

- Non-binding English Translation -

msg life ag

LEINFELDEN-ECHTERDINGEN

MANAGEMENT REPORT ON THE POSITION OF THE  
COMPANY IN THE 2025 FINANCIAL YEAR

**Contents**

Fundamental information about the company.....	3
Economic report .....	6
Other legal and economic factors .....	18
Opportunity and risk report .....	19
Forecast report .....	28

## Management report for the 2025 financial year

The following management report of msg life ag, Leinfelden-Echterdingen, sets out the company's business performance, including the financial results for the 2025 financial year from 1 January 2025 to 31 December 2025, as well as the company's financial position as at the end of the reporting period on 31 December 2025.

As at the end of the reporting period, msg life ag is an indirect subsidiary of msg group GmbH, Ismaning. Hereafter 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. Following the registration of the control agreement in the commercial register entry for msg life ag with the Stuttgart Local Court on 20 January 2021, the control agreement came into effect retroactively from 1 January 2021.

The reporting currency is the euro; figures are rounded to the nearest thousand or million euros. This can give rise to rounding differences of up to one arithmetical unit.

## Fundamental information about the company

### Business model

Since 1980, msg life ag and its subsidiaries have been developing IT system solutions and successfully advising clients on the implementation of their IT strategies. The company has grown to become a leading provider of software, consultancy and cloud solutions with a digital focus for life insurers and pension providers in Europe, as well as, in particular, health and group insurers in the USA. In addition to enjoying a leading market position in the German-speaking countries, msg life's software is deployed worldwide.

In addition to providing financing for its subsidiaries, msg life ag primarily performs strategic management tasks and, to a limited extent, operational management tasks within the msg life Group. Furthermore, msg life ag is primarily responsible for identifying the target markets, defining the product range and making decisions relating to mergers and acquisitions. msg life ag is also responsible for most central and corporate functions, such as sales, marketing, human resources, finance, operational organisation, controlling, audit, data protection, compliance management, risk management, information security, organisation & IT services, and legal affairs.

The company's commercial activities are restricted mainly to the settlement of services within the msg life Group and to financing; it operates only rarely as a contracting partner in customer projects. In this context, the central and corporate functions mentioned above, which are carried out by msg life ag, are the primary services billed to the subsidiaries. The purpose of the financing activity consists primarily of making interest-bearing loans to subsidiaries, making cash investments and distributing earnings from participating interests. As such, the primary income potential for msg life ag lies in earnings from participating interests.

As at the end of the reporting period, the customer base primarily comprised insurers specialising in life insurance and pension schemes in Europe and, via the US subsidiary, health insurers and group insurers in the USA in particular. 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 the msg Group and various cloud providers such as Amazon (AWS), Microsoft (Azure), Google and IBM.

The headquarters of msg life ag are located in Leinfelden-Echterdingen near Stuttgart, Germany. Other German branches are located in Ismaning, Hamburg and Cologne. The company's foreign subsidiaries are located in Vienna, Austria; Zurich, Switzerland; Almere, the Netherlands; Bratislava, Košice and Žilina, Slovakia; Porto, Portugal; Madrid, Spain; and New York, Denver and Boca Raton, USA.

According to the published announcements and the information available to msg life ag, as at 31 December 2025, msg life ag has the following direct or indirect shareholdings exceeding 25 per cent of the company's shares:

<b>Entity with reporting obligation</b>	<b>Type of interest</b>	<b>Percentage of shares</b>
msg systems ag (Ismaning)	Direct	77.30%
msg group GmbH (Ismaning)	Indirect	77.30%

As at the end of the current reporting period, there have been no changes in shareholdings compared with the end of the reporting period on 31 December 2024.

msg life ag and msg nexinsure ag, a member of the msg Group based in Ismaning, work closely together on the joint solution offering known as the msg.Insurance Suite, thereby underlining their leading role as product providers for the insurance industry.

## **Management systems**

Financial performance indicators are used in the management of the company. The financial performance indicator used by msg life ag is the net profit/loss under German commercial law (HGB). No non-financial performance indicators are used in the management of the company.

## **Important products and services**

The company's core product is the msg.Life Factory policy administration system, a solution that enables the management of life insurance and pension products.

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 encompasses and integrates all the necessary specialist system components required by an insurance company, including various artificial intelligence (AI) features.

