Annual Report 2014

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CONSOLIDATED KEY RATIOS

pursuant to IFRS	2014 in million euros	2013* in million euros	2012 in million euros
Turnover	**104.3**	131.3	136.7
EBITDA	**11.4**	-1.8	-9.1
EBIT	**6.4**	-7.0	-19.3
EBT	**6.0**	-7.8	-20.3
Annual net profit / loss	**-0.9**	-6.1	-24.6
Earnings per share in euros	**-0.02**	-0.13	-0.59
Balance sheet total	**79.3**	102.7	106.0
Equity	**40.2**	42.7	50.0
Liquid funds	**21.7**	14.4	11.3
Cash flow from operating activity	**12.0**	-0.8	-1.5
Cash flow from investment activity	**8.9**	2.2	-1.7

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Annual Report 2014

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msg.Life Factory is the most cutting-edge policy management system for life insurance companies in Europe. msg life gained a strategic partner in IBM which will make its applications even more flexible. In the future, insurers will be able to **select** products from a modular solution package provided by both partners. And, with the current JEE architecture and 'Ready for IBM PureSystems', msg.Life Factory can be integrated seamlessly into a wide range of system environments.

Alt S

Press the **Alt**+**S** buttons to search for and select an insurance customer on the partner page of the policy management system msg.Life Factory.


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msg life implemented more than one change in 2014. The announced changes to the Management and Supervisory Boards came into effect by July, and in October the company successfully changed its name from COR&FJA to msg life ag. This is the symbol of strategic **reorientation**: in Europe, msg life will focus on its core business of software and consultancy services for life insurance companies and pension fund institutions.

Ctrl ⇧ A

Press the **Ctrl**+**Shift**+**A** buttons in msg.Open Claims to switch to the order view. The software helps insurers regulate claims and even factors in unique product features.

Management

LETTER FROM THE MANAGEMENT BOARD

Dear shareholders,
customers, business associates
and colleagues,

After the last Annual General Meeting on 26 June 2014 approved the change in the company's name with a large majority, the rebranding of the former COR&FJA AG as 'msg life ag' was finally completed when the amendment of the articles of association was entered in the commercial register in mid October 2014. This enables msg life ag's association with the msg corporate group and the resultant increasingly close collaboration to be signalised clearly, not only within the company but also to the outside world.

This rebranding means that msg life's products and consulting services have become a fixed part of the msg Group's portfolio for the life insurance market. And as the largest associated company in this successful group, msg life ag is becoming an even more significant strategic partner for our customers and an even more attractive employer for our staff.

But the 2014 financial year was trendsetting on more than a corporate level: with an aggregate turnover of 104.3 million euros and EBITDA of 11.4 million euros, we met our expectations and completed our economic turnaround. This allowed us to complete the objective which we announced at this point in last year's report: to restore profitability to the company by 2014 at the latest.

REFLECTIONS ON THE 2014 FINANCIAL YEAR

In February 2014 we successfully completed the sale of our subsidiary, the former COR&FJA Banking Solutions GmbH, by transferring all shares in the subsidiary to the French company Sopra Banking Software S.A. This sale resulted in a positive seven-figure non-recurring effect which flowed straight into net profit. Following an internal restructuring process in the summer of 2013, we had concentrated our Banking segment within this subsidiary – which meant that the segment was no longer operated by us.

In the first quarter of 2014 we also sold our shareholding in the management consultancy firm plenum AG. Since the beginning of the financial year 2014, plenum and its subsidiaries have no longer been part of our basis of consolidation. We also sold our shareholding in B+S Banksysteme Aktiengesellschaft in August 2014. These two transactions readjusted the entire shareholding structure of our company. Additionally, in the middle of the year the former Chairman of the Management Board Dr Christian Hofer became the Chairman of the Supervisory Board of our company. We will therefore continue to receive the full benefit of Dr Hofer's decades of experience and excellent reputation on the insurance market.

Thanks to the company's corporate name change, the sale of our Banking subsidiary and the disposal of both of the aforementioned shareholdings, we completed the most important previously outstanding measures for the msg life Group's strategic realignment in the course of the 2014 financial year. And by focusing on our core business, msg life ag is now a leading supplier for all aspects of developing and implementing software solutions, as well as for the provision of specialist consulting services for life insurance companies and pension fund institutions in Germany and Europe and health-care insurance firms in the USA.

The economic turnaround of msg life was also reflected in the generally good performance of its shares in 2014. The good results of the 9-Month Report were the main reason for the positive development of the share price and were followed by notable increases in share turnover. This confirms our belief that the shareholders appreciate the course we have adopted and that the capital market has confidence in msg life ag. We will continue to support this development through regular, transparent communications targeted at the capital market.

FORECAST FOR 2015

In November 2014, the Supervisory Board appointed Dr Aristid Neuburger as an additional member of the Management Board of the company for a period of three years with effect from 1 January 2015. Recognised for his expertise throughout the sector, he will be responsible for developing and enhancing all actuarial msg life components, which are a significant part of our most important standard software product, msg.Life Factory. With Dr Neuburger we will strengthen our leading position in all actuarial fields and on the life insurance market whilst consolidating our presence there in terms of sales.

As well as cultivating its existing customers and acquiring new ones, we are pressing ahead with the technical and functional optimisation and completion of our wide range of life insurance and pension products. Having made major investments in the creation of new product offerings in other segments that could not be positioned successfully on the market in the past, we will be able to keep our investment expenditure and therefore also the costs of freelance employees at a relatively low level in 2015, just like in the 2014 financial year.

The current integration of our core product msg.Life Factory and its components into msg.Insurance Suite, the central insurance platform of the msg Group, is an important aspect of our product strategy, as is the sales-oriented collaboration and cooperation taking place in this context. This platform represents the first holistic industrial standard for all sectors of the insurance industry, i.e. life, non-life and health insurance. The underlying modular principle features a high degree of end-to-end prefabrication, makes it easy to integrate existing solutions and unlocks a wide variety of potential applications with maximised releasability and low maintenance costs.

In line with the single-product strategy we are following for our policy management systems, the completion of msg.Life Factory in cutting-edge, modern Java JEE architecture remains the core product project. After other parts of the system were completely converted and in active use by the first customers by mid 2014, including AXA Deutschland, this year we will invest around 4,000 person days in development capacity in order to complete the final mathematical components. Businesses which are interested in msg.Life Factory are planning to go live on the basis of the complete JEE version if they opt for our product.

We will also continue to expand our consulting activities – an essential development component for msg life – which are independent of our products. In doing so we will rely on our unique selling point; we can transfer tried-and-tested solutions from the msg life product area to non-product customers more economically than our competitors. Additionally, from 2015 we aim to gradually position our life insurance products and solutions in the USA, where we generated turnover in excess of 20 million euros for the first time in 2014 and significantly improved our position on the health insurance market. The recent acquisition of a majority stake in Tindall Associates (TAI) in the USA by msg global solutions ag will grant us access to around 100 life insurers there and demonstrate the opportunities that the closer integration of msg life in the msg Group can provide.

The accelerating digital transformation of our society and economy poses a number of challenges for insurers, and the digitisation process is one of the most significant drivers of innovation in the sector. However, the opportunities it provides – be they to make insurance products and services available on new channels or integrate them into new sales and cooperation platforms – also require extensive changes to the IT landscapes of insurers. At msg life, we will pay more attention to the digitisation trend than ever before when we develop our products and services. Even now we have a wide range of SaaS and cloud-based solutions to help our customers along this road, thanks in no small part to our strategic collaboration with IBM.

In addition to the ongoing enhancement of our central products and services, we will be determined in our implementation of the msg life Group's strategic reorientation in 2015. By concentrating on its core business of developing and distributing standard software for the European life insurance market and health insurance companies in the USA, deciding to discontinue product development in the Non-life Insurance segment, focusing its international growth on established markets, carrying out a full readjustment of its shareholding structure and more deeply integrating itself into the msg Group, our company has positioned itself in a new and promising way. Beyond that, we are continuing to strive first and foremost for organic and income-oriented growth.

In view of the current market and sales situation, we are expecting to generate turnover of roughly 105.0 million euros and earnings before interest, taxes, depreciation and amortisation (EBITDA) of about 8.0 million euros in the 2015 financial year.

Today, the msg life Group enjoys a promising position in the field of software and consulting services for insurance companies and has positive market opportunities and a good competitive position. We are therefore particularly proud of the almost 900 employees in our company: on behalf of all the members of the Management Board, I would like to thank you for your outstanding commitment and extraordinary innovation – our return to positive growth in such a short time would not have been possible without you.

We would also like to thank all of our customers and business partners for the constructive work we have done together with a view to achieving success. And last but not least, I would like to thank our shareholders for their confidence in us and for choosing to accompany msg life ag along its road to a promising future.

Yours faithfully,

ROLF ZIELKE
Spokesperson for the Management Board

Rolf Zielke
SPOKESPERSON FOR THE MANAGEMENT BOARD

— Life
— Cross-Components
— Sales
— HR and Legal

INTERVIEW WITH MANAGEMENT BOARD MEMBERS

The rebranding of the company as msg life was simply a logical conclusion following our shift in focus to our core business of standard software designed primarily for life insurers and pension providers.

Mr Zielke, how would you sum up the previous financial year?

Rolf Zielke: 2014 was a good year for the msg life Group: thanks to the company's corporate name change, the sale of our Banking subsidiary and the disposal of our participating interests in plenum AG and B+S, we successfully completed our strategic realignment. The financial year ended was also good from an economic standpoint, as with an aggregate turnover of 104.3 million euros and EBITDA of 11.4 million euros we met our expectations for the first time in a long time and completed our economic turnaround.

Why did you change the name of the company to msg life ag?

Rolf Zielke: In recent years we have intensified the collaboration between the companies of the msg Group so as to present a holistic range of products for every segment of the insurance industry. The rebranding of the company as msg life was simply a logical conclusion of this collaboration and of the refocusing of our core business, which is based on software designed especially for life insurers and the pensions sector. In a manner of speaking, we play the role of the centre of expertise for life insurance in this large and successful group – and we feel comfortable in this role. Additionally, our standard branding will improve the market opportunities of our joint Group portfolio.

What can the shareholders expect from this?

Bernhard Achter: The reactions of our customers, business partners and employees have all been and are all positive. Our advantages have not changed: our products and consulting services have become a fixed part of the msg Group portfolio for the life insurance market and are providing us with noticeable added value through sales. As the largest company in the msg Group, msg life will become an even more strategically important partner to our customers. Not to mention that in this successful group we are an attractive employer for our staff.

If the company performs as well as we expect it to, then our shareholders will also reap the rewards. The excellent performance of msg life's shares in the 2014 financial year was hopefully just a taste of what is to come, and we hope to see a fair share price of well over 2 euros in the near future.

What's new with the enhancement of your products?

Aristid Neuburger: In line with the single-product strategy we are following for msg life's policy management systems, the completion of msg.Life Factory on the basis of modern Java JEE architecture remains the core product project. We have now completed all of the components of msg.Life Factory, with the exception of the actuarial component msg.LF Product. We are working hard on this component, which we are developing using JEE technology, and it will be available to customers as early as 1 January 2016.

Rolf Zielke: In parallel with the strategic development of our products, we are integrating msg. Life Factory and other components into msg.Insurance Suite, the central insurance platform of the msg Group. The result is this platform, which represents the first holistic industrial standard for all sectors of the insurance industry, i.e. life, health and non-life insurers. Its modular principle makes it easy to integrate existing solutions and unlocks a wide variety of product design options. And all with maximised releasability and low maintenance costs.

The digitisation trend has become one of the most significant drivers of innovation and one of the greatest challenges facing our customers in the insurance industry – and us, as a business which offers products and consultancy services.

The increasing digitisation trend is currently a hot topic in the insurance industry. What do you think of this trend?

Aristid Neuburger: The digital transformation has fundamentally changed the company. The economy is currently under a lot of pressure to embrace this trend and use it to an advantage. It is clear that the digitisation trend has become one of the most significant drivers of innovation and one of the greatest challenges facing our customers in the insurance industry – and us, as a business which offers products and consultancy services. It is ultimately a question of even better customer orientation and the use of all available information.

Even today, insurance customers can contact their providers using several types of old and new media; this is known as multichannel marketing. The various channels, however, are frequently independent of one another and impossible to combine. In the future, it will be important to coordinate this communication across all channels and integrate it into all phases of customer support in the insurance industry.

For life insurers, these trends mean major changes to products, sales channels and sales models. However, all related issues and opportunities still require changes to be made to each company's IT landscape.

What does this mean for msg life as a service provider?

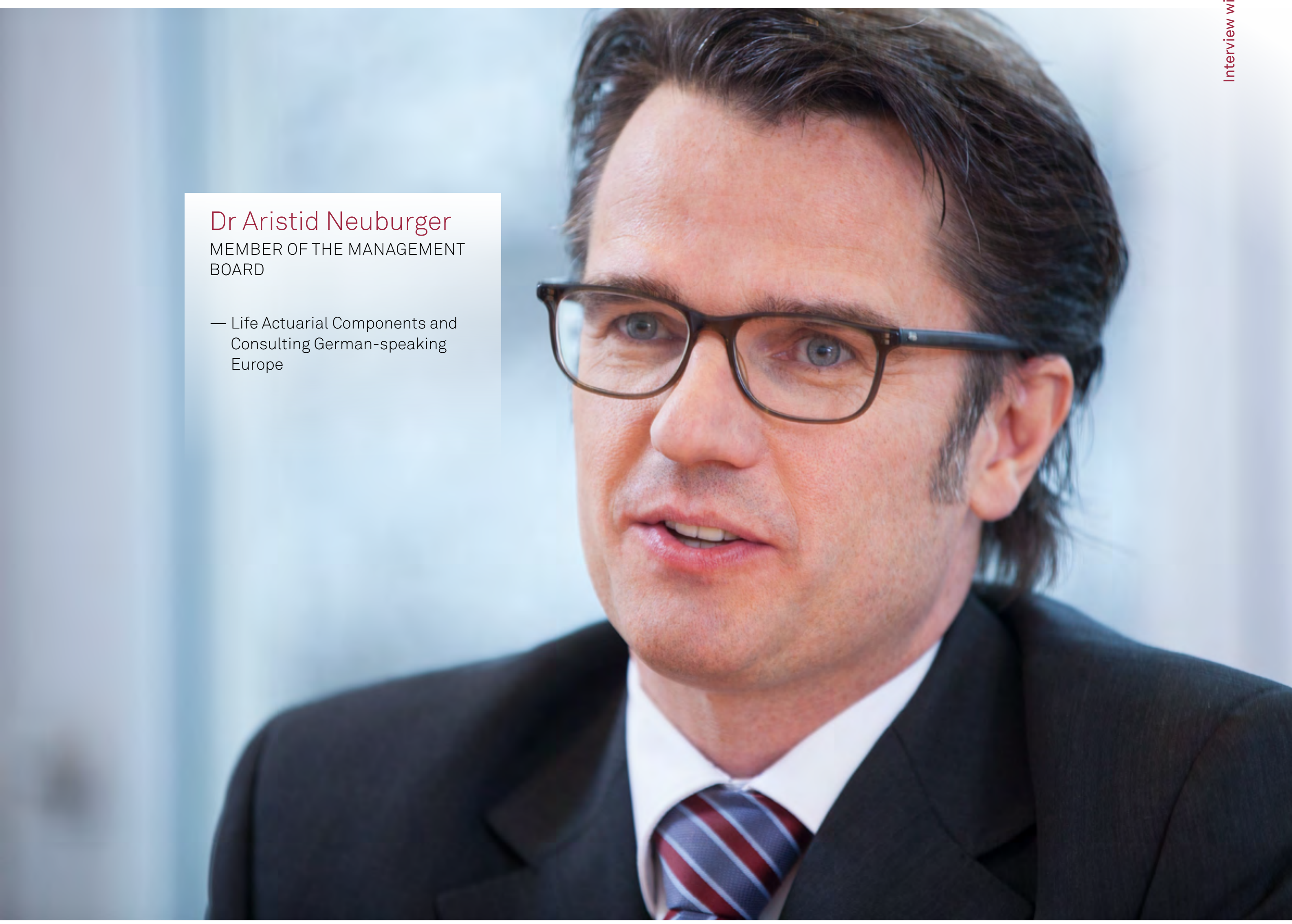
Aristid Neuburger: As a partner to the insurance industry, this means that we want to help our customers embrace this trend.

With our products, we are in an excellent position to do so, such as with the real service-oriented architecture of our products which allows our customers to use the dedicated services of our solutions at various locations simultaneously. This will allow an office worker at an insurance company, for example, to use the same tools – which have of course been configured to suit the target group – as the insurance customer in the online portal. More importantly, they can both access the same information. Additionally, our solutions are so powerful that they meet all of our customers' product requirements.

In the future we will very closely monitor the digitisation trend and factor in our findings when we develop our products and services.

How are the Group's international activities?

Bernhard Achter: In 2013, we adopted an international strategy of developing primarily in the markets in which we were established. This means that we only enter new markets when the opportunity presents itself and we only cultivate them if it is highly likely that our product will generate positive returns. This principle has not changed.



Dr Aristid Neuburger

MEMBER OF THE MANAGEMENT BOARD

— Life Actuarial Components and Consulting German-speaking Europe

Bernhard Achter

MEMBER OF THE MANAGEMENT BOARD

— USA
— CEE
— IBERIA
— IT
— Finance
— Corporate Planning and Controlling

Looking at the foreign markets on which we are already present, we want to consolidate what has become an excellent position on the American health insurance market and greatly intensify our life insurance business there. Additionally, we see our initial sales successes on the Iberian peninsula as a positive indicator. Both of these cases show that our international strategy is working. Nevertheless, I believe that we are wise to forego a large-scale regional expansion on the international stage for the time being – and to continue building on the success we have enjoyed in recent years instead.

How does a medium-sized company like msg life handle the competition for qualified employees?

Rolf Zielke: I would first like to say that I am proud of the almost 900 members of staff in our company, without whose commitment or innovation, not to mention loyalty, we would not have been able to restore positive growth to our business. However, it is also clear that we cannot simply stop competing for the best minds on the market or wanting to be that little bit better than our competitors.

For a company of our size, we will now have to do a lot more to attract new employees to the company and retain our current staff over the long term:

Diversified recruitment of university graduates and high-potential candidates, Welcome Days and Onboarding Programmes for new employees, a trust-based working hours system to make our employees' professional lives compatible with their personal lives, part-time and home office opportunities and a modern working environment with numerous self-service elements – it is clear that we are bringing the needs and working environments of our staff into alignment with the interests of the company.

The development of a new remuneration model in 2014 was another milestone for our human resources. The new remuneration model was based on the competence development model which the company has been using for some time. The competence development model was enhanced and adapted in coordination with the Works Council. The new remuneration model focuses on the roles and performance of employees and ensures that remuneration continues to meet the market standards.

What are your goals for 2015 and for the years to come?

Rolf Zielke: In the 2015 financial year we are anticipating turnover of approximately 105 million euros and earnings before interest, taxes, depreciation and amortisation (EBITDA) of approximately 8 million euros. As things stand at present, we can see no significant change in our target markets and so we expect 2016 to produce a slight increase in turnover and EBITDA of between 8.5 and 10.5 million euros in comparison to 2015.

We experienced a lot of inorganic growth following the fusion and shifted our focus and attention back onto our core business in 2013 and 2014. I think that, considering our company's history, we are wise to focus on healthy, most of all organic and of course income-based growth. A company in the standard software business should always aim for an operating margin of 10%. We want to use this as a benchmark for our own company in the medium and long terms. In addition to these commercial targets, we intend to work more on the strategic reorientation of the msg life Group and focus primarily on deeper integration into the msg Group at the moment. And, last but not least, we aim to gradually expand our msg life customer base and retain our numerous existing customers.

> We want to consolidate what has become an outstanding position on the health insurance market in the USA and intensify our life insurance activities there too.

PRODUCTS & SERVICES

msg life – software, consulting and cloud solutions for life insurers and pension providers

msg life is the leading provider of software, consultancy services and cloud solutions for the European insurance industry in the fields of life insurance and pensions. Our services range from comprehensive consultancy services to a wide selection of standard software solutions and flexible cloud solutions.

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As an industry specialist with 35 years of market experience and almost 100 successful installations of core systems for clients in the life insurance and pensions sectors, msg life has a unique combination of expertise, process know-how and IT skill. msg life is synonymous with holistic, modern and proven state-of-the-art solutions which provide our customers with crucial advantages – speed and costs – in an increasingly competitive environment. By continuously improving the functions and technical specifications of our products in close coordination with customers, which allows us to focus on the needs of the market, we can ensure that our solutions remain valuable in the future. Current market phenomena, such as cloud computing, are identified and integrated into the road maps of the products.

Collaborations with leading technology companies such as IBM ensure that the architecture of our solutions is always at the cutting edge of technology. Combined with our technical and specialist expertise, this produces excellent solutions which are well-received on the market.

Independent analysts regularly examine and confirm the effectiveness and outstanding market position of our solutions. This way, msg.Life Factory (a policy administration system for life insurers) has maintained a leading position in the Gartner Magic Quadrant for Life Insurance Policy Administration Systems (Europe) for many years.

Range of solutions

The life insurance and pensions market is experiencing continuous change – as always, insurance companies are finding themselves under increasing pressure to lower costs and beat the competition. Demand for a high level of customer service, low costs and attractive prices, the challenge of coping with new statutory requirements as well as the necessity of launching new products quickly and cost-effectively mean that insurance companies are facing new challenges all the time.

Due to the persistent low-interest phase, companies have been moved to offer increasingly innovative products in addition to their classic product ranges (such as products with high rates of return). Due to the increasing economic pressure, insurance companies are also being forced to improve management efficiency in order to lower costs (e.g. through automation) and react to changing consumer behaviour in light of the digitisation of society and economics. At the same time, the digitisation trend is breaking down market barriers for new providers and heightening the level of competition.

msg life's range of solutions enables insurers to react to the challenges of the market with speed and flexibility. The high configurability, the use of a product server and the modern, service-oriented technology (SOA) mean changes can be made rapidly to products and processes, enabling us to quickly factor customer requirements and market developments into new business models.

Each component fully covers the relevant business processes of an insurance company. Customers can combine various components to meet their own requirements or use them as individual services. The components range from front-end functions such as offer processing and risk analysis to policy, commission and collection administration. The standard interfaces allow additional msg life modules, individual expansions or software components from other providers to be integrated. This provides every customer with an IT landscape which is always tailored to their requirements without the customer having to miss out on the advantages of standard software.

> 'No one knows what insurance will be like in 10 or 20 years, but one thing is certain: it will be a lot more digital.'

Thomas Buberl,
Chief Executive Officer of AXA*

The challenges of digitisation ➜

* Versicherungswirtschaft 3/2015, p. 28

The challenges of digitisation

The accelerating digital transformation of our society and economy poses a number of challenges for insurers – the digitisation process is one of the most significant drivers of innovation in the sector. Even if the insurance industry is only on the cusp of this transformation process, it is already clear that the opportunities and possibilities of digitisation, such as positioning insurance products and services on new channels or integrating them into new sales and cooperation platforms, can only be used with modern IT infrastructure.

FOCAL POINTS OF DIGITISATION

Digitisation revolves around **customer centring** and **individualisation** (optimisation of customer orientation), **industrialisation** and **automation** (optimisation of operating efficiency), **analytics** and **data effectiveness** (optimisation of data efficiency) and **standardisation** and **integration** (optimisation of collaboration efficiency).

Customer centring and individualisation

→ Fulfilment of all customer requirements
→ Personalisation of communication with the customer – IM, OM
→ Making customer communication as digital as possible
→ Inclusion of the customer and customer's opinions
→ Personalisation of products

↓

Optimisation of customer orientation

Analytics and data effectiveness

→ Quantitative information management
→ Qualitative information management (data efficiency as a requirement, e.g. for fraud detection)
→ From the process-centric era to the information-centric era?

↓

Optimisation of data efficiency

Industrialisation and automation

→ Digitisation of business processes
→ Standardisation of services
→ Industrialisation of insurance IT landscapes
→ Speed of service

↓

Optimisation of operating efficiency

Standardisation and integration

→ Implementation of a multichannel approach
→ Portal strategy – target group portals: DL, external sales, agencies, end customers
→ Standardisation of data and processes

↓

Optimisation of collaboration efficiency

For the digitisation strategy to succeed, it will be crucial to understand the changing customer requirements, behaviour and experience in the context of digitisation – to the greatest extent possible – and continuously adapt our own products and processes based on these. This customer centring requires a number of changes in the systems of insurance companies (**Systems of Record, Systems of Engagement, Systems of Insight**).

The basis for the successful implementation of the digitisation strategy is the optimisation of operating efficiency through end-to-end processes across all channels and flexible, dynamic business models, as well as the adaptation of current product portfolios to suit changing customer requirements (products designed for each target group) and market requirements (low-interest phase). These issues boil down to fully automated processing, the automation and digitisation of business processes and improved customer self-service. High-quality, service-oriented **Systems of Record** are the 'enablers' of the new business models which are developed to adapt to changing customer behaviour.

Customers expect to be able to contact their insurer at any time and in a variety of ways – insurance companies must therefore provide online and offline access (**Systems of Engagement**) and specific products.

Knowledge of each customer must also be expanded (**Systems of Insight**) – existing data must be continuously analysed, processed and used to develop new, target-group-specific products and marketing campaigns, identify new customer habits, retain customers and even detect fraud, to name but a few examples.

Today, msg life provides a range of solutions which support customers in the context of these issues and challenges. In light of its growing significance, msg life will continue to take the digitisation trend into account as it develops its range of solutions.

Main products

Standard software – powerful, cost-effective and available around the world

The software solutions of msg life cover the entire value chain of a life insurance company – from the product concept, offer generation and the entire life cycle to the benefit phase. The high degrees of standardisation and prefabrication allow customers to go live with and use the software quickly and cost-effectively, as well as to develop it individually or in cost-sharing models. The software solutions generally support multiple clients, currencies and languages and as a result can also be rapidly deployed even in an international context. Today, users in over 30 countries – including the United States and Australia – are currently using solutions provided by msg life.

msg.Insurance Suite

Solution platform to cover the entire insurance sector

Together with other companies in the msg Group, in msg.Insurance Suite (msg.I-Suite) we provide a holistic range of solutions which supports all insurance segments. The platform facilitates the end-to-end processing of all of an insurance company's core business processes.

msg.Insurance Suite comprises separate standard software components preconfigured for the market requirements in question which are put together based on the best-of-breed approach. Compared to a combination of components from various manufacturers, the pre-integrated software provides considerable advantages in terms of costs and time during both implementation and long-term updating.

msg.Insurance Suite can also be run as part of a cloud solution – either in its entirety or in service parts.

msg.Life Factory

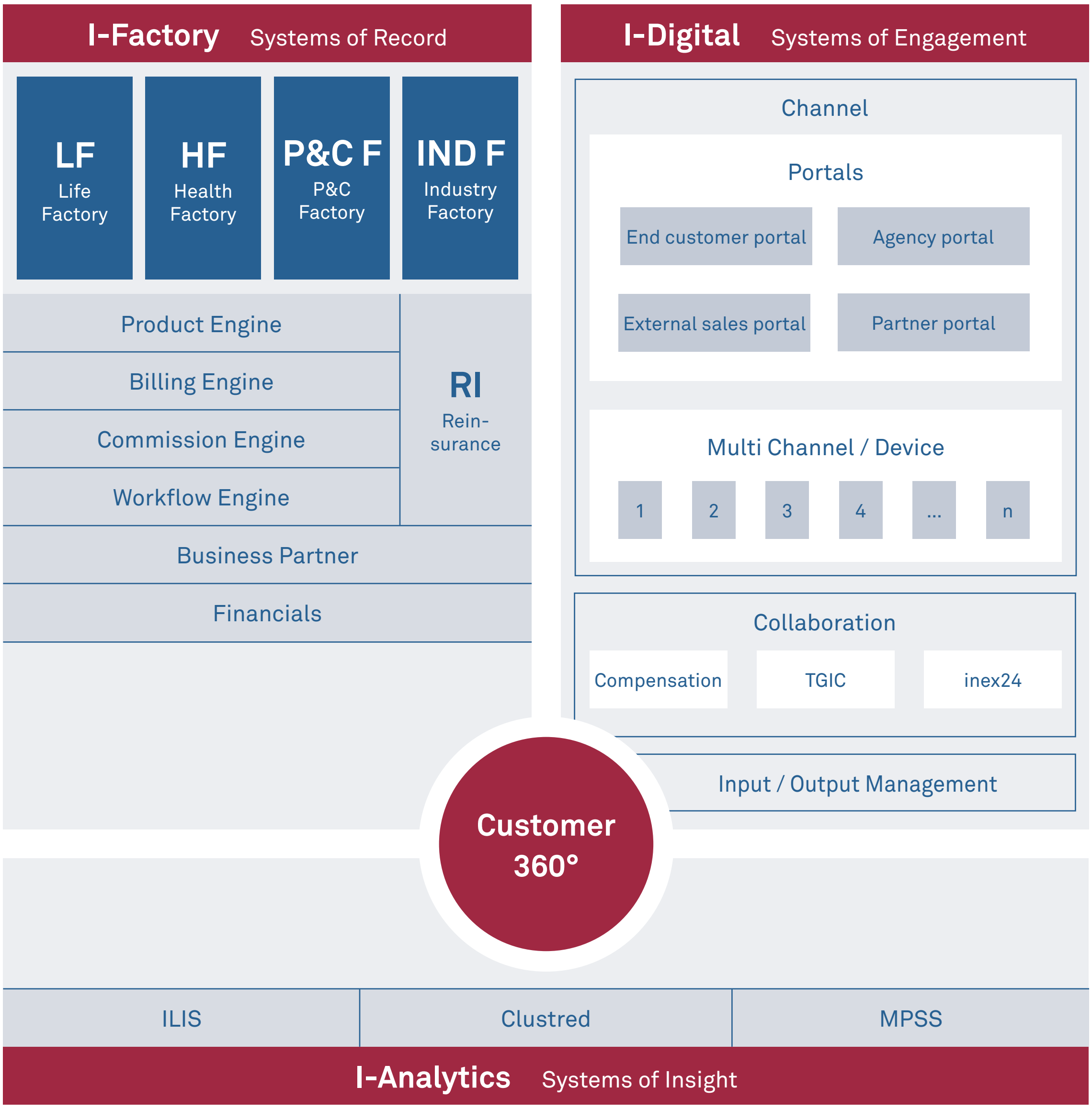
Policy administration for life insurers

The upgradable standard software msg.Life Factory supports the processes of business with private life insurance customers as well as company pension schemes, ranging from new customers to benefit processing and invoicing. Thanks to the service-oriented architecture (SOA) which is based on Java JEE, the system can be integrated seamlessly into the IT landscape of an insurer. Additionally, the solution supports a wide range of Internet-enabled end devices. All business processes can be fully automated or even shifted towards the front end / point of service. The system has been programmed to integrate into existing broker or end-user portals, resulting in a cost-effective integration process.

msg.Life Factory JEE was successfully deployed on the IBM PureSystems platform (IBM PureApplication System) and has been certified by IBM as 'Ready for IBM PureSystems'.

With a market share of around 50 per cent amongst the TOP 20 life insurers in Germany and more than 10 million policies in its system, with Life Factory msg life is the undisputed market leader in the German-speaking countries. msg.Life Factory guarantees full compliance with all statutory regulations and was certified by KPMG in accordance with the testing standard IDW PS 880.

msg.Insurance Suite



FJA.PM4

Software for product development, introduction and maintenance

With the internationally available FJA-US Product Machine (FJA.PM4), all product-specific information, rules, legal requirements and marketing requirements of an insurer can be managed centrally and sent via Web services to peripheral IT systems to be processed. This makes the creation, testing and marketing of new insurance products even more flexible. As a result, insurers will be able to react better to market trends and provide products with a short time to market without having to renew their existing IT landscapes.

msg.Alamos

Software for risk management and product development

The standard software package msg.Alamos (Asset Liability and Model Office System) allows insurance companies to conduct a qualitative and quantitative analysis of the effects of planned management decisions, possible market developments or other factors in advance.

msg.Clustred

Solution for compressing large insurance portfolios

Variations can be calculated simply and efficiently with different compression ratios using the standard software msg.Clustred (Cluster Reduction) in order to optimise the compression ratio given a specified quality. This enables projection calculations and stochastic analyses to be carried out efficiently, irrespective of the actual size of the portfolio, yet nevertheless delivering reliable projections with significantly better run times.

msg.ILIS

Audit-proof administration of projection calculation data

msg.ILIS lays the groundwork for a central database in which all types of high-quality, audit-proof data that are necessary for projection calculations are kept up to date and managed. Instead of redundantly enumerating product knowledge and actuarial methods, msg.ILIS accesses the services of the policy administration systems directly. Additionally, msg.ILIS controls processes by activating the relevant actuarial calculations and providing each piece of projection software with the necessary input data (through a standard interface). This significantly improves and optimises the efficiency and quality of the processes in terms of actuarial calculations and financial reporting, especially for Solvency II (both standard models and internal models), IFRS 4 Phase II and MCEV calculations.

msg.Life

Portfolio administration for life insurance companies

msg.Life supports policy administration for all current life insurance and retirement pension products. Using standardised interfaces, individual expansions, extra msg life modules and even third-party software components can be flexibly integrated. The solution features fully integrated, standardised processes, is multilingual and compatible with numerous currencies and can be introduced quickly and cost-effectively.

msg.Merica

Risk evaluation module for personal insurance companies

msg.Merica is a component-based standard solution for end-to-end application analysis and risk assessment (straight-through processing) in the context of biometric risks, occupational risks and risks involved in leisure activities. The software allows for an immediate decision rate of over 80 per cent for risk assessments and significantly shortens processing periods. The dynamic question generation system permits a highly automated underwriting process in digital self-service.

msg.Mig Archive

Archiving historical policy and peripheral system data

After a migration, the migration archive msg.Mig Archive archives unnecessary historical policy and peripheral system data cost-effectively. Data can be processed quickly and in line with the statutory provisions such as retention periods and data protection obligations. msg.Mig Archive is compatible with all historical data and is used as an archiving tool by life insurers as well as non-life and private health insurers.

msg.Mig Sys

Migration of any source system into any target system

msg.Mig Sys synchronises the transformation between the actual policy administration systems and the migration of peripheral and neighbouring systems. The migration system allows for the migration of any source systems into any target systems. Mig Sys was certified by KPMG in accordance with the testing standard IDW PS 880.

msg.MPSS

Meta Planning and Simulation System

msg.MPSS is an integrated corporate performance management platform through which all company planning and reporting processes can be carried out quickly and safely, bundled on a common basis. Thanks to many years' experience in the insurance sector, the MPSS functional portfolio includes unique insurance-specific functions and proven reference models.

msg.Open Claims

Web-based standard software for product-driven settlement

In the field of claims management, msg.Open Claims provides insurance companies with a platform that supports internal processes as well as the processing of claims by field representatives. Each module on the msg.Open Claims platform can be used on its own or intermeshed seamlessly with other modules to develop a high level of savings potential throughout the entire process when combined with the msg.CLAIMS product from msg systems.

msg.Office

Fully digitised transaction and documentation management

msg.Office is a standard product that is designed to manage transactions and documents digitally. As a digital in-basket, it provides functions that, from experience, are required for expedient, almost paperless case handling. All business processes are logged in a digital process database. As an intelligent front office for case handling, msg.Office can be used both in connection with leading archive and document management systems as well as with appropriate enterprise content management solutions.

msg.Pension

Service portal for time value accounts and company pension plans

msg.Pension is a digital service portal – which is cloud-based as standard – designed to manage and administrate time value accounts and defined benefit plans for corporate customers, banks, insurance companies and occupational pension institutions. The software facilitates Internet-supported employer and employee self-service and supports a standardised exchange of digital data between employers and service providers for fully automated business processes. msg life provides a variety of business and implementation models of the software – from purchase to rental and BPO to a cloud solution.

msg.PReMium – Pflege-Bahr

The solution for subsidised long-term private care insurance

The multi-client standard software msg.PreMium – Pflege-Bahr adds all transactions between long-term care insurance companies to an existing management system in the context of subsidised long-term private care insurance (Pflege-Bahr) and serves as a central platform for care providers and insured parties.

msg.RAN

Pension settlement and documentation system

msg.RAN manages, controls and logs all scheduled and unscheduled business transactions which take place when disbursing ongoing benefits in individual and collective business. The system supports all necessary business processes involved in ongoing pension payments arising from annuity, occupational disablement, accident and pension contracts.

msg.Sales & Service

Portal solution for fully digitised offer and application processing

msg.Sales & Service is a portal solution for fully digitised offer and application processing and can be used by sales staff, brokers and even end customers. The system's architecture makes it possible to make all relevant business processes available at the point of service. Starting with fast and easy-to-use customer research, the solution provides customer-related information, transactions and canvassing data. The system can be installed quickly and economically on the basis of a standardised customising process and is also available as an app on mobile devices.

msg.Symass

All-sector system for smaller insurance portfolios

msg.Symass primarily caters for insurers with smaller portfolios and start-ups which need a lean and cost-effective management system – a package that covers all their core functions and can be used with flexibility. The system facilitates the rapid development and introduction of new products and is compatible with multiple clients, languages and currencies.

msg.Tax Connect

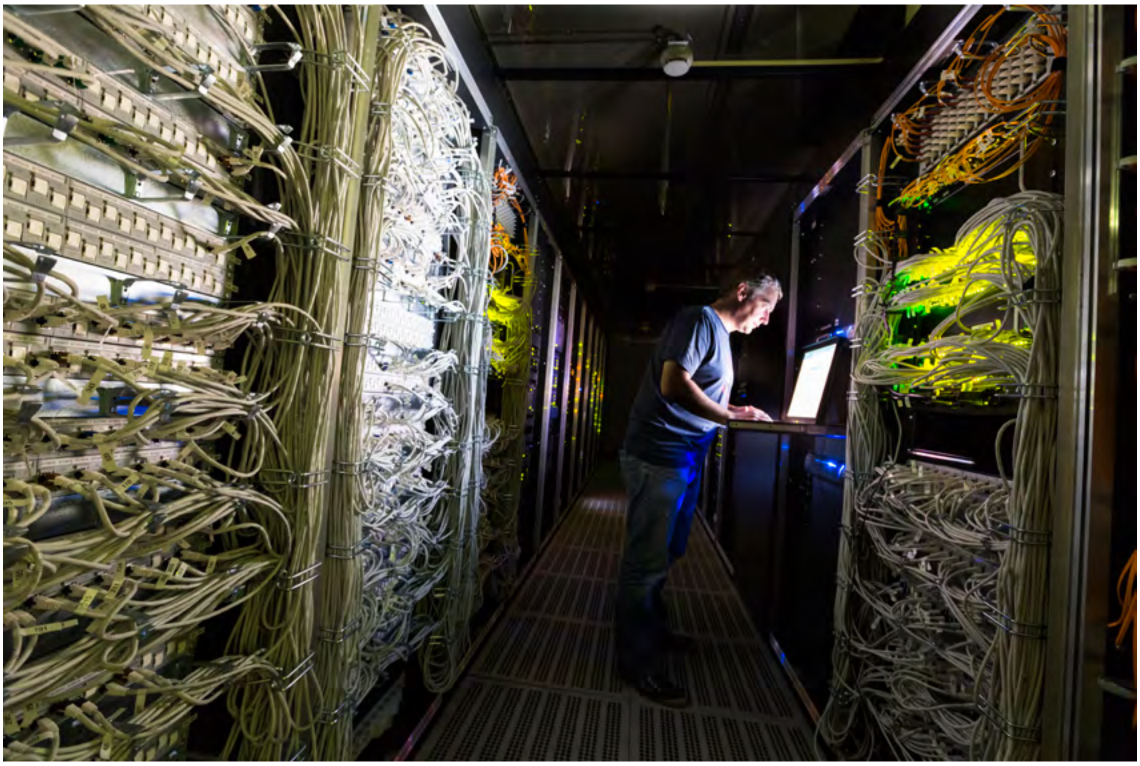
Standard software designed to electronically transmit contribution data to the ZfA and identify church tax deduction characteristics (KiStAM process).

msg.Tax Connect supports standardised interfaces, statutory activities and reporting requirements relating to premium data messages to the German Central Allowance Authority for Pension Assets (ZfA). The system compiles all the relevant tax data of end customers from the various systems into an internal database, thus facilitating data access and management across all components. The software also satisfies all of the requirements arising from the church tax deduction criteria (KiStAM).

msg.Zulagenverwaltung

Solution for managing allowances processes

The standard software for managing Riester products is an automated solution with full traceability that handles the processes involving the provider, the German central allowance authority for pension assets (Zentrale Zulagenstelle für Altersvermögen, ZfA) and the people entitled to such allowances. It supports standardised interfaces, statutory activities and reporting requirements relating to pension allowances through various business processes. Over 50 per cent of all Riester subsidies from insurance companies, banks, building societies and investment companies are managed by the system.



Cloud solutions

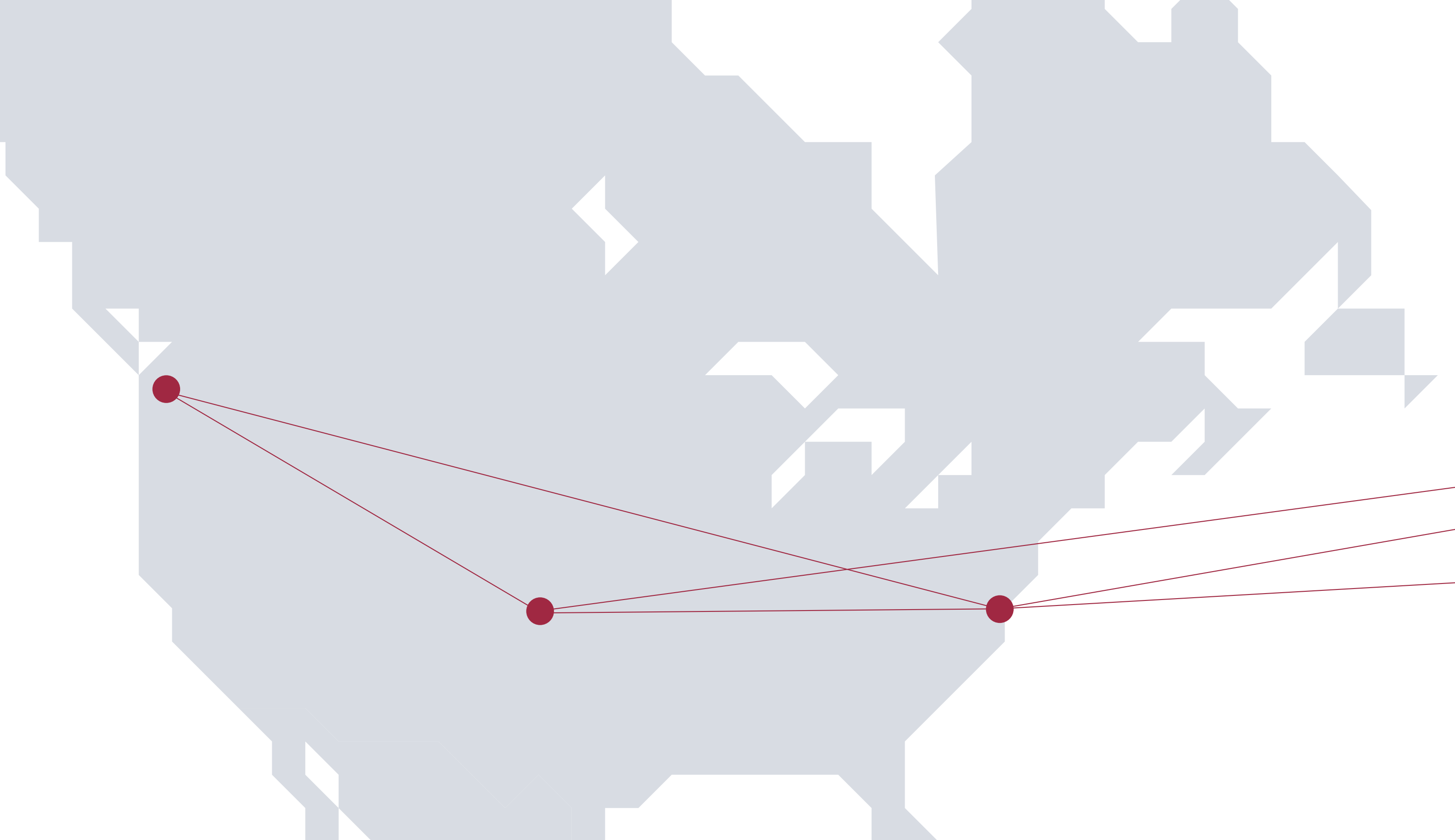
In light of the diverse challenges in the insurance industry, individual companies are finding it increasingly difficult to react quickly to the constantly changing requirements of the market. With external services – temporary or even permanent services – insurance companies can gain considerable support in meeting these requirements.

msg life supports customers throughout the entire value chain. This includes, among other things, taking on all production and computing centre operations in the course of our cloud solutions.

