- Non-binding English Translation -

msg life ag

LEINFELDEN-ECHTERDINGEN

ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023 AND CONDENSED MANAGEMENT REPORT ON THE POSITION OF THE COMPANY AND THE GROUP IN THE 2023 FINANCIAL YEAR

msg life ag, Leinfelden-Echterdingen

Statement of financial position as at 31 December 2023

Assets	31.12.2023 EUR	31.12.2023 EUR	31.12.2022 EUR
A. Fixed assets			
I. Property, plant and equipment			
1. Land, leasehold rights and buildings, including buildings on third-party land	10.857,00		12.668,00
2. Other fixtures and fittings, tools and equipment	2.325.681,00		2.019.655,00
		2.336.538,00	2.032.323,00
II. Financial assets			
1. Shares in affiliated companies	57.262.915,46		57.262.915,46
2. Loans to affiliated companies	5.000.000,00		5.000.000,00
		62.262.915,46	62.262.915,46
		64.599.453,46	64.295.238,46
B. Current assets			
I. Inventories			
1. Work in progress	5.177.300,00		0,00
2. Advance payments	31.400.488,00		31.400.488,00
		36.577.788,00	31.400.488,00
II. Accounts receivable and other assets			
1. Trade receivables	5.161.308,19		2.029.079,10
2. Accounts due from affiliated companies	6.046.298,76		5.611.447,90
3. Other assets	45.658,23		23.695,97
		11.253.265,18	7.664.222,97
III. Cash in hand and bank balances		8.167.077,22	3.128.464,20
		55.998.130,40	42.193.175,17
C. Prepaid expenses and deferred income		3.489.254,84	3.177.753,04
		124.086.838,70	109.666.166,67

Equity and liabilities	31.12.2023 EUR	31.12.2023 EUR	31.12.2022 EUR
A. Shareholders' equity			
I. Subscribed capital			
Issued capital		42.802.453,00	42.802.453,00
II. Capital reserves		6.911.342,26	6.911.342,26
III. Revenue reserves			
Other revenue reserves		4.876.955,92	4.876.955,92
IV. Net retained profits		13.339.445,43	6.075.541,48
		67.930.196,61	60.666.292,66
B. Provisions			
1. Provisions for pensions and similar obligations	491.900,96		504.002,06
2. Tax provisions	1.610.094,00		1.119.317,00
3. Other provisions	2.899.096,00		2.282.660,13
		5.001.090,96	3.905.979,19
C. Liabilities			
1. Advance payments received on account of orders	36.577.786,07		31.400.486,07
2. Trade payables	1.314.604,13		2.511.768,00
3. Liabilities to affiliated companies	11.902.539,16		9.154.861,27
4. Other liabilities	1.360.621,77		2.026.779,48
– of which from taxes EUR 1,357,478.61 (prev. year: EUR 2,022,871.44)			
		51.155.551,13	45.093.894,82
		124.086.838,70	109.666.166,67

msg life ag, Leinfelden-Echterdingen

Income statement for the 2023 financial year

		2023 EUR	2023 EUR	2022 EUR
1.	Sales		37.882.129,00	35.907.440,12
2.	Increase / decrease in work in progress		5.177.300,00	-588.000,00
3.	Other operating income		354.207,17	329.857,25
	– of which from currency conversion: EUR 21,611.19 (prev. year: EUR 34,296.24)			
4.	Cost of materials			
	Cost of purchased services	-18.006.360,80		-12.953.205,99
			-18.006.360,80	-12.953.205,99
5.	Personnel expenses			
	a) Wages and salaries	-7.978.105,83		-7.049.117,43
	b) Social security, pension costs and other benefits	-742.543,24		-668.377,87
	– of which for pensions: EUR 122,986.15 (prev. year: EUR 114,241.47)			
			-8.720.649,07	-7.717.495,30
6.	Depreciation and amortisation costs and other write-offs on intangible assets and on plant and equipment		-929.726,39	-559.755,55
7.	Other operating expenses		-24.766.749,13	-21.826.781,63
	– of which from currency conversion: EUR 23,261.46 (prev. year: EUR 21,153.87)			
8.	Income from profit and loss absorption/transfer agreement		19.002.902,59	15.570.584,42
9.	Other interest and similar income		390.996,19	168.339,89
	– of which from affiliated companies: EUR 373,337.89 (prev. year: EUR 149,382.44)			
10.	Interest and similar expenses		-692.541,84	-286.032,01
	– of which from discounting: EUR 21,632.00 (prev. year: EUR 49,202.00)			
	– of which to affiliated companies: EUR 642,599.72 (prev. year: EUR 154,291.92)			
11.	Taxes on income		-710.550,65	-613.444,03
12.	**Earnings after taxes**		**8.980.957,07**	**7.431.507,17**
13.	Other taxes		-4.955,00	-5.903,00
14.	**Net income**		**8.976.002,07**	**7.425.604,17**
15.	**Retained earnings/losses carried forward**		**6.075.541,48**	**-1.350.062,69**
16.	Dividend payments		-1.712.098,12	0,00
17.	**Net retained profits**		**13.339.445,43**	**6.075.541,48**

msg life ag, Leinfelden-Echterdingen

Notes to the financial statements for the 2023 financial year

I. General information on the annual financial statements

msg life ag, with registered office in Leinfelden-Echterdingen (also referred to as 'company' below) is entered in the commercial register at the Stuttgart District Court (HRB 731887).

The annual financial statements of msg life ag have been prepared in accordance with the provisions of the German Commercial Code (HGB) for limited liability companies and of the Stock Corporation Act (AktG), as well as the provisions of the articles of incorporation.

The cost-summary method was used for the income statement.

As at the reporting date, the company's size corresponds to that of a large corporation as defined in Section 267 (2) in conjunction with (4) HGB.

II. Accounting and valuation methods

Fixed assets are carried at original cost, less regular 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.

Shares in affiliated companies are generally recognised at cost, including incidental acquisition costs and after deducting any write-downs to the lower fair value. Loans are recognised at their nominal value. In the event of permanent impairment, the lower value on the reporting date was recognised. Pursuant to Section 256 (6) HGB, a lower carrying amount is not retained if the reasons for this no longer exist.

Work in progress is valued at cost of production. The production costs contain the components described in Section 255 (2) HGB that have to be capitalised.

Advance payments are recognised at their nominal value on the reporting date.

Receivables and other assets are capitalised at nominal value or present value. Identifiable individual risks are taken into account by means of value adjustments. To cover the general credit risk, a lump-sum valuation allowance of 0.5 per cent is formed on net receivables for which there is no specific valuation allowance.

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

Prepaid expenses are formed for payments made in the reporting year that result in expenses for a certain period after the reporting date.

Subscribed capital is recognised at its nominal value.

Pension obligations are calculated using the projected unit credit method. Reinsured assets consist solely of fixed-term deposits which are recognised at fair value.

The rate used to discount the pension obligations is the average market interest rate for the preceding ten financial years determined and published by the Deutsche Bundesbank (German central bank) for an assumed remaining term of 15 years.

Tax and other provisions are measured in such a way as to take into account all identifiable risks. Provisions are recognised at the settlement amount considered necessary on the basis of prudent commercial judgement. Provisions with a residual term of more than one year are discounted according to their remaining maturities using the average market interest rate of the past seven years. The relevant interest rate is calculated and published monthly by the Deutsche Bundesbank.

Liabilities are carried at their settlement amount.

Foreign currency receivables and liabilities are valued at the mean spot exchange rate at the time of the transaction. Pursuant to Section 256a HGB, the effects of changes in exchange rates were taken into account by remeasurement on the reporting date.

In order to determine deferred taxes based on temporary or quasi-permanent differences between the valuation of assets, liabilities, and prepaid expenses and deferred income according to commercial law and their tax valuation, they are valued at the company-specific tax rates at the time the differences are reduced and the amounts of the resulting tax liability and relief are not discounted. Deferred tax assets and liabilities are not set off against each other. A surplus of deferred taxes is not capitalised if the option to recognize them is exercised.

The main factors in measuring the value of deferred tax assets are an assessment of the probability that the valuation differences will be reversed, and the usability of the losses carried forward. This depends on the accrual of future taxable earnings during the periods in which tax-related valuation differences are reversed and tax losses carried forward can be claimed.