The sales teams of msg life ag, msg nexinsure ag and the msg Group work together closely to distribute msg.Insurance Suite. This collaboration and the full convergence of the components of msg.Insurance Suite are important elements of the product strategy.

In addition, the company offers a wide range of advisory and other services, from software implementation to data migration; its migration portfolio includes the migration software solutions msg.Migration Analyze, msg.Migration System and msg.Migration Archive, as well as the comprehensive solution msg.Migration Factory.

## Economic report

### Macroeconomic and sector-specific conditions

Despite trade disputes and geopolitical tensions, the global economy remains resilient. According to the IMF, the world economy largely shook off the initial tariff shocks and trade disruptions triggered by US tariff policy last year.

In particular, significant investment in new technologies such as artificial intelligence (AI) will boost the economy, according to the IMF. However, there is a risk that the productivity gains generated by AI may be reassessed. If the high expectations surrounding AI are not met, this could lead to a decline in investment and market corrections – with significant implications for global growth, particularly in the United States and Asia. Trade disputes and geopolitical tensions could also escalate at any time, disrupting supply chains and affecting price trends.

The IMF forecasts growth of 2.4 per cent for the US economy, following an increase of 2.1 per cent in 2025. This growth is attributable, among other reasons, to the lower base rate. Furthermore, the negative impact of US tariffs on the domestic economy is gradually easing. According to the IMF's outlook, China, the world's second-largest economy, is set to grow by 4.5 per cent, down from 5.0 per cent in the previous year.

By contrast, the eurozone is showing signs of more subdued growth. According to a flash estimate published by the statistical office Eurostat on 30 January 2026, gross domestic product (GDP) grew by 1.5 per cent in 2025. For the current year, the IMF expects growth of just 1.3 per cent. According to the report, economic development in the eurozone is being hampered, among other factors, by unresolved structural issues. The increase in defence spending will only become apparent in the coming years. Recent global IT investment also has a less significant impact in the eurozone compared with other regions. Furthermore, high energy prices continue to weigh on manufacturing and production.

In Germany, the economy grew slightly in 2025 following two years of recession. According to a statement issued by Germany's Federal Statistical Office on 15 January 2026, GDP grew by 0.2 per cent following a decline of 0.5 per cent in 2024. This means that Germany remains one of the lowest-performing countries in the eurozone. Only Finland performed even more poorly, with GDP growth of 0.1 per cent.

According to the Federal Statistical Office, growth in Germany is primarily attributable to increased consumer spending by private households and the government. Household spending rose by 1.4 per cent, with more money being spent on health and transport, particularly on car purchases. Government spending rose by 1.5 per cent.

By contrast, exports fell again last year by 0.3 per cent, marking the third consecutive year of decline. The German export sector is facing strong headwinds due to higher US tariffs, the appreciation of the euro and increased competition from China, according to the Federal Statistical Office. Weak levels of investment also persisted last year, with less being spent on equipment and construction.

As far as consumer price trends are concerned, the situation in Germany has stabilised somewhat. According to figures released by the Federal Statistical Office on 16 January 2026, the inflation rate stood at 2.2 per cent last year. Core inflation, excluding energy and food, stood at 2.8 per cent, down from 3.0 per cent in 2024. While the Federal Statistical Office reported a slight decline in this figure, it serves to highlight all the more that inflation remained high in other sectors over the course of the year.

For example, prices in the service sector rose by 3.5 per cent, once again increasing at an above-average rate (following a 3.8 per cent increase in 2024). Insurance premiums also rose significantly in 2025, increasing by 7.4 per cent. Prices for vehicle maintenance and repairs rose by 5.5 per cent, while prices for inpatient healthcare services rose by 6.7 per cent.

Although the German economy has stabilised somewhat, the overall economic outlook remains challenging against a backdrop of trade and geopolitical uncertainties, higher tariffs and structural factors such as reduced competitiveness, a skills shortage driven by demographic trends, and increased energy and administrative costs. The main factors driving growth are debt-financed government spending programmes on infrastructure and defence. Foreign trade remains a structural weakness due to difficult global economic conditions. Nevertheless, according to Germany's Federal Ministry for Economic Affairs and Energy, there is a realistic chance that Germany is on the road to recovery.