During these activities, msg life makes the application software available in the central computing centre and takes on not only the software maintenance and its adaptation to regulatory requirements, but also technical operations. In this process, the service level desired by the insurer can be adjusted individually to their requirements.

msg life also offers flexible financing and payment models (for example price-per-policy) that have commercial advantages compared with classic investment models. In this way, our customers benefit from the functional and technical quality of the IT solutions, reduce classic project risks and gain financial flexibility by avoiding large investments in IT infrastructure and software licences.

BRANCHES



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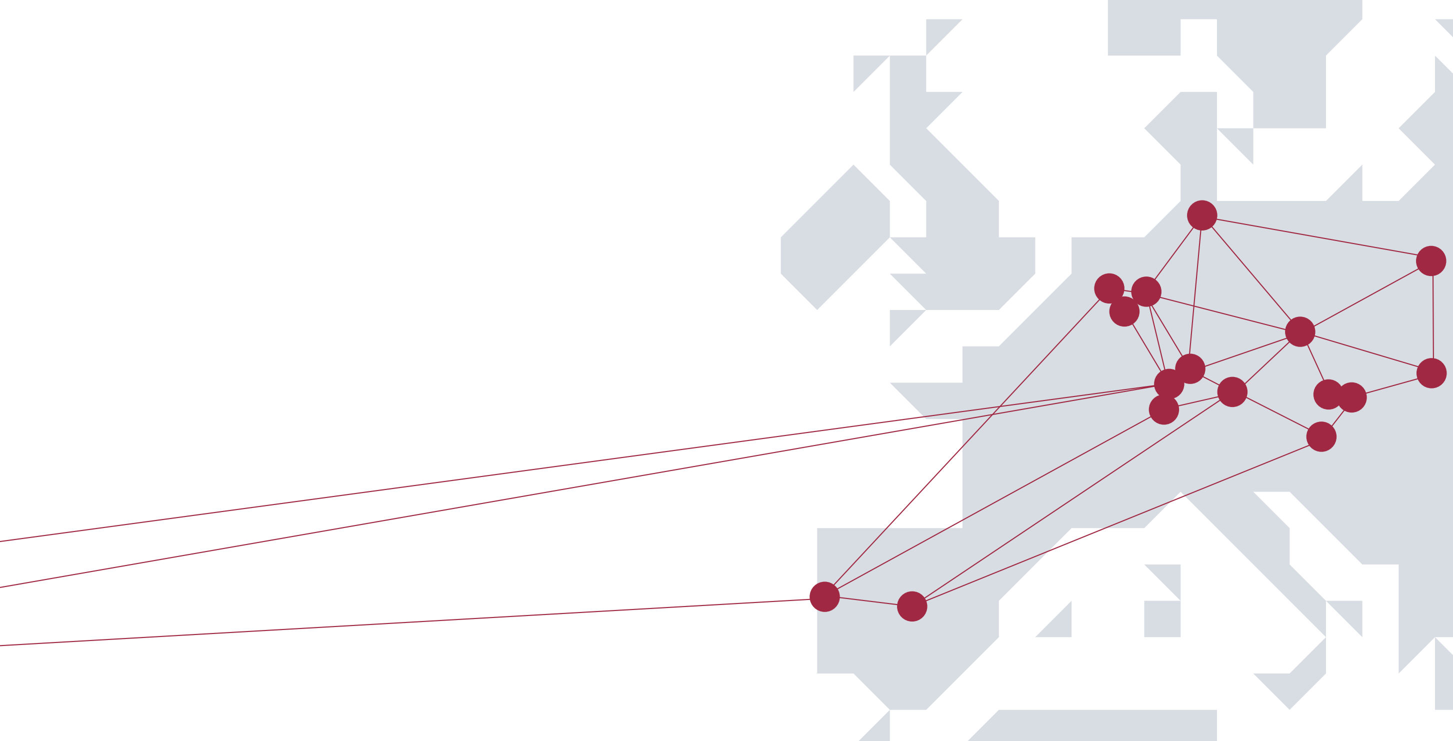

GERMANY

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EMPLOYEES

OVERVIEW Total 865

Germany	585
Austria	36
Switzerland	19
Benelux	4
Slovakia	80
Slovenia	25
USA	97
Portugal	16
Poland	2
Czech Republic	1

On 31 December 2014, 865 permanently employed salaried personnel were employed within the msg life Group (compared with 1,116 on 31 December 2013). The substantial decrease compared with the balance sheet date in 2013 results in particular from the fact that Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) and plenum AG, together with the latter's subsidiaries, are no longer part of the msg life ag consolidation group.

SEARCH FOR NEW TALENT

For a medium-sized company such as msg life ag, successfully competing for the best minds in the business is a crucial factor for success. In order to thrive in light of the incessantly high levels of competition for highly qualified employees, msg life uses the networks and know-how of employees within the sector. Personal recommendations by its own employees, who are capable of assessing the flexible working environment, challenging responsibilities and interesting opportunities with a high degree of accuracy, have proven successful time and again. The company has therefore established a recommendation programme. msg life has successfully overcome the challenges involved in searching for new employees in the MINT sectors (MINT stands for Mathematics, Informatics, Natural science and Technology). The company normally also offers recruitment opportunities in various professional careers and on various management levels, which attract suitable candidates within a reasonable period of time.

University relations are an important aspect for the company in the field of long-term staff recruitment.

During the 2014 financial year, msg life consolidated its good reputation at the universities which are of interest to it, the purpose being to attract promising graduates with suitable qualifications to the company. The company therefore participated in recruitment events at selected universities and made itself known by means of guest contributions, lectures and teaching assignments as part of regular courses of study.

Additionally, msg life awarded the msg life prize for an outstanding applied mathematics thesis for the first time in 2014. In order to strengthen and nurture its relations with universities, the company regularly invited groups of students from selected universities to visit the company's premises. One-day events of this kind focus on the various employment opportunities and career paths that msg life can offer graduate mathematicians in particular, but also graduates in other subjects.

In this way, msg life can approach and integrate young talented people while they are still studying, bringing the latest know-how from the universities directly into the company. At the same time, msg life can position itself as an attractive employer for junior staff and talented graduates. In view of the general demographic trend, msg life will continue to intensify these activities and focus even more on younger target groups. Examples of this include visits to career orientation fairs for school pupils, attendance at university and graduate recruitment fairs, and participation in internship schemes associated with the pertinent fields of study which are open to students all over Germany.

Besides its own networks and university relations, the Internet is the most important recruitment platform for the company. Of the in excess of 1,000 applications received in 2014, almost three quarters were submitted online. msg life remains capable of appealing to qualified applicants with precisely positioned job adverts. The quality of applications received for each vacancy is promptly and regularly documented. Candidate relationship management focuses on promptly responding to applicants and ensuring fast recruitment processes.

In all fields of recruitment, it is important to msg life to be clearly visible to its target groups on each niche market. Given the number of applications it receives and its time to hire, the company has been successful even under its new name.

ENSURING QUICK AND EFFECTIVE INTEGRATION INTO THE COMPANY

msg life holds Welcome Days for all new members of staff. The new members of staff are given useful tips on settling into the company and gain deeper insights into the medium and long-term strategic orientation of the company as well as its targets in each field of business. In addition, the new employees can get to know one another in an intimate atmosphere, identify common ground and begin to build up contacts with new colleagues from other areas.

The company's familiarisation (onboarding) programme, which msg life developed in-house, concentrates on the needs and requirements of new members of staff who have generally gathered around three years of professional experience since completing their studies. In the meantime, this programme is being actively discussed at universities, career fairs and in interviews with young job applicants, where it is regularly met with great interest.

ATTRACTIVE PROMOTION AND RETENTION MEASURES

For a medium-sized company of its size, msg life offers a remarkable bundle of attractive benefits designed to retain employees in the long term.

In addition to important work in an attractive working environment characterised by flexible working hours, flat hierarchies, short communication paths and interesting medium and long-term professional development prospects, the msg life Group focuses on making family and career compatible with its highly flexible system of working hours: there is no core time, working hours are logged using a trust-based system and employees can even carry out their work in a home office or part-time.

The new remuneration model, which was introduced in 2014, focuses on the function and performance of employees, ensures that remuneration continues to meet the market standards and serves as a central benchmark for structured, individual salary changes.

2014 saw another innovation in connection with the successful implementation of the new remuneration model. In 2014 msg life developed the first e-learning system for its employees. Rapid availability for a quickly changing group was a crucial requirement for the initial development of an e-learning course. The first e-learning programme was developed as a pilot, implemented in collaboration with an external service provider and went online on the company's intranet.

Participants learn specific content tailored to msg life both visually and through a soundtrack. A test at the end of the course implements the structured learning and success control system. After obtaining good results with this learning format and given the unanimously positive feedback received from the members of staff who participated, additional modules are to be added to this e-learning system during the year.

In the area of further professional training for employees, msg life is supporting staff who are training to be DAV actuaries at the Deutsche Aktuarakademie (DAV – the German actuarial academy) while working. Numerous other further training opportunities are also available from internal instructors. These internal instructors receive special consideration – they too are trained for their role and responsibility and are continuously undergoing further training. In collaboration with external providers, msg life is also developing tailored, contemporary training courses in a wide range of fields.

The employees of msg life enjoy an extremely modern working environment, not least because the company's powerful intranet allows employees to access central processes independently in order to book business trips, log absences and working hours and view key salary information or their own personal profiles. All of this underlines that the needs and requirements of a modern working environment for its employees are always msg life's highest priority.

REPORT BY THE SUPERVISORY BOARD

Johann Zehetmaier
Member of the Supervisory Board

Dr Christian Hofer
Chairman of the Supervisory Board

Klaus Kuhnle
Deputy Chairman of the Supervisory Board

Dear Shareholders,

The Supervisory Board diligently performed the duties incumbent on it according to the law, articles of association and rules of procedure in the 2014 financial year, and monitored the activities of the Management Board in managing the company, guiding it in an advisory capacity. It scrutinised the operational and strategic performance of msg life ag in detail and, at each meeting, compared the company's actual business performance against its business targets. The reasons behind any divergences and their possible knock-on effects on the company's short, medium and long-term plans were also discussed.

The individual meetings dealt primarily with any decisions requiring a vote, as well as the key figures representing the latest earnings and financial and asset position of the msg life Group. The Management Board also kept the Supervisory Board informed about other central issues, such as the general trends in the market climate, the latest developments in the sales and project situations in the various divisions, short and longer-term corporate policy and strategy, as well as cooperative ventures and possible investments and partnerships. The situations on the foreign markets in which msg life operates were also discussed regularly.

COOPERATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT BOARD

The Management Board notified the Supervisory Board regarding all company-related issues. The meetings of the Supervisory Board were characterised by constructive discussions and frank exchanges of opinions. The Management Board also informed the Supervisory Board of any events of particular note during the interim periods between meetings.

To prepare for their decisions, the members of the Supervisory Board were provided with detailed documents by the Management Board prior to the meetings. In these documents, the Management Board generally provided the Supervisory Board with monthly details of the main financial figures. It submitted the 3-Month, 6-Month and 9-Month Reports and drafted the Annual Report in good time. Deviations from planning were explained to the Supervisory Board in detail by the Management Board. Information was also regularly exchanged during the periods between the individual meetings. In general, all the members of the Management Board were present at the Supervisory Board meetings.

ACTIVITIES OF THE SUPERVISORY BOARD IN 2014

The Supervisory Board convened a total of 10 ordinary Supervisory Board meetings during the 2014 financial year. The Supervisory Board members received written reports from the Management Board in preparation for each ordinary Supervisory Board meeting. In performing its functions and duties, the Supervisory Board drew on the written and verbal information provided by the members of the Management Board.

At the Supervisory Board meeting held on 14 February 2014, the Management and Supervisory Boards discussed the details of the commercial situation in the various divisions. They also discussed in detail and agreed the annual budget, the planned figures for 2014 and the long-term agreements on the objectives of the Management Board. The Supervisory and Management Boards also addressed the status of the company's ongoing M&A plans.

At its subsequent meeting on 14 April 2014, the Supervisory Board discussed the current status of the work on the annual financial statements in particular in the presence of the auditor and Commercial Director. Directly after this meeting, the Chairman of the company's Supervisory Board, Professor Elmar Helten, announced that he was stepping down from his office as member and Chairman of the Supervisory Board as of the end of business on 30 June 2014.

At the meeting held on 23 April 2014, the Management Board again drew attention to the status of the annual financial statement process before discussing how to proceed in that context. Apart from this, the agenda for the 2014 Annual General Meeting was discussed. In addition to the general business performance of the company, this meeting also focused on the new business distribution plan from the middle of the year, the strategic position of the company within the msg Group and the current status of a major customer project.

At the accounts meeting on 15 May 2014, the Supervisory Board, the auditor and the Management Board jointly discussed the annual financial statements and consolidated financial statements, as well as the Condensed Management Report and Group Management Report for the 2013 financial year. Additionally, another item was added to the agenda for the 2014 Annual General Meeting.

Besides reporting on the company's current commercial and financial position at the Supervisory Board meeting following the Annual General Meeting of 26 June 2014, the Management Board reported to the Supervisory Board in detail on current developments in the company's foreign markets.

At the Supervisory Board meeting on 6 August 2014, the central themes were the current economic development of the Group as well as the status of msg life's main sales projects. Additionally, the Management Board explained the current status of an M&A project and a customer project, as well as strategic considerations for the finances of the company.

At the meeting held on 25 September 2014, the Supervisory Board discussed the general annual and sales reports, reviewed the status of two internal Management Board projects following the successful restructuring of the company and considered a new offer model for a central product presented by the relevant Head of Division. Additionally, the Management Board presented the schedule for the annual financial statements for 2014.

The Supervisory Board meeting of 16 October 2014 mainly focused on the continued optimisation of the technical system environments of the two central areas; Finance and Controlling & Corporate Planning. The Management Board also reported on the general business performance of the company.

In the meeting held on 12 November 2014, the future orientation of the Management Board of the company was discussed in terms of personnel and strategy, as well as the results of the interim audit by the new auditor. Additionally, the Management Board discussed in detail the status of two internal and external projects and the business performance of the company.

On 11 December 2014, the Supervisory Board and the Management Board discussed, among other things, the current business situation and the draft for the declaration of compliance with the recommendations of the German Corporate Governance Code. Additionally, the Boards discussed and agreed upon the planned figures for 2015 and the long-term objectives of the Management Board, adopted the new distribution of organisational units from 2015 and reviewed the general performance of the US Group company.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

In its management, supervision and steering of the company, the management of msg life ag follows the rules of the German Corporate Governance Code (DCGK). The Management Board and Supervisory Board report jointly on corporate governance at msg life in the corporate governance report, which is published in connection with the corporate governance declaration on the company's website. The updated declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was passed in December 2014 and made permanently accessible on the company's website.

There were no cases during the 2014 financial year in which conflicts of interest among members of the Management and Supervisory Boards could arise that would otherwise need to be reported immediately to the Supervisory Board and mentioned during the Annual General Meeting. All members of the Supervisory Board were always present at every Supervisory Board meeting.

The efficiency of the Supervisory Board's work was regularly the subject of discussion when the Management Board was not present. No significant action was deemed necessary in relation to the activities of the Supervisory Board or the content or conduct of the meetings. However, a resolution was adopted to convene six meetings of the Supervisory Board in 2015 if possible. The forthcoming Annual General Meeting was scheduled to be held on 25 June 2015 and three Supervisory Board meetings are planned for the period leading up to this during the current 2015 financial year.

AUDIT OF THE 2014 FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting held on 26 June 2014 appointed Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditor for the 2014 financial year. In the meetings held on 18 March 2015 and 16 April 2015, the Supervisory Board discussed the progress of the work on the financial statements and consolidated financial statements for the 2014 financial year in detail. In these meetings, detailed questions from the Supervisory Board, especially concerning measurements of individual balance sheet items, were discussed.

The 2014 financial statements and consolidated financial statements and the Condensed Management Report and Group Management Report have been audited by the auditor and granted an unqualified audit certificate. These financial statements and reports and the auditor's audit reports were forwarded to every member of the Supervisory Board in good time for the Supervisory Board meeting on 23 April 2015. The Supervisory Board discussed them with the Management Board, the Commercial Director and the auditor at this meeting, in which the annual financial statements were adopted.

The Supervisory Board conducted its own detailed audit of the annual financial statements, the consolidated financial statements, the Condensed Management Report and the Group Management Report, and raised no objections to them. The Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board, and consequently the annual financial statements were adopted in accordance with Section 172 AktG.

With regard to the stake held by msg systems ag, Ismaning, in msg life ag, the Management Board submitted to the Supervisory Board the report on relationships with affiliated companies for the 2014 financial year in accordance with Section 312 AktG and the audit report on this subject prepared by Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor, in accordance with Section 313 AktG. As no queries arose in the course of the audit, the auditor issued this audit opinion:

> 'Following our statutory audit and assessment we confirm that
>
> 1. the actual information in the report is correct,
>
> 2. the company's payments in connection with the legal transactions mentioned in the report were not unreasonably high.'

The Supervisory Board examined the report on relationships with affiliated companies and the accompanying audit report thoroughly. Having concluded its final examination, the Supervisory Board had no objections regarding the Management Board's statement at the end of the report on relationships with affiliated companies and approved the report.

CHANGES TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

On 3 December 2013, the Supervisory Board of msg life ag also appointed Bernhard Achter to msg life ag's Management Board for a period of three years with effect from 1 January 2014.

On 3 December 2013, Dr Christian Hofer's appointment as Chairman of the Management Board was extended beyond the originally agreed term of 15 months by a further two months up to 30 June 2014. Dr Christian Hofer's appointment as a member and Chairman of the Management Board ended at the close of business on 30 June 2014.

Volker Weimar resigned from his post as a member of the Management Board on 19 February 2014, effective as of the end of business on 28 February 2014.

At its meeting on 23 April 2014, the Supervisory Board appointed Rolf Zielke, a member of the Management Board, Spokesman for the Management Board effective from 1 July 2014.

Furthermore, after announcing his intent to resign from his post as member and Chairman of the Supervisory Board of msg life ag on 14 April 2014, Professor Elmar Helten tendered his resignation, effective as of the close of business on 30 June 2014.

At the suggestion of msg systems ag, Ismaning, which holds more than 25 per cent of the voting rights in the company, the shareholders elected Dr Christian Hofer, as the successor to Professor Elmar Helten, as a member of the Supervisory Board of msg life ag at the Annual General Meeting held on 26 June 2014. The Supervisory Board gave its consent to this suggestion at its meeting on 23 April 2014. Dr Christian Hofer will perform his office until the end of the Annual General Meeting in 2017. The Supervisory Board appointed him to be the new Chairman.

At its meeting on 17 November 2014, the Supervisory Board appointed Dr Aristid Neuburger as an additional member of the Management Board for a period of three years with effect from 1 January 2015.

The Supervisory Board would like to thank the members of the Management Board and Supervisory Board who resigned in the period under review for their many years of service and commitment to msg life ag, as well as for their trusting cooperation, and wishes them all the best for the future.

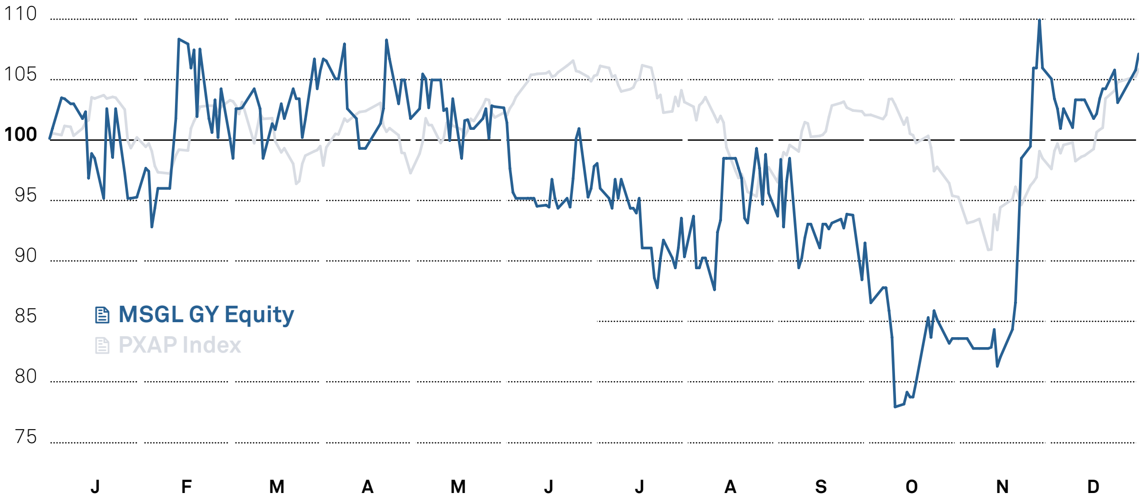
The Supervisory Board would also like to thank the current members of the Management Board and all of the staff employed by the msg life Group for their great personal commitment and their outstanding work in the successful 2014 financial year.

Leinfelden-Echterdingen, 23 April 2015
For the Supervisory Board

DR CHRISTIAN HOFER
Chairman of the Supervisory Board

THE SHARE

SHARE PERFORMANCE



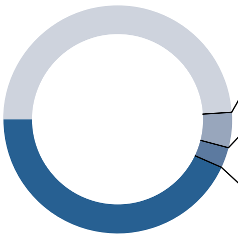
FIGURES

	2014	2013
Earnings per share *in euros*	**-0.02**	-0.13
Highest annual price *in euros*	**1.34**	1.15
Year-end closing price *in euros*	**1.31**	1.15
Market capitalisation *in million euros*	**56.07**	49.22
Total number of shares *(in millions)*	**42.8**	42.80

MASTER DATA

SIN	513010
ISIN	DE0005130108
Frankfurt Stock Exchange ticker symbol	MSGL
Stock exchange centres (regulated market)	Frankfurt (prime standard)
Open market	Berlin, Düsseldorf, Hamburg, Munich, Stuttgart

SHAREHOLDING STRUCTURE [1]



49.09 % msg systems ag

4.45 % Treasury shares (msg life ag)

3.11 % Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte

43.35 % Other free float

[1] As at 31 December 2014

The stock markets in Asia were some of the biggest winners in 2014. The indices in China and India ranked the highest, followed by those in the USA and Japan. In contrast, some of the emerging markets reported losses, such as in Brazil. The biggest losers were the Russian index MICEX, which fell by more than seven per cent as a result of the crisis in Russia. Breaking the markets down into sectors, the more defensive sectors were clearly the most favourable for investors. This includes the health-care sector in particular. Given the dramatic fall in the price of oil during the year, the raw material sectors whose companies held the affected oil and gas shares suffered the greatest losses.

In 2014 the German index DAX was unable to back up its outstanding results from the previous year. It hit 10,000 points for the first time due in no small part to the more flexible monetary policy of the eurozone, yet the restrained economic situation and weak corporate results, as well as the geopolitical crises around the world, continued to darken its prospects. At 9805.55 points at the end of 2014, the DAX ended the year with growth of just 2.7 per cent. The mid-caps fared little better, with the MDAX recording only negligible growth of 2.2 per cent. However, the TecDAX still grew by 17.5 per cent. Prime All Share, the relevant industry index for msg life, ended the year at 3,752 points, which represented a growth of merely three per cent over the year.

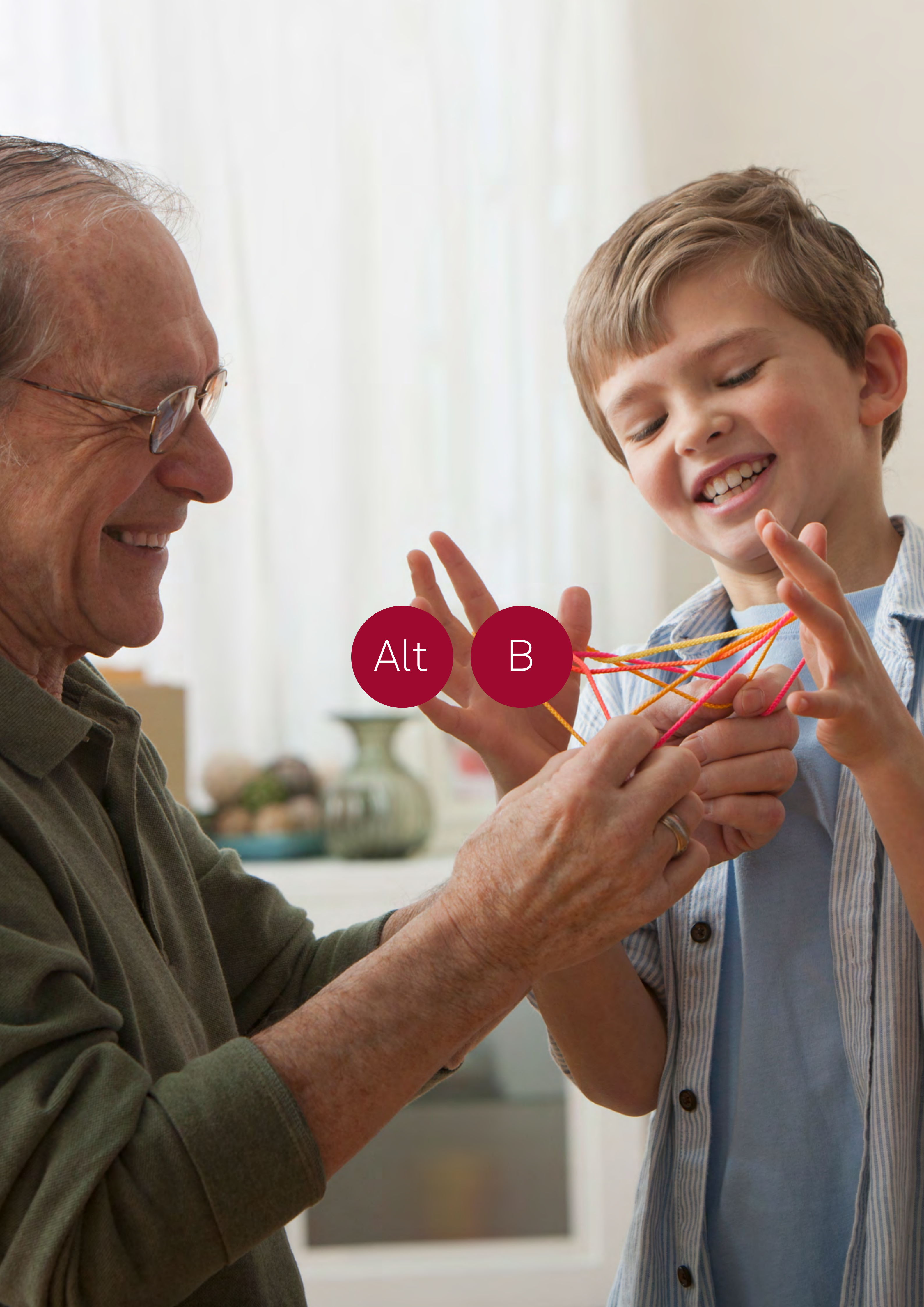
The 2014 market year was turbulent yet ultimately positive for the shares of msg life. After a strong start with an initial all-year high of 1.32 euro on 14 February, the price entered a long-term, stable sidewards trend before steadily falling early in the second half of the year. Reflecting the trends on the DAX, the shares hit their all-year low of 0.95 euro in mid-October. However, from that point the trend was clearly positive and, following the positive figures in the 9-Month Report, the shares hit their all-year high of 1.34 euro in late November 2014. The shares of msg life ended the market year at 1.31 euro (2013: 1.15 euro), which represents an increase of almost 14 per cent over the course of the year. In the same period, the benchmark index Technology All Share registered growth of approximately 13 per cent. Fortunately, the number of shares traded per month remained high, at almost 450,000 msg life shares in 2014.

INVESTOR RELATIONS ACTIVITIES

During the 2014 financial year, msg life informed all institutional investors, analysts and representatives of business publications and private shareholders promptly and in detail about the current commercial situation and the strategic reorientation of the company. The main focus here was on press and ad hoc publications and the published annual and quarterly reports. The research reports published at regular intervals by DZ Bank and Warburg Research were another important source of information for any stakeholders and shareholders interested in msg life and its shares.

Apart from this, the Management Board explained the company's fundamental strategic orientation and commercial development to all interested investors in one-to-one meetings and several teleconferences. Another important instrument for keeping financial analysts and fund managers informed were the roadshows that msg life held in 2014. In this context, the company once again presented itself at the German Equity Forum in Frankfurt am Main, the country's most important investors' conference.

The successful completion of the strategic reorientation of msg life was also reflected in the performance of its shares in 2014. In addition to the positive figures in the 9-Month Report, the share price increased and the volume of share trading increased significantly. This clearly shows that the shareholders appreciate the course adopted by the company and that the capital market has confidence in msg life ag. The company will support this pleasing development through continued regular, transparent communications targeted at the capital market.


Alt
B

msg life provides standard software and services for the insurance sector. Services must now also be intelligent – the experts at msg life create tailored packages in addition to carrying out basic service and support work. This might involve **migrating** comprehensive databases, constructing a complex software environment or operating a data processing centre.

Alt B

Press the **Alt**+**B** buttons in msg.Zulagenverwaltung to import application data for Riester pension contracts from previous years. The software intelligently updates the data when importing them.


F3

Today, msg life can **offer** life insurance companies the widest range of standard software and services in all of Europe. The software covers the entire value chain in the insurance sector. By providing targeted advice, msg life also helps its customers retain their own customers, open up new target groups, meet changing legislative requirements and work efficiently.

F3

Press **F3** in the management system msg.Symass to generate a new offer. msg.Symass is a streamlined general solution for all central business processes in insurance companies.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Low interest rates, Solvency II and the planned reduction in the maximum technical balance-sheet interest rate: changing general conditions are currently determining the situation for insurance companies. To remain successful, one must undergo continuous **change**. Dynamic, innovative product development is simply par for the course today, which is why insurance companies around the world rely on the standard software provided by msg life.

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Press **Control**+**Ä** to edit an existing data entry in the selection screen of msg.RAN, the pension calculation and verification system.

Condensed Management Report and Group Management Report

The following management report is the Condensed Management Report and Group Management Report of msg life ag, Leinfelden-Echterdingen (formerly COR&FJA AG). It tracks the msg life Group's business, including that of the similarly named msg life ag (an individual group company) with the operating results for the 2014 financial year from 1 January 2014 to 31 December 2014, as well as the situation of the Group, including the individual group company, as of the balance sheet date, 31 December 2014. All disclosures concern the Group as a whole. If the reports should refer to the individual group company or if the individual group company is affected by something in a different way, such references shall be explicit or explained in more detail.

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.

After the 2014 Annual General Meeting approved the change in the company's name with a large majority, the rebranding of the former COR&FJA AG as msg life ag was finally completed when the amendment to the articles of incorporation was entered into the relevant commercial register on 15 October 2014. The names of the following companies were also changed in connection with this:

msg life Deutschland GmbH (formerly COR&FJA Deutschland GmbH) by way of registration in the appropriate commercial register on 6 October 2014, msg life consulting gmbh (formerly COR&FJA Consulting GmbH) by way of registration in the appropriate commercial register on 9 October 2014, msg life metris gmbh (formerly COR&FJA Metris GmbH) by way of registration in the appropriate commercial register on 10 October 2014, msg life Switzerland AG (formerly COR&FJA Schweiz AG) by way of registration in the appropriate commercial register on 15 October 2014, msg life Austria Ges.m.b.H. (formerly COR&FJA Austria Ges.m.b.H.) by way of registration in the appropriate commercial register on 25 October 2014, msg life Benelux B.V. (formerly COR&FJA Benelux B.V.) by way of registration in the appropriate commercial register on 20 October 2014, msg life Poland Sp. z o.o. (formerly COR&FJA Polska Sp. z o.o) by way of registration in the appropriate commercial register on 28 October 2014, msg life Czechia spol s r.o. (formerly COR&FJA Czech spol. s r.o.) by way of registration in the appropriate commercial register on 3 November 2014, msg life Slovakia s.r.o. (formerly COR&FJA Slovakia s.r.o.) by way of registration in the appropriate commercial register on 6 November 2014, msg life odateam d.o.o. (formerly COR&FJA OdaTeam d.o.o.) by way of registration in the appropriate commercial register on 25 November 2014, msg life Iberia, Unipessoal Lda (formerly COR&FJA Systems Portugal, Unipessoal Lda) by way of registration in the appropriate commercial register on 26 November 2014.

Unless indicated otherwise, only the new company names will be used below.

THE GROUP'S FOUNDATIONS

Business model

The msg life Group has been developing IT systems solutions and advising customers successfully on the implementation of their IT strategies since as early as 1980. Thanks to its continuous growth, the expansion of its product range and, in 2009, the merger of the former FJA AG and COR AG Financial Technologies into COR&FJA AG, msg life ag has developed into a leading software and SaaS supplier and consulting company for life insurers and pension fund institutions. msg life ag has been listed on the German Stock Exchange since 2000 and is now in the Prime Standard index.

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, operative management. The holding company is primarily responsible for determining the target markets, defining the product range and making decisions concerning mergers and acquisitions. Furthermore, the holding company is responsible for staff functions such as sales, marketing, human resources, finance and law. The holding company normally acts as the sole or majority owner of the operative companies.

The holding company's commercial activities are restricted mainly to the settlement of services within the Group and to financing, and it operates only rarely as a contracting partner in customer projects. Within the scope of services, it is mainly the staff functions incumbent on the holding company, such as sales, marketing, human resources, finance and legal, which 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 for the Group concerning the development of markets, the general economic environment and opportunities and risks also apply to the holding company.

On 11 February 2014, msg life ag successfully completed the sale of its subsidiary Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) by transferring all of the shares in that subsidiary to the French company Sopra Banking Software S.A. At the same time, Sopra Banking Software GmbH became part of the basis of consolidation of Sopra Banking Software's parent company, Sopra Group S.A., also based in France, with retroactive effect from 1 January 2014. An internal restructuring process at msg life ag in the summer of 2013 led to the concentration of the company's Banking segment within Sopra Banking Software GmbH, which meant that from then on the segment was no longer handled by msg life ag itself. As of the start of the 2014 financial year, Sopra Banking Software GmbH is no longer part of the basis of consolidation of msg life ag.

Additionally, msg life ag disposed of its shareholding in the management consultancy firm plenum AG, Frankfurt am Main (Munich Stock Exchange m:access; ISIN DE000A0Z23Y9), on 11 March 2014, effective as of 1 January 2014. The object of the purchase agreement was the 4,008,825 shares held by msg life ag in plenum, which corresponds to a shareholding of approximately 41.33 per cent of the company's share capital. Since the beginning of the financial year 2014, plenum AG and its subsidiaries have no longer been part of the basis of consolidation of msg life ag.

Wagner & Kunz Aktuare AG (the transferring entity), Basel (Switzerland), was merged with msg life Switzerland AG (the receiving entity) by entry into the commercial register of the Canton of Zurich (Switzerland) dated 2 July 2014 with retroactive effect from 1 January 2014.

PYLON GmbH (transferring entity) of Hamburg merged with msg life Deutschland GmbH (receiving entity) of Munich as per the entry in the commercial register of Munich dated 21 August 2014 with retroactive effect from 1 January 2014.

The shareholding of the msg life Group in B+S Banksysteme Aktiengesellschaft, Munich, comprising 24.13 per cent of the shares or 1,498,462 shares, was disposed of on 29 August 2014. This previous participating interest is classified as a 'financial investment'.

Several international locations in Europe were established in the past few years, with the primary emphasis being on opening up the Scandinavian market and the Eastern and Southern European markets. In the 2013 financial year a decision was taken to consolidate efforts on existing foreign markets rather than entering new ones and to continue optimising profitability on the markets where the company already operated in Europe and the USA. The same approach was taken in the 2014 financial year.

As of the balance sheet date, the customers of msg life primarily consist of life insurers and pension fund institutions in Europe and health insurers in the USA. The services of msg life range from the development and implementation of standard software and the provision of consultancy services to the taking-over of full IT operations (software as a service). On the basis of their extensive market experience, highly qualified msg life staff develop state-of-the-art solutions to provide customers with comprehensive support. The company invests in modern technology and proven methods, and the software architecture used is component-based and service-oriented. The combination of specialist knowledge, process skills and IT expertise available at msg life makes it possible to deliver solutions to complicated problems from a single source.

The headquarters of msg life ag are located in Leinfelden-Echterdingen near Stuttgart, Germany. Other German branches are located in Munich, Aachen, Düsseldorf, Hamburg, Cologne and St. Georgen. msg life ag is also represented in Vienna (Austria), Rheinfelden and Regensdorf (Switzerland), Eindhoven (Netherlands), Warsaw (Poland), Prague (Czech Republic), Bratislava and Košice (Slovakia), Maribor (Slovenia), Porto (Portugal), and New York, Denver and Portland (USA). This distribution of branches keeps msg life close to its customers and ensures that it can give them optimal support.

The msg life branch in Copenhagen (Denmark) was closed in the 2014 financial year. In contrast, another branch was opened in Portland (Oregon), USA.

Organisational structure

As a leading sector-based service provider for life insurance companies and pension fund institutions in Europe and health insurers in the USA, the msg life Group offers a full range of state-of-the-art solutions in the form of consultancy, services, software solutions and software as a service (SaaS). The range of services addresses the field of policy management in particular, including actuarial mathematics, migration and across-the-board processes. Consulting and services on the one hand and the product range on the other complement each other to make up the sector-based service provider's integrated range of solutions. The products are standard software products which have been launched widely on the market.

Irrespective of its corporate structure, the msg life Group is divided up into business units, each of which has been assigned to a market and market segment. 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 comprise the next senior management level below the msg life ag Management Board.

Management and monitoring

As of 31 December 2014 the Management Board of msg life ag consisted of Rolf Zielke (speaker) and Bernhard Achter.

On 3 December 2013, the Supervisory Board of msg life ag appointed Bernhard Achter to msg life ag's Management Board for a period of three years with effect from 1 January 2014.

On 3 December 2013, Dr Christian Hofer's appointment as Chairman of the Management Board was extended beyond the originally agreed term of 15 months by a further two months up to 30 June 2014 by the Supervisory Board. Dr Christian Hofer's appointment as a member and Chairman of the Management Board ended at the close of business on 30 June 2014.

Volker Weimar resigned from his post as a member of the Management Board on 19 February 2014, effective as of the end of business on 28 February 2014.

At its meeting on 23 April 2014, the Supervisory Board appointed Rolf Zielke, a member of the Management Board, Spokesman for the Management Board effective from 1 July 2014.

At its meeting on 17 November 2014, the Supervisory Board appointed Dr Aristid Neuburger as an additional member of the Management Board for a period of three years with effect from 1 January 2015.

As of 31 December 2014, the Supervisory Board consisted of three members who were elected by the shareholders at the Annual General Meetings held on 25 June 2013 and 26 June 2014 for the period until the end of the 2017 Annual General Meeting: Dr Christian Hofer (Chairman), Klaus Kuhnle (Vice-chairman) and Johann Zehetmaier. After announcing his intent to resign from his post as member and Chairman of the Supervisory Board of msg life ag on 14 April 2014, Professor Elmar Helten tendered his resignation, effective as of the close of business on 30 June 2014.

Management control, goals and strategy

Internal control system

CONTROL RATIOS APPLIED

The msg life Group's strategic goals are to ensure sustainable profitable growth and expand its position not only in the German-speaking countries, but also on those foreign markets which are already being served or strategically addressed. To safeguard this strategy against business risks, fundamental ratios regarding the orders, earnings and liquidity position are applied.

To measure and analyse the general economic trend, the msg life Group uses a uniform Group-wide control system based on a number of fundamental ratios. Prominent among these are developments of sales projects in the business units, turnover and the EBITDA. Cash and cash equivalents, the level of indebtedness and cash flow are taken into consideration as indicators of the company's financial stability to the same extent as the management of unpaid receivables. The ratios of turnover per employee and employee capacity utilisation are tracked as specific indicators of productivity.

BUDGETED AND/OR TARGET VALUES OF THE CONTROL RATIOS

Subsequent to the annual budget approved by the Supervisory Board, divisional monthly rolling forecasts for all types of income and cost are prepared which, taking account of current developments, provide early indications of deviations from the budget even in the future.

Important products and services

The most important core products of the company are the two policy management systems msg.Life Factory (formerly msg-is.Life Factory and COR.FJA Life Factory) and msg.Life (formerly msg-is.Life and COR.FJA Life), with which life insurance and pension products can be developed and administered. The two solutions have already been included several times in a market survey of European life insurance policy management systems conducted by a leading research company, where – as in the preceding years – they achieved impressive results. msg.Symass (formerly msg-life.Symass and COR.FJA Symass), the across-the-board system for smaller insurance companies in Eastern Europe, completes the range of policy management systems. In line with the single-product strategy for policy management systems, msg life is now focusing on the completion of msg.Life Factory on the basis of cutting-edge, modern Java JEE architecture.

The essential specific and across-the-board functions in the core business field are covered by the products msg.Zulagenverwaltung (formerly msg-is.Zulagenverwaltung and COR.FJA Zulagenverwaltung) (allowance administration), msg.RAN (formerly msg-is.RAN and COR.FJA RAN; pension settlement and documentation system), FJA PM 4 (formerly FJA Product Machine 4; on the US market), msg.Alamos (formerly msg-is.Alamos and COR.FJA Merica; risk assessment module), msg.Office (formerly msg-is.Office and COR.FJA Office; transaction control and document processing), msg.Tax Connect (formerly msg-is.TaxConnect and COR.FJA TaxConnect; legal tax notifications), msg.Sales&Service (formerly msg-is.Sales&Service and COR.FJA Sales & Service System; web-based sales portal), msg.ILIS (formerly msg-is.

iLIS and COR.FJA iLIS; insurance liability information system) and msg.Clustred (formerly msg-is.ClustRed and COR.FJA ClustRed; consolidation of large insurance portfolios). To these can be added the service portal msg.Pension (formerly msg-is.Pension and COR.FJA Pension) for time value accounts and company pensions, as well as the various components of the msg.Open Claims platform (formerly msg-life.openClaims platform and openClaims platform) in the field of claims processing. In addition, msg life offers a broad range of consulting and services ranging from software implementation to portfolio migration (in the Migration segment) and actuarial advice, in which regard the two migration software solutions msg.Mig Sys (formerly msg-is.MigSys and COR.FJA MigSys) and msg.Mig Archive (formerly msg-is.MigArchiv and COR.FJA MigArchiv) also belong to the range of services in the Migration segment.

The current integration of msg.Life Factory and its components into msg.Insurance Suite, the central insurance platform of the msg Group, is an important aspect of the product strategy, as is the collaboration and cooperation taking place in this context. This platform will represent the first holistic industrial standard for all sectors of the insurance industry. The underlying modular principle has a high degree of end-to-end prefabrication, makes it easy to integrate existing solutions and unlocks a wide variety of applications with maximised releasability and low maintenance costs.

Especially in the Consulting segment, the company now concentrates on the three areas of focus in terms of topic and expertise, i.e. product and business process optimisation and migration support – and therefore on thematic areas which are aimed at increasing market shares on the one hand and optimising the cost ratio of msg life's customers on the other. In terms of projects, too, msg life sees itself as a reliable partner for insurance companies in dealing with the pressure of change in an efficient and innovative manner.

As the core products of the company, as listed above, were renamed following the rebranding of the company as msg life ag, for reasons of clarity this document will only use their new, current product names below.

ECONOMIC REPORT

Macroeconomic and sector-specific conditions

The global economy grew by 3.25 per cent in 2014, at roughly the same moderate rate as in 2013. The rate of growth in the past three years was therefore significantly lower than the average rate in the boom years 2010 and 2011 and the period between 2002 and 2007, when growth was 4.75 per cent. With economic growth of 4.5 per cent, developing countries and emerging markets continued to make major contributions to global economic developments, even if they did not quite reach the same level as in previous years. In contrast, in 2014 the advanced economics proved to be more dynamic than in previous years.