III. Notes on the statement of financial position

1. Fixed assets

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

Equity holdings in accordance with Section 285 no. 11 HGB are as follows as at 31 December 2023:

Name and registered office of the company	Capital share	Shareholders' equity (according to national law)	Result (according to national law)
	%	Thousand euros	Thousand euros
1. msg life central europe gmbh, Munich (Germany) [1]	100	38,009	0*1
with the subsidiary msg life Austria Ges.m.b.H., Vienna (Austria) [2]	100	652	509
with the subsidiary msg life Switzerland AG, Zurich (Switzerland) [2]	100	786	470
with the subsidiary msg life Slovakia s.r.o., Bratislava (Slovakia) [2]	100	238	138
with the subsidiary msg life Benelux B.V., Amsterdam (Netherlands) [2]	100	1,119	130
2. msg life global gmbh, Munich (Germany) [1]	98.11 [4]	3,766	0*1
with the subsidiary FJA-US, Inc., New York (USA) [3]	100	30,508	3,847
with the subsidiary msg life Iberia, Unipessoal LDA, Porto (Portugal) [3]	100	1,756	528

*1 following profit transfer in accordance with profit and loss transfer agreement

[1] Profit and loss transfer agreements are in place with msg life central europe gmbh, Munich, and msg life global gmbh, Munich, according to which the company takes over both profits and losses.

[2] This is an indirect equity interest. The shares are held by msg life central europe gmbh, Munich.

[3] This is an indirect equity interest. The shares are held by msg life global gmbh, Munich.

[4] The remaining shares (1.89 per cent) are held by msg life central europe gmbh, Munich.

As at 1 January 2023, msg life global gmbh sold all shares in its subsidiary msg life odateam d.o.o. to msg Plaut AG, Vienna (Austria) for a purchase price of 2.1 million euros.

In 2023, msg life central europe gmbh purchased 25.1 per cent of the shares of the newly established Cominia Aktuarielle Services GmbH, Hamburg. This equity interest will be treated as an associated company in the consolidated financial statements of msg life ag.

2. Advance payments

The payments made on account amounting to 31.400 million euros still relate to payments on account of unfinished purchased services and were made to affiliated companies (msg systems ag, Ismaning). These stand in contrast to payments totalling 31.400 million euros received on account.

3. Receivables from affiliated companies and payable to affiliated companies/liabilities to the shareholder

Receivables from affiliated companies amounted to 6.046 million euros as at the reporting date (previous year: 5.611 million euros) and, as in the previous year, are all due in the short term.

Liabilities to msg systems ag, Ismaning, (shareholder) amount to 4.543 million euros as at 31 December 2023 (previous year: 2.910 million euros) and are shown under liabilities to affiliated companies.

Liabilities to affiliated companies totalled 11.902 million euros as at the reporting date and essentially relate to intra-Group deliveries and services.

4. Accounts receivable and other assets

As in the previous year, all receivables and other assets are due within one year.

5. Shareholders' equity

	Subscribed capital	Capital re-serves	Revenue re-serves	Net retained profits	Total equity
	in euros	in euros	in euros	in euros	in euros
As at 31.12.2022	**42,802,453.00**	**6,911,342.26**	**4,876,955.92**	**6,075,541.48**	**60,666,292.66**
Changes in 2023	0	0	0	7,263,903.95	7,263,903.95
As at 31.12.2023	**42,802,453.00**	**6,911,342.26**	**4,876,955.92**	**13,339,445.43**	**67,930,196.61**

The subscribed capital as at 31 December 2023 totalled 42,802,453 euros (previous year: 42,802,453 euros). It is divided into 42,802,453 no-par-value bearer shares (previous year: 42,802,453 shares), each representing a notional share of 1.00 euro in the share capital. Each share entitles its holder to one vote. No preference shares are issued.

Under the German Stock Corporation Act, dividends available for distribution depend on the net profit which msg life ag declares in its financial statements, drawn up in accordance with the provisions of the German Commercial Code.

In the financial year, the company distributed a dividend of 1,712,098.12 euros from the previous year's net retained profits to its shareholders.

The Management Board will propose to the upcoming annual general meeting that the net retained profits of 13,339,445.43 euros should be appropriated as follows:

Distribution of a dividend of 0.04 euros per qualifying share for the 2023 financial year (1,712,098.12 euros) and transfer to statutory reserves (11,627,347.31 euros).

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/I). 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 (1) sentence 1 or Section 53b (1) sentence 1 or (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.

6. Pension provisions

The calculation of the pension obligations (projected unit credit method) is based on the biometric principles according to the 2018 G mortality tables from Professor Klaus Heubeck. The following parameters are also taken into account:

in %		**31.12.2023**	**31.12.2022**
Discount factor		1.82	1.78
Projected in-		n.a.	n.a.
Pension trend		2.1	2.1

Pension provisions in the year under review are made up as follows:

	31.12.2023 Thousand euros	**31.12.2022 Thousand euros**

Pension provisions according to appraisal	1,551	1,549
less fixed deposit held with KSK [savings bank] München-Starnberg-Ebersberg (pledged)	1,059	1,045
Pension provisions according to statement of financial position	492	504

The difference resulting from interest determined in 2023 in accordance with Section 253 (6) sentence 1 HGB is as follows:

	31.12.2023 Thousand euros	**31.12.2022 Thousand euros**
Obligation when interest is calculated at the average market interest rate for the past seven years of 1.42%	1,565	1,595
Obligation when interest is calculated at the average market interest rate for the past ten years of 1.78%	1,551	1,549
Difference	14	46

Pursuant to Section 246 (2) HGB in conjunction with Section 285 no. 25 HGB, the netted expenses (interest expenses for pension provisions in 2023 in the amount of 22,000 euros) and income (income from counter-guarantee insurance in 2023 in the amount of 16,000 euros) in connection with the above netting of liabilities and assets amounted to 6,000 euros.

7. Other provisions

The composition of other provisions is shown in the following table:

	31.12.2023 Thousand euros	31.12.2022 Thousand euros
Personnel	2,042	1,472
Supervisory Board remuneration	176	176
Work on financial statements	161	225
Archiving provision	67	68
Outstanding invoices	46	48
Annual report etc.	35	40
Sundry	372	254
	2,899	**2,283**

8. Liabilities

The remaining terms of the liabilities (previous year's figures in brackets) developed as follows:

	<1 year Thousand euros	1 to 5 years Thousand euros	>5 years Thousand euros	Total Thousand euros
Advance payments received on account of orders	36,578 (31400)	0 (0)	0 (0)	36,578 (31400)
Trade payables	1,315 (2512)	0 (0)	0 (0)	1,315 (2512)
Liabilities to affiliated companies	11,902 (9155)	0 (0)	0 (0)	11,902 (9155)
Other liabilities	1,361 (2027)	0 (0)	0 (0)	1,361 (2027)
	51,156 (45094)	**0** (0)	**0** (0)	**51,156** (45094)

Payments received on account of orders relate to payments on account of unfinished services.

Other liabilities amounting to 1.361 million euros (previous year: 2.027 million euros) mainly include value added tax to be paid as well as wage and church tax.

9. Contingent liabilities and other financial obligations

Both msg life central europe gmbh and msg life global gmbh have profit and loss transfer agreements in place as of the reporting date. Under these agreements, the company is obliged to compensate for any losses incurred.

To secure the pension rights of former Management Board members, a fixed-term deposit of 796,000 euros was pledged with Kreissparkasse München-Starnberg-Ebersberg and a securities deposit account with DekaBank amounting to 263,000 euros.

There are also other financial obligations from rental and leasing agreements (building lease, IT and vehicle agreements) amounting to 25.2 million euros (previous year: 27.8 million euros). Of this amount, 7.1 million euros is due within one year and a further 16.6 million euros is due by the end of 2028. 1.5 million euros have a remaining term of more than five years.

10. Financial instruments

The company held no financial instruments as at the reporting date.

IV. Notes to the income statement

1. Sales

	31.12.2023 Thousand euros	31.12.2022 Thousand euros
Breakdown by field of activity • Reimbursement of expenses, Group	23,036	20,792
• Services	13,031	13,355
• Maintenance income	1,236	1,240
• Rental income	315	249
• Licence income	264	271
	37,882	**35,907**

Sales are generated in Germany at 32.703 million euros (previous year: 31.264 million euros), in Europe at 4.328 million euros (previous year: 3.857 million euros) and in the USA at 851,000 euros (previous year: 786,000 euros). Income from Group allocations to subsidiaries amounts to 23.036 million euros.

2. Changes in inventory

The increase in work in progress in the amount of 5.177 million euros (previous year: -588,000 euros) relates to a customer project in cooperation with msg systems ag.

3. Other operating income

Other operating income amounts to 354,000 euros (previous year: 330,000 euros) and includes income from netting non-monetary compensation to employees of the company amounting to around 254,000 euros (previous year: 235,000 euros) and income from the reversal of provisions amounting to 69,000 euros (previous year: 14,000 euros). Foreign currency gains amount to 22,000 euros in the financial year (previous year: 34,000 euros).

4. Cost of materials

The cost of materials of 18.006 million euros (previous year: 12.953 million euros) mainly originates from procured services.