According to estimates by the German Economic Institute (IW), the various crises in recent times – such as the coronavirus pandemic, the war in Ukraine and US tariff policy – are

costing Germany dearly. According to the IW study published on 7 February 2026, the German economy has suffered a loss of approximately 940 billion euros in economic value created since 2020. As such, economic output remains roughly at the same level as in 2019. According to the IW, the current decade has so far been marked by extraordinary shocks and massive economic repercussions that far exceed the impact of previous crises.

Despite challenging economic conditions, the insurance sector has remained stable, as noted by the German Insurance Association (GDV) on 4 February 2026. Accordingly, 2025 was a good year for insurers, with noticeable growth in premiums despite a weak economic climate. Premium income rose by 6.6 per cent across all segments to 254 billion euros. The higher premiums are mainly attributable to inflation-related premium adjustments, strong single-premium business in the life insurance segment, and rising premium income in private health insurance. The forecast for the current year is somewhat more subdued, with a 4.7 per cent increase in premiums. The GDV attributes this to the German economy's structural weakness, which is increasingly holding back growth and employment, even though higher government spending is having a stabilising effect in the short term.

In the life insurance segment, premium income rose by 5.1 per cent to 99.4 billion euros. The main driver was a 16.9 per cent increase in single premiums. According to the GDV, savings products have become more attractive again due to falling inflation, rising real wages and the increase in the maximum technical interest rate. Recurring premium business remained virtually flat, growing by just 0.1 per cent. Company pension schemes also recorded an increase of just 0.6 per cent. However, the number of new Riester pension plans taken out rose significantly – increasing more than fourfold from a very low base to 129,500 policies.

As in previous years, the insurance industry had to hold its own in a challenging economic environment in 2025. Across all segments, the industry's greatest challenges included digital transformation, the modernisation of IT systems, the use of AI, regulatory requirements, high cost pressure and a shortage of skilled workers.

A key pillar of digital transformation is the comprehensive modernisation of IT infrastructures, according to the GDV publication "Facts about the Insurance Industry", which was published in autumn 2025. Accordingly, insurers' IT spending remains high. In this context, insurers are focusing on modern cloud solutions, the use of AI and enhanced cyber resilience. According to the GDV, IT spending in 2023 amounted to 6.2 billion euros. Figures for 2024 and 2025 are not yet available.

Artificial intelligence has now developed into a key strategic technology. This presents insurers with the challenge of selecting – from a wide range of available solutions – those that deliver the greatest benefits in terms of improved efficiency, customer satisfaction and addressing the shortage of skilled workers. This is also confirmed by the Horvath management consultancy's 2025 study on the insurance industry (published in August 2025). According to the study, many insurers have gained initial experience with AI in various use cases. The focus is now shifting towards a select few use cases that offer concrete potential for efficiency gains and cost savings. At the same time, the next wave of technology is already on the horizon in the form of agentic AI: according to an industry-wide study by the market research firm Lünendonk (September 2025), almost 40 per cent of the companies surveyed are already using or experimenting with agentic AI.

However, according to the Horvath study, many insurers view their IT systems and data silos as a major obstacle to the adoption of modern technologies. Thus, for 60 per cent of the insurers surveyed, investment in IT modernisation and cloud migration is particularly important. This is also confirmed by another industry-wide Lünendonk study (July 2025), which found that more than 80 per cent of the companies surveyed intend to spend more on modernising their IT systems in 2026 should the economy improve. According to the study, the key drivers are increasing security and regulatory requirements, the risks posed by cyber-attacks, a reduction in the technical complexity of IT systems, as well as demographic change and the associated threat of a loss of expertise.

In the life insurance segment, the situation has eased somewhat in light of higher interest rates. For example, the maximum technical interest rate rose to 1.0 per cent in January 2025 for new life insurance policies. Consequently, positive guaranteed returns are once again being achieved on long-term contracts, as shown in the Assekurata market study on profit-sharing and guarantees for 2025. In November 2025, the German Actuarial Association (DAV) recommended that the maximum technical interest rate of 1.0 per cent be retained for 2027 as well. On 5 February 2026, the ECB decided to keep the key interest rate at 2.0 per cent.

For life insurers, the past financial year was once again dominated by the implementation of comprehensive regulatory requirements. For example, the Digital Operational Resilience Act (DORA) has been applicable since January 2025. Furthermore, additional provisions of the Artificial Intelligence Act (AI Act) came into force in August 2025. In addition, according to

BaFin, prudential supervision is continuing to gain momentum. In October 2025, the regulatory authority announced that it would pay even closer attention to the benefits that life insurance policies offer customers.

