condensed management report and Group management report are consistent with the consolidated financial statements, comply with the German legal requirements and appropriately present the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements, the condensed management report or the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements, condensed management report and Group management report in accordance with Section 317 HGB with consideration for the German Generally Accepted Standards on Auditing as promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the section entitled 'Responsibility of the auditor for the audit of the consolidated financial statements, condensed management report and Group management report' in our auditor's report. We are independent of the Group entities in accordance with the requirements of German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the condensed management report and Group management report.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises the remaining parts of the annual report with the exceptions of the consolidated financial statements, the audited condensed management report and Group management report and Group management report, as well as our auditor's report.

Our opinions on the consolidated financial statements, condensed management report and Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

— is materially inconsistent with the consolidated financial statements, condensed management report and Group management report or our knowledge obtained in the audit, or

— otherwise appears to be materially misstated.

Responsibility of the legal representatives and Supervisory Board for the consolidated financial statements, condensed management report and Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with German GAAP, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, financial and earnings position of the Group. In addition, the legal representatives are responsible for such internal controls as they have deemed necessary in line with German GAAP to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the condensed management report and Group management report that, as a whole, provide an appropriate view of the Group's position and are, in all material respects, consistent with the consolidated financial statements, comply with German legal requirements, and appropriately present the opportunities and risks of future development. In addition, the legal representatives are responsible for such precautions and measures (systems) as they deem necessary to enable the preparation of a condensed management report and Group management report that are consistent with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the condensed management report and Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Responsibility of the auditor for the audit of the consolidated financial statements, condensed management report and Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the condensed management report and Group management report as a whole provide an appropriate view of the Group's position and, in all material respects, are consistent with the consolidated financial statements and the knowledge obtained in the audit, comply with the German legal requirements and appropriately present the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the condensed management report and Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and with consideration for the German Generally Accepted Standards on Auditing as promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the condensed management report and Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement in the consolidated financial statements, condensed management report and Group management report, whether due to fraud or error, plan and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

— Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of precautions and measures (systems) relevant to the audit of the condensed management report and Group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

— Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;

— Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements, condensed management report and Group management report or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the Group in compliance with German GAAP;

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the condensed management report and Group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our opinions;

— Evaluate the consistency of the condensed management report and Group management report with the consolidated financial statements, their conformity with the law and the view of the Group's position they provide;

— Perform audit procedures on the prospective disclosures presented by the legal representatives in the condensed management report and Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information

We communicate with the persons in charge of the audit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

Frankfurt am Main, 14 April 2022

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

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