5. Personnel expenses

Personnel expenses comprise pension expenses of 123,000 euros (previous year: 114,000 euros).

6. Write-down of financial assets

There were no write-downs of financial assets.

7. Income from profit and loss transfer agreements

In 2023, msg life ag received income of 18.591 million euros (previous year: 14.937 million euros) resulting from the profit and loss transfer agreement with msg life central europe gmbh. msg life global gmbh transferred earnings of 412,000 euros to the company (previous year: 634,000 euros).

8. Expenses and income relating to other periods

In the reporting year, expenses relating to other periods were incurred in the amount of 67,000 euros (previous year: 1,000 euros). Income relating to other periods was recognised in the amount of 50,000 euros in 2023 (previous year: 50,000 euros).

V. Other information

1. Number of employees

In the year under review, an average of 42 (previous year: 39) people were employed by the company. 29 of the employees were executives (previous year: 25) and 13 were permanent employees (previous year: 14).

2. Auditor's fees and services

In accordance with Section 285 no. 17 HGB, we refer to the notes to the consolidated financial statements for further information on the fees incurred for services provided by the auditor.

3. Members of the Management Board

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

(until 31 July 2023)

Dr Andrea van Aubel (direct overall responsibility for Central Europe – Chief Executive Officer), Munich (from 1 August 2023)

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, Stuttgart

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

4. 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 Aristid Neuburger (member of the Supervisory Board), Graduate Mathematician, Munich

5. Remuneration for members of executive bodies

The remuneration of the Management Board active in the financial year was 1.228 million euros (previous year: 1.311 million euros) and payable at short notice.

Remuneration for former members of the Management Board in 2023 amounted to 139,000 euros (previous year: 134,000 euros).

Pension provisions for former members of the Management Board amounted to 492,000 euros on 31 December 2023 (previous year: 504,000 euros), comprised as follows in compliance with BilMoG requirements:

	Thousand euros
Pension provisions according to appraisal	1,551
less fixed-term deposits (pledged)	1,059
Pension provisions according to statement of financial position	492

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

6. Transactions with other related parties

The following transactions were conducted with other related parties:

	Subsidiary	Subsidiary indirect	Parent company
Sale of services in thousands of euros	3,576	267	0
Purchase of services in thousands of euros	18,169	3,855	0
Provision of management and IT services in thousands of euros	16,596	4,787	0
Purchase of services in thousands of euros	0	0	9,525
Interest in thousands of euros	632	0	0
Leasing in thousands of euros	0	0	285
Profit/loss transfer in thousands of euros	19,003	0	0

In addition, msg life ag is responsible for cash pooling on behalf of msg life central europe gmbh and pays the value-added tax on behalf of msg life central europe gmbh and msg life global gmbh in the context of their affiliation.

7. Consolidated financial statements

As the parent company, msg life ag prepares consolidated financial statements for the smallest group of consolidated companies as at 31 December 2023 in accordance with Section 315e (3) HGB, which 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. The consolidated financial statements of msg group GmbH, Ismaning, are sent electronically to the office that keeps the register of companies for entry into the register of companies.

Leinfelden-Echterdingen, 18 April 2024
msg life ag

Dr Andrea van Aubel, Chief Executive Officer
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

msg life ag, Leinfelden-Echterdingen

Statement of changes in fixed assets

	Original cost/cost of production					Accumulated depreciation/amortisation				Carrying amounts	
	Value 01.01.2023 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	Value 31.12.2023 EUR	Value 01.01.2023 EUR	Additions EUR	# # Disposals EUR	Value 31.12.2023 EUR	Carrying amount 31.12.2023 EUR	Carrying amount 31.12.2022 EUR
I. Property, plant and equipment											
1. Land and leasehold rights	1.363.087,23	0,00	0,00	0,00	1.363.087,23	1.350.419,23	1.811,00	0,00	1.352.230,23	10.857,00	12.668,00
2. Other fixtures and fittings, tools and equipment	5.230.673,90	1.233.941,39	3.990,00	0,00	6.460.625,29	3.211.018,90	927.915,39	3.990,00	4.134.944,29	2.325.681,00	2.019.655,00
	6.593.761,13	**1.233.941,39**	**3.990,00**	**0,00**	**7.823.712,52**	**4.561.438,13**	**929.726,39**	**3.990,00**	**5.487.174,52**	**2.336.538,00**	**2.032.323,00**
II. Financial assets											
1. Shares in affiliated companies	58.239.239,12	0,00	0,00	0,00	58.239.239,12	976.323,66	0,00	0,00	976.323,66	57.262.915,46	57.262.915,46
2. Loans to affiliated companies	5.000.000,00	0,00	0,00	0,00	5.000.000,00	0,00	0,00	0,00	0,00	5.000.000,00	5.000.000,00
	63.239.239,12	**0,00**	**0,00**	**0,00**	**63.239.239,12**	**976.323,66**	**0,00**	**0,00**	**976.323,66**	**62.262.915,46**	**62.262.915,46**
Total	**69.833.000,25**	**1.233.941,39**	**3.990,00**	**0,00**	**71.062.951,64**	**5.537.761,79**	**929.726,39**	**3.990,00**	**6.463.498,18**	**64.599.453,46**	**64.295.238,46**

- Non-binding English Translation -

Management Report and Group Management Report

- Non-binding English Translation -

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 2023 financial year from 1 January 2023 to 31 December 2023, as well as the situation of the Group and the individual company as at the reporting date, 31 December 2023.

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

The msg life Group has been developing IT system solutions since 1980, advising clients successfully on the implementation of their IT strategies and has become a leading provider of software, consulting and cloud solutions with a digital focus for life insurers and pension fund institutions in Europe and, in particular, health and group insurance companies in the USA. 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

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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). In the context of SaaS, msg life works with various cloud providers such as AWS, Azure, Google and IBM.

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), Zurich (Switzerland), Almere (Netherlands), Bratislava, Košice and Žilina (Slovakia), Oporto (Portugal), Madrid (Spain) and New York, Denver and Boca Raton (USA). The former Swiss site in Regensdorf was relocated to Zurich in the 2023 financial year. The former site in Maribor (Slovenia) was acquired by msg Plaut in the course of the sale of the subsidiary msg life odateam d.o.o. to msg Plaut AG, Vienna (Austria), in the reporting period with effect from 1 January 2023. This former subsidiary msg life odateam d.o.o. now operates under the name msg Plaut UAP d.o.o.

According to the published announcements and the information available to msg life ag, the following direct or indirect interests in msg life ag exceed 25 per cent of the shares as at 31 December 2023:

Entity with reporting obligation	**Type of interest**	**Number of shares**
msg systems ag (Ismaning)	Direct	77.29%
msg group GmbH (Ismaning)	Indirect	77.29%

As of the reporting date, the consolidation group had changed due to the sale of the subsidiary msg life odateam d.o.o. to msg Plaut AG, Vienna (Austria). The commercial transition took place with effect from 1 January 2023. In addition, there were no further changes to the consolidation group described in the consolidated financial statements for the 2022 financial year as at 31 December 2022.

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 2023, the Management Board of msg life ag consisted of Dr Andrea van Aubel (Chief Executive Officer), Francesco Cargnel, Robert Hess, Milenko Radic and Dr Wolf Wiedmann.

Rolf Zielke stepped down as a member of the Management Board and Chief Executive Officer of the company with effect from the end of business on 31 July 2023. Dr Andrea van Aubel was appointed as a member of the Management Board and Chief Executive Officer of the company with effect from 1 August 2023.

As of 31 December 2023, the Supervisory Board of the company consisted of four members: 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.

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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. 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: 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
- **msg.Automated First:** Business process automation solution
- **msg.Billing:** Components for GoBD-compliant payment transaction processing
- **msg.Business Partner:** Software solution for business data and partner system administration
- **msg.Commission:** Efficient commission management
- **msg.Data Services:** Data delivery solution for analysis and controlling tasks as well as statutory reporting
- **msg.GDPR:** Product to support data protection requirements in complex application landscapes
- **msg.PMQ:** Modelling and calculation tool for modern insurance and financial products

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 range of consulting and services, from software implementation to policy migration. In the area of migration, its portfolio also includes the migration software solutions msg.Migration Analyze, msg.Migration System and msg.Migration Archive, as well as the complete solution msg.Migration Factory.

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.

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Economic report

Macroeconomic and sector-specific conditions

Wars, climate change, inflation and low investment are just some of the challenges facing the global economy in the current year. The World Bank forecasts that global growth will slow for the third time in a row in 2024. The global economy is set to grow by 2.4 per cent in the current year, after 2.6 per cent in 2023. This is according to the World Bank's Global Economic Prospects report. Economists point to a sad record: in the past 30 years, there has never been a five-year period with such weak growth.