Additionally, the Bundestag passed the pension package at the end of 2025. This also includes plans to reform private pension provision. According to these, privately funded pension schemes eligible for tax relief are to be transitioned to a new system and opened up to new providers such as fund companies, banks or neobrokers. In addition to the existing guaranteed products, the draft proposes the creation of a tax-advantaged retirement savings account without guarantees, as well as the introduction of the early retirement pension. The new private pension scheme is set to launch as early as 1 January 2027. Germany's Second Act on the Strengthening of Occupational Pensions (BRSG II) came into force in part on 22 January 2026.

According to Statista, the European insurance market is expected to generate gross premium income of approximately 1.58 trillion euros in 2025, up from 1.52 trillion euros in 2024. The European life insurance market is projected to see gross premiums grow to 904.27 billion euros in 2025, up from 877.44 billion euros in 2024. In the European non-life insurance market, gross premiums are estimated to have risen to 681.43 billion euros from 646.75 billion euros in the previous year.

According to the 2025 Alliance Global Insurance Report, US life insurers recorded a 14.4 per cent increase in premiums in 2024. The United States is the world's largest life insurance market, with a market share of 24.7 per cent (2023), followed by China with 13.5 per cent (2023), as shown by the GDV statistics published in 2025. GDV figures for 2024 and 2025 are not yet available.

## **Business performance**

Together with its subsidiaries, msg life ag is the market leader in the German-speaking market for life insurers and pension providers, offering a range of services and products; more than half of all leading life insurers based in this region are among its customers. Against the backdrop of ever-changing regulatory requirements and an increasingly diverse range of products, insurance companies are pursuing a strategy of replacing the software

solutions they still largely develop in-house with off-the-shelf software and standard software platforms, alongside new operating models such as software as a service (SaaS).

msg life's products and consultancy services form an integral part of the msg Group's portfolio for the insurance industry; as a member of the msg Group, msg life is a strategically important partner for its customers and an attractive employer for its staff.

As reported last year, msg life ag provided services through 2024 as part of a major project for an insurance company, acting as a subcontractor to a general contractor. Over the course of the project in 2024, the insurance company and the general contractor mutually terminated the project under the existing contractual terms, which led to a settlement agreement. The general contractor assigned the compensation attributable to the subcontractor msg life ag to the insurance company in the form of a credit note in the amount of 19.0 million euros. Under an indemnity agreement, this credit will be taken over and borne in full by msg systems ag, Ismaning, and will be paid in several instalments.

As part of the TRAIL.X (TRustworthy Artificial Intelligence in Life Insurance) project, msg life has been working with Ludwig Maximilian University (LMU) in Munich since 2021 to develop a process that uses artificial intelligence (AI) to automatically transfer actuarial functions from a source system to a modern policy administration system. This enables life insurers to replace older generations of systems in a significantly more cost-effective and resource-efficient manner, to replicate their core functionalities using AI, and to integrate them into a modern system. Explainable AI (XAI), automated machine learning (AutoML) and the use of large language models (LLMs) play a key 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.

msg life operates an information security management system (ISMS) which has been certified to ISO/IEC 27001 for its key core processes since 2022. 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 ISMS is accompanied by measures to ensure digital operational resilience. As a third-party

ICT service provider for the insurance industry, msg life is indirectly subject to the strict requirements of the Digital Operational Resilience Act (DORA).

## **Summary assessment of the business situation**

The year 2025 was a satisfactory financial year for msg life ag, as most of the projects and initiatives included in the company's strategic plan were implemented during the reporting period. Nevertheless, the targets set at the start of the financial year with regard to the financial performance indicator "net profit/loss under German commercial law (HGB)" were not met:

last year's forecast for the separate financial statements under German commercial law (HGB) had anticipated a profit on a par with the previous year; in the end, msg life ag closed the 2025 financial year with a net profit of 1.6 million euros (previous year: 10.5 million euros). This result was primarily attributable to the significant decline in income from profit-sharing agreements (down 3.2 million euros compared with 2024) and the fact that income from msg life ag's project business fell well short of forecasts.

Nevertheless, the company's business performance in the 2025 financial year can be described as satisfactory overall. The foundations are in place for positive growth in 2026 and the years that follow.