The so-called BRIC states (Brazil, Russia, India and China) are still highly significant emerging markets, even if their rates of growth have long since slowed. Development in these countries remained highly varied: whereas China and India continued their – relatively – moderate expansion, the Russian and Brazilian economics remained weak.

2014 was a good year with average economic growth of 2.75 per cent for the number of new EU Member States which are not members of the Economic and Monetary Union (EMU). Growth in the eurozone in 2014 was just 1.0 per cent after receding by 0.5 per cent in 2013. The growth rate for the eurozone continues to disguise vast differences on the level of the countries, ranging from -2.75 per cent in Cyprus to 4.75 per cent in Ireland.

Once again, Germany outperformed the other major European economies and enjoyed a significant economic recovery with growth of 1.6 per cent (0.1 per cent in 2013). After the strong start to the year and the subsequent weak phase in the summer, the economic situation had greatly stabilised by the end of 2014. Once again, private consumption was the most important growth driver in the German economy; investments in construction and equipment (machines, devices and vehicles) also increased. In 2014, at 42.7 million the number of employed people broke another record for the eighth year in a row: this represents 371,000 people or 0.9 per cent more than in the previous year.

In 2014 the general economic conditions for insurance companies in Europe remained difficult. The reality on the capital markets with persistently low interest rates and fundamental changes to the regulatory framework, especially given the impending introduction of Solvency II, is an underlying challenge to an insurance industry which continues to be characterised by consolidations and the automation of business processes, not least due to these developments. In this context, the fierce competition on the German insurance market is also generally being intensified by the increasing complexity and interconnection of the national insurance markets. As before, however, the direct insurance markets – as opposed to reinsurance and with the exception of individual market segments such as industrial insurance – are predominantly national markets due to their legal, social and cultural particularities and will remain so in the future. The global interdependence is most readily reflected in the cross-border business conducted through subsidiaries, in the establishment of cross-border regional or global insurance groups and in the increasing international division of labour within those groups. Overall, based on the findings of the German Insurance Association (GDV), in 2014 the industry experienced moderate growth characterised predominantly by strong business with single premiums and a slight decline in transactions involving recurring contributions. It is safe to assume that customers will benefit from the intense competition between the companies and that the range of new, innovative products will become even more dynamic. In this context, the companies will fight for their customers with innovative service profiles as well as lower costs.

The coherence between IT and business success is becoming increasingly obvious in the context of the intensive endeavours being undertaken to reduce costs and improve efficiency within insurance companies. As a rule, the performance of the organisation is optimised systematically and proactively while investments are simultaneously – but often not until a thorough cost-benefit assessment has been completed – made in a fundamental renovation of the system infrastructures and processes. The lowest ever low-interest phase, the introduction of Solvency II and the planned reduction in the maximum technical balance-sheet interest rate is causing quite a number of insurers to enhance their existing products and/or develop new, innovative ones. This applies to all existing product groups, all control layers and all legal forms. The starting situations for the companies in question are highly diverse and therefore bring about a variety of innovations in themselves: within the classical capital-accumulation products, modifications of the guarantees are dominant, for example through the use of current calculation guidelines or by dispensing with the annual interest guarantee. With the biometric products, too, there is a great deal of action on the market. Hybrids, especially dynamic hybrid products, have almost become the standard now, and there is a continuous flow of innovative products in addition to them. One new development comprises products which allow investment in funds but also the purchasing of options on the basis of traditional basic cover. Insurance companies at the larger end of the scale, moreover, are following completely new paths by offering old-age provision products with capital guarantees on the basis of fund-linked approaches with investment guarantees. Besides the effects of the increasing digitisation of the insurance industry, all of this is leading to an increasing need for external advice and IT support and consequently to the continuous adaptation of msg life's standard software.

According to the Centre for European Economic Research (ZEW), the majority of Germany companies in the Information sector (ICT) view their business situations at the end of 2014 as positive and are looking forward to the first quarter of 2015 with optimism. Across the country, with exceptional output in R&D the ICT segments Software, IT and Information Services are the most innovative sectors of all, behind vehicle construction and the electrical industry.

Development of business

In the German-speaking countries, the msg life Group is the market leader with the services and products it offers on the market for life insurers and pension fund institutions. More than half of all life insurers in these countries are customers of the msg life Group. The Group's research and development activities are still aimed at continuously reinforcing its leading position. With the regulatory requirements changing permanently and the variety of products offered developing dynamically, insurance companies are increasingly pursuing a strategy of replacing their previous in-house software solutions with standard software.

The Consulting segment is currently developing positive business potential as a result of the change processes mentioned above, which are already in place and gaining momentum for providers of financial services. For the time being this will not be affected by the contrary trend towards the reduction of external consulting capacity on cost grounds; the latter is restricted primarily to consulting services which are less specialised and thus easier to substitute.

On 11 February 2014, msg life ag successfully completed the sale of its subsidiary Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) by transferring all of the shares in that subsidiary to the French company Sopra Banking Software S.A. For more information, see 'The Group's foundations' in this Condensed Management Report and Group Management Report.

As part of msg life's strategic reorientation, the Consulting segment was substantially repositioned in terms of both its strategy and its personnel in 2013. In the process, resources previously allocated to several locations and areas of responsibility in the German-speaking countries and in Eastern Europe were bundled under joint functional and marketing management. In this context, holistic management consulting was no longer the focal point of the service portfolio and the establishment of in-house HR capacities in the general management consulting area was no longer planned. Instead, msg life is concentrating on three main themes and areas of expertise: product and business process optimisation and migration support – and thereby on thematic areas which are aimed at increasing market shares on the one hand and optimising the cost ratio of msg life's customers on the other.

msg life disposed of its shareholding in the management consultancy firm plenum AG, Frankfurt am Main (Munich Stock Exchange m:access; ISIN DE000A0Z23Y9), on 11 March 2014. For more information, see 'The Group's foundations' in this Condensed Management Report and Group Management Report.

The shareholding of the msg life Group in B+S Banksysteme Aktiengesellschaft, Munich, comprising 24.13 per cent of the shares or 1,498,462 shares, was disposed of on 29 August 2014. This previous participating interest is classified as a 'financial investment'.

After the Annual General Meeting held on 26 June 2014 approved the change in the company's name with a large majority, the rebranding of the company as msg life ag was finally completed when the amendment to the articles of incorporation was entered into the relevant commercial register on 15 October 2014. This enables msg life ag's association with the msg Group and the resultant increasingly close collaboration within an even larger and commercially more effective group of companies to be signalised clearly, not only within the company but also to the outside world.

This rebranding, which also included the major subsidiaries of msg life in Europe in 2014, means that msg life's products and consulting services are becoming a fixed part of the msg Group portfolio for the life insurance market. And as the largest associated company in this successful group of companies, msg life ag is becoming a strategically even more significant partner for its customers and an even more attractive employer for the staff.

Thanks to the company's corporate name change, the sale of Sopra Banking Software GmbH and the disposal of our participating interests in plenum AG and B+S Banksysteme Aktiengesellschaft, the company completed the most important previously outstanding strategic measures as part of the msg life Group's realignment in the course of the 2014 financial year.

In 2014, 74.2 per cent of turnover was generated in Germany (2013: 83.0 per cent) and 25.8 per cent on foreign markets (2013: 17.0 per cent). Up to and including in 2012, the msg life Group had set itself the explicit target of increasing the proportion of its turnover generated on foreign markets by around 35 per cent in the medium term by means of selective local presences and strategic partnerships, thereby reducing its dependency on the fluctuating economic climate on the German market. This objective was not achieved in 2013 or 2014. In view of the decision that was taken in 2013 to consolidate efforts on existing foreign markets for the time being rather than entering new ones and to continue optimising the profitability of business areas in the markets where the company already operates in Europe and the USA, following on from last year msg life ag continues to refrain from setting a concrete quantitative target in this context.

Compared to the German market, the markets in Austria and Switzerland are posing very similar challenges and both are being cultivated with a local presence. The Swiss consulting firm Wagner & Kunz Aktuare AG (WKA; the transferring entity), Basel, which was acquired in 2011, was merged with msg life Switzerland AG (the receiving entity), Regensdorf (Switzerland), as per the entry in the commercial register of the Canton of Zurich (Switzerland) dated 2 July 2014 with retroactive effect from 1 January 2014.

From its location in Austria in particular, msg life is cultivating the Central and Eastern European markets. Many life insurance companies have established themselves there. These companies are not only facing pressure to automate as a result of the continuous growth in the number of their contract portfolios; they are also becoming increasingly exposed to the regulatory pressure that prevails in Western Europe due to their increasing closeness to that region. The fact that German-language insurers, in particular, are expanding into these highly competitive markets means that interesting commercial opportunities are opening up for msg life there.

msg life is now represented on the market in many Eastern European countries with the policy management system msg.Symass. As a result of the growing consulting business that is developing in connection with the local presences that have been built up in recent years, msg life expects these selling markets to generate cross-selling effects, in particular for msg.Symass, the proven across-the-board system for smaller insurance companies.

msg life will continue to cultivate the market in the Benelux countries, in which msg life generates a positive response with the product portfolio it offers, especially from insurance groups operating mainly at a national level.

The Iberian Peninsula is an interesting market in the medium term. msg life continues to work the Portuguese and Spanish markets with its own local office in Portugal, which is now also being used successfully as a product development unit.

msg life is registering stable and exceedingly successful development on the US market with, among other things, the msg.Sales and Service solution as well as the FJA Product Machine (FJA.PM4), which is part of the group company FJA-US, Inc. Thanks to its extensive product portfolio in the field of health insurance, developments such as the long-term health-care reform ('Patient Protection and Affordable Care Act PPACA' or 'Obamacare') adopted by the US government in the spring of 2010 are offering additional business potential for the company. In the meantime, the range offered by msg life in the USA encompasses not only software products, but also, increasingly, operator models and functional consulting on all aspects of product and tariff design as well as in the process optimisation area – for health insurance, non-life insurance and life insurance alike.

In the 2014 financial year, msg life continued to be affected by the consequences of the crisis on the financial markets, as many customers postponed their decision-making processes until late in the year or even beyond. This persistently hesitant market climate resulted in a generally rather low level of business from new customers. In contrast, business with existing customers in connection with the numerous software components provided by msg life was exceedingly good in 2014 – not to mention in the regulatory environment. Additionally, most of the major projects set out in the corporate plan were executed in the reporting period as planned. As in the previous year, the company's main focus in terms of sales lay on domestic acquisitions in line with its internationalisation strategy in the 2014 financial year.

The US Group company of msg life registered a remarkable level of sales success in 2014 by providing the American Association of Insurance Services (AAIS) the msg.Sales & Service solution in connection with FJA.PM4. As a result, in the future AAIS will have access to a fully automated, cloud-based underwriting platform with which it can offer its customers personalised prices. Furthermore, at the end of December 2014 msg life and the Austrian insurance company Merkur Versicherung concluded a long-term contract on the expansion of the msg.Symass platform to include its foreign business. The solution will therefore be used at every one of Merkur's five Eastern European subsidiaries in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro. Also, in the 2014 financial year, in the context of the change of ownership, Heidelberger Leben confirmed its intention to use the msg life components msg.Life Factory, msg.Zulagenverwaltung and msg.Tax Connect, all of which were already in use, as the technical basis of its new business model by acquiring selected closed insurance contract portfolios that are no longer available for sale ('run-off' portfolios) for the purposes of continued use.

Summarised evaluation of the company's business situation

2014 was a good year for the msg life Group: thanks to the company's corporate name change, the sale of Sopra Banking Software GmbH and the disposal of our participating interests in plenum AG and B+S Banksysteme Aktiengesellschaft, the company successfully completed the most important previously outstanding measures for the msg life Group's strategic realignment in the course of the financial year. All of these factors allowed the company to meet all of the turnover and result targets which it set at the start of the financial year. Overall, the msg life Group recorded turnover of 104.3 million euros and earnings before interest, taxes, depreciation and amortisation (EBITDA) of 11.4 million euros.

The business situation of the company in the 2014 reporting year can therefore be described as positive. The company has paved the way for further positive development in 2015 and beyond. Even the individual group company, as a holding company, ended the 2014 financial year on a positive note due to the income from the disposal of the subsidiaries.

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.

Another important topic in this context was the introduction of a code of conduct in the 2014 financial year. One of the main purposes of this code of conduct is to make all members of staff in the company reasonably aware of the applicable laws and corporate guidelines as well as the legal risks arising as part of their everyday work. Additionally, as a binding guideline for legal and ethically responsible conduct within the msg life Group, the code of conduct sets the standards for responsible conduct towards business partners and the public, as well as mutual behaviour within the company. For employees, it represents a clear orientation tool for their daily conduct – and for suppliers and customers it represents a binding promise on which they can rely. Every person in the company – employees, executives, the management and the Management Board – is obliged to adhere to the principles contained therein. You can find more information on the code of conduct on the msg life website at http://www.msg-life.com/en/company/compliance.

Earnings, financial and assets position

Accounting errors were detected for the fully consolidated company FJA-US, Inc. (USA) in 2014, causing several retroactive corrections to be made as at 1 January 2013 and over the course of 2013 in accordance with IAS 8. The following disclosures on the Group relate to the corrected values for 2013.

The Group's earnings position

DEVELOPMENT OF TURNOVER

No companies were acquired in the 2014 financial year, in line with the successful strategy of the previous year. It was rather the case that the Group disposed of parts of its existing business activities, such as the Banking segment and its interest in B+S Banksysteme Aktiengesellschaft. The Group also disposed of the plenum sub group in the first quarter of 2014. All of these transactions resulted in deconsolidations in 2014, leading to significant changes in the consolidation group in the reporting year compared to the previous year. Simultaneously, the companies

COR bAV Services GmbH i. L., FJA bAV Service GmbH i. L. and COR Pension Management GmbH i. L. were liquidated in the reporting period, causing them to no longer be part of the consolidation group. Following these changes to the consolidation group, the reports submitted to the Management Board were changed; this resulted in changes to the disclosure of business segments. Therefore, the overall earnings, financial and assets position of the Group cannot be reliably compared with the previous year.

The turnover of the msg life Group in the financial year ended was 104.3 million euros, and was therefore 27 million euros below the turnover of the 2013 financial year, which represents a decrease of 20.5 per cent (previous year: -3.9 per cent fall in turnover). Factoring in the turnover of 36.7 million euros generated in 2013 by the companies deconsolidated in 2014, the msg life Group would have achieved turnover growth of 9.7 million euros.

Services turnover registered a 19.0 per cent decline in the financial year ended, falling from 91.3 million euros to 73.9 million euros. Factoring in the services turnover of 20.5 million euros generated in 2013 by the companies deconsolidated in 2014, the msg life Group would have experienced an increase in services turnover of 3.1 million euros. Product-based turnover was below the level of the previous year at 30.4 million euros; licensing income in the financial year ended, for example, totalled 11.2 million euros (previous year: 11.0 million euros), which corresponds to 10.7 per cent of aggregate turnover. Factoring in the licensing income of 1.5 million euros generated in 2013 by the companies deconsolidated in 2014, the msg life Group would have experienced an increase in licensing income of 1.7 million euros. Maintenance turnover totalled 16.6 million euros (previous year: 18.9 million euros) in the 2014 financial year and thus accounts for 15.9 per cent of aggregate turnover. Factoring in the maintenance turnover of 9.3 million euros generated in 2013 by the companies deconsolidated in 2014, the msg life Group would have experienced an increase in maintenance turnover of 7 million euros. Other turnover consists primarily of computing centre services and hardware deliveries. This area followed the trend, falling by 2.6 million euros to 1.6 million euros; this decrease primarily resulted from the disposal of the Banking segment which used to contain the largest percentage of these.

With regard to the regional distribution of turnover, Germany accounted for 77.3 million euros (previous year: 109.0 million euros) altogether, with other countries contributing a total of 27.0 million euros in 2014 (previous year: 22.3 million euros). The decrease in Germany is due mainly to deconsolidation effects as the discontinued segments were active on the German market.

In the 2013 financial year, the Banking segment was restructured and concentrated within Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH). As a result, parts of the former COR&FJA Alldata Systems GmbH were split off into Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) and the remaining parts were merged to form msg life Deutschland GmbH; the turnover of msg life Deutschland GmbH amounted to 68.6 million euros on the balance sheet date. With this corporate measure in 2013, namely the splitting off of the former COR&FJA Alldata Systems GmbH to Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) and the merger of the remaining parts to form msg life Deutschland GmbH, the former COR&FJA Alldata Systems GmbH became defunct in 2013.

msg life consulting gmbh increased its external turnover from 1.8 million euros in the previous year to 2.4 million euros. The turnover of msg life metris gmbh contributed 1.6 million euros (previous year: 1.5 million euros) to the Group's external turnover.

The turnover of the plenum sub group amounted to 11.7 million euros in the 2013 financial year. The interest in plenum AG was disposed of in the first quarter of 2014; this turnover was therefore attributable to the financial year ended and is no longer part of the basis of consolidation of the msg life Group.

The msg life Group achieved its strongest growth in turnover in the USA (relatively): turnover there increased by 6.6 million euros to 20.3 million euros. In the financial year ended, Wagner & Kunz Aktuare AG was merged with msg life Switzerland AG, with the result that all former Swiss companies were merged into msg life Switzerland AG in 2014. The turnover of this company increased by 1.5 million euros to 5.2 million euros. The Slovenian company's external turnover fell by 982,000 euros (2013) to 951,000 euros in 2014. The Dutch company made a contribution of 184,000 euros to the Group's turnover in the financial year ended. The Slovakian company contributed most of its turnover to other Group companies and realised 118,000 euros in external turnover. The Polish and Czech companies generated external turnover amounting to 58,000 euros in 2014.

INCOME

In the financial year ended, as in the previous year, no development work for new software was capitalised. Other operating income amounted to 9.8 million euros (previous year: 4.1 million euros) and was essentially characterised by the deconsolidation of 4.6 million euros for all companies and interests that were disposed of. 1.4 million euros were attributable to rental income from the sub letting of office space. The remaining 2.1 million euros are broken down into income from vehicle rentals and the use-driven reversal of provisions.

Aggregate costs in the 2014 financial year totalled 104.6 million euros, which represents a decline of 32.7 million euros or 23.8 per cent. Factoring in the 38.7 million euro share of costs in 2013 of the companies deconsolidated in 2014, the msg life Group experienced a decrease in aggregate costs of 64.1 million euros.

At 7.1 million euros (previous year: 16.5 million euros), services and goods procured accounted for a large proportion of the total costs. 77 million euros (previous year: 97.3 million euros) were attributable to personnel expenses. Factoring in the 21.4 million euros in personnel expenses in 2013 of the companies deconsolidated in 2014, the msg life Group experienced a slight increase in personnel costs of 0.3 million euros. In order to cover special requirements and capacity utilisation peaks which are required only temporarily, external freelance workers were used whose costs amounted to 5.2 million euros in the financial year (previous year: 10.0 million euros). These therefore helped vary the total costs. Factoring in the 4.1 million euros in expenses for freelance workers in 2013 of the companies deconsolidated in 2014, the msg life Group experienced a disproportionate decrease in the costs of freelance workers of 0.6 million euros. In addition, external computing centre services were reduced to almost zero as these were particularly necessary for the Banking segment which was disposed of in the financial year. The expenses for hardware purchased for resale underwent the same changes in the financial year.

At 73.6 per cent, personnel costs accounted for the largest proportion of total costs, based on the average of 858 employees during the year (previous year: 1,121).

As a result, personnel and material expenses fell by 29.7 million euros to 84.1 million euros. The proportion of total costs represented by other operating expenses increased to 17.7 per cent during the 2014 financial year (previous year: 17.1 per cent) and amounted to 18.5 million euros. Factoring in the 4.7 million euros in other operating expenses in 2013 of the companies deconsolidated in 2014, the msg life Group experienced a slight decrease in other operating expenses of 0.2 million euros. As in the previous year, no significant write-downs of receivables took place. In addition, there was no need for any write-offs on projects.

Due to renegotiated rental agreements, expenses for office space fell by 1.1 million euros to 7.5 million euros (previous year: 8.6 million euros). This meant that the proportion of total costs accounted for by office space was 7.1 per cent (previous year: 6.3 per cent). Factoring in the 1.0 million euros in office space expenses in 2013 of the companies deconsolidated in 2014, these costs would have remained stable. The second-largest cost pool comprised travel expenses associated with consulting services, which amounted to 2.8 million euros, a substantial 1.0 million euros below their previous year's level; factoring in the 1.0 million euros in travel expenses in 2013 of the companies deconsolidated in 2014, the travel expenses would have developed proportionally. The advisory, accounting and Supervisory Board costs also fell by 0.5 million euros in the 2014 financial year; factoring in the 0.5 million euros in related costs in 2013 of the companies deconsolidated in 2014, these costs would also have developed proportionally.

As a result, the Group generated EBITDA of 11.4 million euros, which was essentially due to the results of deconsolidation. In comparison with the previous year, this is a significant improvement of EBITDA of 13.2 million euros.

Aggregate depreciation and amortisation posted a decrease of 0.2 million euros, bringing their total to 4.9 million euros. In the course of the impairment test, however, the goodwill acquired was tested for impairment at the end of the year. The result of the test was that none of the capitalised goodwill had to be amortised. Factoring in the 0.9 million euros in depreciation and amortisation in 2013 of the companies deconsolidated in 2014, the aggregate depreciation and amortisation in the msg life Group would have increased disproportionately by 0.7 million euros.

The depreciation of property, plant and equipment and amortisation of intangible assets out of business combinations decreased by 1.0 million euros to 1.7 million euros. Factoring in the 0.9 million euros in related write-downs in 2013 of the companies deconsolidated in 2014, the aggregate depreciation of property, plant and equipment and amortisation of intangible assets in the msg life Group would have increased by 0.1 million euros. The amortisation of goodwill (PPA, purchase price allocation) amounted to 3.3 million euros in 2014 (previous year: 2.5 million euros).

Overall, the positive operating income amounted to 6.4 million euros (previous year: -7.0 million euros). Factoring in the operating income of -2.74 million euros in 2013 of the companies deconsolidated in 2014, the operating income for 2013 would have been -4.3 million euros. This signifies that the Group was able to continue the long-term improvement of its results.

The financial result amounted to -0.4 million euros (previous year: -0.8 million euros). Factoring in the financial result of -0.1 million euros in 2013 of the companies deconsolidated in 2014, the financial result for 2013 of the msg life Group would have been -0.7 million euros. After the financial result improved, interest expenses decreased by 0.5 million euros to 0.6 million euros. Factoring in the 0.1 million euros in interest expenses in 2013 of the companies deconsolidated in 2014, the interest expenses in 2013 of the msg life Group would have been 1.0 million euros.

The Group's earnings before income taxes (EBT) increased significantly in 2014 by 13.8 million euros, bringing them to 6.0 million euros (previous year: -7.8 million euros). Factoring in the EBT of -2.7 million euros in 2013 of the companies deconsolidated in 2014, the EBT for 2013 would have been -5.1 million euros.

The tax result for the 2014 financial year shows expenses of -6.9 million euros, compared with a tax result of 1.7 million euros in the previous year. Factoring in the -0.9 million euros in taxes in 2013 of the companies deconsolidated in 2014, the msg life Group would have experienced a tax increase of 2.6 million euros. As a consequence of the persistently difficult market environment, no more deferred tax assets were formed on taxable loss carryforwards and old inventories were fully adjusted.

Net income for the 2014 financial year amounted to -0.9 million euros (previous year: -6.1 million euros), although this was essentially due to the taxable income and the conservative decision not to form any deferred tax assets on taxable loss carryforwards. Earnings per share in 2014 (diluted and basic) therefore amounted to -0.02 euros, having amounted to -0.13 euros in the 2013 financial year.

The segment results reflect overall performance and success in the fields of business in which the company operates. They are based on the internal national and inter-company statement of profit centre operating results by which the msg life Group is managed. Services exchanged between the segments are taken into account in the segment result as internal turnover in the total operating performance or as internal expenditure.

Following the restructuring of the Group, msg life made changes to the composition of its segments in the reporting period. These changes concerned the products and services of the Group. In line with the management approach, reporting under IFRS 8 ('Operating Segments') takes place for the Life Insurance, Non-life Insurance and – since October 2014 – the new Consulting & Services segment. This new method of disclosing business segments also reflects the new internal reporting methods to the Management and Supervisory Boards of the company. The former Banking segment, which was disclosed on 31 December 2013, is no longer operated by msg life ag after the disposal of Sopra Banking Software GmbH.

Generating 69.0 million euros, the Life Insurance segment accounted for 66.2 per cent of the total turnover and generated EBITDA of 7.1 million euros before the allocation of 6.1 million euros in administrative overheads. Its operating EBITDA return before allocation amounts to 10.2 per cent in relation to segment turnover. After allocation as well as the deduction of amortisation and depreciation expenses of 1.1 million euros and interest expenses amounting to 0.3 million euros, EBT amounts to -0.3 million euros. The EBT return in relation to segment turnover is -0.5 per cent.

The Non-life Insurance segment generated 28.9 million euros, corresponding to a 27.7 per cent proportion of aggregate turnover, and reached an EBITDA of 7.2 million euros before the allocation of 1.5 million euros in administration costs. Its operating EBITDA return before allocation amounts to 24.8 per cent in relation to segment turnover. After allocation as well as the deduction of amortisation and depreciation expenses of 3.7 million euros and interest expenses amounting to 0.1 million euros, EBT amounts to 1.9 million euros. The EBT return in relation to segment turnover is 6.5 per cent.

The Consulting & Services segment generated 5.2 million euros, corresponding to a 5 per cent proportion of aggregate turnover, and reached an EBITDA of 1.3 million euros before the allocation of 0.9 million euros in administration costs. Its operating EBITDA return before allocation amounts to 24.6 per cent in relation to segment turnover. After allocation as well as the deduction of amortisation and depreciation expenses of 0.2 million euros and interest expenses amounting to 0.1 million euros, EBT amounts to 0.2 million euros. The EBT return in relation to segment turnover is 2.9 per cent.

The administrative overheads allocated to the segments account for 9.1 per cent of the total costs.

The Group's financial position

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

The msg life Group's financial management is designed to enable the 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 fulfilled all of its payment obligations in full.

FINANCING ANALYSIS

The Group's exposure to foreign currency risks as part of its operating activities remains within manageable limits. This relates primarily to operations in the USA (2014: 19.4 per cent of external Group turnover; previous year: 10.1 per cent or, adjusted for the companies deconsolidated in 2014, 14.8 per cent), although to a minor extent services provided primarily by the Portuguese Group company are also called upon for order fulfilment purposes. However, most of these services are provided by local personnel in the USD region as well. Furthermore, around 2.6 per cent (previous year: 3.4 per cent or, adjusted for the companies deconsolidated in 2014, 5.6 per cent) of external Group turnover was generated in Switzerland and settled in Swiss francs, with personnel from Germany being employed in providing the services.

Aside from that, some 77.8 per cent of turnover was generated in the eurozone (previous year: 86.5 per cent or, adjusted for the companies deconsolidated in 2014, 78.7 per cent), primarily in Germany, and settled in euros. For that reason, the overall foreign currency risk in the Group must be classified as manageable.

The Group's earnings and operational cash flows are largely not exposed to any interest rate risk. Cash and cash equivalents are generally invested for short periods. The 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 creditworthiness of the customers in the insurance sector.

Due to closing-date-related factors, liquid funds increased by 7.4 million euros and amounted to 21.7 million euros as at 31 December 2014. A cash pool exists for the German companies of the msg life Group.

msg life generated an operating cash flow of 12.0 million euros in the 2014 financial year (previous year: -0.1 million euros), which speaks to the success of the turnaround and demonstrates that the company possesses its own financial resources. Due to these thoroughly positive indicators, the msg life Group closed the 2014 financial year with a positive total EBT of 6.0 million euros.

In 2014, as in the 2013 financial year, msg life did not invest in the acquisition of any companies; instead, all of its shares in B+S Banksysteme Aktiengesellschaft and its shareholding in plenum AG were sold for liquid capital. The cash flow from investing activities amounted to 8.9 million euros (previous year: 2.2 million euros).

The cash flow from financing activities experienced negative growth, which means that the msg life Group was able to repay the short-term loan of 5.0 million euros and 6.0 million euros of the long-term loan of 10.0 million euros in the 2014 financial year. The cash flow from financing activities amounted to -14.3 million euros (previous year: 2.0 million euros).

The Group's assets position

ASSET STRUCTURE ANALYSIS

The Group's equity ratio as at 31 December 2014 grew to 50.7 per cent (previous year: 41.6 per cent or, adjusted for the companies deconsolidated in 2014, 44.3 per cent), while equity now amounts to 40.2 million euros (previous year: 42.7 million euros or, adjusted for the companies deconsolidated in 2014, 37.2 million euros). As at 31 December 2014 the Group's balance sheet total was down by a significant 23.5 million euros due to the disposal of subsidiaries, representing a decrease of 22.8 per cent, to 79.3 million euros (compared with 102.7 million euros as at 31 December 2013 or, adjusted for the companies deconsolidated in 2014, 84 million euros).

In the financial year ended, the short-term fixed assets fell slightly from 53.9 million euros (or, adjusted for the companies deconsolidated in 2014, 37.9 million euros) in the previous year to 49.7 million euros due to factors including the decrease in trade receivables of 11.4 million euros as at the reporting date, of which 6.6 million euros were attributable to invoiced receivables and 4.8 million euros were attributable to PoC receivables.

This means that there were 14.7 million euros in invoiced trade receivables as at the reporting date; these had days sales outstanding (DSO) of 52. The PoC trade receivables which could not yet be invoiced had a DSO of 36 days. The other short-term assets (previous year: 1.7 million euros or, adjusted for the companies deconsolidated in 2014, 1.0 million euros) increased by 0.9 million euros to 2.6 million euros. Likewise, liquid assets increased by 7.4 million euros due to the sale of the subsidiaries and shareholdings, cost-cutting measures and the operative income. Cash amounted to 21.7 million euros (previous year: 14.3 million euros or, adjusted for the companies deconsolidated in 2014, 10.6 million euros).

The long-term fixed assets decreased by 19.3 million euros to 29.6 million euros (previous year: 48.9 million euros or, adjusted for the companies deconsolidated in 2014, 46.1 million euros). This was due to the amortisation of other intangible assets and the effects of the disposals of the subsidiaries, which totalled 8.4 million euros. Another significant effect was the non-recognition of deferred tax assets on loss carryforwards. In 2014, deferred tax assets equal to the deferred tax liabilities of 1.3 million euros were formed for IFRS measurement differences (previous year: deferred tax liabilities of 7.3 million euros, deferred tax assets of 9.6 million euros). Due to the sale of the shares in B+S Banksysteme Aktiengesellschaft, the financial assets fell by 1.8 million euros.

Non-current liabilities decreased by 13.1 million euros. This resulted from the repayment of 6.0 million euros in non-current financial liabilities, which then amounted to 4.0 million euros as at the reporting date. With the sale of the former Banking segment, pension provisions decreased by 1.2 million euros as the purchaser assumed the pension obligations for the employees in that segment. Other provisions, on the other hand, increased by 0.2 million euros to 1.5 million euros (previous year: 1.4 million euros or, adjusted for the companies deconsolidated in 2014, 0.5 million euros). All in all, non-current liabilities account for 19.0 per cent of the balance sheet total, compared with 27.4 per cent proportion in the previous year (or, adjusted for the companies deconsolidated in 2014, 28.7 per cent).

Current liabilities consequently decreased by 7.9 million euros to 24.0 million euros (previous year: 32.1 million euros or, adjusted for the companies deconsolidated in 2014, 22.7 million euros). The current financial liabilities were repaid in full, thus falling by 3.2 million euros, while trade payables also fell by 3.2 million euros to 1.7 million euros (previous year: 4.9 million euros or, adjusted for the companies deconsolidated in 2014, 2.8 million euros). Other provisions performed in the same way, falling by 2.2 million euros to 0.8 million euros (previous year: 3.0 million euros or, adjusted for the companies deconsolidated in 2014, 1.9 million euros), as no extra provisions had to be formed for restructuring liabilities in the financial year ended. All in all, the ratio of current liabilities to the balance sheet total shifted from 31.0 per cent (or, adjusted for the companies deconsolidated in 2014, 27 per cent) in 2013 to 30.2 per cent today.

The 2014 financial year went as expected. msg life ag's Management Board assumes that the earnings, financial and assets position stabilised in a sustainable fashion in the financial year ended and that it represented a significant improvement compared with 2013. The msg life ag Management Board is also working on the assumption that the 2014 financial year was a year in which the Group's turnaround was completed successfully and in which the Group stabilised and adopted a new strategy.

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)

RESULTS OF OPERATIONS

Compared with the previous year, turnover decreased from 17.2 million euros to 15.4 million euros. The turnover generated by external customers outside of the msg life Group increased by a significant 4.2 million euros in 2014 due to licence revenue; however, this effect was more than compensated for by the more than 5.9 million euro decline in turnover with Group companies. Other operating income, increased significantly by 10.8 million euros to 11.3 million euros at the end of the reporting period due to the disposal of subsidiaries.

In the context of lower turnover, expenditure on the purchasing of services outside the Group also posted a corresponding decline because msg life ag is now in a better position to render the required services itself. The costs of licences and capacity purchased outside of the Group in the financial year ended consequently amounted to 4.5 million euros; in the previous year these had totalled 7.8 million euros. The positive development initiated in 2012, namely that outsourced services were reduced to almost zero in that year, continued in 2014.

At 7.0 million euros, personnel expenses were just 0.5 million euros lower than their previous year's level. This decrease presumably resulted from salaries decreasing by 0.9 million euros and unchanged severance payments of 0.5 million euros. However, profit-sharing expenses increased significantly by 1 million euros.

The amortisation and depreciation item decreased by 0.2 million euros (previous year: 0.4 million euros) in the financial year ended.

Other operating expenses, essentially consisting of rent and legal and consultancy costs, bookkeeping costs and Supervisory Board remuneration, decreased by 0.6 million euros to 9.3 million euros in the financial year ended. This resulted from the addition of 1.6 million euros to the itemised valuation allowances at msg life metris gmbh being returned and an administrative cost allocation of 2.3 million euros being charged for the first time. The administrative cost allocation distributes up the centrally accrued costs and fees across the various Group companies.

Additionally, 0.5 million euros in valuation allowances for receivables from foreign subsidiaries took place.

As msg life ag is the principal tenant in many of the Group's buildings, these costs – as well as other costs – are recharged to the subsidiaries in the course of the Group allocations.

In the 2014 financial year, the company received investment income amounting to 7.4 million euros and 0.4 million euros under the profit transfer agreement with msg life consulting gmbh. In the 2014 financial year, expenses amounting to 3.4 million euros had to be assumed under loss assumption declarations vis-à-vis subsidiaries.

The net interest income for msg life ag amounted to -0.6 million euros in the 2014 financial year (previous year: -0.9 million euros); this represents an improvement of 0.3 million euros.

msg life ag generated net profit under commercial law of 6.2 million euros for the 2014 financial year (previous year: -7.6 million euros).

FINANCIAL POSITION AND ASSETS

The decrease of 6.3 million euros in fixed assets to 62.1 million euros resulted primarily from the disposal of interests in affiliated companies of 4.8 million euros. Loans to affiliated companies also decreased, totalling 4.0 million euros as of 31 December 2014 (previous year: 5.0 million euros). Property, plant and equipment recorded a slight decline of 0.1 million euros to 0.9 million euros.

msg life ag's current assets increased by 8.5 million euros to 17.7 million euros in the financial year ended, due to the 7.0 million euro increase in liquid assets.

Unlike the reduced external turnover, trade receivables increased by 2.6 million euros to 3.8 million euros. Trade payables, on the other hand, decreased by 0.5 million euros to 0.2 million euros.

In a development contrary to that of trade receivables, receivables from affiliated companies decreased by 2.7 million euros to 1.2 million euros. However, liabilities to affiliated companies increased by 6.4 million euros to 38.2 million euros (previous year: 31.8 million euros).

Cash and cash equivalents developed positively and their balance at the end of the financial year was 10.5 million euros, an increase of 7.0 million euros. Liabilities to banks were reduced by 2.7 million euros to 0 million euros (previous year: 2.7 million euros) as at the balance sheet date.

During the reporting period, the short-term loan of 5.0 million euros was repaid in full, and 6.0 million euros of the 10.0 million euro long-term loan was repaid. Therefore, as at the reporting date the company still had 4.0 million euros of the long-term loan to repay to the major shareholder, msg systems ag. This loan was also repaid after the reporting date. This also attests to the successful turnaround of the company which the major shareholder supported unwaveringly. These measures explain the significant decrease of 10.0 million euros in other liabilities to 6.0 million euros. Provisions, on the other hand, posted a slight increase of 0.2 million euros, mainly as a result of the provisions for pension commitments.

As of the balance sheet date, deferred tax assets totalled 0.2 million euros (previous year: 2.5 million euros) and 0.2 million euros of deferred tax liabilities were formed (previous year: 0 euros). No deferred tax assets on loss carryforwards were formed at all.

The equity amounts to 33.4 million euros (previous year: 27.1 million euros), which represents an increase of 6.2 million euros. Therefore, the net loss was reduced by the same amount to -41.1 million euros. The company is therefore unable to make distributions.

The balance sheet total as at 31 December 2014 amounted to 80.1 million euros (previous year: 80.2 million euros).

The costs of staff functions that have been incorporated into the holding company are still being passed on to the subsidiaries in full – with the exception of the costs of the IPO and the Supervisory Board – in addition to transferring the subsidiaries' profits and losses. Almost all subsidiaries broke even in 2014. For 2015, the company believes that this positive trend will persist and that loss assumption declarations will be required only in exceptional cases.

RESEARCH AND DEVELOPMENT

Orientation of R&D activities

Research and development are essential activities for msg life in its capacity as a sector-specific service provider, ensuring that the company can assert its pioneering role in the market-driven analysis of trends and future requirements. Appropriate R&D work is not only performed for the purpose of developing and upgrading standard software solutions, but also to extend the company's consulting expertise. Such expertise manifests itself in targeted employee knowledge and concepts, as well as in the further development of software tools that give efficient support to the consulting activities. Examples of important areas of business that focus on consulting services include migration and risk management and advising customers on the professional structuring of value-added chains. 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 focuses on purely target-oriented research in the interests of its strategic corporate goals. Special importance is attached to close communication with the market or, more specifically, with the customers, when planning the implementation of research findings into development output, 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 in the user and operator groups as well as with partners (IBM or the msg Group, for example) in relation to its most important products. The approaches devised within the framework of research are presented, discussed and evaluated within the user groups and expert panels 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, which are going to be implemented. In this way, new releases of standard software products are now generally partially financed by advance orders from some of the customers. The msg life Group regards this willingness on the part of its customers as a high entrepreneurial countervalue for the expenses incurred by the preceding research work and the support given to the user and operator groups.

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. By ensuring the early and economically binding involvement of customers in the enhancement or initial development of products, the msg life Group makes sure that development investments are not made without market orientation.

In addition to the traditionally very high level of acceptance for the quality of the msg life Group's specialist product range for its target sector, the new release generations have succeeded in winning recognition for their high technological quality. The direct benefit from the sector's point of view lies in the option to use msg life's standard software products for a wide range of proven and innovative target technologies. The strategic benefit for the msg life Group, moreover, lies in the possibility of flexible integration for the individual products that were previously strictly separated.

Purchasing R&D know-how

In its capacity as market leader in its core business, the msg life Group is usually unable to have recourse to ready-made external research findings. This particularly applies to specialist thematic areas in the customers' sectors. As a sector-specific service provider, the company prefers to rely on its own research, which builds upon its participation in trade conferences, association activities and joint projects with partner companies. Future trends, too, can usually be identified more reliably from the systematic reviewing of customer requirements from projects and canvassing situations than from external surveys. It goes without saying that the high qualification level of the Group's employees is updated continuously by means of selective, also external, ongoing training activities. No purchasing of practical R&D expertise in the narrow sense of the term took place during the 2014 financial year in accordance with this strategy. In the technology sector, however, it goes without saying that 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 a close cooperation with IBM and with selected colleges and universities.

R&D expenses, R&D investment and key R&D figures

With msg life ag having successfully completed the sale of its subsidiary Sopra Banking Software GmbH to the French company Sopra Banking Software S.A. on 11 February 2014 by transferring all of the shares in that company, msg life ag will have no further involvement with the Banking segment. In the pages below we therefore report solely on the Insurance segment. Furthermore, the company's most significant products have been renamed as part of the rebranding of the former COR&FJA AG under its current name msg life ag that was entered in the commercial register on 15 October 2014. The new product names are used in the expositions below.

The current integration of msg.Life Factory and its components into msg.Insurance Suite, the central insurance platform of the msg Group, is an important aspect of the product strategy, as is the collaboration and cooperation taking place in this context. This platform will represent the first holistic industrial standard for all sectors of the insurance industry. The underlying modular principle has a high degree of end-to-end prefabrication, makes it easy to integrate existing solutions and unlocks a wide variety of applications with maximised releasability and low maintenance costs.

The first expansion stage of the current 4.12 release of the policy management system msg.Life Factory (LF) was made available in April 2014. The expansion stage contained important measures within the context of the low-interest phase, Solvency II and the upcoming reduction in the actuarial interest rate in 2015, for example new guarantee concepts in product design. This version's second expansion stage followed in October during the reporting period; this laid the foundation earlier than planned for the implementation of new transparency requirements stipulated by upcoming reforms on the basis of the German Pensions Improvement Act (AltvVerbG). In addition, parallel to the scheduled further development of LF 4.12, the additional component KBF (group policy management) for the efficient handling of the group and company pension business is going to be expanded.

Against the backdrop of a persistently difficult situation on the financial markets ('low interest rate challenge') and tightened regulatory requirements, our previous long-term investments in the further flexibilisation of LF offer customers a host of competition-relevant advantages. For example, the enhancements facilitating the universal handling of different calculation bases or the automated calculation of additional interest reserves and (optional) counter-financing are now commercially important instruments for insurance companies.

Today, LF customers can already use the current calculation bases, based on the standard, upon commencement of the pension (in line with the term 'conventional pension 2.0', which is being discussed on the market as a result of a product innovation by Allianz Lebensversicherung). Moreover, dynamic increases, additional payments, or allowances with different calculation bases – to name just a few examples – can be depicted in the system and subsequently offered to policyholders. In addition, various alternative guarantee mechanisms are available, especially investment guarantees (on the basis of hedging, (i)CPPI individual Constant Proportion Portfolio Insurance or index participation) that supplement or replace the conventional guarantees.

The current LF 4.12 release offers several new standard products that enable LF customers to deal with the upheaval in product development quickly (time to market) and at low cost. Once again, this release supports all of the relevant product innovations on the market. As a trustworthy partner and consultant of many years' standing, msg life is on hand to help its existing LF customers deal with the aforementioned themes and guarantees that as in the past, all necessary activities are coordinated closely.

The technical conversion of LF on the basis of modern JEE (Java Platform, Enterprise Edition) technology, beginning with the LF JEE Contract component, is also proceeding according to plan. LF JEE Contract was completed with its full range of services – functionally synchronised with LF 4.12 – at the end of July 2014. With Provinzial Rheinland having successfully gone live with the first stage of LF JEE in 2013 – thereby passing the practical test for implementing the possibility of stage-by-stage technological changeovers for existing LF customers – the next system changeover by an existing customer commenced in the second half of 2014 at Öffentliche Versicherung Braunschweig and the work is scheduled to be complete by mid 2015. The other customers, including Heidelberger Leben, will then – in close coordination with msg life – switch gradually to LF JEE. The first-time installation at AXA Deutschland, too, took place on the basis of the JEE version shortly after the end of the reporting period in January 2015. The component LF JEE Product, including actuarial mathematics, will be made available for the first customers to purchase from 1 January 2016.

In parallel to that, the important themes of process efficiency, automation and digitisation are being developed further with LF customers in the specialist working group 'Business processes'. Such specialist working groups for highly specific groups of functional and technical topics consist of customer representatives and msg life employees and have proved their worth. They help to enhance synergies and define market standards – and are now highly significant for further planning- and solution-related developments in relation to LF.