The International Monetary Fund (IMF) is somewhat more optimistic: the global economy has recovered better than expected from the consequences of the Covid-19 pandemic, the effects of the war in Ukraine and the sharp rise in the cost of living. According to IMF estimates, growth in the current year will amount to 3.1 per cent, as in the previous year. The IMF economists expect 3.2% for 2025. Thanks to a tighter monetary policy by central banks, the fight against inflation has had less of a negative impact on employment and business activity than feared. In addition, economic growth in the USA last year exceeded expectations with GDP growth of 2.5 per cent. In particular, household spending and the stable employment situation supported economic development.

Despite turbulence and uncertainties, the IMF believes that a 'soft landing' is possible for the global economy. Inflation is projected to be 5.8% this year and 4.4% next year. However, the IMF warns that geopolitical shocks – including the ongoing attacks in the Red Sea – could disrupt global supply chains and lead to sharp rises in the price of commercial goods.

The Organisation for Economic Co-operation and Development (OECD) has a similar assessment of the global situation. In its Interim Economic Outlook report published in February 2024, the experts predict global growth of 2.9 per cent in the current year, compared to 3.1 per cent in the previous year. Growth is expected to amount to 3.0 per cent in 2025. The global economy is proving to be surprisingly resilient, especially in view of the easing upward pressure on prices and the robust US economy. OECD analysts see risks in rising geopolitical tensions. If, for example, the war in the Middle East were to have an impact on energy markets, price pressure could increase and slow growth.

The OECD forecasts growth of 2.1 per cent in 2024 and 1.7 per cent in 2025 for the USA. For China, the second-largest economy after the USA, the organisation expects a growth rate of 4.7 per cent and 4.2 per cent for 2024 and 2025 respectively. This is lower than in all 25 years before the Covid-19 pandemic. This is due to weak consumer demand and structural problems in the real estate markets. According to the OECD, headline inflation in the G20 countries is expected to fall from 6.6 per cent in 2024 to 3.8 per cent in 2025. Core inflation in the advanced G20 economies is expected to fall to 2.5% in 2024 and 2.1% in 2025.

The economy in the eurozone is lagging behind global economic development. According to a flash estimate by the European statistical office Eurostat, GDP in the eurozone and the EU grew by 0.5 per cent last year. This is partly due to the fact that European economies are more exposed to the effects of the war in Ukraine. The OECD expects growth to be more subdued in the short term, partly due to tighter credit conditions in the eurozone. In its interim report, the organisation predicts GDP growth of 0.6 per cent in the current year and 1.3 per cent in 2025.

The European Commission was also cautious. It lowered its original forecast for the eurozone from 1.2 per cent for the current year to 0.8 per cent, according to a communication from the European Commission dated 15 February 2024. The reasons for this are falling purchasing power, weak foreign demand, tight monetary policy and a reduction in fiscal support measures. According to European Commissioner for Economy Paolo Gentiloni, growth will stabilise in 2025. He also expects the European Central Bank's 2 per cent inflation target to be more within reach. While the inflation rate in the eurozone was 5.4 per cent last year according to Eurostat, the European Commission expects a price increase of 2.7 per cent in 2024 and 2.2 per cent in the coming year.

In Germany, economic output fell by 0.3 per cent last year, as reported by the Federal Statistical Office in mid-January 2024. This puts Germany at the bottom of the list in Europe. According to the corresponding press release, 'Overall economic development faltered in Germany in 2023 in an environment that continues to be marked by multiple crises'. 'Despite recent price declines, prices remained high at all stages in the economic process and put a damper on economic growth. Unfavourable financing conditions due to rising interest rates and weaker domestic and foreign demand also took their toll.'

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Economic output in manufacturing (excluding construction) declined significantly by 2.0 per cent in 2023, primarily due to a much lower output in the energy supply sector. Manufacturing recorded a decline of 0.4 per cent. Production and value creation fell again, particularly in the energy-intensive industries (chemicals and metals), as these industries were already suffering from high energy prices in 2022. Due to high construction costs, a shortage of skilled workers and increasingly poor financing conditions, the construction industry only grew by 0.2 per cent.

Most service sectors were able to expand their economic activities and support the economy in the past year. Nevertheless, the retail, transport and hospitality sector as a whole recorded a decline of 1.0 per cent. The subdued global economic momentum and weak domestic demand also had an impact on foreign trade, emphasises the authority. Imports fell by 3.0 per cent last year, while exports fell by 1.8 per cent.

Prices continued to rise over the past year, although the rate of increase has slowed somewhat. According to the Federal Statistical Office, the average inflation rate in 2023 was 5.9 per cent, compared with 6.9 per cent in 2022. Food prices rose particularly sharply at 12.4 per cent. Food prices have risen by around 26 per cent in the past two years. Energy products grew by 5.3 per cent in 2023, compared with almost 30 per cent in the same period last year.

In light of the generally weak economy, the German government has significantly downgraded its GDP forecast for 2024 from 1.3 per cent to 0.2 per cent according to the federal government's Annual Economic Report in February 2024. The outlook for 2025 is not very encouraging either, with GDP expected to increase by just 0.5 per cent. According to Federal Minister for Economic Affairs Robert Habeck, the reasons for the weak performance are the impact of the war in Ukraine, high energy prices, high inflation and rising interest rates. According to the minister, Germany is also suffering from structural problems and labour shortages.

In this challenging environment, the German insurance industry performed well in the past financial year: according to the German Insurance Association (GDV) at its annual media conference in January 2024, insurers posted a slight increase in premiums across all lines of business of 0.6 per cent to 224.7 billion euros in 2023. In light of falling inflation and rising nominal wages, the association expects premium growth of 3.8 per cent for the current year.

According to the GDV, the life insurance business was negatively impacted in 2023 by the difficult macroeconomic situation, the weak development of real wages and consumer restraint. This mainly affected single-premium business, while regular premiums developed robustly. Overall, premium income for life insurers fell by 5.2 per cent to 92 billion euros. Looking to 2024, the GDV is cautiously optimistic: for example, the association is expecting a very slight drop in premium income of 0.2 per cent to 91.8 billion euros.

The company pension scheme performed less well: according to the GDV, revenue fell by 5.7 per cent to 19.1 billion euros in the past financial year. The number of policies fell by 0.1 per cent to 16.5 million. New business was even worse for the Riester pension scheme: the number of policies plummeted by 68.9 per cent.

In non-life and accident insurance, the association recorded an increase in premiums of 6.7 per cent to 84.5 billion euros. However, at 12.7%, claims expenses rose significantly faster than premiums. This resulted in a loss of around 2.9 billion euros in motor insurance. It goes on to say that every euro received was offset by expenditure of 1.10 euros. As a result of the motor insurance losses, the underwriting profit in non-life and accident insurance fell by more than half to around 1.5 billion euros. For the current year, the GDV is forecasting premium growth of 7.7 per cent for the entire segment.

Rising interest rates and high inflation were once again key issues in the insurance industry last year. In January 2024, the ECB once again left key interest rates unchanged at 4.5 percentage points, following a turnaround in interest rates in summer 2022 due to the rapid rise in inflation. According to the ECB, it is still too early to discuss interest rate cuts. The GDV expects interest rates to be lowered over the course of 2024.

The rise in interest rates has both positive and negative effects for life insurers. It generally improves solvency ratios. This is also emphasised by the rating agency Assekurata in its Life Insurance Market Outlook 2023 in June 2023, according to which the solvency ratios are often very high. Higher interest rates promise higher returns in the investment and reinvestment of fixed-income securities and no additional expenses for the additional interest reserves. On the contrary: Assekurata reports that life insurers are recording the first returns from the additional interest reserves. According to the calculations, the volume of additional interest reserve funds freed up in 2022 amounted to 4 billion euros.

However, higher interest rates lead to hidden charges in the books of life insurers. In times of lower interest rates, the industry invested a large proportion of its investments in fixed-income investments with long maturities. According to estimates by Assekurata, hidden charges totalled some 100 billion euros at industry level (as of June 2023).

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Against the backdrop of significantly higher interest rates, the German Association of Actuaries (DAV) recommended increasing the projected interest rate for new life insurance contracts to 1.0% from 2025 onwards. In 2022, the projected interest rate was lowered to 0.25 per cent as a result of the protracted low interest rate environment. The GDV welcomes the DAV initiative and considers the recommended increase in interest rates to be an appropriate response to the general rise in interest rates. The decision is made by the Federal Ministry of Finance. If the ministry were to follow the recommendation, it would be the first increase in the projected interest rate in 30 years.