## **Research and development**

In the 2025 financial year, msg life ag did not incur any R&D expenses (previous year: 0 thousand euros). All R&D expenditure was incurred by subsidiaries of msg life ag.

## **Personnel**

As at 31 December 2025, msg life ag had 46 permanent employees, including managing directors (31 December 2024: 45 permanent employees, including managing directors). All key activities relating to recruitment also apply to the subsidiaries of msg life ag.

## Earnings, financial and assets position

The following information regarding the earnings, financial and assets position of msg life ag as at 31 December 2025 is based on the German Commercial Code (HGB).

### Earnings position

Revenue fell by 25.1 million euros compared with the previous year, from 87.1 million euros to 62.0 million euros. Revenue from external third parties amounted to 23.7 million euros (previous year: 53.7 million euros); at the same time, revenue within the msg life Group increased by 5.0 million euros, from 33.3 million euros to 38.3 million euros.

Other operating income amounted to 0.9 million euros (previous year: 19.6 million euros). The high earnings in the previous year were due to the indemnity agreement entered into by msg systems ag, Ismaning, as part of a settlement agreement between msg life ag and a customer.

Compared with the previous year, expenditures for the purchase of services fell by 15.7 million euros, amounting to 37.7 million euros in the past financial year (previous year: 53.4 million euros).

The change in revenue and expenses from services purchased by msg life ag was primarily due to revenue recognised in the previous year in connection with the completion of a major project in collaboration with msg systems ag, Ismaning.

Personnel expenses stood at 8.6 million euros (previous year: 8.8 million euros), remaining at the previous year's level.

Depreciation and amortisation rose slightly during the reporting period to 1.3 million euros (previous year: 1.1 million euros) and relates to depreciation on property, plant and equipment. The increase is mainly attributable to additions to property, plant and equipment.

Other operating expenses fell by 16.1 million euros to 30.1 million euros in the 2025 financial year (previous year: 46.2 million euros) and consist mainly of administrative costs relating to associated companies, rent, legal and consultancy fees, accounting costs and Supervisory

Board remuneration. Expenses for the same period last year included a liability of 19.0 million euros arising from a settlement agreement with a customer. In contrast to this effect, the financial year 2025 saw, in particular, higher expenditure on premises costs (+860,000 euros), maintenance costs for IT hardware and software (+580,000 euros) and expenditure on advertising and travel costs (+245,000 euros).

On the basis of the two existing profit transfer agreements, the company recognised income of 16.3 million euros from msg life central europe gmbh (previous year: 20.3 million euros) and 0.9 million euros from msg life global gmbh (previous year: a loss of 7,000 euros). The decline in income from the profit transfer agreement with msg life central europe gmbh was due to a decline in its project business.

msg life ag's net interest income deteriorated in the 2025 financial year to -1.1 million euros (previous year: -0.6 million euros), primarily due to interest expense on pension and service anniversary provisions and interest on intercompany (IC) liabilities to affiliated companies. The deterioration was due to a rise in interest rates on IC liabilities and the loss of income from a loan to an associated company, which was repaid in 2024.

Due to the negative taxable income arising in the 2025 financial year, income tax expense amounted to -0.3 million euros (previous year: 1.0 million euros). As a result of carrying forward the loss to 2024, a tax receivable from the German fiscal authorities amounting to 158 thousand euros was recognised, in addition to the recovery of tax prepayments for 2025.

Overall, for the 2025 financial year, msg life ag reported a net profit under the German commercial law (HGB) in the amount of 1.6 million euros (previous year: 10.5 million euros).

## **Financial position**

As at the end of the reporting period, msg life ag held cash and cash equivalents of 36.2 million euros (previous year: 23.1 million euros). The cash outflow from operating activities of 1.5 million euros (previous year: 3.6 million euros) stands in contrast to a cash inflow from investing activities of 19.2 million euros (previous year: 23.1 million euros) and a cash outflow from financing activities of 4.7 million euros (previous year: 4.5 million euros).

Cash inflows from investing activities mainly comprise dividend payments from subsidiaries and ongoing investments in intangible assets and property, plant and equipment. The cash outflow from financing activities was due primarily to dividend payments and the interest for cash pooling.

Financial management and liquidity management sets out to identify key risks within msg life ag at an early stage and to provide adequate liquidity for current business operations and investments.

