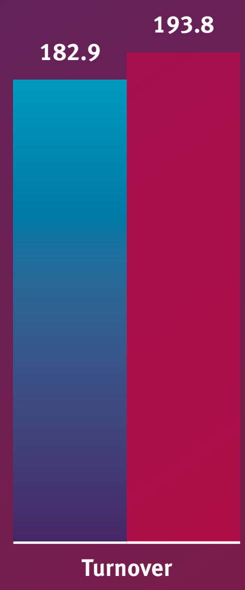
Annual Report 2022

Consolidated key ratios pursuant to HGB

in million euros

2022 2021



* 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 2022

Dear Shareholders,

In the 2022 financial year, the Supervisory Board of msg life ag performed the duties incumbent upon it under the law, the articles of incorporation and the rules of procedure, and monitored the activities of the Management Board in managing the company, guiding it in an advisory capacity. The Supervisory Board compared the company's actual business performance against its targets at each meeting and discussed 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.

At each meeting, the Supervisory Board discussed decisions requiring its consent, as well as current indicators of the earnings, financial and assets position of the msg life Group. 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 potential cooperative ventures or acquisitions.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The Supervisory Board was always promptly and comprehensively informed regarding all significant matters of relevance to the company. The Management Board also reported to the Supervisory Board any events of particular note during periods between individual 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 monthly reports, the Management Board provided the Supervisory Board with details about the key performance indicators and any deviations from plans.

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

ACTIVITIES OF THE SUPERVISORY BOARD IN THE 2022 FINANCIAL YEAR

The Supervisory Board met five times in the 2022 financial year. Due to the Covid-19 pandemic, the meeting on 17 February 2022 was held as a video-/teleconference. All other meetings were held in person, with individual participants using video-/teleconference technology to attend. 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 2021 financial year.

On 17 February 2022, 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. Likewise, it 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 and the co-brand msg insur:it, as well as the new distribution of organisational units for the Management Board. Additionally, the target agreements of the Management Board for 2022 were discussed and adopted and the annual reports on risk management, compliance, internal auditing and data protection were presented.

In its meeting on 29 April 2022, the Supervisory Board held an in-depth discussion on the annual financial statements and consolidated financial statements and on the condensed management report and Group management report for the 2021 financial year. After consulting the auditor and the Management Board extensively, the Supervisory Board approved the annual financial statements and consolidated financial statements for the 2021 financial year. At the same meeting, the Supervisory Board also discussed and adopted the agenda for the annual general meeting on 22 June 2022. Finally, it addressed the current business situation of the company.

A Supervisory Board meeting was held after the annual general meeting of 22 June 2022. In the meeting, the Management Board reported to the Supervisory Board on the current business situation as well as ongoing external and internal project plans in the msg life Group.

On 8 September 2022, the Management Board and Supervisory Board discussed the ongoing development of business and sales at the company, as well as its long-term strategy in international markets. The compliance report for the Group company in the USA was also presented.

In its meeting on 13 December 2022, 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 2023 were discussed and adopted.

AUDIT OF THE 2022 FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The annual general meeting held on 22 June 2022 appointed Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in Düsseldorf as auditor of the annual financial statements and consolidated annual financial statements for the 2022 financial year.

The auditor audited the 2022 financial statements and consolidated financial statements, as well as the condensed management report and Group management report, and granted an unqualified audit certificate. The 2022 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 25 April 2023. 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 2022 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 25 April 2023, 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 German Stock Corporation Act (AktG).

CHANGES TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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.

Dr Jürgen Zehetmaier resigned from his office as a member of the Supervisory Board with effect from the end of business on 31 May 2022. By resolution of the annual general meeting on 22 June 2022, Dr Aristid Neuburger was elected to succeed Dr Jürgen Zehetmaier on the Supervisory Board of msg life ag.

The Supervisory Board would like to thank all the members of the Management Board who served during the period under review and all of the employees employed by the msg life Group for their commitment and their once again outstanding work in making the 2022 financial year a successful one.

Leinfelden-Echterdingen, 25 April 2023

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 2022 financial year from 1 January 2022 to 31 December 2022, as well as the situation of the Group and the individual company as at the reporting date, 31 December 2022.

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 numerous 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, information security, 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 (SaaS/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. msg life ag is also represented in Vienna (Austria), Regensdorf (Switzerland), Almere (Netherlands), Bratislava, Košice and Žilina (Slovakia), Oporto (Portugal), Madrid (Spain) and New York, Denver and Boca Raton (USA). As part of the planned sale of the subsidiary msg life odateam d.o.o. to Plaut Austria GmbH, Vienna (Austria), the office in Maribor (Slovenia) will be taken over by msg Plaut in the current financial year with retroactive effect from 1 January 2023.

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 2022 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%

As at the balance sheet date, there were no changes to the consolidation group described in the consolidated financial statements for the 2021 financial year as at 31 December 2021.

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 2022, the Management Board of msg life ag consisted of Rolf Zielke (Chairman), Francesco Cargnel, Robert Hess, Milenko Radic and Dr Wolf Wiedmann.

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.

Dr Jürgen Zehetmaier resigned from his office as a member of the Supervisory Board with effect from the end of business on 31 May 2022. By resolution of the annual general meeting on 22 June 2022, Dr Aristid Neuburger was elected to succeed Dr Jürgen Zehetmaier on the Supervisory Board of msg life ag.

As such, the Supervisory Board of the company had four members as at 31 December 2022: Johann Zehetmaier (Chairman), Dr Martin Strobel (Deputy Chairman), Dr Aristid Neuburger and Dr Thomas Noth.

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 have had a management team with unified responsibilities since 2021. Additionally, msg life and msg nexinsure are sharing the co-brand msg insur:it in the insurance market and underlining their leading role as a provider of insurance products. The co-brand msg insur:it notwithstanding, msg life and msg nexinsure will remain independent legal units.

In September 2021, pursuant to section 52, paragraph 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.

Control systems

Financial and non-financial performance indicators are used to control the company. The financial performance indicators of the msg Group include Group revenue from its own business under the HGB and Group earnings before interest, taxes, depreciation and amortisation (EBITDA) under the HGB. On the level of the individual Group company, as the holding company, this includes the result under the HGB. Employee concerns in particular are a non-financial performance indicator.

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. Focusing on the US market, Unified Product Platform supports the mapping of products and processes of specific American health and group insurance products.

Furthermore, the following products cover – in some cases on a country-specific basis – key specialist and across-the-board functions in the core business of an insurance company:

- **msg.Life Group:** Policy management system for group business
- **msg.Zulagenverwaltung:** System designed to manage the allowances of contracts subsidised under the Riester system
- **msg.RAN:** Pension settlement and documentation system
- **msg.Tax Data:** Reporting system with modules for tax notifications and tax ID identification, exemption order management, CRS and FATCA notifications and for health insurance from 2023: health insurance number (KVNR) identification and private health insurance certification process
- **msg.Pension Data:** automated provision of portfolio data to the ZfD for the digital pension overview
- **msg.Office:** Inbox with transaction control and document processing
- **msg.Sales:** Multichannel sales platform with msg. Underwriting as a risk assessment component
- **msg.Ilis:** Insurance Liability Information System – a solution to optimise financial reporting

There are also additional products for workplace pensions and time value accounts:

- **msg.ZVK Factory:** System for managing supplementary pension funds
- **msg.Pension:** Management of time value accounts and workplace pensions
- **msg.Marsy-Pension:** Administrative solution for the management of company pension commitments

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

After the global economy had just begun to recover from the effects of the Covid-19 pandemic, the war in Ukraine, high inflation and rising interest rates all had a negative impact on global economic development. In January 2023, in light of these circumstances, the World Bank significantly downgraded its global growth forecast for the current year from 3.0 per cent to 1.7 per cent. Disregarding the crisis years of 2009 and 2020, global economic growth of 1.7 per cent would be the slowest rate for almost three decades, according to 'Global Economic Prospects', a report published by the World Bank. At the same time, the World Bank warned of further negative shocks that could nudge the global economy into recession. In almost every region in the world, the income per capita will grow more slowly than prior to the Covid-19 pandemic. The World Bank forecasts growth of 2.7 per cent for 2024.

The International Monetary Fund (IMF) is somewhat more optimistic. The organisation slightly upgraded its global economic forecast for the current year in late January 2023. According to this forecast, global economic growth is set to rise by 2.9 per cent this year, following an estimated rise of 3.4 per cent last year. Previously, the IMF had predicted a rate of 2.7 per cent. The economists expect growth of 3.1 per cent for 2024. China's abandonment of its zero-Covid policy, which will allow the global economy to recover faster, was cited as the reason for the minor upgrade.

According to the IMF, however, the updated forecast is still far below the historical average of 3.8 per cent when compared to the previous two decades. The interest rate hikes announced by central banks to counter rising rates of inflation are impacting economic activity around the world, as is the war in Ukraine. Analysts expect the rate of inflation to be 6.6 per cent in 2023, down from 8.8 per cent in 2022.

According to the forecast by the International Monetary Fund, the growth of the world's largest economy, the USA, will slow from 2.0 per cent last year to 1.4 per cent in 2023 and, finally, 1.0 per cent next year. For one, the Federal Reserve's strict monetary policies are stifling the economy. China, the second-largest economy in the world, recorded growth of just 3.0 per cent last year, after skyrocketing Covid-19 infections slammed the brakes on its economic output. Experts expect growth of 5.2 per cent this year and 4.5 per cent in 2024.