Increasing regulations also shaped the 2023 financial year, with the comprehensive sustainability regulations being further expanded as part of the EU's Sustainable Finance Action Plan. In June 2023, the European Commission expanded the Taxonomy Regulation that was published in 2020. After the European Commission had initially only formulated the regulatory technical standards (RTS) for the first two environmental objectives (climate mitigation and adaptation to climate change), the technical assessment criteria for the remaining four environmental objectives have now also been published. At the same time, the range of economic activities for the first two environmental objectives has been broadened, particularly in the manufacturing and transport sectors. The new delegated acts for the EU taxonomy will apply from 1 January 2024. This means that all six environmental objectives must be disclosed in full in the 2024 financial year.

The implementation of the regulatory framework requires significant adjustments and presents the financial and insurance industry with major challenges. At an industry conference in Frankfurt in November 2023, the President of the German Federal Financial Supervisory Authority (BaFin), Mark Branson, remarked that although the intentions behind the taxonomy were good, it was not the way to the goal. According to Branson, the complexity of regulation, particularly in Europe, has reached its limits with this very heavy regulatory machinery.

In addition to sustainability regulations, the European Commission is pushing ahead with a law to regulate artificial intelligence (AI). With the planned Artificial Intelligence Act (AI Act), the European Commission wants to create the world's first legal framework for the use of AI. After the presidency of the Council of the European Union and negotiators from the European Parliament reached a provisional agreement on the draft regulation in December 2023, the EU member states approved the draft at the beginning of February 2024. The AI Act is expected to come into force this year. The EU's proposal takes a risk-based approach: for example, regulation is linked to the risks posed by the AI system in question. The insurance industry criticises the fact that certain applications in life and health insurance are part of the particularly highly regulated high-risk sector. According to the GDV, insurers are faced with new obligations even though the existing protection regulations are already extremely strict.

In addition, the EU's Digital Operational Resilience Act (DORA) came into force in January 2023. The regulation must be applied after a further two years. The aim is to strengthen the digital operational resilience of European financial companies. DORA brings together the many different pieces of legislation on the security of information and communication technologies (ICT) into a single piece of legislation. The aim is to consolidate and improve ICT requirements across the financial sector.

There has been little change in company pension schemes in the past financial year. Despite the German Act to Strengthen Occupational Pensions (BRSG), which was passed back in 2018, there has been no major boost in the spread of company pensions. In particular, the expectations of the social partner model (SPM) have not been met. IG Metall had most recently rejected the SPM. The German government now wants to improve the framework conditions, as reported by the GDV in November 2023. As such, the Federal Ministry of Labour is preparing a further package of measures. If the company pension scheme no longer prevails with these measures, an obligation to provide pensions is also under discussion.

In summer 2023, the private pensions focus group set up by the federal government presented its recommendations for reforming private pensions. Among other things, the focus-group experts propose to allow higher-risk products without guarantees, more flexible payout models and the preservation of subsidies of the Riester pension scheme. The group vetoed the idea of a sovereign wealth fund. According to the Federal Ministry of Finance, a concrete reform proposal based on the recommendations of the focus group will now be worked on. The legislative process is expected to take place in the course of 2024.

Digitisation remains high on the agenda of insurers. This is also confirmed by the Lünendonk study 'Digital Outlook: Insurance', which was prepared in collaboration with the msg Group company msg advisors and published in February 2024. According to the survey, 72 per cent of the insurers surveyed in German-speaking countries are investing heavily in the digitisation of their existing core business, while 65 per cent are also investing in new and disruptive business models. This development is also reflected in the GDV's figures: at 5.9 billion euros, insurers' IT investments reached a record high. This is the result of a survey of 2022 carried out by the association in January 2024. Insurers are working hard to modernise their IT infrastructure. These include the automation of business processes, cloud computing, the use of artificial intelligence and cyber resilience.

Cloud computing plays a central role as the driver of the digitisation of companies. According to the study 'Cloud Monitor 2023 Financial Services' by the auditing firm KPMG, cloud computing has evolved from an emerging technology to the standard in the financial sector. The vast majority of companies surveyed in Germany now rely on cloud solutions. More than 60 per cent take a hybrid approach featuring public and private cloud services. In addition to greater agility, scalability and flexibility, cloud computing offers benefits in developing new business models and integrating them into platforms and ecosystems.

The insurance industry also focused on the use of artificial intelligence in the past financial year. Be it in product development, claims processing, migration, document analysis, fraud detection, customer communication or customer service, AI-based systems and solutions offer a wealth of opportunities along the entire value chain. With the help of AI, increasingly complex processes can be automated and decision-making processes can be optimised over the long term. This saves time and money. The main purpose of using AI is to simplify processes, improve customer service and make employees' work easier.

In Europe, the difficult economic environment with rising interest rates and high inflation had a significant impact on the life insurance business in some countries. According to the statistics European Insurance Overview 2023, published by the European supervisory authority EIOPA in October 2023, gross premium receipts in the life segment fell in almost all EU countries in 2022: in Sweden, business plummeted by 25 per cent, while Portugal recorded a decline of 22 per cent. However, revenues also fell by more than 10 per cent in Italy and Finland. Increases were recorded by Cyprus, Bulgaria, Lithuania and Liechtenstein, amongst others. Detailed figures and data on the development of the European life insurance industry as a whole were not provided. The most recent data published by Insurance Europe, the European insurance association, relates to the years 2020 and 2021.

In the US, life insurers recorded a 9.2 per cent increase in gross premiums to 672 billion dollars in 2022, according to the statistics on the German insurance industry published by the GDV in September 2023. The USA is the world's largest life insurance market: its market share was just under 24 per cent in 2022.

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; 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 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 a strategically significant partner for its customers and an attractive employer for the employees.

As part of the TRAIL.X (TRustworthy Artificial Intelligence in Life Insurance) project, msg life has been working with the Ludwig Maximilian University of Munich since 2021 to automatically transfer actuarial functions from a source system to a modern policy administration system with the help of AI. This enables life insurers to replace old system generations in a significantly more affordable and resource-conserving fashion, map their core functions with artificial intelligence and integrate them into a modern system. Explainable 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 will be funded by the Bavarian Ministry of Economic Affairs, Regional Development and Energy (StMWi) until the end of 2026. The method is already being used successfully in ongoing migration projects with existing customers.

Under the purchase agreement dated 15 December 2023, the Group company msg life central europe gmbh acquired a 25.1 per cent stake in Cominia Aktuarielle Services GmbH, Hamburg. This company offers actuarial services linked to policy systems in German-speaking countries. With this investment, msg life will have access to additional resources relating to special actuarial expertise, which is currently in high demand on the market.

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Business with existing customers in 2023 was characterised by extremely stable, successful projects as well as a continuous flow of new contracts. msg life expects this trend to continue in 2024.

The company also achieved numerous sales successes in 2023. Of particular note in the German-speaking market is the contract from Germany's second-largest life insurer R+V, which has decided to introduce msg. Life Factory as a central and strategic administration platform for the life insurance segment. The Swiss subsidiary of Zurich also approved the future use of msg.Insurance Suite in an SaaS model. Other new orders were placed, for example, by Zurich Group Germany for several components in the area of statutory reporting procedures and by W&W for the introduction of the complete solution msg.Migration Factory. In addition, numerous insurers commissioned msg life with the introduction of the digital pension overview msg.Pension Data.

In the Swiss market, which msg life serves with a dedicated office, long-standing customer AXA used an innovative and unique AI-based migration process developed by msg life in the context of taking over its legacy portfolio in the reporting period. And msg life has received a commitment from two life insurers including, as already mentioned, the Swiss subsidiary of Zurich, to use msg.Insurance Suite in an SaaS model in future.

The performance of the US business of msg life, primarily for health and group insurers, was satisfactory in 2023. 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, in which the customer pays a fee to use and operate the software.

msg life serves the Spanish and Portuguese markets with an office in Spain and its own local office in Portugal, which is now also being used as a product development unit. msg life recorded positive business performance with existing customers there in 2023 and expects further sales successes in the current financial year as well.

In the reporting period, msg life's Slovenian unit was taken over by the msg Group company msg Plaut with effect from 1 January 2023. 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 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 2023 and the company expects relevant new business in the 2024 financial year. Business with existing customers in connection with the software components was also strong. Additionally, most 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 2023 financial year.

As an IT company and service provider in a highly regulated market, information security and data protection play a key role for msg life. Accordingly, the information security management system (ISMS) was upgraded further during the reporting period. The ISMS is a systematic approach to implementing information security in order to meet internal and external requirements and identify and deal with risks in order to achieve business objectives. The scope of the certification in accordance with ISO/IEC 27001 was extended to include additional organisational units in msg life in 2023.

Summarised evaluation of the company's business situation

2023 was another good financial year for the msg life Group with numerous sales successes (with the corresponding licensing income) and stable business with existing customers. As a result, the targets set at the start of the financial year relating to the financial 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 have been achieved.