## Assets position

Fixed assets remained unchanged from the previous year at 60.2 million euros. Property, plant and equipment amounted to 2.9 million euros – also unchanged from the previous year.

msg life ag's current assets rose significantly in the past financial year to 71.4 million euros (previous year: 55.9 million euros), mainly due to an increase in cash and cash equivalents.

Trade receivables rose slightly by 0.3 million euros to 5.0 million euros due as at the end of the reporting period (previous year: 4.7 million euros).

Receivables from affiliated companies rose only marginally by 0.4 million euros to 28.4 million euros (previous year: 28.0 million euros). Liabilities to affiliated companies increased by 16.5 million euros to 31.8 million euros (previous year: 15.3 million euros). This was mainly due to cash pooling and day-to-day business transactions with msg life central europe gmbh.

Other assets, amounting to 1.7 million euros, include 1.6 million euros in receivables from the German tax authorities relating to VAT, corporation tax and trade tax.

As at the end of the reporting period, cash and cash equivalents were 13.1 million euros higher than a year ago, amounting to 36.2 million euros (previous year: 23.1 million euros). The increase was due to lower capital tied up in working capital as at the end of the reporting period. As in the previous year, the company was financed entirely from its own resources in the 2025 financial year; consequently, no bank borrowings have been recognised as liabilities.

As at the end of the reporting period, deferred expenses and accrued income amounted to 2.9 million euros (previous year: 3.2 million euros), representing a slight decrease of 0.3 million euros – primarily due to lower expenditure on IT services provided by an affiliated company.

Equity amounted to 76.6 million euros (previous year: 76.7 million euros). Net retained profits amounted to 1.7 million euros (previous year: 10.5 million euros).

Provisions increased by 0.7 million euros and stood at 4.0 million euros as at 31 December 2025 (previous year: 3.3 million euros). This was primarily due to an increase in provisions for expected incoming invoices.

Liabilities amount to 52.7 million euros (previous year: 39.2 million euros). The year-on-year increase of 13.4 million euros was due to a 0.4 million euro rise in trade payables as at the end of the reporting period, as well as a 16.5 million euro increase in payables to affiliated companies, bringing the total to 31.8 million euros. In addition to tax liabilities relating to payroll tax and church tax, the other liabilities, which fell by 3.5 million euros, mainly comprise a liability arising from a settlement agreement with a customer.

Total assets as at 31 December 2025 amounted to 134.4 million euros (previous year: 119.3 million euros).

## **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 (4) of the German Stock Corporation Act (AktG)) and liquidation proceeds (Section 271 AktG), as well as pre-emption rights to shares in the event of capital increases (Section 186 AktG).

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

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

## Opportunity and risk report

### General information

All of the following assessments of opportunities and risks were carried out prior to the preparation of the annual financial statements and relate primarily to the expected performance in the coming financial year and – where foreseeable – to medium-term developments beyond that.

In the type of business it conducts, msg life ag is exposed to a large number of uncertainties which, if realised, can affect the company's earnings, financial and assets position, either positively or negatively, or result in msg life ag 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 msg life ag are, in close coordination with the Supervisory Board, laying down general conditions and processes of risk management, 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 risk management system is documented in a risk manual. One employee in msg life ag's Controlling & Risk Management division has been appointed risk manager, 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 ag has set up a monthly controlling and reporting system.

The early risk detection system employed by msg life ag continued to prove its worth in 2025, meaning that it was not deemed necessary to make any changes to 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 carried out in previous years confirmed the adequacy and integrity 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 2025. At the same time, data protection, internal audit, IT security, information security management, compliance management, business continuity management, process management, quality management, and building and occupational safety are all integrated into the early risk detection system. The corresponding risk report for 2025 was submitted to the Supervisory Board for review in February 2026. In 2025, msg life ag'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 ag's earnings, financial and assets position.

### **Strategic opportunities**

msg life ag anticipates that regulatory activity will continue across the entire insurance sector. 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 the company. At this time, the situation in the insurance market is proving to be an opportunity for the company, as demonstrated by its successful performance over the past few years. Above all, the demand for standard software in conjunction with SaaS offerings in the cloud is increasing. Insurance companies are also facing a shortage of skilled workers that is being exacerbated by demographic changes. This will accelerate the technological transformation and force insurers into drastic transformations in connection with automation and digitisation.