All functional and technical innovations carried out in the 2014 financial year that we have described are further unique selling points in LF and underline the leading market position still enjoyed by this core product from msg life. This applies not least with regard to the upcoming German Life Insurance Reform Act (LVRG), whose coming into effect will doubtless be accompanied by changes for policy management systems among other things. msg life examined the scheduled changes meticulously in the early part of the 2014 financial year and, in connection with this, has come to the conclusion that LF is very well prepared for the LVRG thanks to its forward-looking further development – and that accordingly, no hurried alterations in the standard development will be required. In parallel to the above, a task force was set up to facilitate joint discussions with customers about their respective requirements in LVRG-related matters and to depict any possible adjustments in their entirety. The existing LF customers were informed about this topic in 2014 in the form of a detailed statement.

The content of the coming LF 4.13 release was presented and discussed in the first user group of the reporting period in March 2014. In addition, msg life presented a report there about the successful functional certification of LF in accordance with the acknowledged test standard IDW PS 880. In October, the plans were then discussed conclusively and adopted by a further user group. This further development is based on the topics from the functional and technical working groups referred to above and on the prioritisations of the respective corporate customers. These include, in particular, the area of business process optimisation. LF 4.13 will be made available at the end of the first quarter of 2015. In the 2014 financial year, too, all of the user groups were characterised by a high and unchanged level of customer satisfaction and great interest on the part of potential new LF customers.

In the second quarter of 2014 at a similarly well-attended customer event, msg life, under the heading 'Quo vadis, life insurance?', gave information about the possibility of insurance companies actively structuring new business models with innovative products and efficient IT solutions, thereby influencing the industry's image among end customers in a positive way.

In connection with the ongoing LF installation projects, the existing customers adjusted their surplus and cost rates on schedule in the first quarter of 2014. In addition, taking the potential acquisitions of the current LF 4.12 release into account, the precise dates and project plans for release installations in the 2014 financial year were specified. In the third quarter of 2014, numerous customer projects included intensive test phases in connection with the going-live stages which took place by the end of the year.

In the context of the change of ownership at Heidelberger Leben (HLE), in the 2014 financial year the msg life components LF, msg.Zulagenverwaltung and msg. Tax Connect, which were already in use, were confirmed as the technical basis for the new business model involving the selective acquisition of insurance portfolios that are already closed and no longer generally available for sale ('run-off portfolios'). As HLE's partner, msg life has already commenced appropriate activities and measures – particularly in connection with the migration of acquired portfolios by HLE – and will continue to guide and support this project actively in the future.

The LF installation project at AXA Deutschland is extremely sophisticated and must adhere to a strict timetable. The cooperation between msg life, IBM and AXA Deutschland in this area during the 2014 financial year is operating smoothly for the most part and is proceeding most cooperatively and in a spirit of partnership. Therefore, LF went live in early 2015 after just one year of project runtime, shortly after the end of the reporting period.

In June 2014, DEVK Versicherungen went live with the first expansion stage of the current LF release, which, following an impeccably smooth going-live process, was approved for productive operations. With this version, DEKV Versicherungen was able to install a new product in LF for the first time and put further business processes into operation. These business transactions are helping DEVK Versicherungen to process a sizeable quantity of deferred contracts; they were also useful in the preparations for the substantial migration. In mid November 2014, DEVK Versicherungen went live with the second expansion stage of the current LF version which, following a successful migration, was approved for productive operations. DEVK Versicherungen now manages more than half a million contracts in LF.

In December 2014 the ERGO Insurance Group successfully went live with a new LF release which will open ERGO's 'invita' product (an innovative funds product with guarantees) to company pension schemes and other classical products. Simultaneously, the Group began switching to the current LF 4.12 release.

In the Migration division, release 3.6 of the migration software solution msg.Mig Sys was certified – like LF before it – under the recognise testing standard IDW PS 880 at the end of 2014. Furthermore, several enquiries about the scope and terms of reference of planned new migration projects are being examined very closely. Two portfolio analyses were commissioned and also completed in the first quarter of 2014, with the result that subsequent portfolio migrations can be assessed more accurately in terms of their costs and risks. msg life anticipates that this will lead to a degree of follow-up business. In addition, all of the significant migration projects proceeded according to plan. In the second quarter of 2014, msg life sold two more licences to the product msg. Mig Sys. And in the third quarter of 2014, Heidelberger Leben licensed the migration software solutions msg.Mig Sys and msg.Mig Archive.

After just one year of development at Provinzial Rheinland, the software intended to facilitate the sale and management of the unit-linked products of Provinzial Rheinland was planned, executed and completed by the end of 2014 and the company's entire policy portfolio was successfully migrated. As a result, Provinzial Rheinland can now sell and manage its entire product portfolio using LF.

In the Consulting division, msg life gained a number of significant new customers in the 2014 financial year. For example, the company and a large Swiss insurer concluded an internationally valid master services agreement, which has already led to concrete individual orders in both Switzerland and Germany. At a large Austrian insurance company, moreover, msg life is subjecting the company's international units to a far-reaching analysis regarding the product modelling methods used. msg life was also able to win a large German insurance group as a new customer in the consulting field and is, furthermore, pursuing a number of sizeable and promising projects in the product-based environment in Central and Eastern Europe.

Shortly before the end of the reporting period, msg life won a contract with Stuttgarter Lebensversicherung in December 2014. The project involves the licensing of a specialist tax management concept and related consultancy services, and it potentially represents the first of several business relationships. Additionally, in the fourth quarter of 2014 several consultants played a variety of coordinating roles – and were in charge of designing a migration process tailored to the customer's requirements – in a major migration project for Württembergische Lebensversicherung AG.

As part of the company's strategic reorientation, the Consulting segment underwent a significant repositioning both strategically and in terms of personnel in 2013. Especially in the Insurance segment, the company now concentrates on the three areas of focus in terms of topic and competence i.e. product and business process optimisation and migration support – and therefore on thematic areas which are aimed at increasing market shares on the one hand and optimising the cost ratio of msg life's customers on the other. In the Consulting segment, too, msg life sees itself as a reliable partner for insurance companies in dealing with the pressure of change in an efficient and innovative manner.

The latest version of the policy management system msg.Life was delivered as planned to the existing customers in the second quarter of 2014 with the aim of adapting the customers' versions individually. As well as functional topics, this release includes updates of the technical infrastructure. Furthermore, the existing msg.Life customers were informed – analogous to LF – about the upcoming German Life Insurance Reform Act and any resultant impact it might have on the product side. This resulted in a joint functional conception on the subjects of total expense ratio and hedging requirements, which was implemented in 2014 and which – despite a tight schedule – was delivered on time by the end of the year.

All existing customers activated the SEPA direct debit function in the first half of 2014. Considering the high level of complexity involved, this changeover proceeded entirely smoothly apart from some minor reworking. In October 2014, the msg.Life product line was awarded maturity level 2 by the external institute wibas in line with the industry standard 'Capability Maturity Model Integration' (CMMI).

In the ongoing project at SOKA-BAU, msg life was commissioned to integrate the construction industry's new pay scales in the first quarter of 2014. Also in the first quarter, AXA Versicherung went live with the 3.15.0.2 version of msg.Life. At the end of April, Mobiliar successfully installed msg.Life version 3.13.5, and at the end of October it did likewise with msg.Life version 3.13.6. And also in October, R+V Luxembourg Lebensversicherung became the first customer to go live with the 3.16.0.1 version of msg.Life. InterRisk Lebensversicherung and VERKA VK Kirchliche Vorsorge also went live with the 3.16.0.1 release in late November and early December.

In January 2014, the Norwegian company Frende Livsforsikring AS migrated its entire policy portfolio to a technically new product. This changeover was made in conjunction with the almost complete migration of the overall portfolio by way of a mass transaction. Frende was then able to go live smoothly and successfully with the 1.3.1.4 release at the beginning of June 2014 and then the 1.3.1.5 release in November 2014.

At the end of November, the msg.Life user group and 11 insurance companies discussed topics including the upcoming releases, the general trends in the industry and the situation in terms of regulatory requirements.

The current version 5.0 of the management system msg.Symass was successfully completed in the second half of 2014 and delivered to the customers. Work on the upcoming version 5.6 is running on schedule, and in connection with a sales project the first demo release for the msg.RE Reinsurance System was created.

At the end of December 2014, msg life and the Austrian insurance company Merkur Versicherung concluded a long-term contract on the expansion of the msg.Symass platform to include its foreign business. As a result, the solution will be used in all five of Merkur's Eastern European subsidiaries in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro. This success once again underlines the competitiveness, great flexibility and short development cycles of the cross-segmental management system msg.Symass.

In April 2014, release 4.1 of msg.Zulagenverwaltung – a system designed to manage contracts subsidised under the Riester system – was made available for customer projects. The development work on the current version 4.2 went according to plan and the release was placed at the customers' disposal on time in 2014. In the meantime, Work is now being carried out on the upcoming 4.3 release; the full expansion of the solution's tax functionalities has already been discussed with the customers in the user group and orders have been placed accordingly. It is scheduled for completion by the end of 2015. This will increase the functional head start msg life enjoys compared with the competing applications.

Thanks to systematic expansion reaching all the way to the full automation of process stages, the company's current market leadership (more than half of the contracts subsidised under the Riester system that are concluded in Germany are handled using the msg life solution) can be safeguarded in the long term. In the meantime the second expansion stage of the Riester tax-related policy management, for example, has been completed in this software solution. The resultant cost advantage for msg life customers, particularly in respect of regulatory or statutory requirements in relation to Riester business, is already proving to be a crucial success factor.

With msg life having gained a new customer for msg. Zulagenverwaltung in the public insurers field in the second quarter of 2014, the company is expecting to win further new customers for this successful standard software solution. The new optimisation product 'Betriebsoptimierung Zulagenverwaltung', for example, is already being used by three life insurance companies.

In the first quarter of 2014, another customer ordered and went live with the billing and accounting functions in the current 3.7 release of the pension calculation and verification system msg.RAN in the reporting period. The work on the current 3.8 release was coordinated in the user group and this version was delivered to the customers as scheduled by the end of 2014. Work on the subsequent 3.9 release is already fully under way.

msg.RAN is going to be used at AXA Leben Deutschland and Heidelberger Leben in the future as well, and the project work in connection with this is already under way. msg life is conducting promising negotiations with two other prospective customers. These developments emphasise the high market potential of this standard software solution, not least in the light of the growing number of annuity policies on the books of msg life customers.

After the 2.0 release of the standard software msg.Tax Connect was delivered to customers in the first quarter of 2014, the development of the 2.1 release, enhanced with functions pertaining to KiStAM (church tax deduction characteristics), was completed successfully in the third quarter of 2014 and delivered on schedule. The contents of the current 2.2 release were discussed in the user group and coordinated with the customers. Likewise, this version was delivered in 2014 and planning began on the upcoming 2.3 release.

In the meantime, msg life has been able to conclude licence agreements for msg.Tax Connect with a total of twelve customers, including two banks. With this product for dealing with tax-related reporting requirements, the company has once again grasped the insurance-market trend towards depicting the increasing regulatory requirements with a single standard software product.

In the first quarter of 2014, the current 3.9 version of the new msg life solution msg.PReMium was made available for the realisation of the 'Pflege-Bahr' nursing care system that was introduced on 1 January 2013. Existing customers can use this release to apply for the state allowance for their respective policyholders in connection with nursing care contracts that have already been concluded. Three renowned health-care insurance companies – HUK-COBURG, LVM Versicherung and Nürnberger Versicherung –

opted for this solution and msg life is holding promising negotiations with further prospective customers.

The 1.1 release of the standard software msg.ILIS was completed in the second quarter of 2014 and delivered to the customers of msg life. This standard software can be used to carry out all of the necessary calculations for financial reporting in an automated, redundancy-free and audit-proof way. It is being developed further in cooperation with the customers in a separate working group. In addition to the company's own projection software msg.Alamos, other risk management tools from renowned manufacturers will be linked in a fully automated process via a standardised interface. msg.ILIS is based on the same state-of-the-art JEE technology that is being used in the development of LF.

In 2014 the US Group company of msg life provided the American Association of Insurance Services (AAIS) with the msg.Sales & Service solution in connection with FJA.PM4 (FJA Product Machine). As a result, AAIS has access to a fully automated, cloud-based underwriting platform with which it can offer its customers personalised prices. The subsidiary in the USA and AAIS had nine months to implement the project. The flexible product definitions and transferring functions and features from the previous application to the new platform were particularly challenging. The result is a shorter time to market and a customisable Web-based underwriting platform with backwards compatibility and mass updates which separates product and software development. During this project, the US subsidiary demonstrated its skills as a service provider. The outstanding cooperation between the two companies was a major factor behind the success of the project – and it will support the future development of the platform by FJA-US.

The msg life Group's R&D expenditure totalled 9.850 million euros in the 2014 financial year (previous year: 12,447 thousand euros). Once again, no development expenses were capitalised. Detailed information on this subject can be found under Item VII ('Notes to the income statement') in the notes to the consolidated financial statements.

EMPLOYEES

On 31 December 2014, 865 permanently employed salaried personnel – including the managing directors – were employed within the msg life Group (compared with 1,116 on 31 December 2013).

The substantial decrease compared with the balance sheet date in 2013 results in particular from the fact that Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) and plenum AG, together with the latter's subsidiaries, are no longer part of the msg life ag consolidation group.

In order to find new employees, the company offers recruitment opportunities in various professional careers and on various management levels. msg life is also taking advantage of the networks and know-how of employees within the sector and has established a recommendation programme. Besides the company's various networks, the Internet remains its greatest source of recruits by far. This medium once again accounted for approximately three quarters of the in excess of 1,000 job applications received in 2014.

University relations are another aspect of importance for the company in the field of long-term staff recruitment. During the 2014 financial year, msg life took a variety of steps to consolidate its good reputation at the universities which are of interest to it, the purpose being to attract promising graduates with suitable qualifications to the company. Additionally, msg life awarded the msg life prize for an outstanding applied mathematics thesis for the first time in 2014.

In the area of further professional training for employees, msg life continues to support staff who are training to be DAV actuaries at the Deutsche Aktuarakademie (DAV – the German actuarial academy) while working. The company is paying their course fees and giving them time off to attend lectures.

For some time now, msg life has been organising Welcome Days for all new members of staff. With the participation of the Management Board, Human Resources department, Works Council representatives and, in particular, specialists from the operational areas, the company presents its strategic focus and targets in its various business segments. In addition, the new employees can get to know one another in an intimate atmosphere, identify common ground and begin to build up contacts with new colleagues from other areas.

The company's familiarisation (onboarding) programme – which msg life developed in-house, launched for the first time in 2011 and successfully completed again in 2014 – focuses on the needs and requirements of new members of staff who have generally gathered around three years of professional experience since completing their studies. In the meantime, this programme is being actively discussed at universities, career fairs and in interviews with young job applicants, where it is regularly met with great interest.

The development of a new remuneration model was one of the central human resources issues during the reporting period and an appropriate agreement was concluded with the General Works Council in April 2014. The new remuneration model was based on the competence development model (KEM) that has been in use within the company for some time; it was enhanced and adapted as appropriate. The new remuneration model focuses on the function and performance of employees, ensures that remuneration continues to meet the market standards and serves as a central benchmark for structured, individual salary changes.

2014 saw another innovation in connection with the successful implementation of the new remuneration model. During the reporting period msg life developed the first e-learning system for its employees. Rapid availability for a quickly changing group was a crucial requirement for the initial development of an e-learning course. The first e-learning program was developed as a pilot, implemented in collaboration with an external service provider and went online on the company's intranet.

The powerful intranet at msg life provides employees with detailed information as well as specific training content (e-learning). Additionally, using the intranet employees can independently initiate and complete central processes in connection with the msg life working environment: Business trips will be booked and accounted for through the msg life travel portal. And using the time recording system on the intranet, every member of staff logs the hours he/she has worked as part of the company's universal trust-based working hours system.

Staff even apply for and are granted time off through a portal and have long been able to view and independently manage their monthly payslips and relevant records with the dedicated inbox application. Additionally, all members of staff can view their own data through the iPortal, a technical platform for employees and executives which displays the master data stored in the systems and thus renders them accessible to the staff.

TAKEOVER-RELATED DISCLOSURES PURSUANT TO SECTION 289(4) AND SECTION 315(4) OF THE GERMAN COMMERCIAL CODE (HGB)

Composition of the subscribed capital

On 31 December 2014, msg life ag's subscribed capital amounted to 42,802,453 euros, consisting of 42,802,453 no-par-value bearer shares with full and equal voting rights. One share grants the holder a notional stake of 1.00 euro in the company's capital. As at 31 December 2014, the company's portfolio of treasury shares amounted to 1,906,592 individual shares.

Restrictions affecting voting rights or the transfer of shares

The shares have full voting and dividend rights, unless otherwise specified by the German Stock Corporation Act (AktG).

Direct or indirect interests in the capital

According to the published announcements and the information available to msg life ag, direct or indirect interests exceeding 10 per cent of the voting rights as at 31 December 2014 were as follows:

Entity with reporting obligation	Type of interest	Proportion of the subscribed capital's disclosed voting rights
msg systems ag, Ismaning	Direct	49.1%
msg group GmbH, Ismaning	Indirect	49.1%

Holders of shares with special rights

No shares with special rights which bestow authority to control were issued.

Type of voting rights control in the case of employee shareholdings

Those employees who hold shares in msg life ag exercise their control rights, like other shareholders, in direct compliance with the statutory provisions and the statutes.

Statutory provisions and stipulations of the statutes concerning the appointment and dismissal of members of the Management Board and concerning alterations to the statutes

The members of the Management Board are appointed and dismissed in accordance with the provisions of Sections 84 and 85 AktG. The Management Board consists of one or more persons. The Supervisory Board determines the number of the Management Board's members. The members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or a prolongation of the term, each for a maximum of five years, is permissible.

Amendments to the articles of incorporation require a resolution of the Annual General Meeting. Resolutions of the Annual General Meeting require a simple majority of votes cast and a simple majority of the nominal capital represented, unless a greater majority is required by law. The articles of incorporation contain no divergent provisions which require a larger majority.

The Management Board's authority to issue or repurchase shares

The Management Board is authorised – with the approval of the Supervisory Board – to issue new shares provided that the appropriate authorised capital (for the issuance of new shares) or contingent capital (for the issuance of convertible and warrant bonds) has been adopted by the Annual General Meeting and has not yet been utilised in full.

The company has the following authorised capital:

Authorised capital

By resolution of the Annual General Meeting on 17 August 2010, the Management Board is entitled, with the agreement of the Supervisory Board, to increase the nominal capital of the company up to 16 August 2015 by issuing new no-par-value bearer shares against contributions in cash or kind on one or more occasions, but altogether by no more than 21,401,226 euros (in words: twenty-one million, four hundred and one thousand, two hundred and twenty-six euros) (authorised capital). With the consent of the Supervisory Board, the Management Board is also authorised:

aa) To preclude the subscription right of the shareholders in the case of capital increases against cash contributions which do not exceed a proportion of the nominal capital totalling 10 per cent either at the time of coming into effect or at the time of exercise of this right (the 10 per cent limit), in order to issue the new shares at an issue price which is not significantly lower than the stock market price of msg life shares of the same class and structure already quoted at the time of final establishment of the issue price by the Management Board (Section 203 Paras 1 and 2 and Section 186 Para. 3 [4] AktG). In respect of utilisation of the 10 per cent limit, preclusion of the subscription right in direct or indirect application of Section 186 Para. 3 (4) AktG on the grounds of other authorisations must also be taken into account. The relevant quoted price is deemed to be the average closing price of shares in the company on the XETRA trading platform of the Frankfurt Stock Exchange (or a comparable successor system) during the last five trading days prior to final fixing of the issue price by the Management Board;

bb) To preclude the subscription right of the shareholders up to a further proportion of the nominal capital totalling 10,700,613 euros (in words: ten million, seven hundred thousand, six hundred and thirteen euros) for the purpose of acquiring companies, or equity or participating interests in companies;

cc) And to preclude the subscription right of shareholders for fractional amounts.

Finally, the Management Board is authorised to specify further details for increases in capital from the authorised capital, with the consent of the Supervisory Board. The Supervisory Board is authorised to amend the statutes following complete or partial implementation of an increase in nominal capital in accordance with the amount of the capital increase from the authorised capital.

Repurchase of treasury shares

The authorisation granted to the company by resolution of the Annual General Meeting of 17 August 2010 in accordance with Section 71 Para. 1 No. 8 AktG to acquire treasury shares up to 16 August 2015 was replaced by the following authorisation resolution adopted by the Annual General Meeting on 26 June 2014.

a) The company is authorised to buy treasury shares ('msg life shares') up to a value of 10 per cent of the nominal capital at the time at which the resolution was adopted. At no time may the shares purchased on the basis of this authorisation and other shares in the company already acquired by the latter and still in its possession, or which are attributable to it under Section 71 et seq. AktG, represent more than 10 per cent of the nominal capital of the company. The company may not use this authorisation for the purpose of trading in its own shares.

The authorisation may be used in whole or in partial amounts to pursue one or more purposes, on one or more than one occasion, by the company, but also by its affiliated companies, or through third parties for its or their account, within the limits of the above restrictions. The authorisation to purchase treasury shares applies until the end of 25 June 2019. The limit applies to the time of purchase, but not to holding these shares beyond this time.

b) The shares of msg life must be acquired on the stock exchange or by means of a public purchase offer addressed to all the company's shareholders, at the discretion of the Management Board, subject to the following:

(1) If shares are acquired by purchase on the stock exchange, the price per share paid by the company (excluding ancillary purchasing costs) may not exceed or fall below the average closing price of an msg life share on the XETRA trading platform (or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the effective date by more than 10 per cent.

(2) If shares are acquired by means of a public purchase offer addressed to all the shareholders, the company will specify a purchase price or purchase price range per msg life share. Should a purchase price range be specified, the final price will be determined from the declarations of acceptance available. The offer may specify an acceptance period, conditions and the possibility of adjusting the purchase price range during the acceptance period, if significant price movements occur during the acceptance period, after publication of the offer. The volume of the offer may be restricted. Should the number of msg life shares tendered exceed the number of shares which the company intends to purchase, the shareholders' right to tender may be precluded insofar as the purchase is taking place in proportion to the number of msg life shares tendered. Provisions may be made for preferential acceptance of low numbers of up to 100 msg life shares per shareholder tendered for purchase and for commercial rounding. The purchase price or limits of the purchase price range offered for each msg life share (excluding ancillary purchasing costs) may not exceed or fall below the average closing price of an msg life share on the XETRA trading platform (or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the effective date by more than 10 per cent. The effective date is the date of the final decision by the Management Board to publish a purchase offer. Should the offer be adjusted, it will be replaced by the date of the final decision by the Management Board on adjustment.

The provisions of German legislation on the purchase of securities and acquisitions must be observed, should their application be mandatory.

c) The Management Board is authorised to use shares in the company which were acquired on the basis of this authorisation or one granted earlier or through universal succession for all legally permissible purposes and, in particular, to use them as follows:

(1) To offer them to third parties and to assign them to the latter in return for contributions in kind, with the consent of the Supervisory Board, within the scope of mergers, the acquisition of companies, parts of companies or holdings therein;

(2) To issue them, offer them for purchase and assign them to employees of the company or of companies affiliated to it within the meaning of Section 15 et seq. AktG;

(3) To use them to fulfil obligations arising from convertible bonds or warrant issues;

(4) To offer them for purchase in an offer directed at all shareholders, in compliance with the subscription right and the principle of equal treatment (Section 53a AktG), whereby a sale on the stock exchange satisfies these requirements;

(5) To sell them, with the consent of the Supervisory Board, other than on the stock exchange or by an offer to all shareholders, if the shares purchased for cash are sold at a price which is not significantly lower than the quoted price of an msg life share (net of the ancillary purchasing costs) on the date of sale; or

(6) To withdraw them from circulation without their withdrawal or its implementation requiring a further resolution of the Annual General Meeting.

d) Authorisations in accordance with c) may be used in whole or in partial amounts to pursue one or more purposes, individually or jointly.

e) The shareholders' right of subscription to treasury shares is precluded insofar as such shares are used in accordance with the above authorisations in accordance with c) (1), (2), (3) or (5). Moreover, the Management Board may, with the approval of the Supervisory Board, preclude the shareholders' subscription rights for fractional amounts within the scope of a sale offer in accordance with c) (4).

f) The authorisation to purchase treasury shares adopted by the Annual General Meeting on 17 August 2010 will expire when this new authorisation under a) to e) above becomes effective.

Significant agreements concluded by the parent company which are subject to the condition of a change of control resulting from a takeover bid

The company's statutes do not contain any provisions which might cause a delay or a postponement in, or even the prevention of a change in the control of the company. There are no agreements between msg life ag and third parties which are subject to the condition of a change of control resulting from a takeover bid, and which have the following effects either individually or in their entirety.

Compensation agreements concluded with the members of the Management Board or with employees in the event of a takeover bid

As at 31 December 2014, there were no agreements with the serving members of the Management Board or with employees on the subject of compensation or other payments by the company in the event of a takeover bid.

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 Para. 4 of the German Stock Corporation Act [AktG]) and liquidation proceeds (Section 271 AktG), as well as the right to subscribe for 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 discharge of the members of the Management Board and the Supervisory Board, alterations to the articles of incorporation, capital-raising measures, 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.

The Annual General Meeting generally passes its resolutions by simple majority of the votes cast, provided that there is no statutory requirement for a greater majority or the fulfilment of other conditions.

Composition of the Supervisory Board

As at the reporting date, the Supervisory Board according the company statutes consists of three members who are elected by the shareholders in accordance with the German Stock Corporation Act (AktG). The members of the Supervisory Board are elected for the period ending upon conclusion of the Annual General Meeting that decides on their discharge for the third financial year since their service on the Board began; the financial year in which the term of office began is not included in the calculation. The Annual General Meeting may, however, also resolve to give members a shorter period of office. Resolutions of the Supervisory Board – except for the adoption and amendment of the Supervisory Board's rules of procedure, which must be passed unanimously – require a majority of the votes cast, if nothing to the contrary is provided for by law. If the vote is tied – also in elections – the Chairman, or in his absence the Deputy Chairman, shall have the casting vote.

BASIC FEATURES OF THE REMUNERATION SYSTEM

Management Board's remuneration

Within the context of the Act on the Appropriateness of Management Board Remuneration (VorstAG), which came into force in 2009, and the German Corporate Governance Code, the Supervisory Board decided to introduce a new system of remuneration for members of the Management Board on 1 July 2010. The Annual General Meeting of 17 August 2010 adopted the new system. In this new system, the Group turnover and Group EBTA ('EBTA') were to be used as the control ratio for calculating the short-term (bonus) and long-term variable remuneration components (long-term incentive, LTI) for the Management Board. EBTA refers to earnings before income taxes plus amortisation of the intangible assets identified in the course of the merger of the former COR AG Financial Technologies and not recognised in the statement of financial position (software, contract portfolio, customer relationships).

The above notwithstanding, the Supervisory Board took Group EBT* ('EBT*') in addition to Group turnover as the control parameter for calculating the Management Board's short-term and long-term variable remuneration components for the 2011 financial year, Group EBITDA ('EBITDA') in addition to Group turnover for the 2012 financial year, Group EBITDA without the earnings contribution from plenum AG ('EBITDA without plenum') in addition to Group turnover excluding plenum AG's share of turnover for the 2013 financial year and Group EBITDA ('EBITDA') in addition to Group turnover for the 2014 financial year. EBT* refers to earnings before taxes before the profit shares of plenum AG and the former COR&FJA Metris GmbH, and the effect on earnings from the shares in B+S Banksysteme Aktiengesellschaft. EBITDA refers to the earnings before interest, taxes, depreciation of tangible assets and amortisation of intangible assets. EBITDA without plenum refers to the earnings before interest, taxes, depreciation of tangible assets and amortisation of intangible assets without the earnings contribution from the equity stake in plenum AG.

With regard to the system of remuneration, the Supervisory Board adheres to the stipulations of the VorstAG and the German Corporate Governance Code, and takes the total remuneration of the Management Board's members into account so as to reasonably reflect their responsibilities and performance as well as the Company's situation. The remuneration structure is geared to sustainable corporate development, which is why the long-term variable component of remuneration is founded on an assessment basis extending over several years. All variable remuneration components are subject to a cap, or to the possibility of a cap in the event of extraordinary developments.

The remuneration system for the Management Board includes a fixed salary and generally variable components. Members of the Management Board receive additional benefits in the form of a company car, telecommunications services and the refund of reasonable expenses. The members of the Management Board are also covered by accident insurance and by the D&O insurance policy concluded by the company. Ultimately, the company generally pays each of the Management Board's members 50 per cent of the respective maximum premiums for the statutory pension, unemployment, health-care and nursing care insurance and 100 per cent of the respective maximum premiums for voluntary membership of the employers' liability insurance association. The remuneration system does not include any other components, e.g. a company pension or benefits on termination of membership of the Management Board or a change in control of the company. The fixed salary is intended to account for about 70 per cent of total remuneration. The variable portion of remuneration consists of two components: an annual bonus (about 45 per cent of the variable portion of remuneration) and a long-term incentive (LTI) (about 55 per cent of the variable portion of remuneration).

For the employment contract of Dr Christian Hofer, the Chairman of the Management Board who occupied the Management Board position only for a transitional period, msg life had agreed on remuneration without any variable component. The company took the view that the agreement of variable remuneration components in this specific case would have no advantage in comparison to the agreement of purely fixed remuneration. In addition, Dr Christian Hofer received no allowances towards the statutory pension and unemployment insurance from msg life on grounds of age.

Short-term variable remuneration components

In the remuneration system, the annual bonus is linked to Group turnover ('turnover') and Group earnings (2010: Group EBTA; 2011: Group EBT*; 2012: Group EBITDA; 2013: Group EBITDA without plenum; 2014: Group EBITDA). The annual short-term variable remuneration components for the Management Board's members are determined by the extent to which the Group turnover target and the Group earnings target agreed with the respective Management Board members at the beginning of each and every financial year has been achieved. The short-term variable remuneration is between 0 and 200 per cent of the short-term variable salary component agreed for a target attainment of 100 per cent in relation to both the Group turnover and the Group earnings. The short-term variable bonus is payable immediately after adoption of the annual financial statements and, if the respective appointment is terminated during the year, is granted in proportion to its length.

LTI as long-term variable remuneration component

In the remuneration model, the LTI is a long-term, performance-based plan. The plan's assessment basis consists of Group turnover and average Group earnings (2010: Group EBTA; 2011: Group EBT*; 2012: Group EBITDA; 2013: Group EBITDA without plenum; 2014: Group EBITDA) over a period of three years. The LTI is granted in tranches which revolve annually, with each tranche having a term of three years. The long-term variable remuneration is between 0 and 200 per cent of the long-term salary component agreed for a target attainment of 100 per cent in relation to both Group turnover and Group earnings. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statements for the third financial year of the performance period are adopted. An advance payment of 50 per cent of the respective basic amounts is made at the end of the month in which the consolidated financial statements for the first or second financial year respectively of the performance period is adopted. If the advance payments exceed the amount payable for the performance period, the difference must be refunded immediately. If the appointment is terminated during one or more performance periods, the LTI will be granted pro rata.

With the exception of Dr Christian Hofer's contract of employment, which has already been explained, the contracts of employment for the serving members of the Management Board in the reporting year 2014 all corresponded in other respects to the remuneration described above.

Supervisory Board remuneration

The currently valid remuneration rules for the Supervisory Board were adopted by both Annual General Meetings on 28 July 2009 and on 17 August 2010.

Each member of the Supervisory Board receives fixed remuneration of 16,000 euros per financial year.

As well as their fixed remuneration, each member of the Supervisory Board receives annual variable remuneration amounting to 0.25 per cent of the earnings before income taxes reported in the consolidated financial statements approved by the Supervisory Board and prepared in accordance with international accounting standards (IFRS) plus the amount pertaining to amortisation of the intangible assets identified in the course of the merger of the former COR AG Financial Technologies with the company, but which are not recognised in the statement of financial position (software, contract portfolio, customer relationships) ('EBTA'). Variable remuneration lapses when the consolidated financial statements record no positive EBTA.

The Chairman receives double, and the Deputy Chairman one and a half times, the fixed and variable remuneration described above.

The total of the agreed fixed and variable remuneration components for each member of the Supervisory Board is limited to 32,000 euros per financial year. For the Chairman of the Supervisory Board this sum amounts to 64,000 euros, and for the Deputy Chairman to 48,000 euros per financial year.

If Supervisory Board committees are formed, each member of the Supervisory Board is given 1,000 euros for every committee meeting of the Supervisory Board that the member attends in addition to the agreed fixed and variable remuneration, which is limited by statute; this, however, is limited to a maximum of 5,000 euros per financial year. Compensation for expenses incurred in holding a Supervisory Board position are also reimbursed. Members of the Supervisory Board are reimbursed with turnover tax paid on remuneration.

INFORMATION ON THE GERMAN DISCLOSURE OF BOARD REMUNERATION ACT (VORSTOG)

The remuneration of the Management Board active in the 2014 financial year was 1.732 million euros (2013: 2.441 million euros). The remuneration was allocated as follows:

	31/12/2014	31/12/2013
	Thousand euros	*Thousand euros*
Short-term remuneration	932	1,161
Remuneration arising from the termination of employment relationship	800	1.280
Advance on LTI	0	0
Total	**1,732**	**2,441**

Remuneration for former members of the Management Board in 2014 amounted to 82,000 euros (previous year: 58,000 euros).

Payments arising from the termination of employment relationships in 2014 amounted to 800,000 euros (previous year: 1.280 million euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 312,000 euros on 31 December 2014 (previous year: 326,000 euros).

Details of the remuneration of the Management Board in 2014 in line with the requirements of the German Corporate Governance Code

The following tables display the allowances granted for the financial year, the accruals in/for the reporting year and the pension-related expenses in/for the reporting year for each member of the Management Board in line with the recommendations of Clause 4.2.5 paragraph 1 of the German Corporate Governance Code.

The sum of allowances granted in the 2013 financial year consists of the fixed remuneration in 2013, taxable non-cash benefits and other fringe benefits in 2013, the short-term variable remuneration for 2013 disbursed in 2014 given 100% target achievement, the long-term variable remuneration for 2011 – 2013 disbursed in 2014 given 100% target achievement and pension-related expenses in 2013.

The sum of allowances granted in the 2014 financial year consists of the fixed remuneration in 2014, taxable non-cash benefits and other fringe benefits in 2014, the short-term variable remuneration for 2014 disbursed in 2015 given 100% target achievement, the long-term variable remuneration for 2012 – 2014 disbursed in 2015 given 100% target achievement and pension-related expenses in 2014.

Allowances granted in euros	**Rolf Zielke Spokesperson for the Management Board (from 1 July 2014)** *01/01/2014 – 31/12/2014*			
	2013	**2014**	**2014 (min)[1]**	**2014 (max)[2]**
Fixed remuneration	280,000.00	280,000.00	280,000.00	280,000.00
Fringe benefits	44,155.84	24,471.00	24,471.00	24,471.00
Sum 1	**324,155.84**	**304,471.00**	**304,471.00**	**304,471.00**
Annual variable remuneration	54,000.00[3]	54,000.00[3]	0.00	108,000.00
Variable remuneration over several years (planned term of 3 years)	66,000.00[3]	66,000.00[3]	0.00	132,000.00
Sum 2	**444,155.84**	**424,471.00**	**304,471.00**	**544,471.00**
Pension-related expenses	1,742.48	1,742.48	1,742.48	1,742.48
Total remuneration	**445,898.32**	**426,213.48**	**306,213.48**	**546,213.48**

Allowances granted in euros	**Bernhard Achter Member of the Management Board** *from 01/01/2014 – 31/12/2014*			
	2013	**2014**	**2014 (min)[1]**	**2014 (max)[2]**
Fixed remuneration	0.00	200,000.00	200,000.00	200,000.00
Fringe benefits	0.00	17,653.12	17,653.12	17,653.12
Sum 1	**0.00**	**217,653.12**	**217,653.12**	**217,653.12**
Annual variable remuneration	0.00	45,000.00[3]	22,500.00	90,000.00
Variable remuneration over several years (planned term of 3 years)	0.00	55,000.00[3]	27,500.00	110,000.00
Sum 2	**0.00**	**317,653.12**	**267,653.12**	**417,653.12**
Pension-related expenses	0.00	0.00	0.00	0.00
Total remuneration	**0.00**	**317,653.12**	**267,653.12**	**417,653.12**

Allowances granted in euros	Dr Christian Hofer Chairman of the Management Board *01/01/2014 – 30/06/2014 (departure)*			
	2013	2014	2014 (min)[1]	2014 (max)[2]
Fixed remuneration	392,000.00	232,000.00	232,000.00	232,000.00
Fringe benefits	10,250.56	7,356.51	7,356.51	7,356.51
Sum 1	**402,250.56**	**239,356.51**	**239,356.51**	**239,356.51**
Annual variable remuneration	0.00	0.00	0.00	0.00
Variable remuneration over several years (planned term of 3 years)	0.00	0.00	0.00	0.00
Sum 2	**402,250.56**	**239,356.51**	**239,356.51**	**239,356.51**
Pension-related expenses	0.00	0.00	0.00	0.00
Total remuneration	**402,250.56**	**239,356.51**	**239,356.51**	**239,356.51**

Allowances granted in euros	Volker Weimer Member of the Management Board *01/01/2014 – 28/02/2014 (departure)*			
	2013	2014	2014 (min)[1]	2014 (max)[2]
Fixed remuneration	280,000.00	46,746.66	46,746.66	46,746.66
Fringe benefits	29,891.52	4,956.26	4,956.26	4,956.26
Sum 1	**309,891.52**	**51,702.92**	**51,702.92**	**51,702.92**
Annual variable remuneration	54,000.00[3]	0.00	0.00	0.00
Variable remuneration over several years (planned term of 3 years)	66,000.00[3]	0.00	0.00	0.00
Sum 2	**429,891.52**	**51,702.92**	**51,702.92**	**51,702.92**
Pension-related expenses	0.00	0.00	0.00	0.00
Total remuneration	**429,891.52**	**51,702.92**	**51,702.92**	**51,702.92**

[1] attainable minimum value of the remuneration component awarded in the financial year
[2] attainable maximum value of the remuneration component awarded in the financial year
[3] with 100% target achievement

The sum of accruals in the 2013 financial year consists of the fixed remuneration in 2013, taxable non-cash benefits and other fringe benefits in 2013, the short-term variable remuneration for 2013 disbursed in 2014, the long-term variable remuneration for 2011 – 2013 disbursed in 2014 and pension-related expenses in 2013.

The sum of accruals in the 2014 financial year consists of the fixed remuneration in 2014, taxable non-cash benefits and other fringe benefits in 2014, the short-term variable remuneration for 2014 disbursed in 2015, the long-term variable remuneration for 2012 – 2014 disbursed in 2015 and pension-related expenses in 2014.

Accruals in euros	Rolf Zielke Spokesperson for the Management Board (from 1 July 2014) 01/01/2014 – 31/12/2014		Bernhard Achter Member of the Management Board from 01/01/2014 – 31/12/2014	
	2013	**2014**	**2013**	**2014**
Fixed remuneration	280,000.00	280,000.00	0.00	200,000.00
Fringe benefits	44,155.84	24,471.00	0.00	17,653.12
Sum 1	**324,155.84**	**304,471.00**	**0.00**	**217,653.12**
Annual variable remuneration	0.00	0.00	0.00	0.00
Variable remuneration over several years (planned term of 3 years)	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Sum 2	**324,155.84**	**304,471.00**	**0.00**	**217,653.12**
Pension-related expenses	1,742.48	1.742.48	0.00	0.00
Total remuneration	**325,898.32**	**306,213.48**	**0.00**	**217,653.12**

Accruals in euros	Dr Christian Hofer Chairman of the Management Board 01/01/2014 – 30/06/2014 (departure)		Volker Weimer Member of the Management Board 01/01/2014 – 28/02/2014 (departure)	
	2013	**2014**	**2013**	**2014**
Fixed remuneration	392,000.00	232,000.00	280,000.00	46,746.66
Fringe benefits	10,250.56	7,356.51	29,891.52	4,956.26
Sum 1	**402,250.56**	**239,356.51**	**309,891.52**	**51,702.92**
Annual variable remuneration	0.00	0.00	0.00	15,244.00
Variable remuneration over several years (planned term of 3 years)	0.00	0.00	0.00	60,969.00
Miscellaneous	0.00	0.00	0.00	-66,000.00
Sum 2	**402,250.56**	**239,356.51**	**309,891.52**	**61,915.92**
Pension-related expenses	0.00	0.00	0.00	0.00
Total remuneration	**402,250.56**	**239,356.51**	**309,891.52**	**61,915.92**

The main content of the benefit arrangements for pension schemes, incapacity provision and provision for dependants, which were approved for the former members of the Management Board, Michael Junker and Prof. Manfred Feilmeier, in the event of the termination of their activity, are as follows:

— Both men will receive a pension for life when they reach the age of 65 or in the case of occupational disability within the meaning of

— Section 23 of the German Employee Insurance Act (AnVG), or if they leave the company before the age of 65 due to the termination or non-renewal of their contracts by the company.

— The monthly pension amounts to 2,556.46 euros after the fulfilment of four years of employment. This is adjusted – also in the case of payment beginning before retirement – proportionally in line with the basic salary of a civil servant in Bavaria in the A 13 pension benefits group at the highest seniority level.

— Their lawful wedded spouse at the time of their demise will receive a widow's pension for life, amounting to 25 per cent of the pension. The widow's pension will be terminated in the event of remarriage.

— Both men are entitled, in the case of payment due to attainment of pension age, to request a single capital payment of the sum of the converted present value of the pension commitment instead of a pension, as long as this request is communicated at least three years in advance.

In this case, all claims under this direct commitment will lapse.

— If they leave the company before payment begins, the pension entitlement earned will be maintained. It will be calculated according to the share of the pension compensation that corresponds to the length of employment with the company from the time of taking up employment with the company to reaching the prescribed pension age, i.e. the age of 65.

EVENTS AFTER THE REPORTING PERIOD

Disclosure of particularly significant transactions

Following the end of the reporting period (31 December 2014), the following transactions of particular significance took place:

Following the acquisition of shares in B+S Banksysteme Aktiengesellschaft in the 2010 financial year, msg life ag concluded a recollateralisation in favour of the former holder of the shares in B+S Banksysteme Aktiengesellschaft in order to release it from its obligations towards the creditors of B+S Banksysteme Aktiengesellschaft. In this context, the Group company msg life Austria Ges.m.b.H. was the defendant at the District Court of Munich as part of a declaratory procedure. Shortly after the end of the reporting period, in a significant moment for the company the court fully rejected the lawsuit after it concluded that msg life Austria Ges.m.b.H. was only obliged to hold negotiations with the banks and not to provide collateral; this obligation has also been fulfilled. Furthermore, the court concluded that, as before, the company was obliged to indemnify the former holder of the shares in B+S Banksysteme Aktiengesellschaft. Considering the positive economic forecast for the market environment of B+S Banksysteme Aktiengesellschaft, it is currently unlikely that the company will be sued on the grounds of the guarantee.

As at the reporting date, the company had a long-term loan of 4 million euros to repay to the main shareholder msg systems ag. This was repaid early in full in the first quarter of 2015.

Furthermore, no significant events occurred between the balance sheet date and the preparation of this report.

OPPORTUNITY AND RISK REPORT

General

All of the following estimations as to opportunities and risks were made on the balance sheet date, 31 December 2014.

In the type of business it conducts, the msg life Group is exposed to a large number of uncertainties which, if realised, could affect the Group's earnings, financial and assets position, and that of COR&FJA AG, 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.

Engagement in commercial activities geared towards making profits necessitates the taking of risks. If these risks are to bring sustained commercial success, it is important to manage them. This means firstly assessing and continually monitoring the risks with regard to their probability of occurrence and their possible impact on the company's earnings, financial and assets position. Secondly, it means identifying measures that can be used to limit or avert risks and, with regard to the company's core skills, determining the financial strength and the costs of the respective measures based on the question of what limiting or preventive measures are taken for what risks and to what extent.

Among the Board of Management's most important tasks in the overall management of the Group are to lay down general conditions and processes of risk management for the msg life Group, to monitor the degree of compliance with them and, in conjunction with the heads of the operating units and the administrative departments, to analyse regularly the development of risks in the respective segments. The Supervisory Board is closely integrated into this process by the Board of Management's regular reports.

The risk management system at the msg life Group and the risk profiles of the individual divisions are documented in a risk manual. One employee in the holding company's Corporate Planning & Controlling division has been appointed risk manager of the

Group and thereby entrusted with submitting the prevailing risk management system to regular internal evaluation and documenting this process. The risk manager also has the task, under instructions from the Management Board, of analysing each division by means of random sampling to determine the extent to which the measures adopted are being implemented for the limitation or prevention of risks.