Europe is under serious pressure from the impact of the war in Ukraine. Leading economists had warned of a recession, especially in Germany and Italy, in light of the volatility in the gas, electricity and raw materials markets and rising rates of inflation. So far, no recession has taken place. According to a preliminary flash estimate by the European statistical office Eurostat, the European economy grew by 3.5 per cent last year. However, the International Monetary Fund expects the rate of growth to slow to 0.7 per cent this year.

The German economy has proven somewhat more resilient than expected. As reported by the German Federal Statistical Office in January 2023, the gross domestic product (GDP) grew by 1.9 per cent last year. 'In 2022, the overall economic situation in Germany was affected by the consequences of the war in Ukraine and the extremely high energy price increases', reads the press release. Other factors included worsening material shortages and supply bottlenecks, skyrocketing prices for food, for example, the lack of specialists and the ongoing – albeit slowing – Covid-19 pandemic. In spite of these difficult conditions, the German economy 'as a whole managed to perform well'.

Whereas service sectors benefited from recovery effects after almost all Covid-19 restrictions were lifted, industrial manufacturing and the construction sector suffered from high prices and shortages of materials. Overall, the economic sector of trade, transport, accommodation and food services experienced strong growth of 4.0 per cent year-on-year. This sector also includes other service providers, who in turn encompass the creative and entertainment sectors. The gross value created by these sectors rose by 6.3 per cent annually.

According to the statistical office, material shortages and supply bottlenecks, high building costs and worsening financial conditions in the construction sector led to a significant decline of 2.3 per cent. The high energy prices and still-limited availability of preliminary products also stifled the economic output of the manufacturing sector. This sector grew by just 0.2 per cent.

In spite of sharply rising prices, foreign trade increased in 2022, with 3.2 per cent more goods and services being exported year-on-year, adjusted for price. Imports grew by 6.7 per cent, adjusted for price.

In terms of 2023, the German government expects the largely stable energy supply situation, the effects of governmental support measures and the predicted global economic recovery to stimulate the development of the economy over the course of the year, following a weak six months over winter. This was set out in an annual forecast published by the German government in January 2023. The GDP for the year as a whole could be expected to rise by 0.2 per cent. Additionally, the German government predicts inflation of 6.0 per cent this year.

In light of the most recent crises, the German insurance industry is faced with numerous unknown factors: changing interest rates, inflation, war in Ukraine and generally high uncertainty. Nevertheless, German insurers achieved 'a reasonable result' in the financial year ended, says Dr Norbert Rollinger, president of the German Insurance Association (GDV), at its annual media conference in January 2023. Premium income fell by 0.7 per cent across all segments to 224.3 billion euros, compared to 225.9 billion euros in 2021. According to the GDV, the business of life insurers in particular was affected by real losses of earnings and the high levels of uncertainty. Premiums are still growing in non-life and accident insurance and private health insurance.

The income of life insurers and pension funds declined significantly by 6 per cent last year, with single-premium insurance policies declining by almost 18 per cent, whereas insurance policies with regular premiums increased slightly by 0.6 per cent. The GDV offers two main reasons for the unequal developments: for one, customers have more investment options again because interest rates are normalising. Additionally, the higher costs of living mean that consumers have less money for their old-age pensions. Nevertheless, the GDV reports that, at likely 2.6 per cent, the cancellation rate was largely stable in the previous year. In this challenging environment, people are largely sticking to their pension contracts.

According to the GDV, workplace pensions fared better than private old-age pensions, with new direct insurance business rising by 13 per cent to more than 650,000 contracts. According to Dr Rollinger, president of the GDV, the positive developments are the result of the reforms of recent years starting to have an effect. The bottom line is that insurers were able to achieve growth of 3.7 per cent in workplace pension contributions in the previous year.

In contrast, business with the Riester pension fared extremely poorly, with new business collapsing by 60 per cent to just 124.7 million euros in the financial year ended. It amounted to 311.4 million euros in the previous year. The portfolio of contracts shrank from 10.4 to 10.2 million contracts. In the opinion of the GDV, the legal obligation to offer a 100 per cent guarantee and a projected interest rate of 0.25 per cent caused many insurers to discontinue their Riester business in the previous year.

Looking to the current year, the GDV expects total premium growth of around 3 per cent across all segments. However, the individual fields of business will perform very differently. The level of uncertainty is currently higher than ever, especially among life insurers. That being said, rising interest rates will gradually lead to more attractive conditions for life insurers. On the other hand, the economic uncertainty and high rates of inflation can be expected to continue putting pressure on private households, which means that less money will be put aside for private old-age pensions.

With regard to life insurance, the GDV predicts 'business development to remain at more or less zero'. Specifically, single premiums and the income of pension funds will remain stable this year. The income of pension funds will probably shrink by 4 per cent, whereas life insurance policies with regular premiums should increase by 0.3 per cent. The portion of traditional insurance policies with projected interest rates may stagnate or decline further here, whereas unit-linked insurance policies may increase their share of new business. 'A cautious recovery process' could begin in spring 2023, according to the GDV, driven by governmental support schemes and pay rises. The rates of inflation should also fall slowly.

For the insurance sector, one of the topics that overshadowed the previous year was the change in interest rates initiated by the European Central Bank (ECB) in summer 2022. On 2 February 2023, to combat rising inflation, the ECB raised the key interest rate to 3.0 per cent for the fifth time in a row, and even announced further interest rate hikes. The ECB wants to press on with this strategy 'to ensure a timely return of inflation to our two per cent medium-term target', according to the press release. However, the ECB is still a long way from achieving this target: in January 2023, inflation in the Eurozone was 8.5 per cent compared to the same month in the previous year, as reported by the European statistical office Eurostat in a flash estimate on 1 February 2023. However, the rate of inflation had slowed month-on-month. Inflation reached 9.2 per cent in December 2022.

The changing interest rates bring with them advantages and disadvantages for life insurers: rising interest rates means that companies will be less burdened by additional interest reserves. In December 2022, the rating agency Assekurata concluded that life insurers will benefit from the changing interest rates overall. It stated that companies were already able to withdraw funds from the additional interest reserves in the previous year. However, higher interest rates are only partially beneficial to life insurers in terms of income from capital investments, as the interest investments on their books will initially lose considerable value.

Insurers have been coping with the interest rate shock well so far, concludes the German Federal Financial Supervisory Authority (BaFin) in the risk report it published in January 2023. However, as interest rates continue to rise, so does the risk to life insurers that more and more contracts will be cancelled or new business will decline, especially with regard to single-premium policies. Additionally, the high rate of inflation could cause customers in all segments to no longer want or be able to spend money on their premiums.

Following a decision by the German Federal Ministry of Finance in 2021, the projected interest rate for new life insurance contracts has been 0.25 per cent since early 2022. In spite of the high inflation and rising interest rates, the German Actuarial Association (DAV) recommends that the projected interest rate for life insurance be left at 0.25 per cent in 2024. Interest rates in the capital markets must first reach long-term stability, argues a press release published by the DAV on 5 December 2022.

Aside from the changing interest rates, life insurers were preoccupied with regulatory matters as the EU is pressing forward with a complex regulatory framework in terms of sustainability. The implementation of the EU Sustainable Finance Action Plan has made extensive adjustments necessary. This ties up considerable resources, yet also presents tremendous opportunities, as customers are increasingly interested in sustainable insurance solutions.

As part of its action plan, the EU has drawn up a series of measures to build a sustainable financial framework. The main building blocks include the Taxonomy Regulation and the EU Transparency Directive. A comprehensive package of instruments is also currently being developed to make it easier for financial market participants to develop solutions for sustainable investments. The Sustainable Finance Disclosure Regulation (SFDR) came into force in March 2021. The Regulatory Technical Standards (RTS) that expand on the directive have been applicable since 1 January 2023.

The Taxonomy Regulation was published by the European Commission in 2020. It features criteria for determining whether an economic activity or investment can be classified as ecologically sustainable. The regulation concerns six environmental goals initially. So far, the RTS for the first two environmental goals have been formulated. The RTS for the remaining four environmental objectives are still pending. Since January 2022, the classification system has to be applied to all published reports in relation to the first two environmental objectives. The disclosure requirements for companies and financial products are regulated by the EU's Sustainable Finance Disclosure Regulation, which itself refers to the Taxonomy.

For a number of years now, insurers have had to deal with the new accounting rules set out by IFRS 17 (International Financial Reporting Standard). The regulatory framework took effect on 1 January 2023. The new accounting standard regulates the principles with regard to the identification, method, valuation, reporting and the disclosures for insurance contracts. Companies that are required to or want to report, as well as create quarterly financial reports, in accordance with IFRS need an opening balance sheet as early as 1 January 2022.

In the financial year ended, a circular released by BaFin on 3 March 2022 signalled the entry into force of the new VAIT (Supervisory Requirements for IT in Insurance Undertakings), which insurers and pension funds are required to apply without a transition period. The circular sets out the binding requirements of the German Insurance Supervision Act (VAG) on governance and provides a framework, especially for IT resource management, information risk management and information security management. And what with the planned Artificial Intelligence Act (AI Act), which is to set out general conditions for the use of artificial intelligence (AI), and the Digital Operational Resilience Act (DORA), which is intended to strengthen the digital resilience of financial institutions, insurers will have to prepare for even more comprehensive European regulatory projects.