In addition, the use of artificial intelligence (AI) and AI-based services is rapidly gaining in importance across all segments. This presents both opportunities and risks. The application and use of these innovative technologies must take into account current and future legal regulations; in this regard, both national and international developments must be monitored. In this context, msg life has established a process to assess the deployment and use of AI and to monitor it using an AI register. In addition, the role of AI Officer has been created.

### **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. Additionally, rising regulatory complexity is making it significantly more costly to operate systems, which is causing standard software combined with cloud-based SaaS offerings to become more attractive to insurers.

### **Product- and service-specific opportunities**

In addition, msg life ag's employees are crucial to the company's innovative power – and are therefore instrumental in the growth and profitability of msg life ag and its subsidiaries as a whole.

## **Risk assessment**

The following risks are listed in descending order based on their estimated probability of occurrence and their estimated impact.

### **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 project and project risk management standards; a standardised process model minimises risks even further. Nevertheless, there is a risk that projects may not be carried out profitably for msg life ag because costs exceed the agreed budget, deadlines are not met, or the services provided do not meet the agreed specifications or the required quality standards, thereby obliging msg life ag to grant a discount or pay compensation. The overall risk profile of all ongoing projects increased in 2025 due to the novel nature of implementing SaaS projects. The risks associated with individual projects have been adequately taken into account in the plans for 2026.

Like all software products, msg life ag's products may contain defects; rectifying these under warranty increases costs and thus affects profit margins, or may give rise to claims for damages against msg life ag. Generally speaking, msg life ag offers a warranty customary for 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.

msg life ag 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 company's own products. Problems in the execution of projects and software defects that can occur in the operation of software produced by msg life ag can do lasting damage to the reputation of the company and thereby have a substantial impact on the future course of business.

## **Personnel risks**

msg life ag'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 the company is unable to get these employees to commit themselves to the company 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 order to minimise this risk, msg life ag is doing its utmost to offer a motivational working environment and to make it possible for employees to develop and unlock their full potential.

## **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. If the economic landscape does deteriorate, this could also reduce the volume of the market targeted by msg life ag. 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, the company 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. As regards new customers, delays in planned investments may lead to a decline in revenue, particularly in the product business.

The above-mentioned economic risks also apply to the current war in Iran, which has been ongoing since the end of February this year, and the resulting disruptions to international trade. To date, no impact on msg life ag's business performance in 2026 has been observed in this regard. At the time of preparation of the annual financial statements, the company does not anticipate any significant changes in its financial and operational performance.

## **Competitive risks**

With its solutions, msg life ag is a leading sector-based service provider for life insurers and pension funds in Europe. This has led to a concentration and therefore an increase in market development risks. At the same time, this improves the company's market position. msg life ag will therefore attempt to persevere with its existing strategy 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, smooth business operations also depend on the availability and reliable functioning 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 systems of msg life ag, 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 ag 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.

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 has been established, in which the relevant issues specified by legislators will be discussed together with clients and risks addressed.

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

## **Risks from takeovers**

msg life ag 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 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. 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. msg life ag has sufficient liquid funds to enable it to service its financial liabilities.

As at the end of the reporting period, there were credit facility agreements in place with two banks totalling 5.0 million euros. As at the end of the reporting period, credit facilities amounting to 1.317 million euros had been utilised exclusively to serve as collateral for rent security deposits (with an indefinite term and an interest rate of 1 per cent).

### **Overall assessment of the opportunities and risks**

msg life ag 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 company's earning power constitutes a solid basis for the future development of its business and will generate the resources that will be necessary to pursue the opportunities that present themselves.

## Forecast report

msg life ag is well positioned in the field of software and consultancy services for insurance companies and pension schemes. With a comprehensive range of digital services, some of which are provided in specific countries through its subsidiaries, the company has strong market prospects and a promising competitive position.

As part of msg life ag's strategic plan to further expand its international presence and tap into new insurance markets, the company has established partnerships with, among others, msg global solutions ag, Amazon (AWS), Microsoft (Azure), Google and IBM. The aim is to significantly boost the competitiveness of international insurance companies through a fully digitalised end-to-end solution and to ensure their long-term viability.

msg life ag expects regulatory pressures to persist across the entire insurance industry in the current financial year 2026 as well. Whether it be the further implementation of the EU Action Plan on Sustainable Finance, the Artificial Intelligence Act (AI Act), the Digital Operational Resilience Act (DORA), the EU anti-money laundering legislative package, the Framework for Financial Data Access (FiDA), the Insurance Recovery and Resolution Directive (IRR) or BaFin's expectations regarding prudential supervision – the ongoing and forthcoming implementation of numerous regulatory requirements continues to necessitate extensive adjustments to the solutions currently in use and ties up significant resources among insurers. That is why the use of flexible and cost-effective off-the-shelf software remains an attractive option throughout the insurance industry.