It is the responsibility of the managers of the individual divisions to continuously monitor and deal with the risks to which their own divisions are exposed. If the probability of individual risks occurring and/or their potential scale increases significantly beyond a set threshold, the managers are obliged to inform the Management Board immediately. 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 controlling and reporting system with which reports are compiled at monthly intervals about the development of significant ratios relating to the business operations in the individual divisions and the financial results, as well as the likely commercial and financial development in each of the next twelve months.

In order to improve the early risk detection system at msg life ag, it is currently – starting in the 2014 financial year and involving all Group companies – being revised and restructured. The new Risk Board was formed in the reporting period; it consists of the Management and Supervisory Boards and is expected to convene on a quarterly basis at the very least. Likewise, in 2014 the Risk Board carried out a thorough risk assessment followed by a qualitative and quantitative appraisal and began revising the risk manual; the latter should be complete within the first half of 2015 and the various heads of department will then be retrained. Additionally, the company plans to integrate its internal auditing into the early risk detection system.

Another important topic in this context was the introduction of a code of conduct in the 2014 financial year. More information on this code of conduct can be found in the description of the non-financial performance indicators in the section of this condensed management report and group management report entitled 'Economic report'.

In 2014, the msg life Group's profile did not change a great deal 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 regards the continuation of regulation throughout the insurance sector as a direct consequence of the ongoing financial crisis. This regulation is necessitating a great deal of adaptation with regard to the solutions currently used in the insurance sector and is reinforcing the trend towards the use of standard software. As a result, the use of flexible and favourably priced standard software, such as that offered by msg life as a leading supplier in this segment, throughout the insurance industry is becoming increasingly attractive.

Product- and service-specific opportunities

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.

msg life's employees, moreover, are crucial to the company's innovative power and the customers' added value – and are therefore instrumental in the growth and profitability of the msg life Group as a whole. That is why msg life stages a variety of activities to strengthen the employees' commitment and teamwork and to foster innovative energy. If msg life is to be capable of maintaining its own innovative power and lasting commercial success in the future as well, the company will have to not only generate the greatest possible degree of loyalty from its staff, but also attract qualified new employees on a continuous basis. msg life would also like to open up new talent pools by making increasing use of mobile channels and by devising innovative talent management strategies. 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 business segments.

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.

As far as the impacts of the crises on the financial markets and in the eurozone are concerned, it is important to monitor the possible effects on msg life's business closely to ensure that we can respond to new developments quickly if the need arises.

In the event of demand falling as a consequence of economic crises, msg life would assume 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.

The fundamental risk that, following economic crises, parts of msg life's potential customers' budgets might be put on hold is offset by the new potential opened up for a standard software supplier such as msg life by stricter regulatory demands and increasing cost pressure. Pressure on costs in the selling market caused by the general economic situation encourages consolidation and automation trends, which can lead to increasing demand for external system suppliers.

Competition risks

In the 2014 financial year, msg life streamlined its own range of services by selling its Banking segment. This will lead to a concentration and therefore an increase in market development risks. On the other hand, the company's earning power will increase as a result. msg life will therefore attempt to persevere with its existing strategy, including in its remaining 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. The embedding of the msg life product range into msg.Insurance Suite and the related collaboration and coordination taking place within the msg Group are an important instrument in this context.

Risks arising from the statutory regulation of the market

Population trends and retirement pensions are among the most important problems facing society at the present time, and as a result they are among the most important spheres of activity for financial policy. To these can be added the implications of the crises on the financial markets and in the eurozone. msg life's main area of commercial activity is therefore subject to permanent statutory regulation. This means that a constant stream of new financial products must be implemented using software, but there are no guarantees whatsoever of their medium-term survival in terms of prevailing tax policy. For this reason, msg life repeatedly has to carry out adaptation and enhancement work on its software products.

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 valid Group-wide standards for project and project risk management. 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.

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. The liability obligations are, as far as possible, limited contractually to the legal minimum and secured with appropriate third-party liability insurance policies. It can nevertheless not be ruled out that contractually agreed limitations on liability will be regarded as invalid and the available insurance cover will be available to an insufficient extent or not at all – even if this is improbable. This applies in particular to the US market.

The msg life Group also uses software from external suppliers in its own software products. This third-party software can contain defects that might have an adverse effect on the functional capability of the msg life Group's own products. Problems in the execution of projects and software defects that can occur in the operation of software produced by msg life can do lasting damage to the reputation of the msg life Group and thereby have a substantial impact on the future course of business.

Personnel risks

msg life's success depends crucially on the skills, qualifications and motivation of its employees. Some of these employees in key positions play a particularly significant role. If msg life is unable to get these employees to commit themselves to the company or to recruit qualified and skilled staff and develop them further on a continuous basis, msg life's success can suffer significant adverse effects due to the resultant loss of know-how and expertise. An excessive burden on the company's own staff, moreover, can necessitate the deployment of expensive external capacities if the risk of quality losses in project development is to be averted. This applies particularly when the likely demographic trends are taken into consideration. In connection with this, msg life will be affected particularly by the probable decline in graduate numbers, the resultant competition to recruit them and the increasing costs to which this will lead.

msg life is countering 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 employee 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 the executive staff are designed to strengthen the employees' identification with the company.

Technological risks

As with all comparable companies, the functional capacity of the business processes is also dependent on the availability and secure operational capacity of the IT infrastructure. External events, for example fire, lengthy power or network failures, operational errors or acts of sabotage, among other things, can also render the IT infrastructure inoperable. Our systems, and also those of our 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 eavesdrop on confidential data and information. The probability and the extent of damage caused by viruses and hackers, by unauthorised persons accessing the IT system and by eavesdropping on confidential information cannot be reliably estimated.

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 continued existence 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 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 without authorisation on the msg life computer network. Defined security requirements limit access by unauthorised persons and ensure that data are protected. Financial loss is limited by appropriate insurance policies.

Risks from takeovers

msg life is currently interested in expanding its market position in Germany and internationally primarily through organic growth. If this is again to be supported by selective acquisitions in the future, the success of these will depend on whether the Group can integrate such acquired companies into its overall structure and achieve the synergies it desires. In the field of professional services, acquisitions bring with them the particular risk that, in the main, the expertise, market knowledge and customer contacts acquired are only loosely tied to the acquired company.

Liquidity risks

Managing the 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. The payment obligations consist of interest and redemption payments, among other things. The 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 both losses from borrowing capital at excessive interest rates and the investment of surplus funds at interest rates below the market level should be avoided.

Because of the company's large 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.

In 2013, msg systems ag concluded a loan agreement with msg life ag for a credit line of 10 million euros with a term ending in June 2016. On the balance sheet date there were still 4 million euros of the loan outstanding, which was then repaid in full in the first quarter of 2015 – after the end of the reporting period.

The financing strategy was revised in the reporting period. In this context, msg life took out credit lines with two banks amounting to 7.5 million euros and 5.0 million euros respectively; neither of the credit lines had been used as at the balance sheet date.

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 counter-measures.

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; foreign exchange risks resulting from its activities in different currency areas; default risks arising from the non-fulfilment of contractual obligations by contracting parties; interest rate risks whereby movements in the market interest rate lead 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.

Among the Board of Management's most important tasks in the overall management of the Group are to lay down general conditions and processes of risk management for the msg life Group, to monitor the degree of compliance with them and, in conjunction with the heads of the operating units and the administrative departments, to analyse regularly the development of risks in the respective segments. The Supervisory Board is closely integrated into this process by the Board of Management's regular reports.

The risk management system at the msg life Group and the risk profiles of the individual divisions are documented in a risk manual. One employee in the holding company's financial division has been appointed risk officer of the Group and thereby entrusted with submitting the prevailing risk management system to regular internal evaluation and documenting this process. The risk officer also has the task, under instructions from the Management Board, of analysing each division by random sampling to determine the extent to which the measures adopted are being implemented for the limitation or prevention of risks.

It is the responsibility of the managers of the individual divisions to continuously monitor and deal with the risks to which their own divisions are exposed. If the probability of individual risks occurring and/or their potential scale increases significantly beyond a set threshold, the managers are obliged to inform the Management Board immediately. 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 controlling and reporting system with which reports are compiled at monthly intervals about the development of significant ratios relating to the business operations in the individual divisions and the financial results, as well as the likely commercial and financial development in each of the next twelve months.

CREDIT RISKS (DEFAULT RISKS):

Credit risk arises from deteriorating economic circumstances of the company's debtors or counterparties. This results firstly in a risk of partial or complete default on contractually agreed payments, and secondly a reduction in the value of financial instruments due to a poorer credit record.

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 credit-standing analysis.

In terms of credit risk, the group is only exposed to risk in relation to trade receivables. Adequate value adjustments have been made to cover the estimated default risk. As the credit standing 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 minus value adjustments. There is no other loan collateral and there are no other risk-mitigating agreements (such as guarantees, land charges or pledges) in place. Usage reservations exist until payment is complete. For invoiced receivables, the net balance of additions to and reversals of value adjustments was 0 euros (previous year: 218,000 euros). On each cut-off date, trade receivables do not include any book values 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, we refer to 'VII. Notes on the statement of financial position, 3. Trade receivables'.

There are no default risks in relation to cash and cash equivalents. These are invested with banks with good ratings.

There are no significant default risks in relation to the other financial assets.

LIQUIDITY RISKS:

Managing the 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 face risks from fluctuations in cash flow. The payment obligations consist of interest and redemption payments, among other things. The 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 both losses from borrowing capital at excessive interest rates and the investment of surplus funds at interest rates below the market level should be avoided.

Due to its relatively high level of cash and cash equivalents, msg life ag currently regards its liquidity risk as low. The msg life Group has sufficient liquid funds to service its financial liabilities. In the previous year, one of the principal bankers that had hitherto played a financing role was replaced by msg systems ag; the contract in question, for a credit line of 10 million euros, is of a long-term nature with a term to the end of June 2016. As at 31 December 2014, 4 million euros of this loan were still outstanding.

Furthermore, there are presently general credit lines with principal banks amounting to 12.5 million euros, which as at the balance sheet date was utilised to the extent of 0 euros.

In the 2014 financial year, no income from debt waivers was realised (previous year: 256,000 euros).

MARKET RISKS:

Market risks result from changes in market prices. These cause the value attached to financial instruments or future payment flows from them to fluctuate. Market risks encompass interest rate, exchange rate and other price risks (such as commodity prices and equity prices).

PRICE RISK:

The msg life Group is not exposed to any price risks.

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. If all other parameters had remained unchanged, the company assumes that, in the year under review, interest rates would have been 10 basis points lower (higher). In this case, the net profit for 2014 would have been 2,000 euros lower (higher) (in the previous year, 15,000 euros lower (higher)) and the equity components would have been 2,000 euros lower (higher) (in the previous year, 15,000 euros lower (higher)).

Some of the (interest-bearing) financial liabilities have variable interest rates. The company is exposed to interest rate risks for these financial liabilities. On condition that all other parameters remained unchanged, the company assumes that interest rates were 10 base points higher (lower) in the reporting period. In this case, the net result for 2014 would have been 4,000 euros lower (higher) (in the previous year 3,000 euros lower (higher)) and the equity components would have been 4,000 euros lower (higher) (in the previous year 3,000 euros lower (higher)).

FOREIGN EXCHANGE RISKS:

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is not exposed to any significant foreign exchange risks in its operating business. 77 per cent (previous year: 86 per cent) of its revenues are generated in eurozone countries, and the remainder in Switzerland, the USA, Great Britain and Australia. The foreign exchange risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 18 per cent (previous year: 11 per cent). In the case of trade accounts payable, foreign exchange risks occur in relation to the 11 per cent (previous year: 3 per cent) of accounts payable not denominated in euros. No other items of the statement of financial position are affected by foreign exchange risks.

INFORMATION ON RISK CONCENTRATION ('CLUSTER RISKS'):

The company does not have any dependencies on the procurement side. On the sales side, there tend to be concentrations of risk due to the geographic distribution of turnover. Germany accounts for a 73.4 per cent (previous year: 82.7 per cent) share of turnover.

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers account for a 56.5 per cent share of turnover (previous year: 36 per cent) and a 63.3 per cent share of trade receivables (previous year: 45 per cent).

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

As at the reporting date, the individual group company had no more financial investments. In the previous year, the individual group company held shares in B+S Banksysteme Aktiengesellschaft, Munich, with a fair value of 296,000 euros (the stock market price). These shares were sold for 323,000 euros in 2014.

Overall assessment of the opportunities and risks

msg life believes that, in the 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. The senior management remains confident that the Group's earning power constitutes a solid basis for the future development of our 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 staff and its processes for the early identification of risks, msg life is confident that in 2015 it will again be able to deal successfully with the challenges that arise from the aforementioned risks.

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB) AND THE CORPORATE GOVERNANCE REPORT

The declaration on corporate governance pursuant to Section 289a HGB contains the statement of compliance, disclosures on corporate management practices and the description of the working methods of the Management Board and the Supervisory Board. In making this declaration, msg life is pursuing the goal of presenting its corporate governance clearly and concisely. The declaration is available on the msg life website at http://www.msg-life.com/en/company/investor-relations/corporate-governance. In connection with its declaration on corporate governance pursuant to Section 289a HGB, msg life also publishes its corporate governance report which is available on the msg life website at http://www.msg-life.com/en/company/investor-relations/corporate-governance.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RESPECT OF THE ACCOUNTING PROCESS AND GROUP ACCOUNTING PROCESS

msg life ag has an internal control system and a risk management system – also in respect of the accounting-related processes and all the risks and controls related to accounting.

Basically, the internal control system and the risk management system at msg life ag also encompass the accounting-related processes and all the risks and controls related to accounting. This refers to all parts of the internal control and risk management systems which can materially influence the annual financial statements and the consolidated financial statements.

With regard to the accounting process, the objective of the risk management system is to identify and assess risks which can impede the intended compliance of the annual financial statements and consolidated financial statements with the relevant regulations. Any risks which have been identified must be assessed for their influence on the annual financial statement and the consolidated financial statement, with external specialists being consulted. In this context, the objective of the internal control system is to guarantee securely by setting up appropriate controls that an annual financial statement and a consolidated financial statement are being prepared in compliance with the regulations despite the risks identified.

The internal control system and the risk management system encompass all the subsidiaries which are of material significance to the annual financial statements and consolidated financial statements, and all of the processes which are relevant to the preparation of those statements. The controls which are relevant to the preparation of the accounts are geared particularly towards risks arising from significant misstatements in the financial reporting. The assessment of the significance of misstatements is based on the likelihood of their occurrence and their possible financial impact on turnover, EBIT or the balance sheet total.

The msg life Group has a clear management and corporate structure in which key cross-departmental functions are controlled in a centralised fashion via the company. The most important elements in risk management and control in financial accounting are the clear allocation of responsibilities and controls when preparing the financial statements, transparent specifications by way of guidelines for balance sheet accounting and the preparation of financial statements, appropriate access regulations for all electronic data processing systems relevant to the financial statements, and the clear regulation of areas of responsibility when external specialists are brought in. Peer review and the separation of functions, too, are important control principles in the accounting process. An adequate guideline system (e.g. Group manual, payment guidelines, travel expenses guidelines, etc.) has been set up and is updated continuously. The departments and divisions involved in the accounting process are adequately equipped, both qualitatively and quantitatively.

The identified risks and appropriate measures taken are updated as part of the monthly report to the risk manager and reported to the msg life Group's management. In relation to the processes with relevance for accounting, the auditor, too, carries out an assessment as part of his auditing activities.

The auditor is also obliged, as part of the financial statements auditing process, to inform the Supervisory Board about risks or monitoring weaknesses relevant to accounting and about other significant weaknesses in the internal control system and the risk management system in respect of the accounting process which were identified within the framework of the auditing activities.

FORECAST REPORT

Market and competition

With around 900 employees at sites in Germany, the Netherlands, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal and the USA, msg life is now well-positioned in the field of software and consulting services for insurance companies and pension fund institutions. The wide range of insurance companies in Europe and health-care, non-life and life insurance companies in the USA is providing the company with good market opportunities and a strong competitive position.

In the medium term, msg life is striving to expand gradually the proportion of its business accounted for by international activities – even though it is currently refraining from setting itself a quantitative target in this respect. As well as enjoying a leading market position in the German-speaking countries, msg life's software is deployed worldwide. Users in more than 30 countries, including the USA and Australia, are already using the company's solutions. In this strategic undertaking, msg life puts its faith in collaborations, partnerships and a local presence in the countries in question. Experience shows that the selective presence of msg life on the respective foreign markets is a substantial success factor when it comes to winning over new customers in the future. In addition, the company can discern a trend in which Group companies want to put the solutions implemented for one region at the disposal of other Group companies in other countries. This, too, can advance the ongoing internationalisation of msg life as a service provider for its customers. As in 2014, the objective in the current financial year is to press ahead with major sales projects, especially in the foreign markets that are already established.

Benelux remains a relevant market in this context and msg life already provides support for several renowned customers there including the Dutch company Cooperatie DELA and R+V Luxembourg.

The Austrian market is another important building block in the Group's international activities, and it is from Vienna that the placement and further development of the consulting portfolio for the German-language markets, as well as the selling and marketing of numerous msg life products, especially in the countries of Central and Eastern Europe, is carried out. On the Swiss market, too, msg life is represented with its own offices and on the premises of several well-known life insurers and can see good medium-term prospects for the further expansion of its business.

msg life has a direct presence in the markets of Central and Eastern Europe with its two subsidiaries in Slovakia and Slovenia, as well as its offices in Poland and the Czech Republic. The Iberian Peninsula remains an interesting market in the medium term and msg life cultivates it through its Portuguese branch. msg will also continue to use its office in Portugal as a successful product development unit.

For the ever-high-potential US market, msg life intends to deploy a localised version of its own European product portfolio with more precision there in order to supplement its US products. The long-term, highly comprehensive reform of the country's health system and the general economic upturn continue to offer additional business potential for the company. The range of services offered by msg life in the USA now encompasses not only software products but also operator models and functional consulting services on all aspects of product and tariff structuring as well as process optimisation – across segment boundaries for health-care, non-life and life insurance companies and for new customer groups such as collaborations of providers and risk bearers. In 2015, msg life aims to gradually introduce its life insurance solutions and products to the USA, where it generated turnover in excess of 20 million euros for the first time in 2014 and significantly consolidated its position on the health insurance market. The majority stake in Tindall Associates (TAI) in the USA held by msg global solutions ag will grant msg life access to around 100 life insurers there and demonstrate the opportunities that can arise from the deeper integration of msg life in the msg Group.

With the previous 2014 financial year having been good overall, msg life is still registering consistent levels of demand for its products in the current 2015 financial year, i.e. from insurance companies in Germany and other countries in equal measure. This is accompanied by the planned new requirements in relation to risk management, under the theme of solvency, and the necessity of their implementation as further arguments for strategic investments in the IT of msg life's customers. In this context, msg life also expects to see continuous further regulation throughout the insurance industry as a direct consequence of the past financial crisis. This regulation is necessitating major adjustments to the solutions currently in use and steadily accelerating the trend towards the use of standard software. This means that the use of versatile, cost-effective standard software is remaining highly attractive throughout the insurance industry.

This year, and most probably in the years to come as well, the German market is going to remain extremely challenging as a result of numerous legal amendments, the condition of the financial markets and the concomitant product implementations for all insurance companies. The trend towards internationalisation and consolidation is continuing, and given the efforts to reduce costs and increase efficiency that can be observed everywhere within insurance companies, the correlation between modern and flexible IT on the one hand and corporate success on the other is becoming more and more significant.

Despite these 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. Many insurers are working to enhance their existing products and/or develop new, innovative ones in order to overcome the imminent challenges. This now applies to all existing product groups, all control layers and all legal forms. The starting situations for the companies and the pressures on them to innovate are highly diverse and are consequently bringing about a variety of innovations:

Within the classical capital-accumulation products, modifications of the guarantees are dominant, for example through the use of current calculation principles or by dispensing with the annual interest guarantee. With the biometric products, too, there is a great deal of action on the market. Hybrids, especially dynamic hybrid products, have almost become the standard now, and there is a continuous flow of innovative products in addition to them. One new development comprises products which allow investment in funds but also the purchasing of options on the basis of traditional basic cover. Larger insurance companies, moreover, are following completely new paths by offering old-age provision products with capital guarantees on the basis of fund-linked approaches with investment guarantees.

The establishment of service-oriented architectures (SOA) designed to quickly support modified business models and provide high system versatility for the rapid introduction of innovative products are factors crucial to the success of insurance companies given the current challenges. Another trend at mainly large insurance companies is the selective acquisition of closed insurance contract portfolios that are no longer available for sale ('run-off' portfolios) from mainly smaller insurance companies with the aim of generating appreciable economies of scale.

The accelerating digital transformation of our society and economy poses a number of challenges for insurers, and the digitisation process is one of the most significant drivers of innovation in the sector. The subjects of customer centring, individualisation, industrialisation, automation, analytics and data effectiveness, standardisation and integration are at the heart of the digitisation trend.

However, the opportunities it provides – be they to make insurance products and services available on new channels or integrate them into new sales and cooperation platforms – also require extensive changes to the IT landscapes of insurers. msg life will pay more attention to the digitisation trend than ever before when we develop our products and services. Even now, msg life has a wide range of SaaS and cloud-based solutions to help its customers overcome these challenges, thanks in no small part to its strategic collaboration with IBM.

On the basis of these developments, msg life is anticipating that insurance companies will show a general interest in the software and consulting solutions it will be offering in 2015.

Further development of products and services

As well as cultivating existing customers and acquiring new ones, msg life is pressing ahead with the technical and functional optimisation and completion of its broad product range in the Life Insurance and Pensions segments. Having made major investments in the creation of new product offerings in other segments that could not be positioned successfully on the market in the past, msg life will be able to keep its investment expenditure and therefore also the costs of freelance employees at a normal level for a software company in 2015, just like in the 2014 financial year.

The current integration of msg.Life Factory and its components into msg.Insurance Suite, the central insurance platform of the msg Group, is an important aspect of the product strategy, as is the collaboration and cooperation taking place in this context. This platform will represent the first holistic industrial standard for all sectors of the insurance industry. The underlying modular principle has a high degree of end-to-end prefabrication, makes it easy to integrate existing solutions and unlocks a wide variety of applications with maximised releasability and low maintenance costs.

In line with the single-product strategy adopted for portfolio management systems, the completion of the policy management system msg.Life Factory on the basis of cutting-edge, modern Java JEE architecture remains the core project in terms of products. This year, msg life will earmark around 4,000 person days in development capacity in order to complete the final mathematical components (previous year: 6,500 person days). The component LF JEE Product, including actuarial mathematics, will be available to customers from 1 January 2016.

In parallel, product-independent consulting activities, an essential development component, will continue to be expanded in 2015. msg life is assuming that the positive trend in this area in 2013 and 2014 can be continued and is putting its faith in the – compared with other consulting firms – unique selling point of being able to transfer proven solutions from the msg life product area to non-product customers more economically than its competitors.

In addition to these ongoing enhancements of the company's central products and services, the management is rigorously implementing the strategic reorientation that the msg life Group has undertaken. By concentrating on its core business of developing and distributing standard software for the European life insurance market and health insurance companies in the USA, deciding to discontinue product development in the Non-life Insurance segment, focusing its international growth on established markets, carrying out a full readjustment of its shareholding structure and more deeply integrating itself into the msg Group, the company has positioned itself in a new and promising way. In addition to this, msg life continues to strive to achieve organic and income-oriented growth first and foremost.

In view of the current market and sales situation, msg life is expecting to generate turnover of roughly 105.0 million euros and earnings before interest, taxes, depreciation, and amortisation (EBITDA) of about 8.0 million euros in the 2015 financial year. The msg life Group can currently discern no significant changes in its target markets and is therefore expecting 2016 to provide a slight increase in turnover – over 2015 – and operating EBITDA of between 8.5 million and 10.5 million euros. The turnover and EBITDA forecasts made in 2013 for 2014 and the forecasts made in 2014 for 2015 were all realised.

As a holding company, the individual group company expects annual net profit of between 4.5 and 6.5 million euros in the 2015 financial year.

CLOSING DECLARATION ON THE DEPENDENCY REPORT IN ACCORDANCE WITH SECTION 312 OF THE GERMAN COMPANIES ACT (AKTG)

In the legal transactions with affiliated companies specified in the report, our company received a consideration for each of these legal transactions that was reasonable under the circumstances that were known to us at the time when the legal transactions were carried out. Discriminatory measures at the instigation or in the interests of the dominant party or a company affiliated to that party were effected neither by actions nor by failing to act. This assessment is based on the circumstances that were known to us at the time when the reportable transactions were carried out.

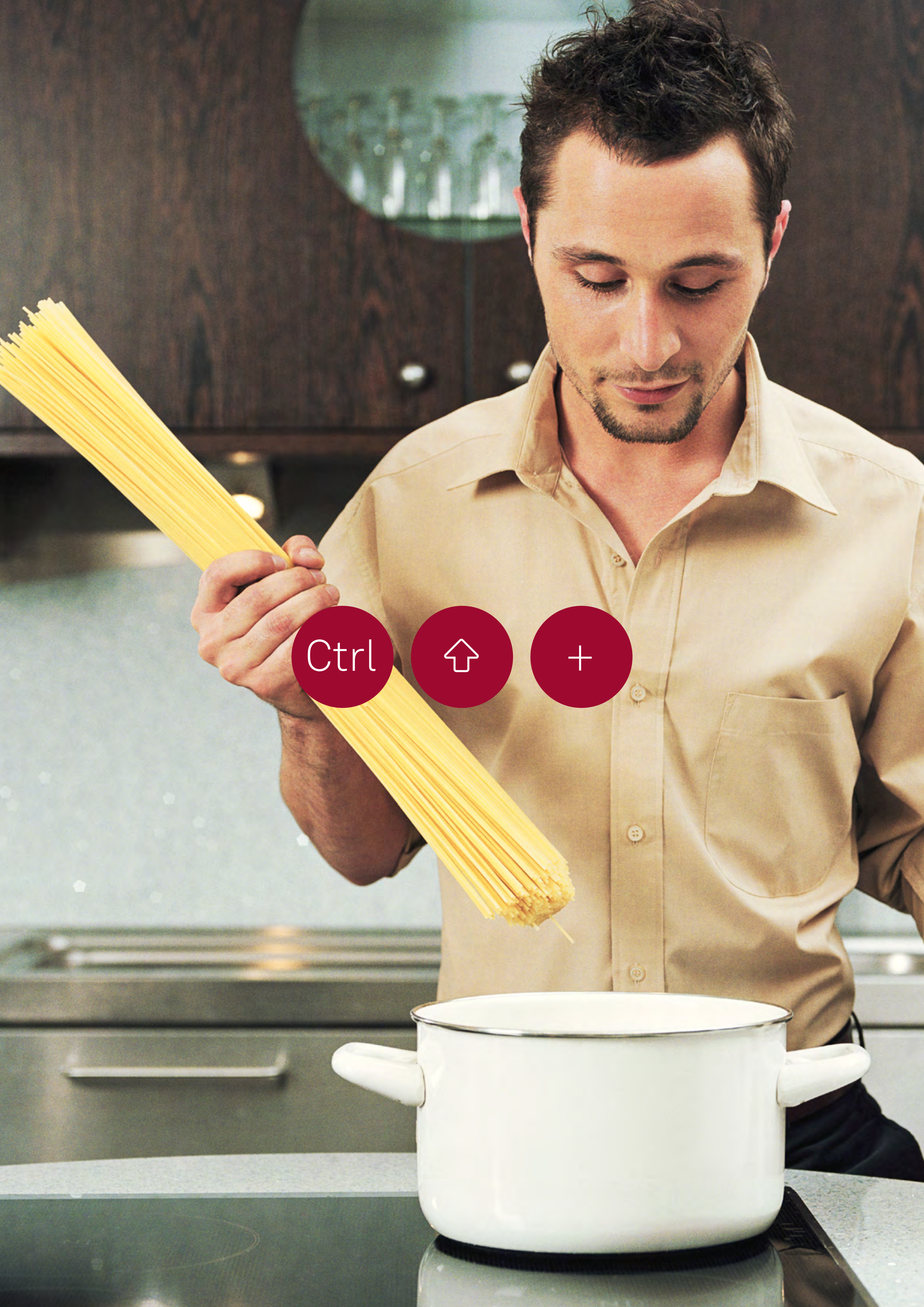
Leinfelden-Echterdingen, 22 April 2015

msg life ag

ROLF ZIELKE
Speaker of the Management Board

BERNHARD ACHTER
Member of the Management Board

DR ARISTID NEUBURGER
Member of the Management Board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+

The msg Group provides a wide range of IT services for a wide range of sectors. The Group takes a holistic approach consisting of strategic advice and value-creating IT solutions. Following its integration into the msg Group, msg life **expand**ed its range in line with this model and now provides a holistic range of solutions.

Ctrl ⇧ +

Press **Control**+**Shift**+**Plus** to add two levels to the model structure in FJA.PM4. The software allows users to develop, introduce and maintain complex insurance products with a high degree of flexibility.


Ctrl
F7

After the successful restructuring of the company, the Management Board of msg life ag had many positive things to **report** at the Annual General Meeting in 2014 and was able to announce a positive outlook for the next few years. Looking back on the year, 2014 represents a double success: a good conclusion and new beginnings with excellent prospects.

Ctrl F7

In the ongoing process, press **Control**+**F7** in the policy management system msg.Life to generate a report which can immediately be sent to msg life in the event of difficulties or errors.

Consolidated financial statement

CONSOLIDATED INCOME STATEMENT

	Item	01.01.–31.12.2014	01.01.–31.12.2013* (adjusted)
		euros	euros
Sales	VI.1.	**104,339,127**	**131,316,311**
Changes in inventory of finished and unfinished services		-82,660	3,435
Other operating income	VI.4.	9,816,593	4,149,409
Cost of purchased services / merchandise	VI.2.	-7,089,495	-16,472,817
Personnel expenses	VI.3.	-77,024,418	-97,324,561
Other operating expenses	VI.5.	-18,578,431	-23,513,075
Depreciation of property, plant and equipment and amortisation of intangible assets	VI.6.	-4,947,173	-5,165,896
Operating result		6,433,542	-7,007,195
Interest income	VI.7.	120,061	142,200
Interest expenses	VI.7.	-561,813	-1,054,207
Investment income	VI.8.	18,000	80,000
Earnings before income taxes		6,009,790	-7,839,202
Taxes on income	VI.9.	-6,870,655	1,777,447
Net income for the period		-860,865	-6,061,755
of which attributable to			
Shareholders of the parent company		-860,865	-5,301,536
Non-controlling interests		0	-760,220
Net income for the period		**-860,865**	**-6,061,755**
Earnings per share (undiluted)	IX.	**-0.02**	**-0.13**
Earnings per share (diluted)	IX.	**-0.02**	**-0.13**
		units	units
Shares in circulation on average (undiluted)		**40,895,861**	**40,895,861**
Shares in circulation on average (diluted)		**40,895,861**	**40,895,861**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.–31.12.2014	01.01.–31.12.2013* (adjusted)
	euros	*euros*
Net income for the period	**-860,865**	**-6,061,756**
Other comprehensive income		
Other comprehensive income to be moved to the income statement in subsequent periods:		
Currency translation from foreign business operations	1,593,025	-409,781
Income tax effect	0	0
Other comprehensive income to be moved to the income statement in subsequent periods:	**1,593,025**	**-409,781**
Other comprehensive income not to be moved to the income statement in subsequent periods:		
Actuarial gains and losses	-1,931,599	-136,717
Income tax effect	637,724	45,086
Other comprehensive income not to be moved to the income statement in subsequent periods:	**-1,293,875**	**-91,631**
Total income after taxes	**-561,715**	**-6,563,167**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Item	31.12.2014 euros	31.12.2013* (adjusted) euros	01.01.13* (adjusted) euros
Current assets				
Cash and cash equivalents	VII.1.	21,729,708	14,308,931	11,379,673
Securities	VII.2.	983	4,351	4,271
Trade receivables	VII.3.	24,929,757	36,315,357	37,089,731
Invoiced receivables		14,726,460	21,294,043	23,177,887
PoC receivables		10,203,297	15,021,314	13,911,844
Receivables from affiliated companies	VII.4.	57,925	44,986	32,285
Inventories	VII.5.	0	346,329	567,451
Ongoing income tax claims	VII.6.	249,743	451,033	1,240,012
Other financial assets	VII.7.	155,958	704,505	757,672
Other short-term assets	VII.8.	2,581,070	1,675,649	926,356
Of which: assets of disposal groups	III.2.	0	12,034,616	25,199
Current assets, total		**49,705,144**	**53,851,141**	**51,997,451**
Non-current assets				
Goodwill	VII.9.	21,470,048	24,608,721	25,731,233
Other intangible assets	VII.9.	3,916,205	9,183,677	11,517,026
Property, plant and equipment	VII.10.	2,671,161	2,833,709	3,904,247
Financial investments	VII.11.	3,056	1,773,276	4,686,117
Deferred tax claims	VII.12.	1,306,189	9,600,971	7,062,661
Ongoing income tax claims	VII.6.	220,548	695,483	893,63
Other financial assets	VII.13.	52	199,46	200,675
Long-term assets, total		**29,587,259**	**48,895,297**	**53,995,589**
Assets, total		**79,292,403**	**102,746,438**	**105,993,040**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Equity and liabilities	Item	31.12.2014	31.12.2013* (adjusted)	01.01.13* (adjusted)
		euros	euros	euros
Short-term liabilities				
Financial liabilities	VII.14.	0	3,196,580	14,895,738
Trade payables	VII.15.	1,653,833	4,889,585	3,381,587
Liabilities to affiliated companies (current)	VII.4.	304,238	5,115,672	486,629
Current income tax liabilities	VII.16.	2,915,067	204,29	112,863
Other provisions	VII.17.	817,248	2,970,646	2,417,289
Other current liabilities	VII.18.	4,795,644	3,874,271	4,168,767
Other financial liabilities	VII.19.	13,487,063	11,595,752	12,568,087
Of which: liabilities of disposal groups	III.2.	0	-6,960,781	6,843
Short-term liabilities, total		**23,973,093**	**31,846,796**	**38,030,960**
Long-term liabilities				
Financial debt, long-term		0	0	584,731
Other provisions	VII.17.	1,538,914	1,392,867	1,466,778
Other financial liabilities	VII.19.	27,658	264,702	91,032
Deferred tax liabilities	VII.12.	1,466,757	7,271,393	7,086,510
Pension provisions	VII.20.	8,059,117	9,273,023	9,472,206
Liabilities to affiliated companies (non-current)	VII.4.	4,000,000	10,000,000	0
Long-term liabilities, total		**15,092,446**	**28,201,985**	**18,701,257**
Liabilities, total		**39,065,539**	**60,048,781**	**56,732,217**
Equity				
Subscribed capital of msg life ag	VII.21.	40,895,861	40,895,861	40,895,861
Capital reserves of msg life ag	VII.22.	33,601,050	33,601,050	33,601,050
Group-retained income	VII.23.	-34,270,047	-32,803,644	-27,000,698
Shares in parent held by shareholders		**40,226,864**	**41,693,267**	**47,496,213**
Minority interests	VII.24.	0	1,004,390	1,764,610
Equity total		**40,226,864**	**42,697,657**	**49,260,823**
Equity and liabilities, total		**79,292,403**	**102,746,438**	**105,993,040**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

CONSOLIDATED CASH FLOW STATEMENT

	2014	2013* (adjusted)
	euros	euros
Net income for the period	-860,865	-6,061,755
Taxes on income	6,870,656	-1,777,447
Net income/loss for the period before taxes on income	**6,009,791**	**-7,839,202**
Depreciation of property, plant and equipment and amortisation of intangible assets	4,947,173	5,165,891
Result from the disposal of property, plant and equipment and intangible assets	70,541	235,177
Result from the disposal of subsidiaries	-4,601,313	0
Result from the disposal of financial investments	-177,782	-171,509
Other expenses / income with no impact on earnings	1,688,654	-199,753
Change in provisions for pensions recognised in profit or loss	39,552	-276,343
Interest income	-120,061	-142,200
Interest expenses	561,813	1,054,207
Income taxes reimbursed	98,868	0
Income tax paid	-663,883	-364,022
Change in:		
Trade receivables	407,002	769,919
Inventories	346,330	221,121
Other assets / other financial receivables	-910,385	184,153
Other provisions	837,663	479,446
Trade payables	-944,297	1,507,999
Other debts / financial liabilities	4,380,641	-1,463,414
Cash flow from operating activities	**11,970,306**	**-838,530**
Cash inflow from the disposal of financial investments	1,948,001	3,069,509
Cash paid for investments in intangible assets	0	-81,000
Investments in property, plant and equipment	-1,623,314	-1,771,917
Cash inflow from the disposal of subsidiaries	8,563,383	0
Cash inflow from the disposal of property, plant and equipment	0	977,898
Cash flow from investment activities	**8,888,069**	**2,194,490**

	2014	2013* (adjusted)
	euros	euros
Cash flow from financing activities		
Cash inflow from assumptions of long-term financial liabilities	0	10,000,000
Cash inflow from assumptions of short-term financial liabilities	0	5,000,000
Repayment of short-term financial liabilities	-7,996,580	-11,699,158
Repayment of long-term financial liabilities	-6,000,000	-585,435
Interest received	16,575	142,200
Interest paid	-287,244	-840,421
Cash flow from financing activities	**-14,267,249**	**2,017,186**
Changes in cash and cash equivalents:		
Net change in cash funds	**6,591,127**	**3,373,146**
Cash and cash equivalents at the start of the reporting period	**14,308,931**	**11,379,673**
Change in cash funds due to the exchange rate	**829,650**	**-443,888**
Cash and cash equivalents at the end of the reporting period	**21,729,708**	**14,308,931**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital
Item VII	*21*
	euros
As at 01.01.2013	**40,895,861**
IAS 8 corrections*	
As at 01.01.2013 after corrections	**40,895,861**
Comprehensive income	
Unrealised profit and loss	
Actuarial gains/losses	
Total comprehensive income for the year	**0**
As at 31.12.2013	**40,895,861**
As at 01.01.2014	**40,895,861**
Comprehensive income	
Unrealised profit and loss	
Actuarial gains/losses	
Total comprehensive income for the year	**0**
Acquisition of subsidiaries	
Disposals from the consolidation group	
As at 31.12.2014	**40,895,861**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Capital reserves	Group-retained income			Equity accounted for by the owners of the parent company	Non-controlling interests	Total equity
	Currency compensation item	Net investment	Other			
22	23	23	23		24	
euros	euros	euros	euros	euros	euros	euros
33,601,050	**3,271,439**	**-2,336,578**	**-27,244,549**	**48,187,223**	**1,764,610**	**49,951,833**
			-691,010	**-691,010**		**-691,010**
33,601,050	**3,271,439**	**-2,336,578**	**-27,935,559**	**47,496,213**	**1,764,610**	**49,260,823**
			-5,301,535	-5,301,535	-760,220	-6,061,755
	-409,781			-409,781	0	-409,781
			-91,631	-91,631		-91,631
0	**-409,781**	**0**	**-5,393,166**	**-5,802,947**	**-760,220**	**-6,563,167**
33,601,050	**2,861,658**	**-2,336,578**	**-33,328,725**	**41,693,266**	**1,004,390**	**42,697,656**
			-32,803,645			
33,601,050	**2,861,658**	**-2,336,578**	**-33,328,725**	**41,693,266**	**1,004,390**	**42,697,656**
			-860,865	-860,865	0	-860,865
	1,593,025			1,593,025	0	1,593,025
			-1,293,875	-1,293,875		-1,293,875
0	**1,593,025**	**0**	**-2,154,740**	**-561,715**	**0**	**-561,715**
			-949,076	-949,076	949,076	0
			44,389	44,389	-1,953,466	-1,909,077
33,601,050	**4,454,683**	**-2,336,578**	**-36,388,152**	**40,226,864**	**0**	**40,226,864**
			-34,270,047			

NOTES

I. General explanations

The msg life Group (formerly the COR&FJA Group) is a leading consulting and software company for the insurance and old-age pensions market. Its software solutions support life insurance companies and pension fund institutions in the conceptual planning, realisation and administration of their products. In the 2013 financial year, msg life ag carried out an internal restructuring process that changed the internal organisational structure as at 1 January 2014 and therefore the disclosure of business segments. In other words since 2014, after selling the Banking segment, the Group discloses the operative Life Insurance and Non-life Insurance segments as well as Consulting & Services.

The msg life Group's head office is located at Humboldtstraße 35, 70771 Leinfelden-Echterdingen, Germany. msg life ag is a public limited company (Aktiengesellschaft) under German law.

Since 21 February 2000, msg life ag has been listed in the Prime Standard at the Frankfurt Stock Exchange (SIN 513010, ISIN DE000513010).

After the 2014 Annual General Meeting approved the change in the company's name with a large majority, the rebranding of the former COR&FJA AG as msg life ag was finally completed when the amendment to the articles of association was entered into the relevant commercial register on 15 October 2014. The names of the following companies were also changed in connection with this:

msg life Deutschland GmbH (formerly COR&FJA Deutschland GmbH) by way of registration in the appropriate commercial register on 6 October 2014, msg life consulting gmbh (formerly COR&FJA Consulting GmbH) by way of registration in the appropriate commercial register on 9 October 2014, msg life metris gmbh (formerly COR&FJA Metris GmbH) by way of registration in the appropriate commercial register on 10 October 2014, msg life Switzerland AG (formerly COR&FJA Schweiz AG) by way of registration in the appropriate commercial register on 15 October 2014, msg life Austria Ges.m.b.H. (formerly COR&FJA Austria Ges.m.b.H.) by way of registration in the appropriate commercial register on 25 October 2014, msg life Benelux B.V. (formerly COR&FJA Benelux B.V.) by way of registration in the appropriate commercial register on 20 October 2014, msg life Poland Sp. z o.o. (formerly COR&FJA Polska Sp. z o.o) by way of registration in the appropriate commercial register on 28 October 2014, msg life Czechia spol s r.o. (formerly COR&FJA Czech spol. s r.o.) by way of registration in the appropriate commercial register on 3 November 2014, msg life Slovakia s.r.o. (formerly COR&FJA Slovakia s.r.o.) by way of registration in the appropriate commercial register on 6 November 2014, msg life odateam d.o.o. (formerly COR&FJA OdaTeam d.o.o.) by way of registration in the appropriate commercial register on 25 November 2014, msg life Iberia, Unipessoal Lda. (formerly COR&FJA Systems Portugal, Unipessoal Lda) by way of registration in the appropriate commercial register on 26 November 2014.

Unless indicated otherwise, only the new company names will be used below.

These consolidated financial statements of msg life ag, Leinfelden-Echterdingen, Germany, as at 31 December 2014, encompass the parent company and all of the subsidiaries (hereinafter referred to as the 'msg life Group'). The reporting year corresponds to the calendar year.

On 22 April 2015, the Management Board of msg life ag approved the consolidated financial statements for forwarding to the Supervisory Board, and therefore for publication. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

The company is obliged to prepare consolidated financial statements under Section 290 in conjunction with Section 291(3) of the German Commercial Code (HGB). The company prepared discharging consolidated financial statements and a discharging Group management report in accordance with Section 315a HGB as at 31 December 2014. The consolidated financial statements are published in the German Federal Gazette and deposited with the electronic register of companies under HRB 731 887 at Stuttgart Local Court (Amtsgericht). As at the reporting date, msg life ag is an indirect subsidiary of msg group GmbH, which prepares the consolidated financial statements for the largest number of Group companies.

Events after the balance sheet date are taken into account until 22 April 2015, the day on which the financial statements are approved for publication by the Management Board.

II. Bookkeeping and valuation methods

The principal accounting and valuation methods applied in the preparation of these consolidated financial statements are described below. If nothing to the contrary is indicated, the methods described were applied consistently to the reporting periods in question.

1. The principles applied in preparing the financial statements

The consolidated financial statements of msg life ag as at 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC), whose application is mandatory in the European Union, as well as the supplementary commercial regulations of Section 315a(1) HGB.

The consolidated financial statements are generally prepared on the basis of the historical cost principle. Derivative financial instruments and available-for-sale financial assets are exceptions from this principle.

In the balance sheet disclosures, a distinction is made between non-current and current assets and liabilities, which are generally shown in detail in accordance with their respective maturities in the notes to the consolidated financial statements.