There was also movement in private and workplace pensions in the financial year ended. In October 2022, a collective agreement was signed to implement pure defined contribution plans as part of the social partner model for the first time. It was signed by Verdi, the industrial union IG BCE, the energy company Uniper, the Employers' Association of Energy and Water Enterprises and the Employers' Association of Bavarian Energy Supply Companies.

Furthermore, the German government launched statutory equity pensions known as 'Aktienrente' in autumn 2022. The goal is to support statutory pensions with a capital-funded pension system. The German government wants to kick-start the model with € 10 billion in finance this year. According to the Federal Minister of Finance Christian Lindner, the first € 10 billion are just the first stage. In November 2022, the German government also decided to form a private old-age pensions focus group to offer advice on the future of private old-age pensions. The group is tasked with 'examining the possibility of a public fund that offers people who pay into an old-age pension a non-binding, affordable and effective private old-age pension solution' by mid-2023. The group's recommendations are to be factored into a reform of private old-age pensions.

Digitisation remains a high priority in the insurance sector. For one, this is reflected in the IT expenditure that remains at a high level. According to the GDV publication 'Digitisation – Green Light Instead of Red Pencil: IT Jobs in the Insurance Industry' (January 2023), IT expenditure surpassed 5 billion euros again in 2021. This equates to 2.4 per cent of the total gross income from premiums.

According to 'Navigating Through Stormy Times – Insurance Markets and Technology in 2023', a study published by Sollers Consulting in December 2022, automation is at the top of the agenda for insurance companies. The rising economic pressure – including in the context of high rates of inflation – is forcing the industry to establish even more efficient processes and business models. Automation helps optimise costs and produce better results. Considerable effort has already been put into automation in Denmark, Great Britain and the German-speaking countries.

According to the Sollers study, insurance companies in the USA, Great Britain and Europe are still working to modernise their core systems to make even better use of the potential of automation. That being said, insurers in the German-speaking countries as well as France and the Nordic countries are also pressing on with the modernisation of their IT systems. Long-term investments to improve insurance platforms and integrated IT architectures will remain high in the future.

Furthermore, cloud computing plays a significant role in the digitisation of the insurance sector. According to a number of studies by Sollers Consulting, cloud computing is one of the most important pieces of technology to the insurance sector, alongside robotic process automation and artificial intelligence. This was also confirmed by Cloud Monitor 2022, a recent study carried out by Bitkom Research on behalf of KPMG. Around eight out of ten companies in the financial and insurance sectors use cloud computing already. 'Cloud users in the financial industry have understood the relevance of cloud computing to their future competitiveness', reads the study.

Numerous studies underline the importance of cloud technology as a driver of digitisation. Instances of this within the insurance industry include the creation of new ecosystems, the development of new business models and their integration into platforms, and new ways of collaborating with various partners in particular.

In 2021, the European insurance industry recovered from the somewhat significant setbacks it suffered during the pandemic in 2020. This was reported by the insurance federation Insurance Europe in a preliminary survey entitled 'European Insurance – Preliminary Figures 2021' in July 2022. Premium income in many countries has returned to its 'normal' level. In 2020, premium income in European life insurance had fallen significantly by 9.6 per cent to 668 billion euros.

The 'European Insurance Overview 2022' published by the federation in February 2023 also shows that the gross income from life insurance premiums rose in most EU countries in 2021. First and foremost, the growth is attributable to unit-linked life insurance products. Portugal and Norway experienced the largest growth with more than 70 per cent each, whereas the gross premium income suffered its worst decline of 15 per cent in both Liechtenstein and Slovakia. No more detailed figures for 2021 have been provided.

According to preliminary figures, life insurers in the USA enjoyed significant growth in 2021, with gross premiums increasing by 7.5 per cent year-on-year to almost 610 billion US dollars. This is according to the GDV's statistics relating to the German insurance industry (September 2022). With a hefty market share of 20 per cent, the USA is the largest life insurance market in the world.

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. All of 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 and standard software platforms with new operator models, such as software as a service (SaaS).

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.

Ever since 2021, msg life and the Ludwig Maximilian University of Munich have been developing deep neural networks (DNNs) for the actuarial computation module as part of the TRAIL.X (TRustworthy Artificial Intelligence in Life Insurance) project. 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 (XAI) and automated machine learning (AutoML) are two topics that play an important role in this context.

TRAIL.X 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 was characterised by extremely stable and successful projects as well as continuous new orders in 2022. msg life expects this trend to continue in 2023.

The company achieved numerous sales successes in 2022:

in the German-speaking market, msg life received a total of five orders for msg.Life Factory, some of which in connection with numerous additional components. New orders in this context were placed by Gothaer Versicherungen, Athora Lebensversicherung, HDI Leben and ottonova. Stuttgarter Lebensversicherung commissioned msg life to introduce the full life version of msg. Insurance Suite.

The office of msg life in the Netherlands is one of the offices serving the Benelux market, and the company's range of products has generated considerable interest in ongoing sales projects from the national insurance groups there in particular.

The performance of the US business of msg life, primarily for health and group insurers, was satisfactory in the reporting period. The msg life Group company based there, FJA-US, Inc., reports continuous development and generally strong customer demand for services.

The range of services offered by msg life there encompasses not only software products and technical consulting services on all aspects of product and tariff structuring, but also operator models that are generating growing interest in the market. In this context, several customers now maintain such an operator model (i.e. SaaS), in which the customer pays a fee to use and operate the software.

With a subsidiary in Spain and a dedicated office in Portugal, msg life is able to serve the Spanish and Portuguese markets whilst also using them as a product development unit. Business with existing customers performed well for msg life in these markets in 2022, and further sales successes are expected in the current financial year too. The project for Mutual Medica in Spain was launched successfully in 2022.

Over the course of the current financial year, msg life's Slovenian unit will be taken over by the msg Group company msg Plaut. As the unit has enjoyed generally positive development over the past few years, its integration into msg Plaut is expected to generate considerable synergies in the dynamic Central and Eastern European markets, where msg Plaut has been active with extensive sales resources for many years. At the same time, the Unified Administration Platform (UAP) complements msg Plaut's range of products and services, which focus on product-based consulting.

Both units – msg Plaut and OdaTeam – expect their new status to greatly strengthen their sales, create advantages in terms of future market cultivation and expand their capacity to deliver significantly. For msg life, the upcoming sale also represents a strategic intensification of its product strategy for the cross-segment software msg.Insurance Suite.

As previously reported, there were numerous new orders for msg life in 2022 and the company expects relevant new business in the 2023 financial year. Business with existing customers in connection with the software components was also strong. Additionally, all of the major projects set out in the corporate plan were executed in the reporting period. Like in previous years, msg life focused on sales projects in well-established markets in particular in the 2022 financial year.

For msg life as an IT company and service provider in a highly regulated market, information security and data protection play a key role. Consequently, work continued on the implementation of an information security management system (ISMS) in the reporting period. The ISMS is a systematic approach to implementing information security in order to meet internal and external requirements and achieve business objectives. The goal is certification under the commonly used international standard ISO/IEC 27001, with the process supervised by an internationally recognised institute in TÜV Rheinland. The first certifications were obtained for individual areas of msg life in late 2022.

Summarised evaluation of the company's business situation

The 2022 financial year was another good year for the msg life Group. Numerous sales successes with the corresponding licence income, stable business with existing customers and continually low travel costs due to the ongoing – albeit slowing – Covid-19 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 under the HGB and Group earnings before interest, taxes, depreciation and amortisation (EBITDA) under the HGB being reached.

In the reporting period, the msg life Group recorded gross Group revenue from its own business under German GAAP of 173.2 million euros (previous year: 176.1 million euros) and Group earnings before interest, taxes, depreciation and amortisation (EBITDA) under German GAAP of 14.1 million euros (previous year: 17.9 million euros).

The business situation of the company in the 2022 reporting year can therefore be described as positive overall. The foundations exist for positive development in 2023 and beyond. Last year's prognosis in the separate financial statements forecast positive net results; as the holding company, the individual Group company finished the 2022 financial year with net profit of 7.4 million euros (previous year: 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 2022 are based on the German Commercial Code (HGB).

The Group's earnings position

DEVELOPMENT OF TURNOVER

The msg life Group's turnover in the financial year ended amounted to 182.9 million euros, which is 10.9 million euros lower than the figure for the 2021 financial year, corresponding to a decline of 5.6 per cent. This slight decline was due to projects that, contrary to plans, were no longer executed in the reporting period.

During the financial year, service turnover decreased by 21.4 million euros from 150.2 million euros to 128.8 million euros. As at 31 December 2022, service turnover makes up 70.4 per cent (previous year: 77.5 per cent) of total turnover. Product-based turnover overall was up by 10.5 million euros to 54.1 million euros (previous year: 43.6 million euros). In terms of product-based turnover, licensing income came to 19.4 million euros in the reporting period (previous year: 14.1 million euros), which represents 10.6 per cent of total turnover (previous year: 7.3 per cent). Maintenance turnover came to 26.8 million euros in 2022 (previous year: 23.6 million euros) and therefore makes up 14.7 per cent of the total turnover (previous year: 12.2 per cent).