Consequently, the German-speaking market will continue to present challenges for insurance companies this year and, in all likelihood, in the years to come. This is compounded by the still rather weak economic climate, the growing shortage of skilled workers, the ongoing trend towards internationalisation and consolidation, and efforts to cut costs and improve efficiency. That is why, within the insurance sector, there is a significant correlation between modern, flexible IT systems and a company's success.

Given the challenges facing the insurance industry, the platform economy is playing a more central role than ever before. Many insurers are now using platforms and ecosystems to offer digital products and services that go beyond their traditional core business. This, in turn, opens up new opportunities for value creation.

The field of AI is growing rapidly in importance, and most insurers are using this technology to optimise their business processes. The use of AI, or agentic AI, not only leads to efficiency gains through automation, but also opens up new opportunities driven by technical innovation. In this context, msg life ag now offers its customers a range of AI solutions – including msg.ask:it, msg.process:it and msg.claim:it – that are tailored to the specific content and technical requirements of the insurance industry.

Furthermore, msg life ag is addressing the issue of AI through the TRAIL.X project, in which it is working with LMU Munich to develop a process that uses artificial intelligence (AI) to automatically transfer actuarial functions from a source system to a modern policy administration system. This will enable life insurers to replace older generations of systems in a significantly more cost-effective and resource-efficient manner, to replicate their core functionalities using AI, and to integrate them into a modern system.

For larger insurers in particular, the acquisition of insurance portfolios that have already been closed and are no longer available for purchase (known as 'run-off' portfolios), typically from smaller insurers, remains a key issue. This enables the latter to achieve positive financial effects, while buyers can benefit from 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.

In light of ongoing regulatory complexity, intense cost pressures and new technologies, digital transformation and the modernisation of IT systems are among the most significant challenges facing the German insurance industry, and the business processes involved are enabling ever greater integration of systems across departments, lines of business and organisational boundaries. The digital transformation of the core systems makes it increasingly possible to tap the potential of standardised and automated processes. Fully automated processes lead to an enormous increase in efficiency and significantly lower costs. The focus here is on customer-centricity and personalisation, industrialisation and automation, analytics and data efficiency, as well as standardisation and integration. Insurers are also increasingly turning to cloud solutions, which allow IT capacity to be flexibly adapted to demand.

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 ag is taking it into account as it develops its own range of products and services. The company – including through strategic partnerships with the msg Group and major cloud providers such as Amazon (AWS), Microsoft (Azure), Google and IBM – offers SaaS and cloud-enabled solutions that support the insurance industry in its digital transformation.

In light of these developments, msg life ag expects insurance companies to remain generally interested in the software and consultancy solutions it offers in 2026 as well – yet it also senses a degree of caution among insurers regarding major investment projects, given the continuing challenging market environment.

msg life ag is continuously working to optimise and expand its product range in the life insurance and pension sectors, both technically and in terms of product expertise. In this context, the full convergence of the components of the msg.Insurance Suite – the central, shared insurance platform within the msg Group – and the associated sales collaboration 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.

In connection with msg.Insurance Suite, msg life is still experiencing strong market demand for migrations. The company is therefore continuously expanding its own expertise in the migration of entire platforms and further accelerating migration projects through innovative, AI-based approaches.

With regard to the economic sanctions in connection with the Russian invasion of Ukraine in February 2022, msg life ag 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 2026 financial year so far.

The same applies to the current war in Iran, which has been ongoing since the end of February this year, and the resulting disruption to international trade. To date, the company has not observed any impact on its business performance in 2026 in this regard, and at the time of preparing the financial statements, it does not anticipate any significant changes in its financial and operational performance as a result.

For the 2026 financial year, msg life ag expects to generate a net profit under German commercial law (HGB) in line with the previous year (previous year: 1.6 million euros).

Leinfelden-Echterdingen, 29 April 2026

msg life ag

Jan Vatter, Spokesman of the Management Board

Milenko Radic, Member of the Management Board

Marion Schenker, Member of the Management Board

Dr Wolf Wiedmann, Member of the Management Board