The income statement was prepared in accordance with the total expenditure format. In order to improve its clarity of presentation, various items in the statement of financial position and the income statement were consolidated. These items are reported and explained separately in the notes.

Items of other comprehensive income which are reclassified in the income statement in subsequent periods ('recycling') must be shown separately from the items for which there will be no reclassification.

The reporting currency is the euro, and the rounding is done to thousands or millions of euros. This can give rise to rounding differences of up to one arithmetical unit.

The consolidated financial statements contain comparative information about the preceding reporting period. In addition, the Group shows a statement of financial position from the beginning of the earliest comparative period if it is applying an accounting method retroactively or adjusting or reclassifying positions in the financial statements retroactively.

The preparation of consolidated financial statements in accordance with IFRS makes estimates necessary. Furthermore, the application of the accounting and valuation methods throughout the company necessitates assessments of the management. Areas with greater scope for assessment or a higher level of complexity, or areas in which assumptions and estimates are crucially important for the consolidated financial statements, are listed under '3. General information about the accounting and valuation methods'.

2. Change in the accounting and valuation methods

a. New and amended standards and interpretations that were applied for the first time in 2014:

The International Financial Reporting Standards, which must be applied to financial years beginning on or after 1 January 2014 in order to adhere to the International Financial Reporting Standards adopted by the EU, were used as a basis in the 2014 financial year: IAS 32 ('Financial Instruments: Presentation'), IAS 36 ('Impairment of Assets'), IAS 39 ('Financial Instruments: Recognition and Measurement'), IFRS 10 ('Consolidated Financial Statements'), IFRS 11 ('Joint Arrangements') and IFRS 12 ('Disclosure of Interests in Other Entities').

The nature and impact of the new individual standards and interpretations are described below:

— Amendment to IAS 32 ('Financial Instruments'), mandatory application for financial years starting on or after 1 January 2014. These amendments are merely a clarification of the prerequisites for the offsetting of financial assets and financial liabilities in the statement of financial position. Offsetting requires that there should be an existing legal entitlement to the offsetting of the reported amounts at the present time and that the company intends either to bring about a settlement on a net basis or to redeem the liability at the same time as the liquidation of the corresponding asset. The amendments have no significant impact on the consolidated financial statements.

— Amendment to IAS 36 ('Impairment of Assets'), mandatory application for financial years as from 1 January 2014. This amendment has removed the obligation whereby particular disclosures must be made about the recoverable amount of each cash-generating unit with matching significant goodwill or significant intangible assets with indeterminate useful lives. Now the recoverable amount must be indicated only if an impairment or reversal was actually carried out. Furthermore, additional disclosures must be made in the notes if the recoverable amount of an asset or a cash-generating unit corresponds to the fair value less the costs of disposal. For one thing, the level of the fair-value hierarchy at which the fair value of the asset or the cash-generating unit was determined must be indicated in accordance with IFRS 13. In the event of measurement at level two or three, the valuation methods must be described and all of the key assumptions on which the management based the evaluation must be disclosed. If the present value method was applied, moreover, the discount rate must be disclosed. The impact of the amendments on the consolidated financial statements is not significant, except in individual cases requiring additional disclosures.

— IAS 39 ('Financial Instruments: Recognition and Measurement'). In spite of a novation (a central counterparty is to replace the original counterparty and become the new counterparty), under the amendments derivatives will remain hedging instruments in ongoing hedging relationships, provided certain criteria are met. The basic requirement for this is that novation to a central counterparty must happen as a consequence of laws or regulations or the introduction of laws or regulations. Additionally, any changes to the contractual provisions are limited to those that are necessary to effect the novation. The objective of the amendments is to avoid any impact on an entity's hedge accounting from derecognising the derivative, following its novation. The amendments have no significant impact on the Group as the existing derivatives in the Group are not required to be novated to a central counterparty by any statutory or regulatory provisions.

— IFRS 10 ('Consolidated Financial Statements'), mandatory application for financial years starting on or after 1 January 2014. This standard builds upon existing principles. IFRS 10 is focused mainly on the introduction of a standardised consolidation model for all companies, which is based on the control of the subsidiary by the parent company. The standard also contains additional guidelines that provide assistance in determining whether such a controlling influence applies. The major elements of the control concept in its newly delimited form require the existence of power, the existence of variable return flows from the interest in a company to which the investor is exposed (variable returns) and the possibility for the investor to genuinely exercise that power to influence the variable payment flows that apply to him (link between power and returns). Insofar as a parent-subsidiary relationship exists, this basically creates an obligation to prepare consolidated financial statements in accordance with IFRS. The regulations in IFRS 3 with regard to the first-time consolidation and to the reporting and measurement of the acquired identifiable assets, the liabilities assumed and all non-controlled shares in the acquired company remain unchanged. The technical consolidation regulations were likewise transferred in unchanged form from IAS 27 to IFRS 10. The impact of the amendments on the consolidated financial statements is not significant.

— IFRS 11 ('Joint Arrangements'), mandatory application for financial years starting on or after 1 January 2014. The subject matter of this standard is focused on the rights and obligations of the partner companies instead of the legal foundation. There are two types of joint arrangements: the joint operation and the joint venture. A joint operation is a joint arrangement whereby the direct rights to the assets and liabilities are transferred to the partner companies that are part of this joint arrangement. A partner company in a joint operation records its share in the assets, liabilities, income and expenses. A joint venture, on the other hand, grants the partner companies rights to the net assets. Joint ventures are reported in the statement of financial position using the equity method. The option to report in accordance with the principles of proportionate consolidation has been discontinued. For joint operations, on the other hand, the assets and liabilities as well as the expenses and income must be shown proportionately. The impact of the amendments on the consolidated financial statements is not significant, as msg life is not involved in any joint operations or joint ventures.

— IFRS 12 ('Disclosures about commitments to other companies'), mandatory application for financial years starting on or after 1 January 2014. This standard combines the revised disclosure obligations for IAS 27 and/or IFRS 10, IAS 31 and/or IFRS 11 and IAS 28 in a single standard. The purpose of this standard is to provide the financial statements' addressees with information about the nature of the interest in another company and about any accompanying risks as well as the impact of these interests on the Group's net assets, financial position and results of operations. These amendments have no impact on the Group's net assets, financial position and results of operations.

The Group makes no disclosures about new or amended standards and interpretations that have no impact on the consolidated financial statements, such as IAS 27 ('Consolidated and Separate Financial Statements').

b. Standards, interpretations and amendments to published standards whose application was not yet mandatory in 2014 and which were not applied prematurely by the Group:

There are a number of standards, as well as amendments to standards and interpretations, that must be applied for financial years beginning as from 1 January 2014 or even later. These were not applied in the present financial statements. With the exception of the revisions specified below, we do not expect them to have any significant impact on the Group:

— IFRS 9 ('Financial Instruments'), mandatory application for financial years from 1 January 2018 (the EU endorsement is still pending). This standard deals with the classification, reporting and measurement of financial assets and financial liabilities, as well as how to account for hedging relationships. It replaces the sections of IAS 39 ('Financial Instruments: Recognition and Measurement') that deal with the classification and measurement of financial instruments. Compared with IAS 39, the requirements of IFRS 9 in connection with applicability, recognition and derecognition are virtually unchanged, although the rules of IFRS 9 set out a new classification model for financial assets. In the future, the subsequent measurement of financial assets will be broken down into three categories with different value measures and different ways of reporting changes in value. This distinction is made when the asset in question is reported for the first time. The classification depends not only on how the Group has managed its financial instruments, but also on what contractually agreed payment flows are associated with the financial instruments. With regard to financial liabilities, most of the rules in IAS 39 were retained. The most significant change lies in the fact that if measurement is carried out at fair value, the changes in value that result from the Group's own credit risk are reported in other comprehensive income rather than in the income statement – unless this leads to an inaccurate representation. The Group is going to start applying IFRS 9 in the financial year that begins on 1 January 2018 at the latest. The impact of the amendments on the consolidated financial statements might be considerable, although the impact of the application of IFRS 9 can only be reliably assessed once a detailed analysis has been carried out.

— IFRS 15 ('Revenue from Contracts with Customers'), mandatory application for financial years from 1 January 2017 (the EU endorsement is still pending). This standard specifies how and when revenue is to be recognised in financial statements. Under a single, principles-based five-step model to be applied to all contracts with customers, the contract with the customer must first be identified, followed by the performance obligations in the contract, then the transaction price must be determined, then the transaction price is to be allocated to the performance obligations in the contract and, finally, revenue is to be recognised when (or as) the entity satisfies a performance obligation. Under IFRS 15, on the conclusion of a contract the parties must determine whether the revenue from the contract is to be recognised over time or at a certain point in time. The standard also provides users of financial statements with more informative, relevant disclosures than in the past. The impact of the amendments on the consolidated financial statements might be considerable, although the impact of the application of IFRS 9 can only be reliably assessed once a detailed analysis has been carried out.

— IAS 19 ('Employee Benefits'), mandatory application for financial years from 1 January 2014 (the EU endorsement is still pending). The amendments to IAS 19 clarify the accounting requirements for contributions from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the contributions may be either recognised as a reduction in service cost in the period in which the related service is rendered or attributed to the periods of service of the employee using the projected unit credit method. If the amount of contributions is dependent on the number of years of service, the contributions are required to be attributed to periods of service. The impact of the amendments is presumably not significant for the Group.

3. General information about the accounting and valuation methods

With the exception of the mandatory new standards, amendments to standards and interpretations referred to under II.2., the msg life Group did not make any changes to its accounting and valuation methods in the 2014 financial year.

Income from the sale of goods, the rendering of services and the **use of assets** belonging to the Group by third parties in return for **interest, licence charges** and **dividends** are generally reported only if the inflow of commercial benefits is sufficiently probable, the amount can be determined reliably and the specific criteria for every type of activity specified below have been fulfilled. Measurement is carried out at the fair value of the counter-performance that has been received or will be claimed. Turnover is shown less value-added tax, returns and sales deductions (discounts, cash discounts, customer bonuses and allowances). The Group makes estimates on the basis of past empirical values – taking account of customer-specific, transaction-specific and contract-specific characteristics. More specifically, the following applies for the reporting of turnover and income:

The sales of products, services and software contracts can contain a number of delivery and performance components. In such cases, the company establishes whether there is more than one settlement unit. A transaction is separated if the components supplied have an independent benefit for the customer, the fair value of the still outstanding components can be determined reliably and, if a general right to return unsatisfactory products is applicable for the components delivered, the rendering of delivery or performance for the still outstanding components is probable and largely controllable by the company. Insofar as all three criteria are fulfilled, the Group applies the applicable revenue recognition rule that is appropriate for the respective separate settlement unit. In general, the agreed aggregate remuneration is apportioned to the separate settlement units individually in accordance with their relative fair values. The hierarchy of proof for the fair values is as follows: 1. Sale prices of the components if they are regularly sold individually, 2. Third-party prices for comparable components or 3. Costs plus a reasonable profit margin usual on the market in relation to the component. Insofar as the three separation criteria are not fulfilled, the turnover is deferred until these criteria have been fulfilled or until the period in which the last outstanding component is delivered. The turnover attributable to delivered components is limited to the amount that is not dependent on still outstanding components and/or the fulfilment of other specific performance obligations.

With some of the customer projects (especially fixed-price projects), turnover is recognised in accordance with the progress of the project (percentage-of-completion method) insofar as the degree of completion, the costs incurred in the project and the costs that can be expected up until its final completion can be determined reliably. The basis for calculating the progress of a project is the ratio of costs already incurred to the estimated total cost volume of the contract, which is determined on the basis of project valuations (cost to cost). Any losses expected from these orders are accounted for in the period in which the aggregate costs that are currently estimated exceed the turnover anticipated from the respective contract. The services rendered in line with this method are shown as **PoC receivables or advance payments received.** If required, the lower attainable value as at the reporting date is shown.

Service contracts which are settled on the basis of the disbursements which have been made and are eligible for reimbursement (management projects) are realised subject to the services rendered by the msg life companies.

Turnover from **maintenance services** is recognised pro rata using the straight-line method over the contractually agreed service period. For **licence revenues** (including the reference system and the specialist concept) to be recognised, the following conditions must generally be fulfilled cumulatively:

1. A contract has come into being with legal effect – there is a sufficient degree of probability that the company will benefit economically from the transaction,
2. the software/reference system / specialist concept has been delivered,
3. the licensing charge has been fixed and
4. the receipt of payment is probable.

If the sale of the licence is unconnected with other services from a commercial point of view, the turnover is recognised in relation to the customer in the month in which the software (or reference system or specialist concept) is delivered and/or accepted.

If the sale of the licence is connected with other services rendered by msg life, distinctions are basically made between the following cases:

If the service comprises customised standard software which is adapted (max. around three months) at msg life and then delivered to the customer, the turnover is generally recognised in the month of delivery to and/or receipt by the customer if such a service is agreed in the contract.

For longer-term projects, in which the process of adapting the standard software takes more than three months before its first-time implementation on the customer's premises, turnover is recognised using the percentage-of-completion method.

When a time-limited licence for an msg life standard software product is issued, the revenues are treated as an accrued item using the straight-line method over the agreed period.

Interest income and **interest expenses** are recognised in net profit or loss on an accrual basis.

Financial assets encompass cash and cash equivalents, securities, trade receivables, other financial receivables and financial investments.

Financial assets are subdivided into the following categories: 'measured at fair value through profit or loss', 'held to maturity', 'available for sale' and 'loans and receivables'. How financial assets are classified depends on the purpose for which each was acquired. The management determines how such assets are to be classified when they are reported for the first time. A financial asset is only shown in the statement of financial position if the msg life Group is a contracting party in the regulations for the financial asset in question. All financial assets that have been bought and sold in the customary manner are included in the statement of financial position as at the settlement date. Financial assets that do not belong to the 'measured at fair value through profit or loss' category are shown at fair value plus transaction costs when first reported. Financial assets that do belong to this category are initially reported at fair value. Any associated transaction costs are posted through profit and loss. The fair values stated in the statement of financial position usually correspond to the market prices' financial assets. If these are not available immediately, they are calculated using acknowledged valuation methods and with recourse to current market parameters. Financial assets are derecognised either when the right to cash flows from a financial asset lapses or when the rights are transferred to a third party. In the event of a transfer, the criteria of IAS 39 regarding the transfer of opportunities and risks associated with the ownership of the financial asset must be given special consideration. 'Available-for-sale financial assets' and assets in the 'measured at fair value through profit or loss' category are measured at fair value after being reported for the first time. 'Loans and receivables' and 'held-to-maturity' assets are reported at amortised cost using the effective interest method.

As at every reporting date, the carrying amounts of those financial assets which are not to be measured at fair value through profit or loss are examined for the existence of any objective, substantial indications (such as substantial financial difficulties faced by the debtor, high probability of insolvency proceedings being instituted against the debtor, the lapsing of an active market for the financial asset, or a lasting **decrease** in the financial asset's fair value on the basis of amortised cost) of impairment. Any impairment costs comprising a fair value which is lower than the carrying amount is recorded through profit and loss. If it emerges as at subsequent valuation dates that the fair value has objectively increased as a consequence of events which took place after the impairment was recorded, the impairments are reversed through profit and loss in the appropriate amounts. Impairments in the fair values of available-for-sale financial assets are recorded under equity with no effect on income until their realisation. Impairments which affect non-listed equity instruments which are available for sale and are accounted for at acquisition cost may not be reversed. The fair values of held-to-maturity securities which must be tested for impairment during the audit, as well as the fair values of the loans and receivables measured at amortised cost, correspond to the net present value of the estimated future cash flows discounted at the original effective interest rate. The fair value of non-listed equity instruments measured at cost is calculated as the net present value of the expected future cash flow, discounted at the current interest rate which corresponds to the specific risk position of the investment.

Cash and cash equivalents encompass cash-in-hand and bank balances which have a residual term of three months or less at the time of their acquisition or investment. The liquid funds are measured at fair value. Credit balances in foreign currencies are measured at the exchange rate prevailing on the reporting date.

Securities are, in accordance with IAS 39, categorised as either 'available for sale', held to maturity' or 'held for trading'. The securities categorised as 'available for sale' are measured at fair value when being valued for the first time and subsequently as at the reporting date. Any change in the fair value taking account of deferred taxes is shown under equity in revenue reserves with no effect on income until its realisation at the time of sale. If there are any objective, substantial indications that a permanent impairment has taken place, the impairment costs are recorded in profit and loss. Amounts already recorded under equity are removed from equity with effect on income. Securities categorised as 'held to maturity' are measured at fair value upon acquisition and at amortised cost in subsequent valuations. The 'financial assets held for trading' are measured at fair value. Any gain or loss resulting from the subsequent valuation is posted through profit or loss in the statement of income.

The reported **trade receivables, other financial assets** and **other current assets,** apart from derivative financial instruments, mainly comprise receivables and loans originated by the company. They are categorised accordingly as 'loans and receivables' and are measured at fair value upon acquisition and at amortised cost in subsequent valuations. If the net present value of the expected future cash flows from the receivables or the other assets, discounted using the financial asset's original effective interest rate, is lower than the amortised cost as at the reporting date, a valuation allowance is carried out with effect on income. Receivables bearing low or zero interest with terms of more than one year are discounted.

When they are first recorded, **financial investments** are accounted for at fair value and categorised as 'available for sale'. In their subsequent valuation, these must therefore be shown at face value, with unrealised gains and losses being recorded separately under equity, taking account of deferred taxes, with no effect on income until their realisation. If the financial investments are in equity instruments for which no prices are listed on an active market and no fair value can be determined reliably, they are measured at acquisition cost. If there are any objective indications that the net present value of the estimated cash flows is lower than the carrying amount, valuation allowances are carried out with effect on income.

The msg life Group does not utilise the opportunity to designate **financial assets as measured at fair value through profit or loss when they are shown for the first time.**

Performances rendered for customers, which are rendered despite not yet having a contractual basis, but which at least have a letter of intent with the customer, are reported under **inventories (work in process)**. The inventories are shown at the lower of cost and net realisable value, both when reported for the first time and in subsequent measurements. The production costs of work in process comprise the costs of the production design, raw materials and supplies, direct personnel costs, other direct costs and overheads attributable to production (based on normal operating capacity). The production costs do not include any interest on borrowed capital. The net realisable value comprises the estimated sale proceeds that can be achieved in the normal course of business, less any variable selling costs that may be necessary.

Goodwill arises when subsidiaries, associated companies and jointly controlled entities are acquired and comprises the surplus of the transferred counter-performance from the corporate acquisition over the fair value of the Group's shares in the acquired identifiable assets, the liabilities assumed, the contingent liabilities and all non-controlling interests in the acquired entity at the time of acquisition.

The goodwill is subdivided for the purpose of the impairment tests carried out for cash-generating units (CGUs). It is divided up among those CGUs or groups of CGUs in accordance with the identified business segments that are expected to derive benefits from the merger that gave rise to the goodwill. Every unit or group of units to which goodwill is allocated in this way constitutes the lowest level within the company at which the goodwill is monitored for internal management purposes. The goodwill is monitored at the level of the business segment.

The goodwill is subjected to an annual impairment test in accordance with IAS 36. If there are any indications of potential impairment, the tests are carried out more frequently.

The carrying amount of the goodwill is compared with the recoverable amount, in other words with the higher of its fair value less selling costs and its value in use. An impairment loss is immediately recognised in profit or loss to reduce the asset to its lower recoverable amount and is not reversed in the subsequent periods.

Other intangible assets are shown at acquisition cost upon their acquisition if it is probable that a future economic benefit will accrue to the msg life Group from the intangible assets and the acquisition costs can be determined reliably. In the subsequent periods, the assets are measured at amortised cost, with scheduled amortisation being carried out using the straight-line method over the assets' estimated useful lives in addition to any other necessary depreciation. The Group has no intangible assets acquired in return for payment with indefinite useful lives.

Development costs for new products are capitalised at production cost if a clear expense allocation is possible and both the technical feasibility and the ability and intention to market such products are ensured. It must be sufficiently probable that the development activity will bring the company a future economic benefit. There must also be sufficient technical, financial and other resources to complete development and use and sell the software product. The capitalised production costs include costs which are directly attributable to the development process. Capitalised development expenses are amortised regularly using the straight-line method as from the time the software becomes usable over a useful life which corresponds to the planned product life cycle. Development projects which are not yet completed and capitalised are subjected to an annual impairment test. Research costs, and development costs not eligible for capitalisation, are posted to expenses within personnel and other operational expenses when they arise.

Property, plant and equipment are capitalised at acquisition or production cost, plus the ancillary costs which are necessary to make the asset ready for operation. The scheduled depreciation is carried out using the straight-line method according to the probable useful life. No use is made of the option to apply the revaluation method. Costs of ongoing maintenance and repairs are posted to expenses. Expenses, which fulfil the conditions of IAS 16.13 and the reporting criteria of IAS 16.7, are capitalised at the carrying value of the property, plant and equipment in question and depreciated over the assets' probable useful lives. The replaced items are removed from the accounts. Borrowing costs are not included in the acquisition or production costs.

Lease agreements are classified as **finance leases** if all the risks and potential rewards associated with ownership are basically transferred to the lessee under the terms of lease. All other leases are classified as **operating leases.** If the lessee bears the major risks and potential rewards associated with ownership of the leased object, the leased object is reported in the statement of financial position of the lessee. The leased object is measured at the lower of the fair value or present value of the future minimum lease payments and is written down over its estimated useful life or the term of the lease, if that is shorter. The depreciation is recognised in net profit and loss. Upon gaining access to the leased object, the lessee simultaneously assumes the lease liability, the amount of which corresponds to the carrying value of the leased object. The lease amount owed is amortised and extrapolated using the effective interest method in subsequent periods. The ongoing lease instalments are divided up into an interest component and a redemption component. The redemption component reduces the lease amount owed. With operating leases, the payable lease instalments are recorded as expenses at the time when they come into being. Contractually defined future changes to the lease instalments during the term of lease are recognised in equal instalments under expenses over the entire contractual term, which is defined when the rental agreement is concluded. If extension options are available, only the extension options which are sufficiently likely to be taken are accounted for on the date of the conclusion of the rental agreement. During the lease, the estimated likelihood of extension options being taken must be updated accordingly if circumstances become known which might cause it to increase or decrease.

The scheduled **amortisation and depreciation** of intangible assets and property, plant and equipment respectively are based on the following uniform useful lives in the Group:

	Useful life in years
Other intangible assets:	
Software	15
Customer relations	4
Other	2 to 5
Property, plant and equipment:	
Buildings on third-party land	10
Hardware and software	3 to 4
Factory and office equipment	4 to 15

Impairment of non-current assets

Intangible assets and goodwill which have indeterminate useful lives are not amortised regularly; instead, they are tested annually to establish whether impairment is required.

Assets which are subjected to scheduled depreciation or amortisation are tested for impairment if relevant events or changes in circumstances indicate that the carrying amount might not be realisable any longer. An impairment loss is recorded in the amount by which the carrying amount exceeds the realisable amount. The realisable amount is the higher of the asset's fair value less selling costs and the value in use. For the impairment test, assets are combined at the lowest level for which the cash flows can be identified separately (CGU).

The depreciation, amortisation and impairment of property, plant and equipment and intangible assets are recorded in the income statement under 'depreciation of property, plant and equipment and amortisation of intangible assets'. An assessment regarding non-monetary assets – with the exception of goodwill – is conducted as at each balance sheet date to ascertain whether or not a reversal should be carried out. In 2014 there were no indications that impairment had taken place (triggering events); no write-ups had taken place as at the reporting date either.

The taxes on income for the period consist of **current** and **deferred taxes.** Taxes are reported in the income statement unless they relate to items that are reported directly in equity or in other comprehensive income. In this case, the taxes are likewise reported in equity or in other comprehensive income.

Ongoing tax expenses are calculated using the tax regulations, valid as at the balance sheet date, of the countries in which the company and its subsidiaries operate and generate the income to be taxed. The management regularly examines tax declarations, especially in relation to subject matter that leaves scope for interpretation, and where appropriate it forms ongoing income tax liabilities based on the amounts expected to be payable to the tax authorities.

The **deferred tax assets** and **deferred tax liabilities** are determined in accordance with the balance sheet liability method. Deferred taxes are generally recorded in the financial statements for all temporary and virtually permanent value differences between the carrying amount of an asset or a debt, and the fair value for tax purposes.

Deferred tax assets on loss carryforwards must be set up to the extent that the tax loss carryforwards are likely to be usable in the future. Accordingly, deferred tax assets were no longer stated for tax losses, taking their realisability into account, as at 31 December 2014. Due to the difficult market environment, a period of three years was taken into account for the deferred tax assets as at 31 December 2013.

The deferred taxes are determined on the basis of the tax rates which apply or are expected as per the current legal position in the individual countries at the time of realisation. The impact of changes in tax rates on deferred taxes will be posted through profit and loss when the change in the law comes into force.

Deferred taxes, which come about as a result of temporary differences associated with investments in subsidiaries, associated companies and joint ventures, are recognised unless the time of reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future as a result of this influence. As a rule, the Group has no influence on the time of reversal in the case of associated companies. The temporary differences are not recognised only in cases which are contractually structured in such a way that the Group can influence the time of inversion.

Non-current assets available for sale and so-called disposal groups are measured at the lower of the carrying amount and fair value less selling costs. They are classified as held for sale if their carrying amount will largely be redeemed by a sale and the sale is highly probable.

Financial liabilities encompass the financial debts, trade payables and other financial liabilities. A financial liability is only stated in the statement of financial position if the msg life Group is a contracting party in the rules for the financial liability. A financial liability is removed from the accounts if it has been redeemed; in other words, when the obligations specified in the contract have been settled or cancelled or have expired.

The methods and material assumptions for determining the fair value of financial liabilities are as follows: the financial liabilities are accounted for at the fair value on the acquisition date, which corresponds to the sum of money received.

When reported for the first time, **financial liabilities** are shown at fair value less transaction costs. In subsequent years, they are measured at amortised cost using the effective interest method. Any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is posted to the income statement over the term of the loan using the effective interest method.

Fees incurred in setting up credit lines are reported as transaction costs for the credit in the amount for which it is probable that the credit line will be utilised. In such cases, the fee is capitalised until utilisation takes place. For the amount in which it is not probable that the credit line will be utilised, the fee is capitalised as an advance payment for credit services and amortised over the term of the respective commitment to lend.

Trade payables and **other financial liabilities** are shown at fair value when included in the statement of financial position for the first time. In subsequent years, all liabilities, with the exception of derivative financial instruments, are measured at amortised cost using the effective interest method. Liabilities are classified as current liabilities if the payment obligation has to be fulfilled within one year or less than one year. Otherwise they are classified as non-current liabilities.

In respect of financial liabilities, the Group has not yet made use of the option to designate them as financial liabilities **at fair value through profit or loss when they are recorded in the statement of financial position for the first time.**

Other provisions are formed if the Group has a current legal or de facto obligation resulting from a past event and it is more likely than not that settling this obligation will lead to an outflow of resources and the amount of the provision can be estimated reliably. The amounts stated constitute the best possible estimations of expenses which are necessary to fulfil the current obligation as at the reporting date. Non-current provisions are discounted if the interest rate effect is significant. Any increases in provisions resulting exclusively from the compounding of interest are recorded in the income statement as interest expenses with the corresponding impact on income.

Pension provisions are calculated using the projected unit credit method in accordance with IAS 19. In this procedure, not only the pensions and accrued entitlements known on the reporting date are taken into account but also the expected future increases in pensions, wages and salaries, with prudent estimates of the relevant influencing factors. The calculation is carried out on the basis of actuarial methods and reflecting biometric assumptions. Actuarial gains and losses arising from experience-based adjustments and alterations of actuarial assumptions are recorded immediately under equity with no effect on income in the period when they arise. The previous record of the anticipated returns on the plan assets and the calculation of the interest expenses on the performance-oriented defined benefit obligation will be replaced by entering the net interest costs.

Offsetting financial instruments

Financial assets and liabilities are offset and shown in the statement of financial position as a net amount only if there is a legal entitlement to this and an intention to either bring about such a settlement on a net basis or to settle the associated liability simultaneously with the realisation of the asset.

Dividend distribution

Claims of shareholders to dividend payments are reported as liabilities in the period in which the corresponding resolution is passed.

Consolidation principles

IFRS prescribes that the purchase method be applied for all business combinations. The purchase price of an acquired subsidiary is distributed across the acquired assets, liabilities and contingent liabilities. Measurement is based on the values applicable at the date on which the Group gained control over the subsidiary concerned. The recognised assets, and the acquired liabilities and contingent liabilities are measured in full at their fair value, in proportion to the amount of the investment. Any remaining capitalised difference is recognised as goodwill. Any remaining negative difference is recognised in profit or loss.

Costs associated with acquisitions are expensed when they are incurred.

In a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date. The resulting gain or loss is recognised in the income statement.

Any contingent considerations are measured at fair value as at the time of acquisition. Subsequent changes in the fair value of a contingent consideration classified as an asset or liability are measured within the framework of IAS 39 and any resultant gain or loss is reported either in the income statement or in other comprehensive income. Any contingent consideration that is classified as equity is not remeasured and its subsequent payment is shown under equity.

Income and expenses of a subsidiary are included in the consolidated financial statements from the date of acquisition. Income and expenses of a subsidiary remain in the consolidated financial statements until the parent company ceases to control the subsidiary. Expenses and income, receivables and liabilities and earnings between companies included in the consolidated financial statements are eliminated. The accounting and valuation methods of subsidiaries have been adjusted where necessary to guarantee standardised reporting methods throughout the Group.

Transactions with non-controlling interests not involving any loss of control are treated as transactions with shareholders of the Group. Any difference between the amount paid and the relevant proportion of the carrying amount of the subsidiary's net assets that arises from the acquisition of a non-controlling interest is reported under equity. Any gains and losses which arise during the sale of non-controlling interests are likewise reported under equity.

The preparation of the consolidated financial statements in compliance with the IASB regulations necessitates the application of **estimates** and forward-looking **assumptions** which influence the amounts and the reporting of the assets and liabilities recorded in the statement of financial position, the contingent liabilities disclosed as at the reporting date, and the income and expenses accounted for during the reporting period. The forward-looking assumptions and estimates relate primarily to the recognition of turnover on the basis of performance progress (percentage-of-completion method), the uniform setting of useful economic lives throughout the Group, the accounting and valuation of provisions and the planning and valuation premises that form the basis of the impairment tests. Although these estimates are founded on the ongoing transactions to the best of the company's knowledge, the actual values can ultimately diverge from these assumptions made and estimates. Changes are made with effect on income as at the time when knowledge improves, or in the period when knowledge improves, and in the future periods, if the changes cover several periods.

The most important forward-looking assumptions and other significant sources of estimation uncertainty as at the reporting date, which could give rise to an appreciable risk, necessitating a major adjustment of the recorded assets and liabilities during the next financial year, are presented in 'X. Assumptions and estimates'.

4. Corrections under IAS 8

In 2014, accounting errors were discovered at the fully consolidated company FJA-US (USA); several error corrections therefore had to be made under IAS 8. The errors were caused by several personnel changes which led to individual items being overlooked or incorrectly accounted for.

The following tables break down the impact of the corrections on the consolidated financial statements to which the various pages of these Notes contain references.

The following items were affected by the corrections:

a. Correction of cash and cash equivalents

Not all incoming payments were duly accounted for in 2012, causing the recognised cash and cash equivalents to be 41,000 euros too low. As the error occurred before the earliest reported period, it was corrected retroactively by adjusting the opening balance of cash and cash equivalents (+41,000 euros) and equity (+41,000 euros) accordingly on 1 January 2013.

Not all outgoing payments were duly accounted for in 2013, causing the recognised cash and cash equivalents to be 57,000 euros too high. The error was corrected retroactively through net profit and loss in 2013, which caused the other operating expenses for 2013 to increase by 97,000 euros. The closing balances of cash and cash equivalents (-57,000 euros) and equity (-57,000 euros, including currency translation differences) on 31 December 2013 were adjusted accordingly.

b. Correction of receivables from and liabilities to the tax office

In 2012, the calculated ongoing tax expenses proved to be 340,000 euros too low. As the error occurred before the earliest reported period, it was corrected retroactively by adjusting the opening balance of other financial liabilities (current) (+340,000 euros) and equity (-340,000 euros) accordingly on 1 January 2013.

In 2013, advance tax payments that were recognised as expenses were erroneously not offset against tax liabilities that were recognised as expenses, which resulted in high tax expenses in 2013. The error was corrected retroactively through net profit and loss in 2013, causing tax expenses in 2013 to fall by 892,000 euros. The closing balances of other current assets (+561,000 euros) and equity (+561,000 euros including currency translation differences) on 31 December 2013 were adjusted accordingly.

c. Correction of a deferred expenses item

In 2013 a deferred expenses item was erroneously not reversed through net profit or loss, which caused other the operating expenses for 2013 to be too low. The error was corrected retroactively through net profit or loss in 2013, resulting in the other operating expenses in 2013 increasing by 15,000 euros. The closing balances of other current assets (-15,000 euros) and equity (-15,000 euros, including currency translation differences) on 31 December 2013 were adjusted accordingly.

d. Correction of the recognition of a stock appreciation right (SAR)

An agreement concluded in 2008 between the managing directors and the company, under which the managing directors would receive a settlement based on the increased value of the company upon the termination of their employment contracts, was not previously recognised on the statement of financial position.

As the errors occurred before the earliest reported period, the errors from 2008–2012 were corrected retroactively by adjusting the opening balances of other financial liabilities (current) (+660,000 euros) and equity (-660,000 euros) on 1 January 2013.

The error in 2013 was corrected retroactively through net profit or loss in 2013, which caused personnel expenses in 2013 to increase by 165,000 euros. The closing balances of other financial liabilities (current) (+795,000 euros) and equity (-795,000 euros, including currency translation differences) on 31 December 2013 were adjusted accordingly.

e. Correction of other current provisions

In 2012, other current provisions which were formed in previous years were not utilised properly, which caused the other current provisions item to be 268,000 euros too high. As the error occurred before the earliest reported period, it was corrected retroactively by adjusting the opening balance of other current provisions (-268,000 euros) and equity (+268,000 euros) accordingly on 1 January 2013. In 2013, this correction merely resulted in the closing balance of equity on 31 December 2013 falling by 12,000 euros due to currency translation differences.

f. Correction of other non-current financial liabilities

Personnel-related obligations were not duly recognised in 2013, which caused the personnel expenses recognised in 2013 to be too low. The error was corrected retroactively through net profit or loss in 2013, which caused the personnel expenses for 2013 to increase by 10,000 euros. The closing balances of other non-current financial obligations (+10,000 euros) and equity (-10,000 euros, including currency translation differences) on 31 December 2013 were adjusted accordingly.

In summary, the following items in the statement of financial position were affected by error corrections as at 1 January 2013:

	01.01.2013 before correction	Change from a.	b.	c.	d.	e.	f.	01.01.2013 after correction
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Equity	49,952	41	-340	0	-660	268	0	49,261
Cash and cash equivalents	11,338	41	0	0	0	0	0	11,379
Other provisions (current)	2,685	0	0	0	0	-268	0	2,417
Other financial obligations (current)	11,833	0	340	0	660	0	0	12,833

In summary, the following items in the statement of financial position were affected by error corrections as at 31 December 2013:

	31.12.2013 before correction	Change from a.	b.	c.	d.	e.	f.	31.12.2013 after correction
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Equity	42,758	-57	560	-15	-795	-12	-10	42,429
Cash and cash equivalents	14,366	-57	0	0	0	0	0	14,309
Other provisions (current)	3,227	0	0	0	0	-257	0	2,970
Other current assets	1,130	0	560	-15	0	0	0	1,675
Other financial obligations (current)	11,096	0	0	0	795	0	0	11,891
Other financial obligations (non-current)	808	0	0	0	0	0	10	818

In summary, the following items in the consolidated income statement were affected by error corrections for the period from 1 January to 31 December 2013:

	01.01.-31.12.2013 before correction	Change from a.	b.	c.	d.	e.	f.	01.01.-31.12.2013 after correction
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Personnel expenses	-97.150	0	0	0	-165	0	-10	-97.325
Other operating expenses	-23.401	-97	0	-15	0	0	0	-23.513
Taxes on income	885	0	892	0	0	0	0	1.777
Comprehensive income	**-6,667**	**-97**	**892**	**-15**	**-165**	**0**	**-10**	**-6,062**
of which attributable to:								

	01.01.-31.12.2013 before correction	Change from a.	b.	c.	d.	e.	f.	01.01.-31.12.2013 after correction
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Shareholders in the parent company	-5,907	-97	892	-15	-165	0	-10	-5,302
Non-controlling interests	-760	0	0	0	0	0	0	-760

In summary, the error corrections affected the disclosure of earnings per share under IAS 33 for the period from 1 January to 31 December 2013 as follows:

	2013 before correction	Changes from corrections a. to f.	2013 after correction
	euros	*euros*	*euros*
Earnings per share (diluted and basic)	-0.14	0.01	-0.13

In summary, the consolidated cash flow statement for 2013 was affected by error corrections as follows:

	2013 before correction	Correction under IAS 8	2013 after correction
	Thousand euros	*Thousand euros*	*Thousand euros*
Result for the period	-6,667	605	-6,062
Taxes on income	-885	-892	-1,777
Result for the period before taxes on income	**-7,552**	**-287**	**-7,839**
Result of the disposal of financial investments	171	-342	-171
Other non-cash income/expenses	-133	-67	-200
Changes in pension provisions recognised in net profit/loss	360	-636	-276
Changes in other assets / other financial receivables	49	135	184
Changes in other provisions	577	-98	479
Changes in trade payables	-213	1,721	1,508
Changes in other debt / financial liabilities	1,032	-2,495	-1,463
Cash flow from operating activities	**-267**	**-571**	**-838**
Cash inflows from the disposal of property, plant and equipment	719	259	978
Cash flow from investment activities	**1,935**	**259**	**2,194**
Interest paid	-1,054	214	-840
Cash flow from financing activities	**1,803**	**214**	**2,017**
Changes in cash funds	3,027	346	3,373
Cash and cash equivalents at the start of the reporting period	11,339	41	11,380
Cash and cash equivalents at the end of the reporting period	**14,366**	**-57**	**14,309**

III. Consolidation group

1. Subsidiaries

Subsidiaries are companies that are directly or indirectly controlled by msg life ag. An entity acquires control when it can exercise power of disposal over the associated company, is exposed to fluctuating returns from its shareholding and is able to influence the level of the returns by using its power of disposal. An entity must re-evaluate whether or not it controls an associated company when facts or circumstances indicate that one or more of the three control criteria have changed.

If the entity does not have the majority of the voting rights, it still controls the associated company if it is capable of unilaterally influencing the relevant activities of the associated company with its voting rights. When assessing whether or not it holds enough voting rights to control the company, the entity must factor in all facts and circumstances including the following:

— the number of voting rights held by the entity in relation to the number and distribution of the voting rights held by other parties,

— the existence and implication of potential voting rights, which can currently be exercised or converted, including potential voting rights held by other companies;

— rights arising from other contractual relationships;

— other facts and circumstances which indicate that the entity is or is not currently capable of determining the relevant activities on the dates on which decisions must be made, with consideration for how votes were cast at previous annual general meetings or shareholders' meetings.

Inclusion in the consolidated financial statements begins at the point in time from which the possibility of control exists and ends when the possibility of control ceases to exist.

As at 31 December 2014, the following companies were fully consolidated in the Group headed by msg life ag as parent company:

Company	Shareholding in%	Abbreviations
msg life Deutschland GmbH (formerly COR&FJA Deutschland GmbH), Munich (Germany) [1]	100	(msg life Germany)
with the subsidiary FJA-US, Inc., New York (USA) [4]	100	(FJA-US)
with the subsidiary msg life Slovakia s.r.o. (formerly COR&FJA Slovakia s.r.o.), Bratislava (Slovakia) [3]	100	(msg life Slovakia)
msg life Switzerland AG (formerly COR&FJA Schweiz AG, Zürich), Regensdorf (Switzerland)	100	(msg life Switzerland)
msg life Austria Ges.m.b.H. (formerly COR&FJA Austria Ges.m.b.H.), Vienna (Austria)	100	(msg life Austria)
msg life odateam d.o.o. (formerly COR&FJA OdaTeam d.o.o.), Maribor (Slovenia)	100	(msg life OdaTeam)
msg life consulting gmbH (formerly COR&FJA Consulting GmbH), Aachen (Germany) [2]	100	(msg life Consulting)
msg life Benelux B.V. (formerly COR&FJA Benelux B.V.), Eindhoven (Netherlands)	100	(msg life Netherlands)
msg life metris gmbh (formerly COR&FJA Metris GmbH), St. Georgen im Schwarzwald (Germany)	100	(msg life Metris)

Company	Shareholding in%	Abbreviations
msg life Czechia spol s r.o. (formerly COR&FJA Czech, spol. s r.o.), Prague (Czech Republic)	100	(msg life Czech Republic)
msg life Poland Sp. z o.o. (formerly COR&FJA Polska Sp. Z o.o.), Warschau (Poland)	100	(msg life Poland)
msg life Iberia, Unipessoal Lda (formerly COR&FJA Systems Portugal, Unipessoal Lda), Porto (Portugal)	100	(msg life Portugal)

[1] The parent company made a loss assumption declaration vis-à-vis msg life Deutschland GmbH and disclosed it.
[2] There is a profit and loss transfer agreement with msg life Consulting GmbH, Aachen, according to which the company must also assume losses.
[3] This is an indirect equity interest. The shares are held by msg life Deutschland GmbH, Munich.
[4] This is an indirect equity interest. The shares are held by msg life Deutschland GmbH, Munich.

More information on the subsidiaries as at the balance sheet date is available below:

Main business	Headquarters	Number of 100% subsidiaries	
		31.12.2014	31.12.2013
Performance of actuarial and economic calculations; conception, development and sale of commercial and technical software	Germany	2	5
	USA	1	1
	Switzerland	1	1
	Slovenia	1	1
	Slovakia	1	1
	Portugal	1	1
	Netherlands	1	1
Performance of services for financial service providers, with a focus on insurance	Germany	1	2
	Czech Republic	1	1
	Poland	1	1
	Switzerland	0	1
Performance of actuarial and economic calculations; conception, development and sale of commercial and technical software, as well as the provision of consultancy services for financial service providers with a focus on insurance	Austria	1	1

Main business	Headquarters	Number of non-100% subsidiaries	
		31.12.2014	31.12.2013
Performance of actuarial and economic calculations; conception, development and sale of commercial and technical software	Germany	0	1
Performance of services for financial service providers, with a focus on insurance	Germany	0	5

There are no limitations on the means of gaining access to assets of the Group, using them or settling the liabilities of the Group.

COR Pension Management GmbH i. L. (Leinfelden-Echterdingen), COR bAV Services GmbH i. L. (Leinfelden-Echterdingen) and FJA bAV Service GmbH i. L. (Munich) were liquidated in the reporting period.

On 11 February 2014, msg life ag successfully completed the sale of its former subsidiary Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) by transferring all of the shares in that subsidiary to the French company Sopra Banking Software S.A., Paris, France, with retroactive effect from 1 January 2014. As of the start of the 2014 financial year, Sopra Banking Software GmbH is no longer part of the basis of consolidation of msg life ag.

The company received 12 million euros in cash from the sale of its subsidiary. 1 million euros are still outstanding and are payable in 2015.

The following assets and liabilities were disposed of due to the loss of control:

	2014 *Thousand euros*
Current assets	
Cash and cash equivalents	19
Trade receivables	8,139
Other short-term assets	117
Non-current assets	
Goodwill	3,139
Other intangible assets	1,626
Property, plant and equipment	106
Other non-current assets	27
Current liabilities	
Trade payables	771
Other current provisions	1,524
Other current liabilities	1,870
Non-current liabilities	
Pension provisions	2,245
Other non-current liabilities	512
Net assets sold	**6,251**

The following capital gains resulted from the disposal of the subsidiary:

	2014 *Thousand euros*
Consideration received	13,000
Net assets lost	6,251
Cumulative actuarial gains and losses which were reclassified from equity	130
Cumulative deferred taxes on actuarial gains and losses which were reclassified from equity	- 43
Capital gains	**6,662**

The capital gain is included in the results from discontinued operations under other operating income.