As part of the product-based turnover, the other turnover largely consisted of computing centre services in 2022. It amounted to 7.9 million euros in the financial year ended and was higher than in the previous year (previous year: 5.9 million euros).

As for the regional breakdown of turnover, the aggregate figure for Germany in the 2022 financial year totalled 156.1 million euros (previous year: 172.2 million euros) and 26.8 million euros in other countries (previous year: 21.6 million euros). This means that turnover in the German market did not reach the level of the previous year, although demand for msg life solutions abroad did increase by 24 per cent.

Following a decline in the previous year, the turnover of the msg life Group's American business increased by 2.5 million euros to 20.1 million euros in a rejuvenated market environment in 2022. Slovenia is the second-strongest market in terms of turnover, with turnover in the 2022 financial year amounting to 4.1 million euros (previous year: 1.7 million euros); in particular, this increase is due to the successful completion of a project in the reporting period. In Portugal and Spain, the company and Spain experienced a slight increase in sales of 0.4 million euros to 1.2 million euros. In Switzerland, turnover increased slightly by 0.1 million euros to 1.3 million euros in 2022. At 0.1 million euros, turnover remained stable in the Benelux region.

The national affiliates in Austria and Slovakia generate turnover primarily for other Group companies, so that the external turnover they generate is correspondingly low.

The change in inventories decreased by 1.2 million euros from -8.5 million euros to -9.7 million euros in the financial year, causing the gross revenue of the company to decrease by 12.1 million euros to 173.2 million euros, representing a 6.5 per cent reduction. In particular, this effect is due to a project being carried out in cooperation with msg systems ag in which the resulting gross revenue was 9.2 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: 2.0 million euros).

Total costs in the 2022 financial year amounted to 161.2 million euros (previous year: 169.5 million euros); they decreased by 8.3 million euros, which corresponds to a reduction of 4.9 per cent. The largest proportion of total costs comprised personnel costs at 107.2 million euros (previous year: 105.6 million euros), which represents a share of 66.5 per cent (previous year: 62.3 per cent) relative to the average number of 1,225 employees (previous year: 1,185 employees).

At 31.1 million euros (previous year: 44.5 million euros), procured services represented a large proportion of total costs. The significant decrease in procured services of 13.4 million euros in the 2022 financial year is due to other services which contained expenses of 9.2 million euros in 2021 resulting from the successful delivery of a milestone within the framework of a major project in cooperation with msg systems ag. No other interim deliveries took place within this project in the reporting year.

Procured services include external freelance staff whose costs amounted to 13.4 million euros in the 2022 financial year (previous year: 12.2 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 rose slightly to 107.2 million euros (previous year: 105.6 million euros). At the same time, material expenses fell from 44.5 million euros to 31.1 million euros due to a significant decrease in procured services. Other operating expenses accounted for 14.2 per cent of total costs in 2022, an increase compared with the previous year (11.4 per cent), and came to 22.9 million euros (previous year: 19.4 million euros). As in the previous year, the main component of other operating expenses is primarily rent for office space of 7.3 million euros (previous year: 7.0 million euros).

Due to the slowing of the Covid-19 pandemic, travel expenses associated with products increased somewhat and were 1.2 million euros in the 2022 financial year (previous year: 0.4 million euros). Communication costs increased slightly, rising by 0.1 million euros from 0.8 million euros to 0.9 million euros. Likewise, consulting, accounting and Supervisory Board expenses increased by 0.6 million euros to 2.6 million euros in the 2022 financial year (previous year: 2.0 million euros).

As a result, in the 2022 financial year, the Group was able to generate earnings before interest, taxes, depreciation and amortisation (EBITDA) of 14.1 million euros (previous year: 17.9 million euros).

The sum of all depreciation and amortisation decreased by 0.3 million euros to 2.5 million euros (previous year: 2.8 million euros). Depreciation of property, plant and equipment amounted to 2.1 million euros (previous year: 2.4 million euros). Scheduled amortisation of intangible assets amounted to 0.4 million euros (previous year: 0.4 million euros).

Altogether, the positive operating result (EBIT) in the 2022 financial year was 11.5 million euros (previous year: 15.0 million euros).

The financial result amounted to -0.1 million euros (previous year: -0.8 million euros). The Group is completely equity-financed and is not dependent on borrowing.

The Group's income from ordinary activities decreased in 2022 by 2.7 million euros, bringing it to 11.5 million euros (previous year: 14.2 million euros). This resulted in income tax expenses of 2.3 million euros for the 2022 financial year (previous year: 2.1 million euros).

After taking into account other taxes, net income for the 2022 financial year was 9.1 million euros (previous year: 12.1 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.

Due to invoicing of customers at the end of the year (with payment deadlines in the following year) and the provision of a long-term loan to affiliated companies, the liquid funds in bank accounts decreased by 11.0 million euros and amounted to 6.9 million euros as at 31 December 2022 (31 December 2021: 17.9 million euros). Cash pooling exists for the German companies within the msg life Group. Additionally, the Group invested 26.7 million euros in cash in US treasury bonds (previous year: 23.4 million euros), in order to generate interest income on a part of its existing cash holdings. Overall, cash and cash equivalents decreased by 7.7 million euros to 33.6 million euros (previous year: 41.3 million euros).

In the 2022 financial year, msg life generated an operative cash flow in the amount of -2.2 million euros (previous year: 7.4 million euros). The msg life Group closed the 2022 financial year with earnings before taxes on income (EBT) of 11.5 million euros in total (previous year: 14.2 million euros).

The cash flow from investing activities amounted to -9.0 million euros (previous year: -13.0 million euros), whereby investments in property, plant and equipment, in the form of technical equipment, accounted for 2.1 million euros and the purchase of US treasury bonds for 1.9 million euros, plus a loan of 5.0 million euros to affiliated companies.

There were no particularities in the cash flow from financing activities in the financial year ended, and as such it was 0.0 million euros in the 2022 financial year (previous year: -0.1 million euros).

The Group's assets position

ASSET STRUCTURE ANALYSIS

At 61.4 per cent, the equity ratio of the Group as at 31 December 2022 has undergone positive development compared to the previous year (previous year: 57.9 per cent) and equity amounted to 68.3 million euros (previous year: 57.6 million euros). As at 31 December 2022, the Group's total assets are 111.3 million euros (previous year: 99.5 million euros), which represents an increase of 11.8 million euros.

In the financial year ended, current assets increased from 92.3 million euros to 97.3 million euros. Essentially, this development was due to the fact that receivables from affiliated companies were 9.2 million euros higher and securities were 3.3 million euros higher as at the reporting date. On the other hand, liquid funds decreased by 11.0 million euros from 17.9 million euros to 6.9 million euros, which had the opposite effect.

The net total of the line item 'Inventories' has increased from 7.5 million euros to 8.4 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 8.4 million euros has been recognised under inventories.

Fixed assets increased on the whole by 4.6 million euros, from 5.1 million euros in the previous year to 9.7 million euros. This was due to a long-term loan of 5.0 million euros that was granted to affiliated companies in the reporting year. In the 2022 financial year, property, plant and equipment barely changed in value. Overall, intangible assets decreased by 0.3 million euros to 0.7 million euros as a result of amortisation. Prepaid expenses increased by 2.2 million euros year-on-year due to new contracts, especially a contract with a cloud service provider. Before they were netted against deferred tax liabilities, the deferred tax assets totalled 0.2 million euros (previous year: 0.3 million euros).

Provisions increased by a total of 0.4 million euros to 26.2 million euros. Essentially, this change was due to the increase in tax provisions by 1.0 million euros to 2.2 million euros and was incurred by the US-based subsidiary in particular.

All in all, provisions account for 23.6 per cent of the balance sheet total, compared with 25.9 per cent in the previous year.

Liabilities amounted to 15.4 million euros. The increase of 2.2 million euros compared to the previous year is due to the increase in trade payables of 2.3 million euros to 5.4 million euros because of the reporting date, an increase in other liabilities (essentially VAT liabilities) of 2.3 million euros and the decrease in liabilities to affiliated companies by 2.4 million euros to 5.1 million euros. Deferred income had decreased to 1.3 million euros (previous year: 3.0 million euros) due to the reporting date, and was essentially attributable to received maintenance fees.

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 13.2 per cent in the previous year to 13.8 per cent now.

The 2022 financial year was in line with 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 ongoing, albeit slowing, 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 14.1 million euros from 50.0 million euros to 35.9 million euros. This development was driven by turnover from third parties which decreased by 15.9 million euros, and internal turnover (i.e. turnover from companies within the msg life Group) which increased by 1.8 million euros. Other operating income came to 0.3 million euros (previous year: 0.4 million euros).

Expenses for the procurement of services were 15.4 million euros lower than in the previous year and amounted to 13.0 million euros in the financial year ended (previous year: 28.4 million euros).

In the 2022 financial year, the development of msg life ag's turnover and expenses resulting from the procurement of services was essentially due to the delivery of a milestone within the framework of a major project with msg systems ag in 2021. No other interim deliveries took place within this project in the reporting year.

At 7.7 million euros (previous year: 8.4 million euros), personnel expenses were just 0.7 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) increased slightly to 0.6 million euros in the financial year ended (previous year: 0.4 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 3.2 million euros from 18.6 million euros to 21.8 million euros in the financial year ended. Essentially, this was due to IT expenses as a result of the increase in SaaS contracts.