In the reporting period, the msg life Group recorded gross Group revenue from its own business under German GAAP of 186.4 million euros (previous year: 173.2 million euros) and Group earnings before inter-

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est, taxes, depreciation and amortisation (EBITDA) under German GAAP of 15.3 million euros (previous year: 14.1 million euros).

The business situation of the company in the 2023 reporting year can therefore be described as positive overall. The foundations exist for positive development in 2024 and beyond. Last year's prognosis in the separate financial statements forecast positive net results on the same level as in the previous year; as the holding company, the individual Group company finished the 2023 financial year with net profit of 9.0 million euros (previous year: 7.4 million euros). This development was due to an increase in income from profit-pooling contracts (+3.5 million euros higher than in 2022).

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 2023 are based on the German Commercial Code (HGB).

The Group's earnings position

DEVELOPMENT OF TURNOVER

As at the balance sheet date, the following changes to the consolidation group described in the consolidated financial statements for the 2022 financial year as at 31 December 2022 took place:

The former subsidiary msg life odateam d.o.o. was sold to msg Plaut AG, Vienna (Austria), and subsequently renamed msg Plaut UAP d.o.o. The commercial transition took place with effect from 1 January 2023.

The msg life Group's turnover in the 2023 financial year amounted to 179.2 million euros, which is 3.7 million euros lower than the figure for the 2022 financial year, corresponding to a decline of 2.0 per cent. This slight decline was due to projects that, contrary to plans, were no longer executed in the reporting period.

Service turnover decreased slightly by 0.4 million euros from 128.8 million euros to 128.4 million euros. As at 31 December 2023, service turnover makes up 71.7 per cent (previous year: 70.4 per cent) of total turnover. Product-based turnover overall was down by 3.7 million euros to 50.4 million euros (previous year: 54.1 million euros). In terms of product-based turnover, licensing income came to 14.7 million euros in the reporting period (previous year: 19.4 million euros), which represents 8.2 per cent of total turnover (previous year: 10.6 per cent). Maintenance turnover came to 27.5 million euros in 2023 (previous year: 26.8 million euros) and therefore makes up 15.3 per cent of the total turnover (previous year: 14.7 per cent).

As part of the product-based turnover, the other turnover largely consisted of computing centre services in 2023. It amounted to 8.2 million euros in the financial year ended and was higher than in the previous year (previous year: 7.9 million euros).

As for the regional breakdown of turnover, the aggregate figure for Germany in the 2023 financial year remained at 156.1 million euros and 23.1 million euros in other countries (previous year: 26.8 million euros).

The turnover of the msg life Group's American business increased by 0.4 million euros to 20.5 million euros in 2023. Switzerland is the second-strongest market in terms of turnover, with turnover in the 2023 financial year amounting to 1.4 million euros (previous year: 1.3 million euros). In Portugal and Spain, the company and Spain experienced a slight decrease in sales of 0.1 million euros to 1.1 million euros. At 0.1 million euros, turnover remained stable in the Benelux region. Following the sale of the former subsidiary msg life odateam d.o.o., the Slovenian market is no longer served by msg life.

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 increased by 17.0 million euros from -9.7 million euros to 7.3 million euros in the financial year, causing the gross revenue of the company to increase by 13.2 million euros to 186.4 million euros, representing a 7.6 per cent increase. Among other factors, this effect is due to a customer project being carried out in cooperation with msg systems ag in which the resulting gross revenue was 5.8 million euros higher 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 capitalised. The item other operating income came to 3.0 million euros (previous year: 2.0 million euros).

Total costs in the 2023 financial year amounted to 174.1 million euros (previous year: 161.2 million euros); they therefore rose by 12.9 million euros, which corresponds to an increase of 8.0 per cent. The largest proportion of total costs comprised personnel costs at 113.5 million euros (previous year: 107.2 million euros), which represents a share of 65.2 per cent (previous year: 66.5 per cent) relative to the average number of 1,225 employees (previous year: 1,225 employees).

At 37.1 million euros (previous year: 31.1 million euros), procured services represented a large proportion of total costs. This increase of 6.0 million euros is due to other services, the majority of which – 7.9 million euros – resulted from a project in cooperation with msg systems ag in the reporting year.

Procured services include external freelance staff whose costs amounted to 13.6 million euros in the 2023 financial year (previous year: 13.4 million euros). They cover special requirements such as capacity utilisation peaks due to new projects and, as such, they are a variable element in the total costs.

As already reported, personnel costs rose to 113.5 million euros (previous year: 107.2 million euros). At the same time, material expenses rose from 31.1 million euros to 37.1 million euros due to an increase in procured services. Other operating expenses accounted for 13.5 per cent of total costs in the 2023 financial year, an increase compared with the previous year (increase in the previous year: 14.2 per cent), and came to 23.4 million euros (previous year: 22.9 million euros). As in the previous year, the main component of other operating expenses was expenses for office space (primarily rent), which remained at 7.3 million euros.

Travel expenses associated with products increased slightly year over year, and were 1.6 million euros in the 2023 financial year (previous year: 1.2 million euros). On the other hand, communication costs decreased slightly, falling by 0.2 million euros from 0.9 million euros to 0.7 million euros. Likewise, consulting, financial statement and Supervisory Board expenses decreased somewhat by 0.3 million euros to 2.3 million euros in the 2023 financial year (previous year: 2.6 million euros).

As a result, in the 2023 financial year, the Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of 15.3 million euros (previous year: 14.1 million euros).

The sum of all depreciation and amortisation decreased by 0.4 million euros to 2.1 million euros (previous year: 2.5 million euros). Depreciation of property, plant and equipment amounted to 1.8 million euros (previous year: 2.1 million euros). Scheduled amortisation of intangible assets remained stable at 0.4 million euros.

Altogether, the positive operating result (EBIT) in the 2023 financial year was 13.2 million euros (previous year: 11.5 million euros).

The financial result amounted to 1.6 million euros (previous year: –0.1 million euros). The msg life Group is completely equity-financed and is not dependent on borrowing.

The Group's income from ordinary activities improved in 2023 by 3.3 million euros, bringing it to 14.8 million euros (previous year: 11.5 million euros). This resulted in income tax expenses of 2.9 million euros for the 2023 financial year (previous year: 2.3 million euros).

After taking into account other taxes, net income for the 2023 financial year was 11.8 million euros (previous year: 9.1 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 the invoicing of customers at the end of the year, the liquid funds in bank accounts increased significantly by 8.7 million euros, reaching 15.6 million euros as at 31 December 2023 (31 December 2022: 6.9 million euros). Cash pooling exists for the German companies within the msg life Group. Additionally, the Group invested 25.3 million euros in cash in US treasury bonds (previous year: 26.7 million euros), in order to generate interest income on a part of its existing cash holdings. Overall, cash and cash equivalents increased by 7.3 million euros to 40.9 million euros (previous year: 33.6 million euros).

In the reporting period, msg life generated an operative cash flow of 12.0 million euros (previous year: -2.2 million euros). The msg life Group closed the 2023 financial year with earnings before taxes on income (EBT) of 14.8 million euros in total (previous year: 11.5 million euros).

Cash flow from investing activities amounted to -1.6 million euros (previous year: -9.0 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 0.5 million euros.

The cash flow from financing activities amounted to -1.7 million euros in the 2023 financial year (previous year: 0.0 million euros). This was due entirely to the payment of a dividend for the 2022 financial year.

The Group's assets position

ASSET STRUCTURE ANALYSIS

At 64.4 per cent, the equity ratio of the Group as at 31 December 2023 has undergone further positive development compared to the previous year (previous year: 61.4 per cent) and equity amounted to 77.6 million euros (previous year: 68.3 million euros). As at 31 December 2023, the Group's total assets are 120.5 million euros (previous year: 111.3 million euros), which represents an increase of 9.2 million euros.

In the reporting period, current assets increased from 97.3 million euros to 106.6 million euros. Essentially, this development was due to the fact that liquid funds were 8.7 million euros higher and trade receivables were 9.4 million euros higher as at the reporting date. On the other hand, inventories decreased by 7.5 million euros from 8.4 million euros to 0.9 million euros, which had the opposite effect.

The net total of the line item 'Inventories' has decreased 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 0.9 million euros has been recognised under inventories.

Fixed assets increased by 0.3 million euros, from 9.7 million euros in the previous year to 10.0 million euros. In the 2023 financial year, property, plant and equipment barely changed in value. Overall, intangible assets decreased by 0.4 million euros to 0.3 million euros as a result of amortisation. Prepaid expenses decreased by 0.3 million euros year over year. Before they were netted against deferred tax liabilities, the deferred tax assets totalled 0.1 million euros (previous year: 0.2 million euros).

