

tions 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	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	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	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	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	msg life central europe	msg life Switzerland	Total
	Thousand euros	Thousand euros	Thousand euros	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	1 to 5 years	> 5 years	Total
	Thousand euros	Thousand euros	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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	2020
	Thousand euros	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, Regensburg (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