Under its profit transfer agreements, the company received 14.9 million euros from msg life central europe gmbh (previous year: 16.1 million euros) and 0.6 million euros of income from msg life global gmbh (previous year: 1.0 million euros).

At -0.1 million euros in the 2022 financial year, the net interest result of msg life ag improved slightly (previous year: -0.4 million euros), and is primarily comprised of interest expenses for pension and anniversary provisions or accrued interest on IC liabilities to affiliated companies.

Income tax expenses amounted to 0.6 million euros in the 2022 financial year (previous year: 0.9 million euros).

Overall, for the 2022 financial year, msg life ag generated a net profit under the German Commercial Code (HGB) in the amount of 7.4 million euros (previous year: 10.8 million euros).

FINANCIAL POSITION AND ASSETS

The increase in fixed assets by 6.1 million euros to 64.3 million euros (previous year: 58.2 million euros) was due to the provision of a long-term loan of 5.0 million euros to affiliated companies and increased investments by the company in new hardware. The scheduled depreciation of property, plant and equipment had the opposite effect. Property, plant and equipment came to 2.0 million euros (previous year: 1.0 million euros).

msg life ag's current assets decreased by 11.7 million euros to 42.2 million euros in the financial year ended (previous year: 53.9 million euros). Essentially, this development was due to the decrease in liquid funds as well as trade receivables.

Trade receivables decreased by 8.2 million euros to 2.0 million euros due to the reporting date (previous year: 10.2 million euros).

Receivables from affiliated companies increased by 1.9 million euros to 5.6 million euros due to the reporting date (previous year: 3.7 million euros). Liabilities to affiliated companies decreased by 16.5 million euros to 9.2 million euros as a result of cash pooling due to the reporting date (previous year: 25.7 million euros).

As at the reporting date, cash and cash equivalents were 7.5 million euros lower than in the previous year, reaching a balance of 3.1 million euros at the end of the year (previous year: 10.6 million euros). The decrease was due to the invoicing of customers at the end of the year (with payment deadlines in the following year) and the provision of a long-term loan to affiliated companies. The company was completely equity-financed in the 2022 financial year (as was the case in 2021) and, as such, there were no deferred liabilities to banks.

Prepaid expenses increased by 1.8 million euros year-on-year due to new contracts, especially a contract with a cloud service provider.

Equity amounts to 60.7 million euros (previous year: 53.2 million euros), which represents an increase of 7.5 million euros. The net loss from the previous year is balanced out by the current net result for the year. The net retained profits amounted to 6.1 million euros (previous year: net accumulated losses of 1.4 million euros).

Liabilities amounted to 45.1 million euros. At 10.9 million euros in total, the reduction year-on-year was because liabilities to affiliated companies decreased by 16.5 million euros to 9.2 million euros. In contrast, trade payables increased by 1.2 million euros to 2.5 million euros and other liabilities (essentially VAT liabilities) increased by 1.9 million euros because of the reporting date.

Total assets as at 31 December 2022 amounted to 109.7 million euros (previous year: 113.5 million euros).

Research and development

Focus of R&D activities

msg life's research and development (R & D) activities serve 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. Close communication with the market and customers is of particular importance because 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 (on the advisory council and in the user and operator groups) and 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 by participating 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 11.078 million euros in the 2022 financial year (previous year: 11.195 million euros). Once again, no development expenses were capitalised.

Employees

On 31 December 2022, the msg life Group had 1,269 permanent employees including managing directors (31 December 2021: 1,204 permanent employees).

For the company, the 2022 financial year – especially the first half of the year – was still 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 still able to master this decentralised way of working without issue in the third year of the pandemic, it has become a cornerstone in the future of work organisation at msg life.

The company took the various services it offers to support employees and their families further in 2022, and made further improvements to the field of integrated support for employees' professional and private lives with a service provider (voiio) and its extensive range of options and services. The priority is to improve employees' family and social lives, promote their health and support them through personal crises. As such, msg life also sees this initiative as an expression of its corporate culture.

In order to find new employees, the company continues to offer 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 and tailored social media content.

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 the reporting period. The company received far in excess of 3,000 applications once again. The option to carry out all application and onboarding processes in digital formats has been made even more professional. This received and continues to receive excellent ratings from applicants on the relevant platforms and as direct feedback to the company, and has come to represent an innovative standard.

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, was expanded and extended further in 2022.

The onboarding process for new employees was still very highly remote and digitised in the 2022 financial year, although it did return to a face-to-face format in the offices in summer. msg life has been offering 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 2022, 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, as were in-person events at various offices as the pandemic started to peter out.

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 talent and potential programmes. Using a structured selection process, employees are identified as having talent or potential if they are developing very quickly and positively and can be expected to undergo accelerated development and be capable of taking on an important role in the company in the future. Within the programmes, the participants identify their own operational or strategic topics, work independently on questions and projects and take their results back to the company.

In addition to individual support and professional development of the employees, the central goals of the programmes, which start on an annual basis, are good networking and long-term retention of the talents and potential in the company, as well as allowing knowledge to be transferred as broadly, quickly and pragmatically as possible, in particular with regard to innovative topics and new questions. 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 programmes.

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

In 2022, msg life continued to digitise and modularise 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. The ability of the system to support multiple clients and languages also enables the flexible integration of additional user groups, such as employees of customers and the foreign subsidiaries of the company.

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.

As part of the opening of new international insurance markets, the company continued its far-reaching qualification campaign in 2022 with regard to the English skills of employees.

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 2022.

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 Controlling & Risk Management 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 2022 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 ISO 27001 certification, the management of information security risks was expanded further within the overriding central risk management system. A brief external audit performed after the end of the reporting period confirmed the adequacy and correctness of msg life's 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 2022. At the same time, data protection, the company's internal auditing, IT security, information security management and compliance management were incorporated into the early risk detection system. The corresponding risk report for 2022 was presented to the Supervisory Board in February 2023.

In 2022, 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 expects the regulation throughout the insurance sector to continue. This regulation, the persistent cost pressure and demographic changes in the insurance sector are necessitating a great deal of adaptation with regard to the solutions currently being used in the insurance sector, and are 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 Group-wide project and project risk management standards; a standardised process model minimises risks even further. 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 2022. The existing risks of individual projects have been appropriately taken into account for 2023. The cumulative occurrence in multiple projects could, however, lead to negative effects.

In the 2022 financial year, particular attention was paid to the potential impact of the ongoing – albeit slowing – 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 2022 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 2023 – 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 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 ongoing – albeit slowing – 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 2023 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 2022 and the resulting economic sanctions against Russia. At present, no effects on the course of business of the msg life Group have been observed in this context in 2023. At the time of preparation of the annual financial statements, 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 of 1.574 million euros had been used exclusively to serve as collateral 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 20,000 euros (previous year: 819,000 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 1.574 million euros had been used exclusively to serve as collateral for security deposits by the reporting date.

In the 2022 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:

Due to the current rates of inflation, the prices of subcontractors and freelancers are expected to rise along with the costs of hardware, software and licences. Where these increases were known or foreseeable, they have been factored into the budget for 2023.

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 2022 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 88 per cent of its revenues are generated in eurozone countries (previous year: 90 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 14 per cent (previous year: 15 per cent). In the case of trade payables, currency risks occur in relation to the 4 per cent of liabilities not denominated in euros (previous year: 3 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 85.4 per cent share of turnover (previous year: 88.8 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 51.2 per cent share of turnover (previous year: 64.0 per cent) and a 21.9 per cent share of trade receivables (previous year: 33.7 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 2023, 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. The company'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 strategy of continued internationalisation designed to open up new insurance markets, the company has entered into partnerships with msg global solutions ag, IBM and others. 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 selective presence of msg life in the various foreign markets has been a key success factor when it came to attracting new customers. Additionally, Group companies consistently 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 aforementioned established partnerships, the objective in the 2023 financial year is to press ahead with major sales projects, especially in the established foreign markets, as in the 2022 financial year.

The Benelux countries are an important market in this regard, where msg life, having acquired AEGON in the Netherlands (the largest new customer so far in cooperation with IBM), is currently seeing strong interest from other insurance companies.

Another cornerstone of msg life's international activities is the Austrian market, where msg life has enjoyed numerous sales successes in recent years. The placement and further development of the consulting policy 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. An innovative, AI-based and previously unique migration solution developed by msg life will be used by its long-standing customer AXA in 2023 in the context of the acquisition of the legacy policy.

msg life has a direct presence in Central and Eastern Europe with its subsidiaries in Slovakia and Slovenia. As part of the planned sale of the subsidiary msg life odateam d.o.o. to Plaut Austria GmbH, Vienna (Austria), the office in Maribor (Slovenia) will be taken over by msg Plaut in the current financial year with retroactive effect from 1 January 2023.

The Iberian Peninsula, where msg life has offices in Portugal and Spain, is another highly interesting market in terms of sales. msg also uses the office in Portugal as a successful product development unit.

In the US market, a localised version of msg life's portfolio of European life insurance products is to be deployed as an integrated solution in connection with its specific US products. 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 – which are generating growing interest in the market.