The following net cash has so far been acquired from the disposal of the subsidiary:

	2014 *Thousand euros*
Sales price paid with cash and cash equivalents	12,000
less cash and cash equivalents disposed of through the sale	19
Total net cash outflow resulting from the disposal	**11,981**

Additionally, msg life ag disposed of its shareholding in the management consultancy firm plenum AG, Frankfurt am Main (Munich Stock Exchange m:access; ISIN 000A0Z23Y9), on 11 March 2014 with retroactive effect from 1 January 2014. The object of the purchase agreement were the 4,008,825 shares held by msg life ag in plenum AG, which correspond to a shareholding of 41.33 per cent of the company's share capital. Since the beginning of the financial year 2014, plenum and its subsidiaries have no longer been part of the basis of consolidation of msg life ag.

The total purchase price to be paid by the purchaser for the shares consists of a fixed purchase price of 350,000 euros and an additional purchase price based on the revenue of the plenum Group in each financial year from 2014 up to and including 2018, up to a maximum of 750,000 euros. The company received 350,000 euros in cash by the balance sheet date. Given the expected turnover figures for the plenum Group, it is safe to assume that the additional purchase price will be paid in full in the following years, and that the total consideration will therefore amount to 1.1 million euros.

The following assets and liabilities were disposed of due to the loss of control:

	2014 *Thousand euros*
Current assets	
Cash and cash equivalents	3,767
Trade receivables	3,168
Non-current assets	
Property, plant and equipment	83
Other non-current assets	1,451
Current liabilities	
Trade payables	435
Other current provisions	472
Other current liabilities	1,553
Non-current liabilities	
Pension provisions	893
Pension provisions	5,116
Minus minority interest	1,955
Net assets sold, excluding minority interest	**3,161**

The following capital loss resulted from the disposal of the subsidiary:

	2014 Thousand euros
Consideration received	1,100
Net assets sold, excluding minority interest	3,161
Capital loss	**-2,061**

The capital loss is included in the results from discontinued operations under other operating expenses.

The following net cash was acquired from the disposal of the subsidiary:

	2014 Thousand euros
Sales price paid with cash and cash equivalents	350
less cash and cash equivalents disposed of through the sale	-3,767
Total net cash outflow resulting from the disposal	**-3,417**

Wagner & Kurz Aktuare AG (WKA; the transferring entity), Basel (Switzerland), was merged with msg life Switzerland AG (the receiving entity) with retroactive effect from 1 January 2014. The entry into the commercial register of the Canton of Zurich (Switzerland) was dated 2 July 2014. This change was made within msg life ag's previous consolidation group and therefore has no effect on the consolidated income statement.

PYLON GmbH (the transferring entity) of Hamburg merged with msg life Deutschland GmbH (the receiving entity), Munich, with retroactive effect from 1 January 2014. The entry into the commercial register of Hamburg was dated 15 August 2014 and the entry into the commercial register of Munich was dated 21 August 2014. This change was made within msg life ag's previous consolidation group and therefore has no effect on the consolidated income statement.

With the notarised purchase agreement of 21 May 2013, msg life ag acquired an interest of 122,425 euros – or 25.71 per cent – in the share capital of msg life metris gmbh at a purchase price of 1 euro, with economic effect from midnight on 1 January 2014. Therefore, since 1 January 2014 msg life ag has held 100 per cent of the shares in the company. The difference between the carrying amount of the purchased ownership interests and the purchase price was offset against the revenue reserves (950,000 euros).

As at the previous year's reporting date, the following companies were fully consolidated in the Group headed by msg life ag as the parent company:

Company	**Shareholding %**	**Abbreviations**
msg life Deutschland GmbH (vormals: COR&FJA Deutschland GmbH), Munich (Germany) [1]	100	(msg life Germany)
with the subsidiary FJA-US, Inc., New York (USA) [5]	100	(FJA-US)
with the subsidiary COR Pension Management GmbH i.L., Leinfelden-Echterdingen (Germany) [1 4]	100	(COR Pension)
with the subsidiary msg life Slovakia s.r.o. (formerly COR&FJA Slovakia s.r.o.), Bratislava (Slovakia) [3]	100	(msg life Slovakia)
msg life Switzerland AG (formerly COR&FJA Schweiz AG), Regensdorf (Switzerland)	100	(msg life Switzerland)

Company	Sharehold-ing %	Abbreviations
msg life Austria Ges.m.b.H. (formerly COR&FJA Austria Ges.m.b.H.), Wien (Austria)	100	(msg life Austria)
msg life odateam d.o.o. (formerly COR&FJA OdaTeam d.o.o.), Maribor (Slovenia)	100	(msg life OdaTeam)
FJA bAV Service GmbH i.L., München (Germany) [1]	100	(FJA bAV Service)
PYLON GmbH, Hamburg (Germany) [1]	100	(PYLON)
Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH), Leinfelden-Echterdingen (Germany)	100	(COR&FJA Banking)
msg life consulting gmbh (formerly COR&FJA Consulting GmbH, Aachen), Aachen (Germany) [2]	100	(msg life Consulting)
COR bAV Services GmbH i.L., Leinfelden-Echterdingen (Germany)	100	(COR bAV)
msg life Benelux B.V. (formerly COR&FJA Benelux B.V.), Eindhoven (Netherlands)	100	(msg life Netherlands)
msg life metris gmbh (formerly COR&FJA Metris GmbH), St. Georgen im Schwarzwald (Germany)	74.29	(msg life Metris)
Wagner & Kunz Aktuare AG, Basel (Switzerland)	100	(WKA)
msg life Czechia spol s r.o. (formerly COR&FJA Czech, spol. s r.o.), Prague (Czech Republic)	100	(msg life Czech Re-public)
msg life Poland Sp. z o.o. (formerly COR&FJA Polska Sp. Z o.o.), Warschau (Poland)	100	(msg life Poland)
msg life Iberia, Unipessoal Lda (formerly COR&FJA Systems Portugal, Unipessoal Lda), Porto (Portugal)	100	(msg life Portugal)
plenum AG, Frankfurt (Germany)	41.33	(plenum)
with the sub-subsidiary plenum Customer Intelligence GmbH, Frankfurt (Germany) [7]	50.1	(pCI)
with the subsidiary plenum Management Consulting GmbH, Frankfurt (Germany) [6]	100	(pMC)
with the subsidiary plenum International Management Consulting GmbH, Wiesbaden (Germany) [6]	100	(pIMC)
with the subsidiary plenum FZ LLC, Dubai (VAE) [6]	100	(pFZ)

[1] The parent company made a loss assumption declaration vis-à-vis msg life Deutschland GmbH, FJA bAV Service GmbH i.L., PYLON GmbH and COR Pension Management GmbH i.L. and disclosed it.
[2] There is a profit and loss transfer agreement with msg life consulting gmbh, Aachen, according to which the company must also assume losses.
[3] This is an indirect equity interest. The shares are held by msg life Deutschland GmbH, Munich.
[4] 40 per cent of the shares are held indirectly via msg life Deutschland GmbH, Munich.
[5] This is an indirect equity interest. The shares are held by msg life Deutschland GmbH, Munich.
[6] This is an indirect equity interest. The shares are held by plenum AG, Frankfurt.
[7] This is an indirect equity interest of plenum AG. The shares are held by plenum International Management Consulting GmbH, Frankfurt.

At all of the subsidiaries, the reporting date corresponds to the Group's reporting date.

There were no changes to the consolidation group after the balance sheet date on 31 December 2014.

For the 2014 financial year, msg life Deutschland GmbH, Leinfelden-Echterdingen, msg life consulting gmbh, Aachen, and msg life metris gmbh, St. Georgen im Schwarzwald, made full use of the relief provided for in Section 264 Para. III HGB.

2. Groups of assets and liabilities held for sale

On 14 November 2013, msg life ag signed a contract of sale with French company Sopra Banking Software S.A., a subsidiary of Sopra Group S.A. (NYSE Euronext

Paris, ISIN: FR0000050809), Paris, concerning the sale of all of the shares in Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH), a subsidiary of msg life ag. The purchase price for the shares specified in the contract is 13.0 million euros.

On 11 February 2014, msg life ag successfully completed the sale of its former subsidiary Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) by transferring all of the shares in that subsidiary to French company Sopra Banking Software S.A. After a corporate restructuring process in summer 2013, the Banking segment was concentrated in Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH).

Additionally, msg life ag disposed of its shareholding in the management consultancy firm plenum AG, Frankfurt am Main (Munich Stock Exchange m:access; ISIN DE000A0Z23Y9), on 11 March 2014. The object of the purchase agreement were the 4,008,825 shares held by msg life ag in plenum ag, which corresponds to a shareholding of approximately 41.33 per cent of the company's share capital. Since the end of the 2013 financial year, plenum ag and its subsidiaries have not been part of the basis of consolidation of msg life ag and were therefore no longer consolidated in 2014. msg life ag announced its intent to sell its shareholding in plenum ag ad hoc on 9 October 2013.

Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH) and the plenum subgroup were categorised as a disposal group and a discontinued segment as at 31 December 2013. The result is as follows:

	2014	2013
	Thousand euros	*Thousand euros*
Income	0	35,256
Expenses	0	-39,641
Gross profit	0	-4,385
Financial expenses	0	-85
Impairment costs from remeasurement	0	-141
Loss before taxes from the discontinued segment	0	-4,159
Shares in circulation on average (undiluted/diluted)	0	40,895,861 (units)
Earnings per share (undiluted/diluted)	0	-0.13 (euros)
Tax income/expenses in relation to the ongoing EBT	0	-1,307
Profit/loss after taxes from the discontinued segment	0	-5,466
Non-current assets	**0**	**749**
of which property, plant and equipment	0	106
Current assets	**0**	**11,286**
of which trade receivables	0	6,804
of which cash and cash equivalents	0	3,787
Assets	**0**	**12,035**
Equity	**0**	**-6,425**
Long-term borrowed capital	**0**	**-3,748**
of which financial debt	0	-137
Short-term borrowed capital	**0**	**-6,961**
of which financial debt	0	-200
Sale price	**0**	**14,100**

The net cash flows of the discontinued segment are as follows:

	2014	2013
	Thousand euros	Thousand euros
Operating activities	0	-218
Investment activities	0	-78
Financing activities	0	-348
Net cash flows	0	-644

IV. Currency translation

The foreign currency translation is carried out in accordance with IAS 21. The functional currency is the currency of a business enterprise's primary commercial environment. It is always the currency which influences performance and costs most strongly. The functional currency is determined for each business enterprise within the Group. As the Group companies run their business operations autonomously, the functional currency is generally identical to that of the respective company's national currency.

Foreign currency translation is basically carried out in two stages. Transactions in foreign currencies, or assets and liabilities in foreign currencies resulting from those, are translated into the functional currency of the business operations in question. The exchange rates at the time of the transaction or valuation are authoritative; they are therefore translated at historical exchange rates (temporal method). Currency differences are recognised in profit or loss. If the functional currency of the business operations diverges from the reporting currency (EUR), all of the assets (including goodwill resulting from consolidation) and debts are translated at the average rates on the reporting date and the items in the income statement are translated at the average rates for the year (modified current rate method). All translation differences are reported under equity as items in their own right within other reserves (31 December 2014: 4.455 million euros; 31 December 2013 (after correction under IAS 8): 2.862 million euros; change in 2014: 1.593 million euros).

The exchange rates on which the currency translation is based have changed as follows in relation to one euro:

	Average rate on the date of the statement of financial position		Average rate for the year	
	31.12.2014	31.12.2013	2014	2013
	euros	euros	euros	euros
1 USD	0.8237	0.7251	0.7527	0.7297
1 CHF	0.8317	0.8146	0.8233	0.8166
1 CZK	0.0361	0.0365	0.0363	0.0363
1 PLN	0.2340	0.2407	0.2390	0.2395

The msg life Group has no business operations in a hyperinflationary country. IAS 29 is therefore not applicable.

V. Disclosure of business segments

IFRS 8 ('Business Segments') specifies that the identification of reportable operative segments is based on the management approach. According to this approach, segment reporting should reflect the in-house company organisational and management structures and the company's financial reporting to the most senior management body. It is based on the products and services on offer. In the Group headed by msg life ag, the msg life ag Management Board is responsible for measuring and controlling the business results of the segments and is held to be the most senior management body as defined by IFRS 8.

Following the restructuring of the Group, msg life made changes to the composition of its segments in the reporting period. Under IFRS 8 ('Business Segments'), msg life will report on its management of the Life Insurance, Non-life Insurance and, since October 2014, Consulting & Services segments. This new method of disclosing business segments also reflects the new method of reporting to the Management and Supervisory Boards of the company. The former Banking segment, which was still disclosed as at 31 December 2013, is no longer operated by the msg life Group following the sale of Sopra Banking Software GmbH. The disclosure of business segments in the previous year was adjusted in line with IFRS 8.29.

For that reason, disclosures about the segments, products and services, geographical areas and important customers have to be made below in the reporting year.

1. Disclosures about segments

The msg life Group gears its segments subject to mandatory reporting requirements to the targeted selling markets of Life insurance (encompassing the areas of life insurance and company pensions in particular), Non-life insurance (encompassing non-life insurance and health insurance in particular) and Consulting & Services (encompassing the areas of business/integration consulting and near-shore development work in particular). This reflects both the Group's internal reporting system and its internal decision-making processes.

The Life insurance segment comprises the development, integration and maintenance of policy management systems for life insurers and the associated migration services and product-based consultancy. This primarily includes the products msg.Life Factory and msg.Life.

The Non-life insurance segment comprises the development, integration and maintenance of other software solutions and peripheral systems for life, non-life, health and reinsurance companies, as well as the associated product-based consultancy. This primarily includes the products msg.Symass, FJA.PM4, msg.Sales & Service and the diverse components of the msg.Open Claims platform.

The Consulting & Services segment comprises general product and business process optimisation, migration support and internal and external near-shore development services for insurance companies.

Despite a high level of specialisation, the segments support each other in development and customer projects, a fact which is beneficial for punctuality of delivery, quality and capacity utilisation. This internal exchange of services is shown under inter-segment revenue. The turnover between the segments is generated at internal prices which are based on the cost of production plus a mark-up. The turnover from external customers, which is reported to the Management Board, is calculated according to the same principles as in the income statement. The transfer of external turnover contains turnover of 1.2 million euros resulting from central service functions for the agency agreements with external third parties.

Expenses for central functions (management, sales, central services) are charged to the operating segments via allocations based on their origins and cause. The segment result constitutes the earnings before income interest, taxes, depreciation and amortisation (EBITDA). The transfer to EBITDA mainly contains income and expenses resulting from the deconsolidation of the plenum subgroup and the former Banking segment. The valuation methods used in the segmental reporting are in accordance with those applied for in the consolidated financial statements as at 31 December 2014. In the previous year (2013), the transfer to EBITDA contained costs of 1.022 million euros which were not allocated to the segments.

These are the costs of international sales (688,000 euros) and administration (334,000 euros).

The valuation methods used in the segmental reporting are in accordance with those applied for in the consolidated financial statements as at 31 December 2014.

2014	**External turnover**	**Inter-segment turnover**	**Total turnover**	**EBITDA**	**Number of employees**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	
Life	69,043	699	69,742	1,008	536
Non-life	28,879	743	29,622	5,678	199
Consulting & Services	5,210	7,446	12,656	389	144
Sum	**103,132**	**8,888**	**112,020**	**7,075**	**879**
Reconciliation	1,207	-8,888	-7,681	4,306	0
Overall Group	**104,339**	**0**	**104,339**	**11,381**	**879**

2013 (new segment structure)	**External turnover**	**Inter-segment turnover**	**Total turnover**	**EBITDA***	**Number of employees**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	
Life	68,558	1,352	69,910	3,200	538
Non-Life	22,088	1,119	23,207	919	193
Consulting + Services	5,518	5,155	10,673	-661	152
Banking	35,148	0	35,148	-4,278	233
Sum	**131,312**	**7,626**	**138,938**	**-820**	**1,116**
Reconciliation	4	-7,626	-7,622	-1,022	0
Overall Group	**131,316**	**0**	**131,316**	**-1,842**	**1,116**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

2013 (new segment structure)	**External turnover**	**Inter-segment turnover**	**Total turnover**	**EBITDA***	**Number of employees**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	
Life	68,558	1,352	69,910	3,200	538
Non-Life	22,088	1,119	23,207	1,206	193
Consulting + Services	5,518	5,155	10,673	-661	152
Banking	35,148	0	35,148	-4,278	233
Sum	**131,312**	**7,626**	**138,938**	**-533**	**1,116**
Reconciliation	4	-7,626	-7,622	-1,022	0
Overall Group	**131,316**	**0**	**131,316**	**-1,555**	**1,116**

2013 (previous segment structure)	External turnover Thousand euros	Inter-segment turnover Thousand euros	Total turnover Thousand euros	Earnings before tax (EBT)* Thousand euros	Number of employees
Life Insurance	74,622	3,346	77,968	365	701
Non-Life Insurance	21,546	3,114	24,660	-1,147	183
Banking	35,148	0	35,148	-7,057	232
Sum	**131,316**	**6,460**	**137,776**	**-7,840**	**1,116**
Reconciliation	0	-6,460	-6,460	0	0
Overall Group	**131,316**	**0**	**131,316**	**-7,840**	**1,116**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

2013 (previous segment structure)	External turnover Thousand euros	Inter-segment turnover Thousand euros	Total turnover Thousand euros	Earnings before tax (EBT)* Thousand euros	Number of employees
Life Insurance	74,622	3,346	77,968	365	701
Non-Life Insurance	21,546	3,114	24,660	-860	183
Banking	35,148	0	35,148	-7,057	232
Sum	**131,316**	**6,460**	**137,776**	**-7,553**	**1,116**
Reconciliation	0	-6,460	-6,460	0	0
Overall Group	**131,316**	**0**	**131,316**	**-7,553**	**1,116**

In accordance with IFRS 8, which has been amended in the context of improvements to IFRS 2009, notes on assets by segment are no longer required. This key capital ratio is not part of in-house reporting in the msg life Group. In addition, interest income and interest expenses, regular amortisation, main earnings and expense items, and main non-cash items, as well as the Group's share in the net profit or loss for the period of associated companies and joint ventures accounted for using the equity method are not part of the Group's in-house reporting and are therefore not separately listed in segmental reporting.

2. Disclosures about products and services

Turnover from external customers is classified according to products and services as follows:

	2014 Thousand euros	2013 Thousand euros
Services	75,262	91,302
Licences	10,829	10,995
Maintenance	16,621	24,819
Other income	1,627	4,200
Group turnover	**104,339**	**131,316**

3. Disclosures about geographical areas

Turnover from external customers by country is recorded on the basis of the respective msg life Group company that managed the transaction and is classified as follows:

	2014	2013
	Thousand euros	*Thousand euros*
Germany	77,373	109,001
USA	20,336	13,735
Switzerland	2,702	4,448
Austria	2,280	2,655
Slovenia	1,195	982
Slovakia	118	0
Benelux	190	367
Czech Republic	32	0
Poland	58	128
Portugal	55	0
Total	**104,339**	**131,316**

4. Disclosures about non-current assets

Non-current assets, consisting of goodwill, other intangible assets, property, plant and equipment and other claims, are comprised as follows:

	2014	2013
	Thousand euros	*Thousand euros*
Germany	26,820	35,966
Slovenia	979	981
USA	275	251
Slovakia	96	187
Austria	54	77
Switzerland	27	52
Portugal	27	0
Benelux	0	7
Total	**28,278**	**37,521**

5. Disclosures about important customers

In the year under review and in the previous year, the msg life Group did not have any customers whose turnover accounted for at least 10 per cent of aggregate turnover.

VI. Notes on the income statement

1. Sales

The turnover includes invoiced revenues for licences, services, maintenance services, cost reimbursements and reductions in earnings. It also includes turnover from chargeable services which are shown as receivables not yet invoiced or advance payments received using the percentage-of-completion method (PoC). All in all, 10.203 million euros (previous year: 16.899 million euros) was realised using the PoC method in 2014.

Projects measured using the PoC method had the following income and expenses components as at the reporting date:

	2014 *Thousand euros*	2013 *Thousand euros*
Turnover recognition (PoC) in the financial year	3,714	7,716
Recorded expenses in the financial year	2,399	5,793
Reported profit in the financial year	1,315	1,923

2. Cost of purchased services and merchandise

	2014 *Thousand euros*	2013 *Thousand euros*
Freelance employees	5,162	9,992
Computing centre services	58	2,966
Purchased goods for resale and similar services	1,869	3,515
Total	**7,089**	**16,473**

The cost of purchased services and merchandise primarily encompasses the cost of freelance employees.

3. Personnel expenses

	2014 *Thousand euros*	2013* *Thousand euros*
Wages and salaries	67,139	84,587
Social security contributions	9,596	12,230
Personnel expenses excluding pensions	**76,735**	**96,817**
Post-employment benefit costs	289	508
Total	**77,024**	**97,325**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Social security contributions comprise, in particular, the employers' contribution to social insurance and contributions to the employers' liability insurance association.

Post-employment benefit costs primarily comprise the allocations to pension provisions.

The average number of employees in 2014 was 8585, of which there were 578 executives and 800798 employees (1,04527 in the previous year, of which there were 737 executives and 96854 employees).

4. Other operating income

	2014 Thousand euros	2013 Thousand euros
Income from the reversal of other provisions and other liabilities	640	919
Use-related reversal of provisions	0	457
Company car use	336	540
Rental income	1,440	1,233
Income from the write-off of financial liabilities	0	256
Income from the disposal of discontinued business divisions	6,662	0
Other	739	744
Total	**9,817**	**4,149**

The use-driven reversal of provisions in the previous year comprised the use of provisions which cannot be clearly allocated to individual expense items.

In the 2013 financial year, income was generated from the write-off of financial liabilities (debt waivers) from certain financing creditors amounting to 256,000 euros.

With regard to the income from the discontinuation of business divisions, please see the information on the sale of the interests in Sopra Banking Software GmbH in III. 1.

5. Other operating expenses

	2014 Thousand euros	2013* Thousand euros
Costs of business premises	7,470	8,556
Travel expenses	2,814	3,876
Consulting, accounting, Supervisory Board	1,976	2,521
Motor vehicle costs	818	1,515
IT expenses	1,421	1,710
Advertising expenses	618	796
Communication expenses	774	881
Staff recruitment	283	212
Ongoing training	232	395
Expenses from the disposal of discontinued business segments	2,061	0
Other	111	3,051
Total	**18,578**	**23,513**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

With regard to the losses from the disposal of discontinued business segments, please see the details on the sale of the shares in plenum in III. 1.

In 2013 the item ‘Other’ largely comprised lease expenses, insurance expenses, fees and contributions, valuation allowances for invoiced and PoC claims and expenses not relating to the accounting period.

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

	2014	2013
	Thousand euros	*Thousand euros*
Audits of financial statements (including outlays)	363	325
Other certification and valuation services	0	0
Tax consulting services	0	0
Other services	30	25
Total	**393**	**350**

Of the expenses for the audit totalling 3693,000 euros, 139,000 euros were attributable to the previous year when the auditor was still kleeberg audit GmbH, Wirtschaftsprüfungsgesellschaft.

6. Depreciation of property, plant and equipment and amortisation of intangible assets

	2014	2013
	Thousand euros	*Thousand euros*
Depreciation of property, plant and equipment and amortisation of intangible assets	1,680	2,652
Impairment costs of intangible assets	3,267	2,514
Total	**4,947**	**5,166**

In the 2014 financial year, the software, software contracts and customer relationships capitalised in the assets in the amount of 1.693 million euros were fully written down, as sale of these intangible assets the corresponding products ceased and thus no more cash flows will be generated.

Of this amount, 526,000 euros were attributable to the Non-life insurance segment, 1.626 million euros were attributable to the former Banking segment and 811,000 euros were attributable to the Life insurance segment.

7. Interest income

	2014 Thousand euros	2013 Thousand euros
Interest income	120	142
Interest expenses	-562	-1,054
Interest income	**-442**	**-912**
Of which from financial instruments in the valuation categories:		
Loans and receivables (including cash and bank balances	17	15
Financial liabilities measured at amortised cost	-268	-474

The net interest income relates to the interest on cash and cash equivalents, income from the accrual of additional interest on current income tax claims and refund interest vis-à-vis the tax authorities. The interest expenses primarily comprise the costs of pension provisions and interest-bearing loans.

There are no net interest income and expenses in the valuation categories 'Held-to-maturity investments', 'Assets measured at fair value through profit and loss' and 'Liabilities measured at fair value directly through profit and loss'.

8. Investment income

	2014 Thousand euros	2013 Thousand euros
ARGE FJA KR BU-System	18	80
Total	**18**	**80**

9. Taxes on income

The tax expenses arise from the components listed below:

	2014 Thousand euros	2013* Thousand euros
Current income tax expenses		
Germany	-119	138
Other countries	-3,033	-635
Total current income taxes	**-3,152**	**-497**
Deferred taxes from temporary differences	2,461	1,198
Deferred taxes on tax loss carryforwards	-6,180	1,076
Total deferred income taxes	**-3,719**	**2,274**
Total	**-6,871**	**1,777**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The ongoing losses in Germany as from 2009 can be carried forward without restriction.

As at 31 December 2014 the msg life Group had unutilised domestic loss carryforwards of 85.373 million euros for corporation tax and 80.322 million euros for trade tax. As at 31 December 2014 there were no deferred tax assets for the taxable loss carryforwards.

As at 31 December 2013, the msg life Group had unused taxable loss carryforwards amounting to 85.428 million euros for which deferred tax assets were formed to the extent that their realisability was guaranteed with a sufficient degree of certainty. Due to the difficult market environment, a period of three years was taken into account in 2013 and in the previous year for the deferred tax assets. All in all, deferred tax assets were formed for loss carryforwards amounting to 15.972 million euros as at 31 December 2013.

For IFRS valuation differences in 2014, deferred tax assets were formed equal to the deferred tax liabilities of 1.3 million euros. Due to the persistently difficult market environment, no deferred tax assets were formed on taxable loss carryforwards and existing items were fully adjusted.

The write-down of deferred tax claims on loss carryforwards reported in previous years led to deferred tax expenses of 3.719 million euros (previous year: 370,000 euros).

In the following reconciliation statement for the Group, the individual company-specific reconciliation statements are condensed taking account of consolidation measures. In the process, the expected tax expenses are reconciled with the effectively reported tax expenses.

The tax rate of 30 per cent applied in the reconciliation statement reflects the domestic tax rate of 15.83 per cent for corporate income tax and solidarity surcharge and of 14.17 per cent for trade tax that have applied since 2008.

	2014 *Thousand euros*	**2013*** *Thousand euros*
Earnings before income taxes	6,010	-7,839
Tax rate	30%	30%
Expected income taxes	**-1,803**	**2,352**
Tax effects with regard to:		
Difference in tax rates	-912	-457
Amortisation of goodwill from capital consolidation due to impairment.	0	337
Tax-free income and tax additions and deductions	1,189	-269
Effect of tax losses	533	-782
Taxes for previous years	31	-375
Valuation allowances for deferred tax assets	-6,180	0
Other	272	971
Effective income taxes	**-6,870**	**1,777**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Goodwill resulting from capital consolidation was adjusted by 1.123 million euros in 2013 due to non-tax deductible impairment.

VII. Notes on the statement of financial position

1. Cash and cash equivalents

	31.12.2014 Thousand euros	31.12.2013* Thousand euros
Other collateralised current accounts	2,500	3,604
Uncollateralised current accounts	19,230	10,705
Total	**21,730**	**14,309**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The cash and cash equivalents comprised collateralised and uncollateralised cash-in-hand and bank balances. The cash and cash equivalents correspond to the total funds shown in the cash flow statement. They serve to secure the financing principal bank whose credit line had not been utilised as at the reporting date.

Fixed-term deposits amounting to 2.5 million euros (previous year: 3.604 million euros) are used as collateral for various sureties and financial liabilities. As at 31 December 2014, the uncollateralised cash and cash equivalents amount to 19.230 million euros (previous year: 10.705 million euros).

2. Securities

	31.12.2014 Thousand euros	31.12.2013 Thousand euros
Mittelschule und Tourismusfachschule Samedan AG (Samedan High School and College of Tourism), Samedan (Switzerland)	1	4
Total	**1**	**4**

The shares held in Mittelschule und Tourismusfachschule Samedan AG, Samedan (Switzerland), originally amounting to 4,000 euros, were posted under securities; in 2014 these were written down to 1,000 euros due to a lack of marketability. The company is not listed.

3. Trade receivables

	31.12.2014 Thousand euros	31.12.2013 Thousand euros
Invoiced receivables	14,726	21,294
PoC receivables	10,203	15,021
Total	**24,929**	**36,315**

The trade receivables are due within one year.

Invoiced receivables	31.12.2014 *Thousand euros*	31.12.2013 *Thousand euros*
Gross value	**14,726**	**21,658**
Of which:		
impaired	0	364
Gross value	**14,726**	**21,294**
Of which:		
neither impaired nor overdue as at the reporting date	11,198	15,817
Of which:		
Not impaired and overdue in the following time bands as on the reporting date		
< 30 days	2,302	3,738
31 to 60 days	500	833
61 to 90 days	499	192
91 to 120 days	8	73
121 to 360 days	219	641

Concerning the portfolio of trade receivables that have been invoiced for, which was neither impaired nor in default, as on the reporting date, there were no indications that the debtors would not meet their payment obligations.

The valuation allowances on receivables that have been invoiced for developed as follows:

	2014 *Thousand euros*	2013 *Thousand euros*
Valuation allowances as at 01.01.	**364**	**169**
Changes, consolidation group	-364	0
Transfers	0	287
Utilisations	0	-23
Reversals	0	-69
Valuation allowances as at 31.12.	**0**	**364**

In the previous year, the full amount of the transfers, i.e. 287,000 euros, consumption, i.e. -23,000 euros, and reversals, i.e. -69,000 euros, related to itemised valuation allowances.

In the current year, as in the previous year, there were no costs of cancelling trade receivables or income from the receipt of cancelled receivables.

In connection with the projects valued according to the percentage-of-completion method (PoC), the msg life Group sets off the total amount of the costs incurred and the profits posted against the amount of the advance payments that have been offset. If this results in a positive balance, the latter will be reported under the item trade receivables, and, if it results in a negative balance, under other current liabilities.

Overall, for all orders, the following balances result under assets and liabilities respectively:

2014	Orders under assets	Orders under liabilities	Total
	Thousand euros	*Thousand euros*	*Thousand euros*
Total amount of costs incurred and profits posted	12,729	673	13,402
Offset advance payments	-2,526	-2,279	-4,805
Total	**10,203**	**-1,606**	**8,597**

2013	Orders under assets	Orders under liabilities	Total
	Thousand euros	*Thousand euros*	*Thousand euros*
Total amount of costs incurred and profits posted	23,151	0	23,151
Offset advance payments	-8,130	-40	-8,170
Total	**15,021**	**-40**	**14,981**

In order to provide security for credit lines, receivables of 14.726 million euros (previous year: 21.294 million euros) were assigned to financial institutions in the reporting year. The assigned receivables provide security for the financing principal bank.

4. Receivables and liabilities vis-à-vis affiliated companies

	31.12.2014	31.12.2013
	Thousand euros	*Thousand euros*
Receivables from affiliated companies	58	45
of which from shareholders	27	45
Amounts owed to affiliated companies	-4,304	-15,116
of which to shareholders	-4,138	-10,043

Of the 58,000 euros in receivables from affiliated companies in the reporting year, 31,000 euros are owed by msg global solution ag, Regensdorf, and 27,000 euros are owed by msg systems ag, Ismaning.

In the previous year the balance also included receivables from msg services ag, Ismaning, totalling 45,000 euros.

The receivables are due within one year.

Liabilities to affiliated companies amount to 4.304 million euros and are owed to msg systems ag, Ismaning, in the amount of 4.138 million euros, innovas GmbH, Hamburg, in the amount of 127,000 euros, Plaut Deutschland GmbH, Ismaning, in the amount of 16,000 euros, msg global solutions AG, Ismaning, in the amount of 12,000 euros and msg services AG, Ismaning, in the amount of 11,000 euros. In the previous year, liabilities to affiliated companies were owed to msg systems ag, Ismaning, in the amount of 10.043 million euros, msg systems GmbH, Brunn am Gebirge, Austria, in the amount of 5 million euros and msg services AG, Ismaning, in the amount of 73,000 euros.

304,000 euros of the liabilities totalling 4.304 million euros have a residual term of up to one year. The other liabilities which amount to 4 million euros are a long-term loan granted by msg systems ag in 2013 which has a term expiring on 31 July 2016 and an annual interest rate of 4.0 per cent from the date on which it was granted. The loan was repaid in full in early 2015.

As at 31.12.2014	Total	Cash flows 2015		Cash flows 2016		Cash flows 2017 – 2019	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Loan, loans, mortgages	4,000	10	4,000	0	0	0	0
From trade	304	0	304	0	0	0	0
Liabilities to affiliated companies	**4,304**	**10**	**4,304**	**0**	**0**	**0**	**0**

As at 31.12.2013	Total	Cash flows 2014		Cash flows 2015		Cash flows 2016 – 2018	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Loan, loans, mortgages	15,000	64	11,000	0	4,000	0	0
From trade	116	0	116	0	0	0	0
Liabilities to affiliated companies	**15,116**	**64**	**11,116**	**0**	**4,000**	**0**	**0**

5. Inventories

As at 31 December 2014 the Group had no inventories. The inventories recognised in the previous year (work in progress that cannot yet be charged for), amounting to 346,000 euros, related to the region of Germany only. In the reporting period and in the same period in the previous year, no impairments were reported as expenses.

In the previous year, no inventories were reported at fair current value minus selling expenses. Additionally, the inventories were not pledged in the previous year, nor did they serve to provide security for liabilities.

6. Ongoing income tax claims

	31.12.2014	31.12.2013
	Thousand euros	Thousand euros
Short-term	250	451
Long-term	221	695
Total	**471**	**1,146**

The current income tax claims consisted of advance payments and refund claims for corporation and trade tax amounting to 471,000 euros (previous year: 1.146 million euros). The short-term portion of this was 250,000 euros (previous year: 451,000 euros) and the long-term portion 221,000 euros (previous year: 695,000 euros). The long-term portion relates to the long-term component of the capitalised corporation tax credit balance.

7. Other financial receivables (short-term)

	31.12.2014 Thousand euros	31.12.2013 Thousand euros
Loan, loans, mortgages	0	284
Purchase price plenum USA	0	120
Security deposits	156	166
Other	0	135
Total	**156**	**705**

The other financial receivables (short-term) fall due within one year.

8. Other short-term assets

	31.12.2014 Thousand euros	31.12.2013* Thousand euros
Value-added tax	49	93
Deferred items	157	803
Other	2,375	780
Total	**2,581**	**1,676**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

In particular, the part-payments of the insurance and rent paid in the reporting year that do not give rise to expenditure until the following year are reported under prepaid expenses.

The other current assets essentially comprise payable purchase price instalments in connection with the disposal of the shares in the Banking segment (1 million euros) and plenum AG (650,000 euros).

9. Goodwill and other intangible assets

2014	Goodwill	Other intangible assets		Total
		Development costs	Other	
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Acquisition costs				
As at 01.01.2014	37,297	4,109	20,744	62,150
Additions	0	0	0	0
Disposals	0	875	0	875
Disposals in the consolidation group	5,614	592	4,557	10,763
As at 31.12.2014	**31,683**	**2,642**	**16,187**	**50,512**

2014	Goodwill	Other intangible assets		Total
		Development costs	Other	
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Depreciation, amortisation and write-downs				
As at 01.01.2014	12,688	3,667	12,002	28,357
Additions	0	0	3,345	3,345
Disposals	0	565	13	578
Disposals in the consolidation group	2,475	460	3,063	5,998
As at 31.12.2014	**10,213**	**2,642**	**12,271**	**25,126**
Carrying amount on 31.12.2014	**21,470**	**0**	**3,916**	**25,386**

2013	Goodwill	Other intangible assets		Total
		Development costs	Other	
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Acquisition costs				
As at 01.01.2013	37,297	4,043	20,729	62,069
Additions	0	6	75	81
Disposals	0	0	0	0
Reclassifications	0	60	-60	0
As at 31.12.2013	**37,297**	**4,109**	**20,744**	**62,150**
Depreciation, amortisation and write-downs				
As at 01.01.2013	11,566	2,822	10,433	24,821
Additions	1,122	845	1,569	3,536
Disposals	0	0	0	0
As at 31.12.2013	**12,688**	**3,667**	**12,002**	**28,357**
Carrying amount on 31.12.2013	**24,609**	**442**	**8,742**	**33,793**

The research and development costs (personnel expenses and other operating expenses) that were recognised under expenses in 2014 amounted to 9.850 million euros (previous year: 12.447 million euros).

The valuation tests for goodwill and individual intangible assets that must be conducted every year were carried out in the reporting year, where there were indications that an impairment existed.

No items had to be devalued as a result.

Information on the other intangible assets in the reporting year

The other intangible assets amounting to 3.916 million euros consist largely of capitalised software amounting to 3.624 million euros.

Information on the other intangible assets in the previous year

The other intangible assets amounting to 742,000 euros consisted largely of capitalised software amounting to 7.523 million euros as at 31 December 2013.

The valuation of the goodwill acquired as part of corporate mergers was assessed in accordance with IAS 36 and on the basis of cash-generating units. The goodwill is made up of the following:

	31.12.2014 Thousand euros	31.12.2013 Thousand euros
msg life OdaTeam	952	952
msg life Deutschland	20,437	19,232
FJA-US	81	81
PYLON	0	1,205
Sopra Banking Software GmbH (formerly COR&FJA Banking Solutions GmbH)	0	3,139
Total	**21,470**	**24,609**

In 2014, the former PYLON GmbH transferred all of its assets to msg life Deutschland GmbH as part of the merger, including dissolution without winding up by way of absorption.

As part of the disposal of the shares in Sopra Banking Software GmbH, the assigned goodwill was also disposed of. More information about this can be found under 'III. Consolidation group, 1. Subsidiaries'.

As part of the assessment of goodwill impairment, the carrying amounts of the goodwill are allocated to individual cash-generating units. The business units msg life OdaTeam and FJA-US are allocated to the Non-life segment and the business unit msg life Deutschland is allocated to the Life Insurance segment as cash-generating units.

In accordance with its definition, the book values (net assets) of the individual cash-generating units are subsequently checked at least once a year to establish whether any requirement for impairment exists. The achievable amount corresponding to the value in use that has been ascertained according to the 'discounted cash flow' method is thus compared with the book values. In addition, the msg life Group also takes the relationship between market capitalisation and the book value into account when assessing whether there are indications that an asset might be impaired.

Impairment tests on goodwill and intangible assets with indeterminate useful lives

The following assumptions on which the calculation of the value in use of the three cash-generating units – Life insurance, Non-life insurance and Consulting & Services – was based are subject to uncertainty:

- Gross profit margin
- Discount rates
- Market shares in the detailed planning period
- Growth rates on which the extrapolated cash flows outside of the detailed planning period are based

Gross profit margins are determined based on the average values generated in previous financial years before the start of the budget period which range from

16.9 per cent and 21.3 per cent. The gross profit margins are increased by the expected increases in efficiency during the reporting period.

The valuation of other goodwill was verified on the basis of cash flows estimated for the future, which were derived from the current plans prepared by the management. The basis used to establish future cash flows was the data emanating from the corporate plans for the financial years to 2019, with subsequent transition to perpetuity. These plans use a planning horizon of five years. For the period of time thereafter ('perpetuity'), a growth rate of approx. 1 per cent was applied to the cash flows in the valuation tests. These assumptions are based on past experience, the current operating results and the best possible estimates of future developments made by the management as at the reporting date.

The discount rates represent the current market estimations in terms of the specific risks attributable to each cash-generating unit; in this regard, the interest effects and specific risks of the assets for which the estimated future cash flows were not adjusted are taken into account. The calculation of the discount rate factors in the specific circumstances of the Group and its segments, and is based on the average capital cost rate (WACC). The WACC factors in both debt capital and equity. The equity costs are derived from the expected capital returns of the financier of the Group. The borrowing costs are based on the interest-bearing debt which the Group must service. The segment-specific risk is factored in by applying individual beta factors. The beta factors are determined annually on the basis of publicly accessible market data. The free cash flows were discounted with a capital cost rate (WACC) of 7.25 per cent p.a. (previous year: 8.42 per cent p.a.) before tax.

As with assumptions made about growth rates, the assumptions made about the market share are important in so far as the management judges how the position of the cash-generating unit could change relative to its competitors during the detailed planning period.

The extrapolation of the budget for the cash-generating units is based on past assumptions.

The speed of technological change and potential new competitors can significantly affect the assumptions about growth rates. No significant negative effects on the forecasts are expected due to the appearance of new competitors on the market; however, this could lead to a potentially different growth rate than the forecast long-term growth rate of approx. 1 per cent for the cash-generating units:

Only if the long-term growth rate for the cash-generating unit 'Life insurance' were -12.5 per cent would a valuation allowance become necessary.

Only if the long-term growth rate for the cash-generating unit 'Non-life insurance' were -1.25 per cent would a valuation allowance become necessary.

A drop in the long-term growth rate for the cash-generating unit 'Consulting & Services' would not necessitate a valuation allowance as this segment does not contain any assets whose values can be adjusted.

A drop in demand could affect the gross profit margin:

A 5 per cent drop in the profit margin of the cash-generating unit 'Life insurance' would necessitate a valuation allowance.

A 5 per cent drop in the profit margin of the cash-generating unit 'Non-life insurance' would necessitate a valuation allowance.

A drop in the profit margin of the cash-generating unit 'Consulting & Services' would not necessitate a valuation allowance as this segment does not contain any assets whose values can be adjusted.

Sensitivity analyses have shown that a 0.5 per cent increase in the capital cost rate would necessitate a valuation allowance of 2.1 million euros for goodwill.

Information on the goodwill in the previous year

As a result of the valuation tests, impairments on goodwill in total amounting to 1.122 million euros were carried out in the previous year. Specifically, this goodwill related to WKA (34,000 euros) and plenum (1.088 million euros). The goodwill of plenum was impaired because the sales price was lower than the capitalised value in 2014.

10. Property, plant and equipment

2014	Buildings on third-party land	Hardware and software	Operating and office equipment	Assets under construction	Total
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Acquisition costs					
As at 01.01.2014	**5,033**	**9,789**	**4,571**	**0**	**19,393**
Additions	35	1,084	255	249	1,623
Disposals	0	1,074	39	0	1,113
Disposals in the consolidation group	338	2,933	312	0	3,583
Reclassifications	0	0	8	0	8
Foreign currency differences	73	35	51	0	159
As at 31.12.2014	**4,803**	**6,901**	**4,534**	**249**	**16,487**
Depreciation, amortisation and write-downs					
As at 01.01.2014	**3,963**	**8,502**	**4,094**	**0**	**16,559**
Additions	175	1,110	317	0	1,602
Disposals	0	1,074	14	0	1,088
Disposals in the consolidation group	323	2,761	310	0	3,394
Foreign currency differences	60	36	41	0	137
As at 31.12.2014	**3,875**	**5,813**	**4,128**	**0**	**13,816**
Carrying amount on 31.12.2014	**928**	**1,088**	**406**	**249**	**2,671**

2013	Buildings on third-party land	Hardware and software	Operating and office equipment	Total
	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Acquisition costs				
As at 01.01.2013	**5,143**	**10,037**	**4,972**	**20,152**
Additions	0	1,772	0	1,772
Disposals	-90	-2,014	-384	-2,488
Foreign currency differences	-20	-6	-17	-43
As at 31.12.2013	**5,033**	**9,789**	**4,571**	**19,393**
Depreciation, amortisation and write-downs				
As at 01.01.2013	**3,891**	**8,213**	**4,144**	**16,248**
Additions	184	1,038	266	1,488
Disposals	-90	-746	-303	-1,139
Foreign currency differences	-22	-3	-13	-38
As at 31.12.2013	**3,963**	**8,502**	**4,094**	**16,559**
Carrying amount on 31.12.2013	**1,070**	**1,287**	**477**	**2,834**

No new finance lease agreements were made in the 2014 financial year (previous year: none). The finance lease agreements concluded in previous years have resulted in rental payments amounting to 60,000 euros over the next two years.

11. Financial investments

	31.12.2014	31.12.2013
	Thousand euros	Thousand euros
Shareholding, B+S Banksysteme Aktiengesellschaft	0	1,767
Shareholding, ARGE FJA KR BU-System	3	3
Cooperative shares, Volksbank Donau Neckar eG	0	3
Total	**3**	**1,773**

The shareholding of the msg life Group in B+S Banksysteme Aktiengesellschaft, Munich, comprising 24.13 per cent of the shares or 1,498,462 shares, was disposed of on 29 August 2014 for a total price of 1.948 million euros. In previous years, the shareholding was adjusted by a total of 2.158 million euros.