Provisions increased by 0.8 million euros to 27.0 million euros. Essentially, this change was due to the increase in other provisions by 1.2 million euros to 17.9 million euros.

All in all, provisions account for 22.4 per cent of the balance sheet total, compared with 23.6 per cent in the previous year.

Liabilities increased by 1.9 million euros and totalled 13.5 million euros. The decrease compared to the previous year is due to the decrease in trade payables of 2.2 million euros to 3.2 million euros because of the reporting date, a decrease in other liabilities (essentially VAT liabilities) of 0.7 million euros and the increase in liabilities to affiliated companies by 1.0 million euros to 6.1 million euros. Deferred income increased to 2.4 million euros (previous year: 1.3 million euros) due to the reporting date, and was essentially attributable to received maintenance fees.

The Group still has no financial liabilities due to banks (neither current nor non-current). All in all, the ratio of liabilities to total assets decreased from 13.8 per cent in the previous year to 11.2 per cent now.

The 2023 financial year was in line with expectations. This was caused by numerous sales successes with the corresponding licensing income and stable business with existing customers. 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, sales increased by 2.0 million euros from 35.9 million euros to 37.9 million euros. This development was driven by internal sales (i.e. sales revenue from companies within the msg life Group) which increased by 2.7 million euros. In contrast, external sales decreased by 0.7 million euros. Other operating income came to 0.4 million euros (previous year: 0.3 million euros).

Expenses for the procurement of services were 5.0 million euros higher than in the previous year and amounted to 18.0 million euros in the financial year ended (previous year: 13.0 million euros).

At 8.7 million euros (previous year: 7.7 million euros), personnel expenses were 1.0 million euros higher 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 0.9 million euros in 2023 (previous year: 0.6 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 3.0 million euros to 24.8 million euros in the financial year ended (previous year: 21.8 million euros). As in the previous year, this was essentially due to IT expenses as a result of the increase in SaaS contracts.

Under both of its profit transfer agreements, the company received 18.6 million euros from msg life central europe gmbh (previous year: 14.9 million euros) and 0.4 million euros in income from msg life global gmbh (previous year: 0.6 million euros).

At -0.3 million euros in the 2023 financial year, the net interest result of msg life ag deteriorated slightly (previous year: -0.1 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 0.7 million euros in the 2023 financial year (previous year: 0.6 million euros).

Overall, for the 2023 financial year, msg life ag generated a net profit under the German Commercial Code (HGB) in the amount of 9.0 million euros (previous year: 7.4 million euros).

FINANCIAL POSITION AND ASSETS

Non-current assets increased by 0.3 million euros to 64.6 million euros (previous year: 64.3 million euros), essentially because the company made larger investments in new hardware. The scheduled depreciation of property, plant and equipment had the opposite effect. Property, plant and equipment came to 2.3 million euros (previous year: 2.0 million euros).

In the financial year ended, the current assets of msg life ag increased by 13.8 million euros, from 42.2 million euros in the previous year to 56.0 million euros. Essentially, this development was due to the increase in work in progress, liquid funds as well as trade receivables.

Trade receivables increased by 3.1 million euros to 5.1 million euros due to the reporting date (previous year: 2.0 million euros).

Receivables from affiliated companies increased by 0.4 million euros to 6.0 million euros due to the reporting date (previous year: 5.6 million euros). Due to the reporting date, liabilities to affiliated companies increased by 2.7 million euros to 11.9 million euros (previous year: 9.2 million euros).

As at the reporting date, cash and cash equivalents were 5.1 million euros higher than in the previous year, reaching a balance of 8.2 million euros at the end of the year (previous year: 3.1 million euros). Based on the reporting date, the increase is due to less working capital being tied up. The company was completely equity-financed in the 2023 financial year (as was the case in the previous year) and, as such, there were no deferred liabilities to banks.

Prepaid expenses increased slightly by 0.3 million euros year over year.

Equity amounts to 67.9 million euros (previous year: 60.7 million euros), which represents an increase of 7.2 million euros. The net retained profits amounted to 13.3 million euros (previous year: 6.1 million euros).

Liabilities amounted to 51.2 million euros. The increase of 6.1 million euros compared to the previous year is due to the increase in payments received on account of 5.2 million euros to 36.6 million euros and the increase in liabilities to affiliated companies of 2.7 million euros to 11.9 million euros. In contrast, trade payables decreased by 1.2 million euros to 1.3 million euros and other liabilities (essentially VAT liabilities) decreased by 0.7 million euros because of the reporting date.

Total assets as at 31 December 2023 amounted to 124.1 million euros (previous year: 109.7 million euros).

Research and development

Focus of R&D activities

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

The msg life Group does not conduct open-ended research, but instead focuses on purely target-oriented research. Special importance is attached to close communication with the market and customers as their assessment of the products' relevance to business success is crucial. The msg life Group therefore attaches a great deal of importance to its cooperation with customers (on the advisory council and in the user and operator groups) and partners (AWS, Azure, Google, 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, with the exception of collaborations such as the TRAIL.X project. This particularly applies to specialist thematic areas in the customers' sectors. As a sector-specific service provider, the company prefers to rely on its own research, which builds upon its participation in trade conferences, association activities and joint projects with partner companies. 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. Naturally, 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 partnerships with AWS, Azure, Google, IBM and selected colleges and universities.

R&D expenditure

The msg life Group's R&D expenditure totalled 13.821 million euros in the 2023 financial year (previous year: 11.078 million euros). Once again, no development expenses were capitalised.

Employees

On 31 December 2023, the msg life Group had 1,248 permanent employees including managing directors, excluding the employees of the divested subsidiary msg life odateam d.o.o. – (31 December 2022: 1,269 permanent employees).

After the Covid-19 situation gradually returned to normal over the course of 2022, the 2023 financial year marked the company's final transition into a post-pandemic 'new normal'. Working on site in the branches and at customers' premises is now permanently supplemented by an increased proportion of time during which employees work remotely from home. In the meantime, the employees have further professionalised distributed work and thus also intensive teamwork – without being in the same place together. Such a hybrid working model therefore remains an integral part of the innovative and future-proof work organisation at msg life.

The company took the various services it offers to support employees and their families further in 2023, and worked systematically on further improvements to the field of integrated support for employees' professional and private lives. The priority is to improve employees' family and social lives, promote their health and support them through personal crises. For msg life, this offer is therefore also evidence of a corporate culture in which tolerance, respect and diversity, appreciative cooperation, collegiality, commitment, sustainability, creative freedom and reliability all have their place. In this context, the benefits of the employer include, in particular, a structured onboarding programme, a flexible working time model, individual development opportunities, good transport connections, modern working environments, hybrid working opportunities, a healthy work-life balance and an attractive and transparent remuneration model.

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 is adapted continuously to changing general conditions. In addition to its own networks, the Internet remains by far the most important medium for achieving the company's recruitment success.

msg life 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. This is in addition to the ongoing optimisation of job titles, advertisement text and advertisement formats, which were further developed in 2023 in connection with the joint msg insur:it branding.

In the context of its long-term growth long strategy and the related strategic increase in personnel, msg life was able to increase the number of applications dramatically in the reporting period. The company received more than 5,700 applications in the reporting period. The option to carry out all application and onboarding processes in digital formats has been made even more professional. Last year's new features include the option of applying via WhatsApp, for example. The maturity of the digital application processes received and continues to receive excellent ratings from applicants on the relevant platforms and as direct feedback to the company, which shows that msg life is positioning itself as an innovative company amongst its competitors on the labour market.

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 2023. Over the past year, this innovative format has already enabled well over 100 virtual interviews to be conducted.

The company shortens the time it takes for its future employees to join the company by means of an informative onboarding portal, which also ensures that documents are provided securely during the recruitment process. The aim is to tie new employees to the company even before their first day at work, offer them opportunities to identify with the company and dispel any concerns they may have about it. In the 2023 financial year, the onboarding of new employees took place partly remotely and digitally and partly on site at the offices. For years, msg life has been offering welcome and induction events for all new employees during the first six months of their employment with the company. 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. In particular, the aim is also to give the new colleagues a broad network within the entire company as quickly as possible. In 2023, msg life once again offered new employees a structured onboarding programme to help them get started with the company. 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.

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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.

The remuneration model used by the company was continuously and strategically developed in the financial year ended. 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 2023, 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 (including their customers).

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.

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Opportunity and risk report

General

All the following estimations regarding opportunities and risks were made on the reporting date, 31 December 2023.

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 legal units, divisions and programmes to continuously monitor and deal with the risks that fall within their own remits.

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 2023 as well and it was not necessary to revisit it. The entire procedure 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/IEC 27001 certification, the management of information security risks was expanded further within the overriding central risk management system. An external audit performed 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 2023. 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 2023 was presented to the Supervisory Board in February 2024.