The target group of the msg life Group company there is health and group insurers and, in future, will also include life insurers on the basis of the US product policy. 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 to grow further along 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 a strong 2022 financial year, msg life is still registering a high level of demand for solutions in the first quarter of the current 2023 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 implementation of the EU Sustainable Finance Action Plan, the accounting rules of IFRS 17, the Taxonomy Regulation, the Sustainable Finance Disclosure Regulation, the new VAIT or the planned regulatory projects in connection with the AI Act or DORA, the ongoing and still-looming 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 attractive throughout the insurance industry.

Consequently, the German-speaking market will remain very challenging for insurance companies this year and probably in the years to come. Other challenges include the current changes in interest rates, the ongoing trend towards internationalisation and consolidation and the efforts to reduce costs and increase efficiency. This means that insurance companies see a clear correlation between modern and flexible IT and success in business.

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 this context, 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 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 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 still 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 or 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, micro-service-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 frequently not associated with particular product families. The platform economy continues to play a key role in the insurance industry: numerous insurers are now using platforms and ecosystems to provide digital products and services beyond what had previously been their core business. These, in turn, will create new opportunities to create value.

Likewise, the subject of artificial intelligence (AI) is becoming increasingly important. The use of AI and XAI (as well as 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.

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 for larger insurance companies. This enables the former to achieve 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 crucial role in this regard as well in the more efficient management of contracts.

The Covid-19 pandemic greatly accelerated the digital transformation of our economy and society. Today, digitisation is one of the most significant challenges facing the German insurance industry, and the business processes it affects will allow for the ever-greater integration of systems across divisions, segments and corporate boundaries. The digital transformation makes it increasingly possible to tap the potential of standardised and automated processes. 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.

Digitisation makes it possible to position modern insurance products and services via new channels or integrate them into new sales and partnership platforms, and even to realise new methods of collaborating with a variety of partners. This all requires insurers to make comprehensive modifications to their IT landscapes in order to incorporate such technology and platforms – and msg life is taking it into account as it develops its own range of products and services. The company already has SaaS and cloud-based solutions to support insurers with the digitisation process, thanks in no small part to its strategic collaboration with IBM.

Due to these developments, msg life anticipates that insurance companies will show a general interest in the software and consulting solutions it will be offering in 2023.

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 2023.

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

The further 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 are central 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.

In terms of products, 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 2023, msg life will earmark approximately 10,300 person-days in development capacity for this and to further support the convergence of the components of msg.Life Factory into msg. Insurance Suite.

msg life is experiencing very strong market demand for migration in connection with msg.Insurance Suite. 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 – albeit slowing – 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 2023 financial year so far. The same also applies to the economic sanctions in connection with Russia's invasion of Ukraine in February 2022.

In the 2023 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 175.0 and 190.0 million euros in accordance with German GAAP.

As the holding company, the individual Group company expects a positive result under HGB to match the previous year in the 2023 financial year (previous year: 7.4 million euros).

Leinfelden-Echterdingen, 18 April 2023
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

		2022	2021
		euros	euros
1.	Sales	182,905,357	193,807,879
2.	Decrease in work in progress	−9,672,460	−8,514,007
3.	**Gross income**	**173,232,897**	**185,293,872**
4.	Other operating income	2,026,585	2,033,091
5.	Cost of materials		
a)	Cost of purchased goods	−56,672	−79,442
b)	Cost of purchased services	−31,030,319	−44,430,884
		−31,086,991	−44,510,326
6.	Personnel expenses		
a)	Wages and salaries	−89,653,122	−89,136,256
b)	Social security, pension costs and other benefits	−17,579,070	−16,428,034
		−107,232,192	−105,564,290
7.	Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	−2,526,967	−2,809,185
8.	Other operating expenses	−22,868,113	−19,397,979
9.	**Operating result/EBIT**	**11,545,219**	**15,045,183**
10.	Other interest and similar income	438,390	37,005
11.	Interest and similar expenses	−494,827	−850,777
12.	Taxes on income	−2,348,980	−2,079,816
13.	**Earnings after taxes**	**9,139,802**	**12,151,595**
14.	Other taxes	−8,815	−9,768
15.	**Net income**	**9,130,987**	**12,141,827**
16.	Loss carried forward	−10,352,270	−22,494,097
17.	**Net loss for the year**	**−1,221,283**	**−10,352,270**

Consolidated cash flow statement

		2022 euros	2021 euros
	Net income for the period	**9,130,987**	**12,141,827**
+	Depreciation of fixed assets	2,526,967	2,809,185
+/–	Increase/decrease in provisions	68,107	–2,271,306
+/–	Other non-cash expenses and income	–5,153	286,668
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investment or financing activities	–14,854,532	–11,315,534
+/–	Increase/decrease in trade payables and other liabilities not related to investment or financing activities	–268,679	4,388,534
+	Loss arising from the disposal of fixed assets	17	16,710
–	Income from grants	–90,547	–54,202
+/–	Interest expenses/income	204,283	823,098
+/–	Income tax expenditure/income	2,348,980	2,079,817
–	Income tax payments	–1,231,793	–1,509,522
=	**Cash flow from ordinary operations**	**–2,171,363**	**7,395,275**
–	Cash outflow for investments in tangible fixed assets	–2,120,123	–1,351,867
–	Cash outflow due to the investment of funds as part of the short-term disposition of finance	–1,873,333	–11,473,014
–	Cash outflow for investments in financial assets	–5,000,000	0
–	Cash outflow in order to acquire or create plan assets	–30,111	–219,893
+	Interest received	19,272	31,985
=	Cash flow from investment activity	–9,004,295	–13,012,789
+	**Incoming payments from grants received**	**90,547**	**54,202**
–	Interest paid	–84,405	–114,179
=	Cash flow from financing activities	6,142	–59,977
	Net changes in cash and cash equivalents	**–11,169,516**	**–5,677,490**
+/–	Changes in cash and cash equivalents due to exchange rates	187,910	627,705
+	Cash and cash equivalents at beginning of period	17,854,995	22,904,780
=	**Cash and cash equivalents at end of period**	**6,873,389**	**17,854,995**

Consolidated statement of financial position

ASSETS	31.12.2022 euros	31.12.2021 euros
A. Fixed assets		
I. Intangible assets		
1. Franchises, trademarks, patents, licences and similar rights	666,355	1,029,822
	666,355	**1,029,822**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on third-party land	544,285	532,951
2. Other fixtures and fittings, tools and equipment	3,505,443	3,530,506
3. Advance payments and plant and machinery in process of construction	0	25,158
	4,049,728	**4,088,615**
III. Financial assets		
1. Loans to affiliated companies	5,000,000	0
	5,000,000	**0**
	9,716,083	**5,118,437**
B. Current assets		
I. Inventories		
1. Work in progress	21,789,164	31,461,624
2. Advance payments	31,410,055	30,808,854
	53,199,219	62,270,478
3. Advance payments received on account of orders	−44,808,224	−54,729,508
	8,390,995	**7,540,970**
II. Accounts receivable and other assets		
1. Trade receivables	41,259,193	38,294,703
2. Accounts due from affiliated companies	12,749,820	3,504,482
3. Other assets	1,310,307	1,684,588
	55,319,320	**43,483,773**
III. Marketable securities		
Other marketable securities	26,725,856	23,404,293
	26,725,856	**23,404,293**
IV. Cash on hand, cash in banks and cheques	**6,873,389**	**17,854,995**
	97,309,560	**92,284,031**
C. Prepaid expenses and deferred income	**4,265,039**	**2,096,077**
Total assets	**111,290,682**	**99,498,545**

LIABILITIES		31.12.2022 euros	31.12.2021 euros
A. Shareholders' 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**	**3,259,537**	**1,637,397**
V.	**Net loss for the year**	**−1,221,283**	**−10,352,270**
		68,335,475	**57,582,348**
B. Provisions			
1.	Provisions for pensions and similar obligations	7,304,038	6,914,871
2.	Tax provisions	2,234,982	1,194,508
3.	Other provisions	16,708,375	17,691,944
		26,247,395	**25,801,323**
C. Liabilities			
1.	Trade payables	5,415,035	3,068,109
2.	Liabilities to affiliated companies	5,099,223	7,501,865
3.	Other liabilities	4,884,424	2,583,556
		15,398,682	**13,153,530**
D. Prepaid expenses and deferred income		**1,309,130**	**2,961,344**
Total liabilities and shareholders' equity		**111,290,682**	**99,498,545**

Consolidated statement of changes in equity

Consolidated statement of changes in equity 2022

	Subscribed capital	Capital reserves
	euros	euros
As at 1.1.22	**42,802,453**	**11,704,847**
Currency translation		
Group annual net income		
As at 31.12.22	**42,802,453**	**11,704,847**

Consolidated statement of changes in equity 2021

	Subscribed capital	Capital reserves
	euros	euros
As at 1.1.21	**42,802,453**	**11,704,847**
Currency translation		
Group annual net income		
As at 31.12.21	**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				
euros	euros	euros	euros	euros	euros
3,376	**11,786,545**	**1,637,397**	**−10,352,270**	**57,582,348**	**57,582,348**
		1,622,140		**1,622,140**	**1,622,140**
			9,130,987	**9,130,987**	**9,130,987**
3,376	**11,786,545**	**3,259,537**	**−1,221,283**	**68,335,475**	**68,335,475**

			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				
euros	euros	euros	euros	euros	euros
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**

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 2022, 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 18 April 2023, 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 2022, 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 sent electronically to the office that keeps the register of companies for entry into the register of companies. As at the reporting date, msg life ag is an indirect subsidiary of msg group GmbH, Ismaning, 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.

