



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

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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

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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), Regensburg (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.Illis (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 in-

dustry. 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