In 2023, 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. Above all, the demand for standard software in conjunction with SaaS offerings in the cloud is increasing.

In addition, the use of AI and AI-based services is becoming increasingly important in all areas. This presents both opportunities and risks. The application and use of these innovative technologies takes into account current and future legal regulations. National and international developments alike must be observed here.

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

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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 and legal units.

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 did not increase in 2023. The existing risks of individual projects have been appropriately taken into account for 2024. The cumulative occurrence in multiple projects could, however, lead to negative effects.

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 engagement 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 deadline commitments 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 could 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 aforementioned economic risks also apply to the Russian invasion of Ukraine in February 2022 and the resulting economic sanctions against Russia. As in the 2023 financial year, no effects on the course of business of the msg life Group are currently being observed in this context in 2024.

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 strengthens the company's market position. 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.

IT 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.

The risks associated with the use of cloud technologies to outsource services are counteracted with the information security management system (ISMS) and certification in accordance with ISO/IEC 27001. Numerous guidelines have been drawn up to ensure compliance with security standards. Moreover, additional capacities have been built up in the field of security management. This also addresses the stricter compliance and security requirements of legislators and customers.

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When developing and deploying SaaS solutions, a great deal of attention is paid to information security and data protection. To this end, a DOR working group was set up in autumn 2023, in which the relevant issues specified by legislators will be discussed together with clients and risks addressed in the future.

Appropriate contracts have been drawn up to exclude liability risks that could arise from SaaS solutions offered by msg life.

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 1.863 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

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invoiced receivables, the net balance of additions to and reversals of valuation allowances was 75,000 euros (previous year: 20,000 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 1.863 million euros had been used exclusively to serve as collateral for security deposits by the reporting date.

In the 2023 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 2024. Risk mitigation measures have also been implemented in the form of price increases and indexation.

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 2023 would have been 9,000 euros lower (higher) (previous year: 8,000 euros lower (higher)) and the equity components would have been 9,000 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: 88 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: 14 per cent). In the case of trade payables, currency risks occur in relation to the 5 per cent of liabilities not denominated in euros (previous year: 4 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 sales. For example, Germany accounts for an 87.1 per cent share of sales (previous year: 85.4 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 59.0 per cent share of sales (previous year: 51.2 per cent) and a 50.6 per cent share of trade receivables (previous year: 21.9 per cent).

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

Overall assessment of the opportunities and risks

msg life believes that, in light of the likelihood of their occurrence and their effects, the risks described above do not represent a threat to the company's continued existence either individually or as a whole. Senior management remains confident that the Group's earning power constitutes a solid basis for the future development of its business and will generate the resources that will be necessary for the Group to pursue the opportunities that present themselves. In view of its leading position on the market, its functional and technological innovative power, its committed employees and its processes for the early identification of risks, msg life is confident that, in 2024, it will again be able to deal successfully with the challenges that arise from the aforementioned risks.

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Forecast

Market and competition

With around 1,250 employees at sites in Germany, the Netherlands, Austria, Switzerland, Slovakia, 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 has good market opportunities and a promising competitive position given its extensive digitised offering for life insurance in Europe and, in particular, for health and group insurance companies in the USA.

With regard to its strategy of continued internationalisation designed to open up new insurance markets, the company has entered into partnerships with msg global solutions ag, AWS, Azure, Google, 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 strategic presence of msg life in each foreign market was a key success factor when it came to attracting new customers. Additionally, Group companies consistently put the solutions implemented for one region at the disposal of other Group companies in other countries – which can advance the international development of msg life as a service provider for its customers. Besides the aforementioned partnerships, the objective in 2024 is to press ahead with major sales projects, especially in the established foreign markets, as in the 2023 financial year.

The Austrian market, where msg life has enjoyed numerous sales successes in recent years, is a cornerstone of its international activities. 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. msg life is also present in these markets with its subsidiary in Slovakia.

In 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 was used by its long-standing customer AXA in the reporting period in the context of the acquisition of the legacy policy. Two life insurers have also made commitments regarding the future use of msg.Insurance Suite in an SaaS model.

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.

Following a strong 2023 financial year, msg life is registering a high level of demand for solutions in the first quarter of the ongoing 2024 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

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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. There is still a great deal of action on the market with biometric products and capital-forming products that use financial instruments: 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.

Given the current challenges, micro-service-oriented architectures designed to quickly support modified and digital business models and high system versatility for the rapid introduction of innovative products are factors crucial to the success of insurance companies. 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 AI is becoming increasingly important. The use of AI (and automated machine learning – AutoML) not only generates efficiency gains through automation, but also professionally motivated, new opportunities.

msg life is addressing this issue with its TRAIL.X project, in which it is developing a process together with the Ludwig Maximilian University of Munich that automatically transfers actuarial functions from a source system to a modern policy administration system with the help of AI. This enables life insurers to replace old system generations in a significantly more affordable and resource-conserving fashion, map their core functions with AI and integrate them into a modern system.

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

The Covid-19 pandemic has once again greatly accelerated the digital transformation of the 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 major cloud providers such as Amazon (AWS), Microsoft (Azure), Google and 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 2024.

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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 normal level for a software company in 2024.

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

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

The development of the policy management system msg.Life Factory and its components on the basis of innovative, cloud-native architecture remains a core project in terms of products. In 2024, msg life will earmark approximately 11,250 person-days in development capacity for this and to further support the convergence of the components of msg.Life Factory into msg.Insurance Suite.

In connection with msg.Insurance Suite, msg life is still experiencing strong market demand with regard to migration. The company is therefore continuously honing its own expertise in the migration of entire platforms and is successfully focusing on the further acceleration of migration projects through AI-based innovative approaches.

In its consulting business, msg life 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.

Performance-related forecast

With regard to the economic sanctions in connection with the Russian invasion of Ukraine in February 2022, msg life still does not expect any material impact on the operating or economic development of the company – including with regard to the development of its business with new and existing customers and its project business in the 2024 financial year so far. The same applies to the Covid-19 pandemic, which has now come to an end.

In the current 2024 financial year, msg life expects Group earnings before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets (EBITDA) of between 15.0 and 20.0 million euros (previous year: 15.3 million euros) and gross Group revenue from its own business of between 195.0 and 211.0 million euros (previous year: 186.4 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 2024 financial year (previous year: 9.0 million euros).

Leinfelden-Echterdingen, 18 April 2024
msg life ag

DR ANDREA VAN AUBEL
Chief Executive Officer

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

INDEPENDENT AUDITOR'S REPORT

msg life ag, Leinfelden-Echterdingen

Audit opinions

We have audited the annual financial statements of msg life ag, consisting of the statement of financial position as at 31 December 2023, the income statement for the financial year from 1 January 2023 to 31 December 2023 and the Notes, 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 2023 to 31 December 2023. In accordance with the statutory regulations in Germany, we did not audit the content of the corporate governance declaration pursuant to Section 289f (4) of the German Commercial Code (HGB; disclosures relating to the proportion of women).

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

- the annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to limited liability companies and, in compliance with German GAAP, give a true and fair view of the assets and financial position of the company as at 31 December 2023 and of its earnings position for the financial year from 1 January 2023 to 31 December 2023, and

- the accompanying condensed management report and Group management report as a whole provide an appropriate view of the company's position. In all material respects, the condensed management report and Group management report are consistent with the annual 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 corporate governance declaration.

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 annual financial statements, the condensed management report or the Group management report.

Basis for the opinions

We audited the annual financial statements, condensed management report and Group management report in accordance with Section 317 HGB, while observing the generally accepted German auditing standards as established 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 annual financial statements, condensed management report and Group management report' in our auditor's report. We are independent of the company 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 annual 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 annual financial statements, condensed management report and Group management report

The legal representatives are responsible for the preparation of annual financial statements that comply, in all material respects, with German commercial-law requirements for incorporated companies and with German GAAP, and for ensuring that the annual financial statements give a true and fair view of the assets, financial and earnings position of the company. 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 annual 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 annual financial statements, the legal representatives are responsible for assessing the company'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 company's position and are, in all material respects, consistent with the annual 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 company's financial reporting process for preparation of the annual financial statements and the condensed management report and Group management report.

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

Our objectives are to obtain reasonable assurance about whether the annual 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 company's position and, in all material respects, are consistent with the annual 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 annual 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 annual financial statements and the condensed management report and Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we

- Identify and assess the risks of material misstatement in the annual 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 annual financial statements and of precautions and measures 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 company'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 annual 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 company to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the assets, financial and earnings position of the company in accordance with German GAAP.

- Evaluate the consistency of the condensed management report and Group management report with the annual financial statements, their conformity with the law and the view they provide of the company's position.

- 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

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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 2024

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Markus Grötecke Auditor	Christian Roos Auditor