Looking at 2022, it is again evident that the ongoing, albeit diminishing Covid-19 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 2023 – 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 also refer to the corresponding statements in the opportunity and risk report of the condensed management and Group management report for the 2022 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 have had a management team with unified responsibilities since 2021. Additionally, msg life and msg nexinsure are sharing the co-brand msg insur:it in the insurance market and underlining their leading role as a provider of insurance products. The co-brand msg insur:it notwithstanding, 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. As at 31 December 2022, the goodwill had already been written down in full.

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 straight-line 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.

Loans are recognised at their nominal value.

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 per cent 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.

Subscribed capital is recognised at its nominal value.

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 0.97 per cent (previous year: 1.1 per cent p.a.) and a salary increase rate of 2.32 per cent (previous year: 2.5 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 nominal 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 2022, 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. Subsidiaries

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 2022, 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 HGB for the 2022 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 has been no more goodwill to recognise since the 2020 financial 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 financial assets contain a loan of 5.0 million euros to msg nexinsure ag. The loan matures on 23 June 2027.

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 31.400 million euros (previous year: 28.300 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 31.400 million euros (previous year: 28.888 million euros) received on account from customers.

Payments received on account totalling 44.808 million euros (previous year: 54.730 million euros) have been offset in full against inventories. This leaves net inventories of 8.391 million euros (previous year: 7.541 million euros).

3. Trade receivables

Trade receivables totalled 41.259 million euros as at 31 December 2022 (previous year: 38.295 million euros). Of the total, 41.193 million euros (previous year: 38.198 million euros) are due within one year, and 66,000 euros are due within five years.

4. Accounts due from affiliated companies

As in the previous year, the accounts due from affiliated companies of 12.750 million euros as at 31 December 2022 (previous year: 3.504 million 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 are payable within one year (as in the previous year) and can be broken down as follows:

	31.12.22 Thousand euros	31.12.21 Thousand euros
Value added tax	616	954
Corporate income tax	214	303
Security deposits	227	189
Sundry	253	239
Total	**1,310**	**1,685**

6. Marketable securities

The US treasury bonds held in current assets at 26.726 million euros (previous year: 23.404 million euros) are short-term investments. In 2022, interest income of 28,000 euros was recognised through profit or loss (previous year: 23,000 euros).

7. Cash on hand, cash in banks and cheques

These are cash in hand, bank balances and cheques totalling 6.873 million euros (previous year: 17.855 million euros).

8. Prepaid expenses and deferred income

In particular, the partial amounts for maintenance fees and rent for IT equipment totalling 4.037 million euros (previous year: 1.907 million euros) are reported under the prepaid expenses of 4.265 million euros (previous year: 2.096 million euros).

9. Subscribed capital

As in the previous year, the subscribed capital as at 31 December 2022 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 9 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 acquired by banks or a company operating under section 53, paragraph 1, sentence 1, or section 53b, paragraph 1, sentence 1, or paragraph 7 of the German Banking Act (KWG), with an obligation that the shares be 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 2022, 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 1.221 million euros as at 31 December 2022 (previous year: 10.352 million euros) consist of a loss carryforward of 10.352 million euros (previous year: 22.494 million euros) and net income for the year of 9.131 million euros (previous year: 12.142 million euros).

Under 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 Management Board will propose to the upcoming annual general meeting that the net retained profits of 6,075,541.48 euros should be appropriated as follows:

Distribution of a dividend of 0.04 euros per qualifying share for the 2022 financial year (1,712,098.12 euros) and transfer to statutory reserves (4,363,443.36 euros).

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:

2022	**msg life ag**	**msg life central europe**	**msg life Switzerland**
	% per year	% per year	% per year
Actuarial interest rates	1.78	1.78	1.78
Projected increase in salaries	n/a	n/a	1.50
Rate of pension progression (civil service adjustment)	2.10	2.10	0.00
Inflation rate	n/a	n/a	n/a

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

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 2022	**msg life ag**	**msg life central europe**	**msg life Switzerland**	**Total**
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Obligation less	1,549	6,289	3,766	11,604
Fair value of plan assets	1,045	0	3,255	4,300
Pension provisions	**504**	**6,289**	**511**	**7,304**

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
Pension provisions	**480**	**6,163**	**272**	**6,915**

The difference of 7.304 million euros (previous year: 6.915 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 6.064 million euros (previous year: 5.653 million euros).

The fair value which corresponds to the historical costs of the offset assets is 4.300 million euros (previous year: 4.164 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 393,000 euros (previous year: 685,000 euros) and can be broken down as follows:

2022	**msg life ag**	**msg life central europe**	**msg life Switzerland**	**Total**
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Interest expenses on obligations	48	239	119	406
Interest income from plan assets	1	0	12	13
Netted expenses and income 2022	**47**	**239**	**107**	**393**

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**

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

31 December 2022	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 1.42%	1,595	6,579	3,907	12,081
Obligation when interest is calculated at the average market interest rate for the past ten years of 1.78%	1,549	6,289	3,766	11,604
Difference as defined in section 253, paragraph 6, sentence 1, of the HGB as at 31 December 2022	**46**	**290**	**141**	**477**

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	1,597	6,623	3,596	11,816
Obligation when interest is calculated at the average market interest rate for the past ten years	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**

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 2.235 million euros (previous year: 1.195 million euros) are essentially income taxes from Germany totalling 1.119 million euros (previous year: 743,000 euros), income taxes from the USA totalling 949,000 euros (previous year: 280,000 euros), income taxes from Austria totalling 81,000 euros and federal, state and municipal taxes in Switzerland totalling 46,000 euros (previous year: 114,000 euros).

16. Other provisions

	31 December 2021	Foreign currency differences	Utilisations	Reversals	Transfer	31 December 2022
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Personnel-related provisions	15,802	133	6,939	766	5,655	13,885
Outstanding incoming invoices	954	0	194	47	1,378	2,091
Sundry	936	–7	348	6	157	732
Other provisions	**17,692**	**126**	**7,481**	**819**	**7,190**	**16,708**

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 11.348 million euros (previous year: 13.239 million euros), long-term provisions for anniversary bonuses of 1.431 million euros (previous year: 1.452 million euros) and long-term provisions for settlements of 837,000 euros (previous year: 801,000 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 2022	< 1 year Thousand euros	1 to 5 years Thousand euros	> 5 years Thousand euros	Total Thousand euros
Trade payables	5,415	0	0	5,415
Liabilities to affiliated companies	5,099	0	0	5,099
Other liabilities	4,885	0	0	4,885
Of which from taxes	3,296	0	0	3,296
Of which for social security	667	0	0	667
Total liabilities	**15,399**	**0**	**0**	**15,399**

31 December 2021	< 1 year Thousand euros	1 to 5 years Thousand euros	> 5 years Thousand euros	Total 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**

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 VAT liabilities of 2.094 million euros (previous year: 190,000 euros) and wage and church tax liabilities of 1.189 million euros (previous year: 1.105 million euros).

In 2021, the other liabilities due in between one and five years concerned two funding loans from msg life Austria, which were repaid to the Austrian Research Promotion Agency (FFG) in the reporting year.

18. Prepaid expenses and deferred income

As in the previous year, the deferred income of 1.309 million euros (previous year: 2.961 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 2022 financial year (previous year: between 20 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 229,000 euros (previous year: 333,000 euros) and 229,000 euros (previous year: 333,000 euros), respectively, and 0 euros net (previous year: 0 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 46.425 million euros in total (previous year: 43.612 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.

V. Notes to the consolidated income statement

The income statement was prepared according to the cost-summary method in 2022 as in the year before.

1. Sales

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

	2022 Thousand euros	2021 Thousand euros
Services	128,823	150,158
Maintenance	26,790	23,617
Licences	19,443	14,145
Other income	7,849	5,888
Group turnover	**182,905**	**193,808**

The service turnover contains rental income of 222,000 euros (previous year: 220,000 euros).

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

	2022 Thousand euros	2021 Thousand euros
Germany	156,134	172,160
United States	20,064	17,666
Slovenia	4,138	1,702
Switzerland	1,272	1,248
Portugal and Spain	1,220	783
Benelux	77	72
Austria	0	177
Total	**182,905**	**193,808**

2. Other operating income

	2022 Thousand euros	2021 Thousand euros
Income from the reversal of other provisions	819	1,004
Company car and other non-monetary benefits	405	364
Foreign currency gains	333	203
Sundry	470	462
Total	**2,027**	**2,033**

Essentially, the item ‘Sundry’ contains income from a research bonus of 66,000 euros from the federal state of Bavaria (previous year: 9,000 euros) as well as income from a research bonus from the Austrian finance ministry in the amount of 64,000 euros (previous year: 46,000 euros). Other income of 151,000 euros (previous year: 168,000 euros) relating to the personnel department was also presented in this item.

The reversal of other provisions resulted in income relating to other periods. This is essentially attributable to provisions for bonuses on the level of msg life central europe as well as msg life Austria.

3. Cost of materials

	2022 Thousand euros	2021 Thousand euros
Other services	16,229	31,991
Freelance employees	13,335	12,156
Goods purchased for resale	57	79
Other	1,466	284
Total	**31,087**	**44,510**

The significant decrease in the cost of materials is a result of the other services. In 2021, this item contained expenses of 9.185 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

	2022 Thousand euros	2021 Thousand euros
Wages and salaries	89,653	89,136
Social security contributions	16,718	15,857
Personnel expenses excluding pensions	**106,371**	**104,993**
Pension expenses	861	571
Total	**107,232**	**105,564**

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 1,225, of whom 29 were executives and 1,196 were permanent employees (1,185 in the previous year, of whom 28 were executives and 1,157 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

	2022 Thousand euros	2021 Thousand euros
Costs of business premises	7,335	6,987
IT expenses	4,580	2,944
Consulting, accounting, Supervisory Board	2,531	1,951
Advertising expenses	1,228	978
Travel expenses	1,207	432
Communication expenses	876	757
Staff recruitment	735	701
Motor vehicle costs	680	670
Professional training	562	673
Exchange losses	270	282
Sundry	2,864	3,023
Total	**22,868**	**19,398**

As in the previous year, the line item 'Sundry' essentially contained insurance expenses, voluntary social welfare expenses, event costs, fees and contributions in 2022. In the previous year, a specific valuation allowance for the accounts receivable in the amount of 800,000 euros resulted in expenses relating to other periods.

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

	2022 Thousand euros	2021 Thousand euros
Audits of financial statements (including expenses)	245	190
Tax consulting services	0	45
Total	**245**	**235**

7. Financial result

	2022 Thousand euros	2021 Thousand euros
Interest and similar income	438	37
Interest and similar expenses	–495	–851
Financial result	**–57**	**–814**

Besides interest on cash and cash equivalents, the interest income is largely the result of securities investments by FJA-US and interest income from loans to affiliated companies totalling 148,000 euros (previous year: 9,000 euros).

The interest and similar expenses include expenses of 409,000 euros (previous year: 679,000 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:

	2022 Thousand euros	2021 Thousand euros
Current income tax expenses	2,349	2,083
Deferred taxes from temporary differences	0	−3
Total	**2,349**	**2,080**

VI. Notes to the consolidated cash flow statement

The cash flow statement displays the origin and use of payment flows in the 2022 and 2021 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 2.527 million euros (previous year: 2.809 million euros) as well as the increase and decrease in provisions of 68,000 euros (previous year: -2.271 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 1.311 million euros (previous year: 2.033 million euros). The remuneration was allocated as follows:

	2022 Thousand euros	2021 Thousand euros
Payable short-term remuneration	1,311	2,148
(Repayment) Advance on LTI	0	−115
Total	**1,311**	**2,033**

Remuneration for former members of the Management Board in 2022 amounted to 134,000 euros (previous year: 131,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 504,000 euros on 31 December 2022 (previous year: 480,000 euros).

Supervisory Board remuneration

The remuneration of the Supervisory Board amounted to 176,000 euros (previous year: 195,000 euros).

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

As at 31 December 2022, the Management Board did not hold any shares in msg life ag. Simultaneously, the member of the Supervisory Board Mr Johann 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	
	2022 Thousand euros	2021 Thousand euros	2022 Thousand euros	2021 Thousand euros	2022 Thousand euros	2021 Thousand euros	2022 Thousand euros	2021 Thousand euros
Related companies								
a) msg systems ag, Ismaning (parent company)	2,352	4,053	9,764	23,038	147	9	4,899	6,804
b) msg nexinsure ag, Ismaning	8,904	4,428	5,269	5,042	18,524	4,134	995	652
c) msg global solutions Benelux B.V., Utrecht (Netherlands)	0	0	6	0	0	0	6	0
d) msg services GmbH, Hamburg	27	0	381	478	0	0	92	45
e) BELTIOS GmbH, Munich	0	184	1,157	2,900	0	16	82	674
f) msg systems ag, Regensdorf (Switzerland)	1,589	227	298	438	276	42	56	23
g) msg Gillardon AG, Bretten	3	3	8	0	0	0	3	0
h) msg Plaut Austria GmbH, Vienna (Austria)	0	0	2	2	0	0	1	0
i) msg global solutions India Pte. Ltd, Bangalore (India)	0	28	561	647	0	0	163	2

Furthermore, msg life ag, Leinfelden-Echterdingen, made payments on account of unfinished purchased services totalling 31.400 million euros (previous year: 28.300 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

Members of the Supervisory Board in the reporting period:

Johann Zehetmaier (Chairman of the Supervisory Board),
Managing Director of msg group GmbH, Ismaning

Dr Martin Strobel (Deputy Chairman),
Independent Entrepreneur, Riehen (Switzerland)

Dr Thomas Noth (member of the Supervisory Board),
Managing Director of annocon Value GmbH, Hanover

Dr Jürgen Zehetmaier (member of the Supervisory Board),
member of the Management Board of msg systems ag, Ismaning (until 31 May 2022)

Dr Aristid Neuburger (member of the Supervisory Board),
Graduate Mathematician, Munich (from 22 June 2022)

Members of the Management Board:

Rolf Zielke (direct overall responsibility for Central Europe
– Chairman of the Management Board), Munich

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

Robert Hess (direct overall responsibility for Central Europe),
Graduate Business Informatics Professional, Sulz am Neckar

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

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

Dr Aristid Neuburger (direct overall responsibility for Central Europe –
Deputy Chairman of the Management Board),
Graduate Mathematician, Munich (until 28 February 2022)

Jens Stäcker (direct overall responsibility for Central Europe),
Graduate Business Informatics Professional, Kuddewörde (until 28 February 2022)

Leinfelden-Echterdingen, 18 April 2023
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 statement of changes in fixed assets for the period

from 1 January 2022 to 31 December 2022

Fixed assets 2022	Historical costs of acquisition and production					
	As at 1.1.22	Additions	Reclassifi-cations	Disposals	Foreign currency differences	As at 31.12.22
	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	8,591
2. Goodwill	31,683	0	0	0	0	31,683
	40,274	**0**	**0**	**0**	**0**	**40,274**
II. Property, plant and equipment						
1. Land, leasehold rights and buildings, including buildings on third-party land	5,034	74	25	0	14	5,147
2. Other fixtures and fittings, tools and equipment	16,310	2,046	0	–139	51	18,268
3. Advance payments and plant and machinery in process of construction	25	0	–25	0	0	0
	21,369	**2,120**	**0**	**–139**	**65**	**23,415**
III. Financial assets						
1. Loans to affiliated companies	0	5,000	0	0	0	5,000
	0	**5,000**	**0**	**0**	**0**	**5,000**
Total assets	**61,643**	**7,120**	**0**	**–139**	**65**	**68,689**

Notes to the consolidated financial statements

Accumulated depreciation/amortisation					Net carrying amounts	
As at 1.1.22	Additions	Disposals	Foreign currency differences	As at 31.12.22	As at 1.1.22	As at 31.12.22
Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
7,561	363	0	0	7,924	1,030	667
31,683	0	0	0	31,683	0	0
39,244	**363**	**0**	**0**	**39,607**	**1,030**	**667**
4,502	88	0	13	4,603	532	544
12,779	2,076	139	47	14,763	3,531	3,505
0	0	0	0	0	25	0
17,281	**2,164**	**139**	**60**	**19,366**	**4,088**	**4,049**
0	0	0	0	0	0	5,000
0	**0**	**0**	**0**	**0**	**0**	**5,000**
56,525	**2,527**	**139**	**60**	**58,973**	**5,118**	**9,716**

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**	**Foreign currency differences**	**As at 31 December 2021**	
	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	8,591	
2. Goodwill	31,683	0	0	0	0	31,683	
	40,274	**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	14	5,034	
2. Other fixtures and fittings, tools and equipment	15,177	1,295	86	−305	57	16,310	
3. Advance payments and plant and machinery in process of construction	86	25	-86	0	0	25	
	20,251	**1,352**	**0**	**−305**	**71**	**21,369**	
III. Financial assets							
1. Investments	3	0	0	−3	0	0	
	3	**0**	**0**	**−3**	**0**	**0**	
Total assets	**60,528**	**1,352**	**0**	**−308**	**71**	**61,643**	

Notes to the consolidated financial statements

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

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 2022, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2022 to 31 December 2022, 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 2022 to 31 December 2022. In accordance with the statutory regulations in Germany, we did not audit the content of the disclosure relating to the proportion of women in the section entitled 'Management and monitoring' in the condensed management report and Group management report.

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 2022 and of its earnings position for the financial year from 1 January 2022 to 31 December 2022, 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. Our opinion on the management report does not apply to the content of the aforementioned disclosures

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 – excluding the disclosure relating to the proportion of women in the section entitled 'Management and monitoring' – 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 aforementioned 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 due to fraud (i.e. manipulation of accounts and misappropriation of assets) 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 preparation of the consolidated financial statements and the condensed management report and Group management report.

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 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 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 that material misstatements resulting from fraudulent actions are not discovered outweighs the risk that material misstatements resulting from errors are not discovered, because fraudulent actions can involve collusion, fabrications, intentional incompleteness, erroneous statements and the invalidation of internal controls.

— 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, 18 April 2023

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

CHRISTIAN ROOS
— Auditor —

MARINA STUMPP
— Auditor —

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Please note
We have refrained from printing the separate financial statements of msg life ag. You can view these on our website or request them by telephone.

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