The shareholding in ARGE FJA KR BU-System, Munich, has not been consolidated. The msg life Group does not have a decisive influence over ARGE FJA KR BU-System, as it does not have many opportunities to collaborate in the financial and business decision-making processes of the partly owned subsidiary. The msg life Group owns 50 per cent of the shares. ARGE's shareholders' equity amounts to 18,000 euros as at 31 December 2014 (previous year: 10,000 euros). The total assets are 33,000 euros (previous year: 40,000 euros), and the total liabilities are 15,000 euros (previous year: 30,000 euros). In the 2014 financial year, ARGE generated turnover of 72,000 euros (previous year: 78,000 euros) and a result of

43,000 euros (previous year: 38,000 euros). The shares are measured at amortised cost.

12. Deferred tax claims and deferred tax liabilities

The deferred taxes were determined using the relevant country-specific tax rates that are between 19 per cent and 41.1 per cent (previous year: between 19 per cent and 39.6 per cent). Changes in the tax rate that had already been decided upon as at the balance sheet date were taken into account when the deferred taxes were determined.

The deferred taxes of the domestic companies have been evaluated according to the applicable trade tax collection rate using an aggregate tax rate, including the solidarity surcharge, of between 29.13 per cent and 32.98 per cent (previous year: between 27.7 per cent and 33.0 per cent).

The deferred taxation is allocated to the following items of the statement of financial position:

	31.12.2014		31.12.2013	
	Assets *Thousand euros*	Liabilities *Thousand euros*	Assets *Thousand euros*	Liabilities *Thousand euros*
PoC receivables	149	5	79	2,780
Receivables and other current assets	2,212	168	52	3,609
Intangible assets	0	1,175	1,059	0
Goodwill	0	0	31	0
Long-term financial assets	1,121	79	0	347
Property, plant and equipment	21	20	0	14
Other provisions	0	20	151	6
Pension provisions	1,366	0	1,985	346
Other financial liabilities	3	0	64	169
Tax losses carried forward	0	0	6,180	0
Valuation allowance for temporary differences	-3,566	0	0	0
Total	**1,306**	**1,467**	**9,601**	**7,271**

The deferred taxes that were recognised in equity amount to 638,000 euros (previous year: 504,000 euros).

13. Other financial receivables (long-term)

	31.12.2014 *Thousand euros*	31.12.2013 *Thousand euros*
Total	**0**	**199**

In the previous year, the other financial receivables essentially consisted of a loan to a former member of the Management Board which was disposed of due to the deconsolidation of the plenum subgroup in 2014.

14. Financial liabilities

	31.12.2014	31.12.2013
	Thousand euros	*Thousand euros*
Short-term	0	3,197
Long-term	0	0
Total	**0**	**3,197**

Interest-bearing credit liabilities based on a contractual obligation to a third party are posted under financial liabilities. There is presently a general credit line with a principal bank amounting to 5 million euros, which as at the balance sheet date was utilised to the extent of 0 euros. If it should surpass 2.5 million euros, the term of this credit line will expire on 31 August 2015. From 1 September 2015, the credit will be available for an indefinite period up to a maximum amount of 2.5 million euros. A total credit line of 7.5 million euros with no time limit was granted by a second principal bank. This credit line had also not been utilised as at the reporting date. A fixed-term deposit of 2.5 million euros was pledged to this principal bank. By blanket assignment, both banks have received all current and future trade receivables of msg life ag, msg life Deutschland GmbH, msg life metris gmbh and msg life consulting gmbh as security.

Specifically, the financial liabilities were as follows:

Type	**Credit currency**	**31.12.2014**	**31.12.2013**	**2014**	**2013**
		Thousand euros	*Thousand euros*	*Interest rate p.a. in %*	*Interest rate p.a. in %*
Bank credit 5	Euros	0	300	0.00	9.00
Bank credit 8	Euros	0	2,689	0.00	6.58
Bank credit 9	Euros	0	200	0.00	5.00
Loan other 1	Euros	0	8	–	–
Total	**Euros**	**0**	**3,197**	**–**	**–**

The tables below show the contractually agreed (non-discounted) interest and redemption payments relating to the financial liabilities:

As at 31.12.2014	**Total**	**Cash flows 2015**		**Cash flows 2016**		**Cash flows 2017 – 2019**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Short-term	0	0	0	0	0	0	0
Long-term	0	0	0	0	0	0	0
Financial liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**

As at 31.12.2013	Total	Cash flows 2014		Cash flows 2015		Cash flows 2016 – 2018	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Short-term	3,197	0	3,197	0	0	0	0
Long-term	0	0	0	0	0	0	0
Financial liabilities	**3,197**	**0**	**3,197**	**0**	**0**	**0**	**0**

As part of the financial liabilities to banks, bank balances of 3.604 million euros and trade receivables totalling 21.294 million euros were assigned in the previous year (see VII.3).

15. Trade payables

Trade payables have, as in the previous year, a residual term of up to one year.

16. Current income tax liabilities

The current income tax liabilities of 2.915 million euros (previous year: 204,000 euros), all of which are due in the short term, essentially comprise corporation tax liabilities.

17. Other provisions

	31.12.13*	Currency differences	Utilisations	Reversals	Additions	Disposals in the consolidation group	31.12.14
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Guarantee payments	200	0	0	0	0	200	0
Provision for project costs	5	0	0	5	12	0	12
Contingent losses	570	0	31	519	6	10	16
Outstanding incoming invoices	2,042	0	481	68	397	1,504	386
Personnel-related provisions	849	0	0	0	342	0	1,191
Other	697	35	248	48	597	282	751
Other provisions	**4,363**	**35**	**760**	**640**	**1,354**	**1,996**	**2,356**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The reversals of provisions are reported in the income statement under other operating income (VI.4).

The valuation as at the reporting date takes into account the financial charges the company is expected to have to bear.

Provisions for guarantee payments were formed on the basis of the existing or estimated future claims experience.

The provision for project costs includes the cost of services not yet rendered.

The provisions for contingent losses include the cost of rental agreements.

The provision for anticipated incoming invoices relates to other operating expenses and the cost of purchased services.

The other provisions essentially included the provisions formed for jubilees, settlement costs, the financial statements and Annual Report, etc. The provisions for jubilees and settlement costs were recognised under other financial liabilities in the past. However, as these are actually long-term provisions, the previous year was adjusted so that these other provisions are now recognised under other provisions as at 31 December 2013 and 31 December 2014. As they would be immaterial, no corrections were made under IAS 8. See also the information on other financial liabilities under VII.19.

As at the reporting date, the other provisions had the following maturity pattern:

	Long-term in 2014	Long-term in 2013*	Short-term in 2014	Short-term in 2013*	Total for 2014	Total for 2013*
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Guarantee payments	0	0	0	200	0	200
Provision for project costs	0	0	12	5	12	5
Contingent losses	0	360	16	210	16	570
Expected incoming invoices	0	0	386	2,042	386	2,042
Other	1,539	1,033	403	513	1,942	1,546
Other	**1,539**	**1,393**	**817**	**2,970**	**2,356**	**4,363**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Payments under the provision for guarantee payments are not made directly, but are essentially effected in the context of personnel and other operating expenses.

The sums accounted for under the provisions for project costs, contingent losses, expected incoming invoices and other provisions totalling 2.356 million euros (previous year: 4.163 million euros) must be paid out in the short term within the scope of operating activity, with the exception of a sum amounting to 1.539 million euros (previous year: 1.393 euros).

The msg life Group has sufficient liquid funds to make the payments concerned using the provisions.

18. Other debts

	31.12.2014	31.12.2013
	Thousand euros	*Thousand euros*
Tax liabilities	1,688	1,300
Payments received on account for customer orders	1,606	40
Deferred items	1,502	2,534
Total	**4,796**	**3,874**

Concerning the payments received on account for customer orders, see the statements made in 'VII. Notes on the statement of financial position, 3. Trade receivables'.

As at the reporting date, the other liabilities had the following maturity pattern:

31.12.2014	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Tax liabilities	1,688	1,688	0	0
Payments received on account for customer orders	1,606	1,606	0	0
Deferred items	1,502	1,502	0	0
Other debts	**4,796**	**4,796**	**0**	**0**

31.12.2013	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Tax liabilities	1,300	1,300	0	0
Payments received on account for customer orders	40	40	0	0
Deferred items	2,534	2,534	0	0
Other debts	**3,874**	**3,874**	**0**	**0**

19. Other financial liabilities

	31.12.2014	31.12.2013*
	Thousand euros	*Thousand euros*
Liabilities from the personnel and welfare area	12,471	10,749
Hire-purchase liability	60	91
Other	984	1,020
Total	**13,515**	**11,860**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The liabilities from the personnel and welfare area relate principally to liabilities from holiday, overtime and variable remuneration entitlements. The previous year was adjusted in order that the liabilities from personnel and social commitments were reduced by the liabilities from anniversary entitlements of 553,000 euros. Therefore, the liabilities from anniversary entitlements as at 31 December 2013 and 31 December 2014 are recognised under long-term provisions. Furthermore, please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'.

By means of contracts dated 18 October 2012, msg life Deutschland GmbH concluded a sale and finance leaseback transaction for hardware with a lessor. msg life Deutschland GmbH sold hardware to the lessor in return for a one-off payment (0.126 million euros). In a second step, the parties agreed on a hire-purchase arrangement for the transfer of a right of use for this hardware by the lessor (hirer) to msg life Deutschland GmbH as hire purchaser in return for the payment of regular, recurring rental payments (2,807.63 euros) over a period of 48 months. As the main opportunities and risks associated with the asset remain with the msg life Group, what has been created is a finance lease and/or hire-purchase liability. The hire-purchase liability is commensurate with the cash value of the minimum lease payments.

No security was provided for the fulfilment of the obligations arising from this hire-purchase agreement.

The 'Other' item essentially includes the wage and church tax liabilities. The previous year was adjusted in order that the other liabilities were reduced by the settlement provision of 296,000 euros. Therefore, the settlement provision as at 31 December 2013 and 31 December 2014 is recognised under long-term provisions.

As at the reporting date, the other financial liabilities had the following maturity pattern:

31.12.2014	**Total**	**Residual term of up to 1 year**	**Residual term of between 1 year and 5 years**	**Residual term of more than 5 years**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Liabilities arising from personnel and welfare	12,471	12,471	0	0
Hire-purchase liability	60	32	28	0
Other	984	984	0	0
Other financial liabilities	**13,515**	**13,487**	**28**	**0**

31.12.2013*	**Total**	**Residual term of up to 1 year**	**Residual term of between 1 year and 5 years**	**Residual term of more than 5 years**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*
Liabilities arising from personnel and welfare	10,749	10,544	205	0
Hire-purchase liability	91	31	60	0
Other	1,020	1,020	0	0
Other financial liabilities	**11,860**	**11,595**	**265**	**0**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The tables below show the contractually agreed (non-discounted) interest and redemption payments relating to the other financial liabilities:

As at 31.12.2014	**Total**	**Cash flows 2015**		**Cash flows 2016**		**Cash flows 2017 – 2019**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Liabilities arising from personnel and welfare	12,471	0	12,471	0	0	0	0
Hire-purchase liabilities	60	1	32	0	28	0	0
Other	984	0	984	0	0	0	0
Other financial liabilities	**13,515**	**1**	**13,487**	**0**	**28**	**0**	**0**

As at 31.12.2013*	Total	Cash flows 2014		Cash flows 2015		Cash flows 2016 – 2018	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Liabilities arising from personnel and welfare	10,749	0	10,544	0	0	0	205
Hire-purchase liabilities	91	4	31	3	31	1	29
Other	1,020	0	1,020	0	0	0	0
Other financial liabilities	**11,860**	**4**	**11,595**	**3**	**31**	**1**	**234**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

All the financial instruments that were in the portfolio as at the reporting date in question, and for which payments have already been contractually agreed, have been included. No budgeted figures have been considered for liabilities that might come about in the future. Financial liabilities that can be met at any time are always allocated to the earliest possible time period.

In the past financial year, 2014, and in the previous year, no bad debt losses or breaches of contract were sustained by the company.

20. Pension provisions

Pension agreements exist for the parent and a domestic subsidiary within the msg life Group in the form of direct defined-benefit obligations. In defined-benefit plans, the employer undertakes to make the promised pension payments and to finance them by forming pension provisions or separate plan assets for pension purposes.

Provisions for pension obligations are formed on the basis of plans for retirement, incapacity and survivors' benefit. Group pension obligations to employees are based on direct and indirect pension commitments. Benefits from direct pension obligations are fundamentally determined as a function of monthly salary and length of service with the company.

The amount of the pension obligation is calculated by actuarial methods using the internationally accepted projected unit credit method in accordance with IAS 19 ('Employee Benefits'), with future obligations being calculated on the basis of the proportional entitlements acquired on the reporting date. Evaluation takes account of assumed trends for the relevant variables which affect the amount of benefit. Actuarial calculations are required for all benefit systems.

Not only assumptions about life expectancy and incapacity, but also premises using the biometric principles of the Heubeck mortality table 2005G play a role.

For a description of the pension schemes, see XI. 1. 'Total remuneration of the Management Board and the Supervisory Board'.

The calculations are based on the following actuarial assumptions for the reference dates:

	msg life ag	msg life Deutschland
	% per year	% per year
Actuarial interest rates	1.95	1.95
Projected increase in salaries	2.5	2.5
Rate of pension progression (civil service adjustment)	1.90	1.90

The major actuarial assumptions used to calculate the defined-benefit obligation are the actuarial interest rate, the assumed rate of inflation and the underlying salary increase rate.

	msg life ag	msg life Deutschland	Sopra Banking Software GmbH	Plenum
	% per year	% per year	% per year	% per year
Actuarial interest rates	3.45	3.45	3.45	3.45
Projected increase in salaries	2.25	2.25	2.25	0.00
Rate of pension progression (civil service adjustment)	1.90	1.90	1.90	1.90 / 0.00

No allowance was made for the probability of fluctuation.

The outlay for defined-benefit pension plans consists of the following:

	2014	2013
	Thousand euros	Thousand euros
Service cost	30	87
Net interest costs	210	273
Total expenses	**240**	**360**

Service cost is posted as part of personnel expenses. The net interest costs are shown in the financial result.

The portfolio of actuarial gains and losses posted in equity with no impact on profit and loss are as follows:

	31.12.2014	31.12.2013
	Thousand euros	Thousand euros
Actuarial gains (+) and losses (-)	-4,474	-2,812

The asset is invested using counter guarantee insurance. 100 per cent of the assets are direct claims from the insurance company. The anticipated long-term returns are based upon past experience of insurance contracts and on anticipated future returns. No change in the composition of the plan assets is intended in the 2015 financial year. Potential underfunding of the pension obligations is to be covered by ongoing operations.

The actual returns on the plan assets are as follows:

	2014 Thousand euros	2013 Thousand euros
Actual returns on plan assets	84	20

Besides counter guarantee insurance, fixed-term deposits amounting to 1.043 million euros are used to safeguard claims arising from commitments for pension and similar obligations.

Reconciliation calculations of the cash values of defined-benefit obligations, the plan asset values to be reconciled and the figures derived from them for pension provisions are shown below:

	2014 Thousand euros	2013 Thousand euros
Cash value of the benefit obligation as at 01.01	11,194	11,487
Service cost	30	87
Interest charges on the project unit credit	272	326
Pension payments rendered by the employer directly	-249	-225
Payments made under the plan	-4	0
Actuarial gain (-) / loss (+) resulting from adjustments made from past experience	27	214
Actuarial gain (-) / loss (+) resulting from changes to financial assumptions	1,927	-73
Disposals due to changes to the consolidation group	-3,279	-622
Cash value of the benefit obligation as at 31.12	**9,918**	**11,194**
Plan assets as at 01.01	1,921	2,015
Counter guarantee insurance premiums	0	254
Income from plan assets calculated with the actuarial interest rate	62	53
Amounts by which the actual income from the plan assets in the current financial year exceeds (+) or falls below (-) the income calculated with the actuarial interest rate	21	-34
Benefits paid	-4	0
Disposals due to changes to the consolidation group	-141	-367
Plan assets as at 31.12	**1,859**	**1,921**
Net obligation	**8,059**	**9,273**

The present value of the pension obligations of 9.918 million euros as at 31 December 2014 is broken down over the groups of participants as follows: obligations of 1.039 million euros are attributable to active employees, obligations of 3.704 million euros are attributable to vested former employees and obligations of 5.175 million euros are attributable to pensioners.

The reconciliation calculation of the cash value of the defined-benefit obligation and the fair value of the plan assets with the assets and liabilities posted on the statement of financial position is shown below:

	2014	2013
	Thousand euros	Thousand euros
Net obligation at the beginning of the year	9,273	9,472
Net cost entered	240	359
Actuarial gain (-) / loss (+) shown directly under equity	1,933	175
Employer's contributions	0	-254
Benefits paid directly	-249	-224
Disposals due to changes to the consolidation group	-3,138	-255
Provisions as at 31.12	**8,059**	**9,273**

Payments totalling 296,000 euros are planned for the current 2015 financial year, 332,000 euros in 2016, 373,000 euros in 2017, 396,000 euros in 2018, 410,000 euros in 2019 and 2.3 million euros in 2020–2024.

No plan asset contributions are expected for the reporting period ending on 31 December 2015.

Based on the pension scheme, the Group is exposed to risks from interest rate changes, life expectancy changes amongst those entitled to pensions and risks from salary changes. The plan assets are invested in liability insurance policies and fixed-term deposits. The insurance policies and fixed-term deposits therefore represent a general investment risk.

Sensitivity analyses have indicated that an increase (reduction) in the costs of capital of 0.5 percentage points (-0.5 percentage points) would require an adjustment of -0.7 million euros (0.7 million euros).

21. Subscribed capital

The subscribed capital as at 31 December 2014 after treasury shares had been taken into account totalled 40,895,861.00 euros (31 December 2013: 40,895,861.00 euros) and is fully paid-in. Overall, the subscribed capital is still divided into 42,802,453 no-par-value bearer shares, each representing a computational equity stake of 1 euro. Each share entitles its holder to one vote. No preference shares are issued.

Repurchase of treasury shares

On 21 August 2008, the Management Board of msg life ag resolved, on the basis of the authorisation of the Annual General Meeting of 20 June 2008, to acquire up to 638,680 of its treasury shares, i.e. around 1.5 per cent of the nominal capital, on the stock exchange from 25 August 2008 onwards. By 31 December 2009, msg life ag had acquired 638,680 shares for a purchase price of 1,193,549.57 euros. This corresponds to an average acquisition price of 1.87 euros per share. The purchase price of 1,193,549.57 euros is shown directly as nominal capital under subscribed capital (638,680.00 euros) and the capital reserve (554,869.57 euros). Furthermore, 1,267,912 treasury shares from the portfolio of the former COR AG accrued as a result of the merger with the former COR AG in 2009. The addition totalling 2,662,615.00 euros is entered directly in equity under subscribed capital (1,267,912.00 euros) and the capital reserve (1,394,703.00 euros). All in all, treasury shares amounting to 1,906,592 euros were openly removed from the subscribed capital and the capital reserve was reduced by 1,949,572.57 euros.

At the Annual General Meeting held on 17 August 2010 it was decided to empower the company to acquire and use treasury shares in the company by 16 August 2015, under partial exclusion of the shareholders' subscription rights, for a proportional amount of up to 10 per cent of nominal capital. The shares can be purchased on the stock exchange or by means of a public purchase offer addressed to all the company's shareholders. As well as by purchase on the stock exchange, the company can also purchase treasury shares by means of a public purchase offer. The company can use the treasury shares as follows: with the approval of the Supervisory Board as a consideration in a business combination or as a consideration in the purchase of companies or interests, furthermore to dispense to employees of the company or companies affiliated to the Group, to service convertible bonds or warrants issued by the company, or to fulfil obligations from employee profit-sharing programmes, disposal of a different type other than on the stock exchange or by means of an offer to all shareholders, for example to an institutional investor or to develop new circles of investors.

The Management Board has not made use of this empowerment.

This authorisation granted to the company by resolution of the Annual General Meeting of 17 August 2010 to acquire treasury shares up to 16 August 2015 was replaced by the following authorisation resolution adopted by the Annual General Meeting on 26 June 2014.

By resolution of the Annual General Meeting of 26 June 2014, the company was authorised to acquire treasury shares ('msg life shares') up to a total of 10 per cent of the share capital as of the date of the resolution. In this regard, at no point may more than 10 per cent of the share capital of the company be represented by the shares acquired under this authority combined with other shares in the company which the company had already acquired and still holds or which are attributable to it under Sections 71 et seq. of the German Stock Corporation Act (AktG). The company may not use this authority in order to trade with its own shares. The authority may be used in whole or in partial amounts to pursue one or more purposes, on one or more than one occasion, by the company, but also by its affiliated companies or through third parties for its or their account, within the limits of the above restrictions. The authority to acquire treasury shares shall lapse at the close of business on 25 June 2019. The deadline applies to the date of acquisition of the shares, not to holding the shares beyond this date.

The Management Board has not yet made use of this empowerment.

No new capital was approved in the reporting year.

The following authorised capital exists from the previous years:

Authorised Capital 2010

At the Annual General Meeting held on 17 August 2010, it was decided that by lifting the empowerment of the Management Board regulated in Section 5 Para. 4 of the company's statutes to increase the nominal capital of the company, with approval of the Supervisory Board, until 22 June 2011 by up to a total of 10,398,708.00 euros, the Management Board was to be empowered to increase the company's nominal capital by 16 August 2015 by issuing new individual bearer shares in return for contributions in cash and kind on one or more occasions, to a limit of a maximum sum of 21,401,226.00 euros. The Management Board is authorised to exclude the right of shareholders to subscribe, with approval of the Supervisory Board, in compliance with the precise regulations and to determine the further details with respect to capital increases from authorised capital.

Share option scheme

On 17 August 2007, the Management Board and Supervisory Board of the former COR AG were empowered by the Annual General Meeting to increase the nominal capital of the company by issuing up to 715,000 ordinary bearer shares. This conditional capital increase aids the granting of subscription rights to shares in the company to Management Board members and the employees. In a first tranche, 142,992 options were issued to employees and 35,750 to members of the Management Board of the company until 13 September 2007. 35,748 options in this first tranche lapsed by 31 December 2009 due to employees leaving the company. 107,244 options for employees and 35,750 for members of the Management Board are therefore still outstanding from this first tranche. The options in the first tranche confer the right to acquire shares in msg life ag from 13 September 2010 for up to six years from issue of the options, in specific windows for exercise of the right, at a strike price of 3.78 euros once the strike price of 4.91 euros is reached. By 18 April 2008, 142,992 options had been issued to employees in a second tranche, and 35,750 to members of the Management Board. 12,999 options in the second tranche lapsed by 31 December 2009 as a result of employees leaving the company. 129,993 employee options and 35,750 options of members of the Management Board in this second tranche are therefore still outstanding. The options from the second tranche confer the right to purchase shares in msg life ag at a strike price of 4.17 euros when a strike price of 5.42 euros is reached, from 18 April 2011 for up to six years after issue of the options, in specific windows for the exercise of the right. A total of 308,737 options from this share option scheme are thus still available for exercise, provided that the conditions of exercise are met.

msg life ag grants all option holders equal rights, in accordance with Section 23 of the German Reorganisation of Companies Act (UmwG). Each option confers a right corresponding to the exchange ratio stipulated in the merger agreement between the former COR AG and the former FJA AG to purchase 1.7857 individual bearer shares in msg life ag, representing a proportional amount of the nominal capital of former FJA AG of 1.00 euro each, instead of a individual registered share in former COR AG representing a proportional amount of the nominal capital of 1.00 euro. In other respects, the existing conditions remain unchanged, with the proviso that msg life ag replaces former COR AG and 1.7857 individual shares in msg life ag replace one individual share in former COR AG, and that the holders of the options granted up to 13 September 2007 can now acquire, on the basis of their subscription right, for one share in former COR AG, 1.7857 shares in msg life ag at a strike price of 3.78 euros when a strike price of 4.91 euros is reached for 1.7857 shares in msg life, corresponding to a strike price of 2.75 euros for one share in msg life; and the holders of options granted up to 18 April 2008 can now acquire 1.7857 shares in msg life, on the basis of their subscription right, for one share in former COR AG, at a strike price of 4.17 euros once the strike price of 5.42 euros is reached, for 1.7857 shares in msg life, which corresponds to a strike price of 3.04 euros for one msg life share.

The options can be serviced with own shares of msg life ag. Insofar as no subscription rights emerge for whole msg life shares due to the exchange ratio, msg life undertakes, in accordance with the stipulations of the respective option agreements, to put holders of options on fractions of msg life shares in a position in which they are not financially disadvantaged in respect of such fractions.

The fair value of the options in the first tranche, determined in accordance with the Black-Scholes option price evaluation model at the time of issue, amounted to EUR 1.15 per option. 0 euros were entered as personnel expenses for 2014 (previous year: 0 euros).

The fair value of the options in the second tranche, determined in accordance with the Black-Scholes option price evaluation model at the time of issue, amounted to EUR 1.18 per option. A stock market price of EUR 4.35 on the date of issue, a volatility of 33.9 per cent, determined over a period of six months prior to issue of the option, and a risk-free interest rate of 4.75 per cent, which roughly corresponds to the average yield of risk-free federal loans with a corresponding term, were used as a calculation basis. The evaluation was undertaken on the premise that none of the shares issued would lapse. Under IFRS 2, share option schemes with the fair value at the time of issue, distributed over the payment period, must be entered with an effect on expenditure with a counter-entry in nominal capital. The end of the payment period is determined in accordance with IFRS 2.15 by the time at which the nominal capital instruments are freely available or may be exercised. Staff costs of 0 euros (previous year: 0 euros) were entered for the 2014 financial year on the basis of the parameters listed. The period in which the instruments could be exercised expired on 17 April 2014. No options were utilised.

22. Capital reserves

The capital reserve includes the amount accruing in excess of the nominal price when shares are issued. As at 31 December 2014, the capital reserve amounted to 33,601,049.76 euros (31 December 2013: 33,601,049.76 euros).

Only the restrictions of Section 150 of the German Stock Corporation Act (AktG) on the payment of dividends or repayment of capital apply to the capital reserve.

23. Group retained income

Retained income includes the profits of the companies within the scope of the consolidated financial statements, unless they have been paid out as dividends. Differences arising from currency conversion, with no impact on earnings, from the financial statements of foreign subsidiaries, actuarial gains and losses from pension provisions and other transactions posted as nominal capital continue to be included.

A detailed schedule of changes in Group retained income emerges from the development of equity.

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.

No dividend is anticipated for the 2014 financial year.

24. Minority interests

	2014	2013
	Thousand euros	*Thousand euros*
As at 01.01.	1,004	1,765
Disposal	-1,004	0
Proportion of result for the year	0	-761
As at 31.12.	**0**	**1,004**

There were no more minority interests as at 31 December 2014, as they were all disposed of through transactions in the 2014 financial year.

25. Other financial obligations

The following liabilities arise from long-term leases, tenancy agreements and service contracts **(operating leasing)**:

	31.12.2014				31.12.2013			
		of which with a residual term				*of which with a residual term*		
		up to 1 year	1 to 5 years	over 5 years		up to 1 year	1 to 5 years	over 5 years
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Total	**46,048**	**7,749**	**21,073**	**17,226**	**34,794**	**9,731**	**15,938**	**9,125**

Liabilities from operating leasing are shown as the cash value of the minimum leasing payments.

The continuous cost of leases, tenancy agreements and service contracts in the financial year entered through net loss was 8.184 million euros (previous year: 10.278 million euros).

The item 'Operating Lease' includes leased fixtures and fittings and liabilities arising from office tenancy agreements. The service contracts involve liabilities arising from the maintenance of the hardware and software used in the company.

The sum of future minimum payments, receipt of which was anticipated by 31 December 2014 under non-cancellable subtenancy agreements, is 2.078 million euros (previous year: 1.212 million euros).

There are no further financial liabilities, apart from finance leasing (lease purchase liability) shown under 'VIII. Notes on the statement of financial position, 19. Other financial liabilities'.

The minimum leasing payments and their cash value on the reporting date are as follows, broken down by due date:

	31.12.2014				31.12.2013			
		of which with a residual term				of which with a residual term		
		up to 1 year	1 to 5 years	over 5 years		up to 1 year	1 to 5 years	over 5 years
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Minimum leasing payments	661	411	250	0	1,284	727	557	0
Cash value of minimum leasing payments	641	399	242	0	1,204	682	522	0

Reconciliation of the sum of minimum leasing payments in the amount of 661,000 euros (previous year: 1.284 million euros) with the cash value of 641,000 euros (previous year: 1.204 million euros) took place by deducting the costs of finance or the interest element of 20,000 euros (previous year: 1.204 million euros).

The principal leases are the following:

This hire-purchase agreement is a standardised sale and finance leaseback transaction in which the seller of the leased item is simultaneously the hire purchaser.

26. Contingencies and contingent liabilities

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. The liability obligations are, as far as possible, limited contractually to the legal minimum and secured with appropriate third-party liability insurance policies. It can nevertheless not be ruled out that contractually agreed limitations on liability will be regarded as invalid and the available insurance cover will be available to an insufficient extent or not at all – even if this is improbable. This applies in particular to the US market. Warranty obligations were formed based on experience from the past and are included in other provisions. Please refer to 'VIII. Notes on the statement of financial position, 17. Other provisions'. It is not possible to estimate the financial impact.

27. Additional disclosures relating to 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; foreign exchange risks resulting from its activities in different currency areas; default risks arising from the non-fulfilment of contractual obligations by contracting parties; interest rate risks whereby movements in the market interest rate lead 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.

Among the Board of Management's most important tasks in the overall management of the Group are to lay down general conditions and processes of risk management for the msg life Group, to monitor the degree of compliance with them and, in conjunction with the heads of the operating units and the administrative departments, to analyse regularly the development of risks in the respective segments. The Supervisory Board is closely integrated into this process by the Board of Management's regular reports.

The risk management system at the msg life Group and the risk profiles of the individual divisions are documented in a risk manual. One employee in the holding company's financial division has been appointed risk officer of the Group and thereby entrusted with submitting the prevailing risk management system to regular internal evaluation and documenting this process. The risk officer also has the task, under instructions from the Management Board, of analysing each division by random sampling to determine the extent to which the measures adopted are being implemented for the limitation or prevention of risks.

It is the responsibility of the managers of the individual divisions to continuously monitor and deal with the risks to which their own divisions are exposed. If the probability of individual risks occurring and/or their potential scale increases significantly beyond a set threshold, the managers are obliged to inform the Management Board immediately. 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 controlling and reporting system with which reports are compiled at monthly intervals about the development of significant ratios relating to the business operations in the individual divisions and the financial results, as well as the likely commercial and financial development in each of the next twelve months.

Credit risks (default risks)

Credit risk arises from deteriorating economic circumstances of the company's debtors or counterparties. This results firstly in a risk of partial or complete default on contractually agreed payments, and secondly a reduction in the value of financial instruments due to a poorer credit record.

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 credit-standing analysis.

In terms of credit risk, the Group is only exposed to risk in relation to trade receivables. Adequate value adjustments have been made to cover the estimated default risk. As the credit standing 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 minus value adjustments. There is no other loan collateral and there are no other risk-mitigating agreements (such as guarantees, land charges or pledges) in place. Usage reservations exist until payment is complete. For invoiced receivables, the net balance of additions to and reversals of value adjustments was 0 euros (previous year: 218,000 euros). On each cut-off date, trade receivables do not include any book values 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, we refer to 'VII. Notes on the statement of financial position, 3. Trade receivables'.

There are no default risks in relation to cash and cash equivalents. These are invested with banks with good ratings.

There are no significant default risks in relation to the other financial assets.

Liquidity risks

Managing the 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 face risks from fluctuations in cash flow. The payment obligations consist of interest and redemption payments, among other things. The 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 both losses from borrowing capital at excessive interest rates and the investment of 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 the previous year, one of the principal banks that had hitherto played a financing role was replaced by msg systems ag; the new contract in question, for a credit line of 10 million euros, is of a long-term nature with a term to the end of July 2016. This loan amounted to 4,000 euros as at 31 December 2014.

Furthermore, there are presently general credit lines with principal banks amounting to 12.5 million euros, which as at the balance sheet date was utilised to the extent of 0 euros. See also VII. 14. 'Financial liabilities'.

In the 2014 financial year, no income from debt waivers was realised (previous year: 256,000 euros).

Market risks

Market risks result from changes in market prices. These cause the value attached to financial instruments or future payment flows from them to fluctuate. Market risks encompass interest rate, exchange rate and other price risks (such as commodity prices and equity prices).

Price risk

The msg life Group is not exposed to any price risks.

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. If all other parameters had remained unchanged, the company assumes that, in the year under review, interest rates would have been 10 basis points lower (higher). In this case, the net profit for 2014 would have been 2,000 euros lower (higher) (in the previous year, 15,000 euros lower (higher)) and the equity components would have been 2,000 euros lower (higher) (in the previous year, 15,000 euros lower (higher)).

Some of the (interest-bearing) financial liabilities have variable interest rates. The company is exposed to interest rate risks for these financial liabilities. On condition that all other parameters remained unchanged, the company assumes that interest rates were 10 base points higher (lower) in the reporting period. In this case, the net result for 2014 would have been 4,000 euros lower (higher) (in the previous year 3,000 euros lower (higher)) and the equity components would have been 4,000 euros lower (higher) (in the previous year 3,000 euros lower (higher)).

Foreign exchange risks

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is not exposed to any significant foreign exchange risks in its operating business. 77 per cent (previous year: 86 per cent) of its revenue is generated in eurozone countries, and the remainder in Switzerland, the USA, Great Britain and Australia. The foreign exchange risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 18 per cent (previous year: 11 per cent). In the case of trade payables, foreign exchange risks occur in relation to 11 per cent (previous year: 3 per cent) of liabilities not denominated in euros. No other balance sheet items are affected by foreign exchange risks.

Information on risk concentration (‘cluster risks’)

The company does not have any dependencies on the procurement side. On the sales side, there tend to be concentrations of risk due to the geographic distribution of turnover. Germany accounts for a 73.4 per cent (previous year: 82.7 per cent) share of turnover.

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers account for a 56.5 per cent share of turnover (previous year: 36 per cent) and a 63.3 per cent share of trade receivables (previous year: 45 per cent).

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

Book values, valuations and fair values

The fair values of the financial assets and liabilities as compared with the book values are as follows:

	Valuation category	Carrying amount 31.12.2014	Valuation in the statement of financial position under IAS 39			Valuation in the statement of financial position under IAS 17	Fair value
			Net book value	Fair value with no impact on earnings	Fair value in profit or loss		
		Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Cash and cash equivalents	LaR	21,730	21,730	0	0	0	21,730
Securities	FAhft	1	1	0	0	0	1
Trade receivables	LaR	24,930	24,930	0	0	0	24,930
Receivables from affiliated companies	LaR	58	58	0	0	0	58
Other financial receivables	LaR	156	156	0	0	0	156
Amounts owed to affiliated companies	FLAC	304	304	0	0	0	304
Trade payables	FLAC	1,654	1,654	0	0	0	1,654
Other financial liabilities	FLAC	13,487	13,487	0	0	0	13,487
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	46,874	46,874	0	0	0	46,874
Financial assets held for trading	FAhft	1	1	0	0	0	1
Liabilities measured at amortised cost	FLAC	15,445	15,445	0	0	0	15,445

	Valuation category	Carrying amount 31.12.2013	Valuation in the statement of financial position under IAS 39			Valuation in the statement of financial position under IAS 17	Fair value
			Net book value	Fair value with no impact on earnings	Fair value in profit or loss		
		Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Cash and cash equivalents	LaR	14,366	14,366	0	0	0	14,366
Securities	FAhft	4	4	0	0	0	4
Trade receivables	LaR	36,315	36,315	0	0	0	36,315
Receivables from affiliated companies	LaR	45	45	0	0	0	45
Financial investments	AfS	1,767	0	0	1,767	0	n.a.
Other financial receivables	LaR	705	705	0	0	0	705
Amounts owed to affiliated companies	FLAC	15,116	15,116	0	0	0	15,116
Trade payables	FLAC	4,890	4,890	0	0	0	4,890
Financial liabilities	FLAC	3,197	3,197	0	0	0	3,197
Other financial liabilities	FLAC	11,905	11,905	0	0	0	11,905
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	51,386	51,386	0	0	0	51,386
Financial assets held for trading	FAhft	4	4	0	0	0	4

	Valuation category	Carrying amount 31.12.2013	Valuation in the statement of financial position under IAS 39			Valuation in the statement of financial position under IAS 17	Fair value
			Net book value	Fair value with no impact on earnings	Fair value in profit or loss		
		Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Available-for-sale investments	AfS	1,767	0	0	1,767	0	n.a.
Liabilities measured at amortised cost	FLAC	35,108	35,108	0	0	0	35,108

LaR Loans and receivables
AfS Available-for-sale investments
FAhft Financial assets held for trading
FLAC Financial liabilities measured at amortised cost

Valuation categories under IFRS 7.27

The information on the methods used to calculate fair values is presented in tabular form for each category of financial instruments using a three-level fair value hierarchy. There are three different valuation categories:

— **Level 1:** On the first level, fair values are determined on the basis of publicly quoted market prices, as the best possible objective indication of the fair value of a financial asset or financial liability is observable in an active market.

— **Level 2:** If there is not an active market in a financial instrument, companies use valuation models to determine the fair value. Valuation models include the use of the most recent business transactions between expert, contract-seeking, independent business partners, comparison with the current fair value of another virtually identical financial instrument, the use of the discounted cash flow method, or of option pricing models. The fair value is estimated based on the results of a valuation method which uses as much market data as possible and hence is based as little as possible on company-specific data.

— **Level 3:** The valuation methods used at this level are also based on parameters that cannot be observed on the market.

	31.12.2014				31.12.2013			
	Level 1	Level 2	Level 3	Sum	Level 1	Level 2	Level 3	Sum
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Assets								
Financial assets held for trading	0	0	0	**0**	0	0	0	**0**
Available-for-sale investments	0	0	0	**0**	1,773	0	0	**1,773**
Derivative financial assets held for hedging purposes	0	0	0	**0**	0	0	0	**0**

There are no assets in the valuation category 'Assets held until maturity'.

There are no liabilities in the valuation category 'Liabilities at fair value with direct effect on income'.

Cash and cash equivalents, trade receivables and other short-term financial accounts receivable on the whole have short remaining terms. Therefore their book values on the reporting date are approximately equivalent to the fair value.

The reported values for the securities are the acquisition costs, as no market prices are available.

The values accounted for in financial investments correspond partially to the acquisition costs. In the event that the price is not quoted on an active market and their fair value cannot be reliably determined, they are valued at their acquisition cost when recognised for the first time.

The fair values of the financial liabilities are determined on the basis of the expected payment flows, discounted at an appropriate market interest rate. As these are short-term financial liabilities, their book values can be used as an approximate fair value.

Trade accounts payable and other financial liabilities on which interest is not payable routinely have short lifespans; the values reported in the statement of financial position are an approximate representation of their fair values.

Net income by valuation category

2014	**Valuation category**	**From interest / investment income**	**From revaluation**			**From disposals**	**Net result**
			At fair value	**Currency translation**	**Value adjustment**		
		Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Loans and receivables	LaR	17	0	0	0	0	17
Financial liabilities measured at amortised cost	FLAC	0	0	0	0	0	0
Hire-purchase liabilities	n.a.	0	0	0	0	0	0
Total		**17**	**0**	**0**	**0**	**0**	**17**

2013	**Valuation category**	**From interest / investment income**	**From revaluation**			**From disposals**	**Net result**
			At fair value	**Currency translation**	**Value adjustment**		
		Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Loans and receivables	LaR	15	0	0	0	0	15
Available-for-sale investments	AfS	0	0	0	0	0	0
Financial liabilities measured at amortised cost	FLAC	0	0	0	0	0	0
Hire-purchase liabilities	n.a.	0	0	0	0	0	0
Total		**15**	**0**	**0**	**0**	**0**	**15**

Interest earned on financial instruments is reported in interest income. See note 8 under 'VI. Notes on the income statement'. Investment income is dealt with under 'VI.8. Investment income'.

The msg life Group includes the remaining components of the net income under other operating expenses and other operating income.

Information on furnished and received collateral:

Financial assets which were put up as collateral – including collateral that can be sold or pledged by the recipient – cover the following items and book value entries.

See also the information in the notes on the individual items of the statement of financial position:

	31.12.2014 *Thousand euros*	31.12.2013 *Thousand euros*
Cash and cash equivalents	0	3,604
Trade receivables	0	21,294
Total	**0**	**24,898**

As part of a security trust agreement (security pooling agreement), all current and future trade receivables of msg life ag and – as third-party collateral providers – msg life Deutschland gmbh, msg life metris gmbh and msg life consulting gmbh were transferred to the two principal banks by way of blanket assignment. In the previous year, as at 31 December 2013, financial assets worth 24.898 million euros were furnished as collateral.

The book value of the financial assets pledged as collateral where the collateralised party is entitled to sell or re-pledge the assets is 0 euros (previous year: 21.294 million euros), as no credit lines were utilised.

Collateral is furnished to cover the following liabilities and contingent liabilities:

	31.12.2014 *Thousand euros*	31.12.2013 *Thousand euros*
Financial liabilities	0	3,197
Total	**0**	**3,197**

As part of a security trust agreement (security pooling agreement), all current and future trade receivables of msg life ag and – as third-party collateral providers – msg life Deutschland GmbH, msg life metris gmbh and msg life consulting gmbh were transferred to the two principal banks by way of blanket assignment.

Furthermore, a fixed amount of 2.5 million euros was pledged to a principal bank in order to secure its claims.

28. Information on capital

IAS 1 provides information on equity and the management thereof, in order to facilitate the assessment of the risk profile and potential reactions to unexpected negative developments.

The objective of the company with regard to capital management is:

— To guarantee the company as a going concern, so that the company can continue in future to generate dividends for shareholders and benefits for other interest groups.

— The generation of reasonable yields for shareholders via a risk-commensurate pricing policy for products and services.

The msg life Group defines the scope of capital in relationship to risk. The management and, if necessary, the adjustment of the capital structure are carried out on the basis of changes in the economic environment and changes to the risk characteristics of the underlying assets. In order to maintain and/or adjust the capital structure, dividend payments, capital repayments to shareholders, the issuing of new shares, the assumption or redemption of financial liabilities and the sale of assets for debt reduction are taken into consideration.

As at 31 December 2014 and 2013, respectively, no amendments were made to the objectives, guidelines and procedures for capital management.

The msg life Group monitors its capital on the basis of the equity ratio. This quotient is calculated as equity to balance sheet total.

The equity ratios on 31 December 2014 and 31 December 2013 amounted to:

	31.12.2014	31.12.2013*
	Euros	Euros
Equity	40,226,864	42,697,657
Total assets	79,292,403	102,746,438
Equity ratio	**51%**	**42%**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

Within the financial liabilities which existed in the previous year, some of the credit agreements included financial covenants rules.

VIII. Notes on the cash flow statement

The capital flow statement displays the origin and use of payment flows in the 2014 and 2013 financial years. Here payment flows from operating activities and from investment and financial activities are differentiated. The cash and cash equivalents cover all cash in hand, and bank balances available within three months and other liquid investments that can be exchanged for known sums of money at any time and are not subject to any significant risks to changes in value. The cash and cash equivalents correspond to cash and cash equivalents reported in the statement of financial position.

Changes in cash and cash equivalents from operating activities are adjusted for effects from currency translation.

Changes in cash and cash equivalents from investment and financial activities are calculated in terms of sums paid.

Changes in cash and cash equivalents from continuing activities are, in contrast, indirectly derived from earnings before interest and taxes.

Based on the EBT, the main non-cash effects in the cash flow from operating activities were depreciation of property, plant and equipment and intangible assets amounting to 4.947 million euros (previous year: 5.166 million euros).

With regard to the disposals resulting from changes in the consolidated group, please see the disclosures in 'III. Consolidation group'. In the previous year there were neither additions nor disposals resulting from changes in the consolidated group.

IX. Earnings per share

The **undiluted earnings per share** for the 2014 financial year amount to -0.02 euros (previous year*: -0.13 euros).

The undiluted earnings per share are calculated by dividing the consolidated profit after minority interests by the weighted number of shares issued. The weighted number of shares issued for the 2014 financial year amounted to 40,895,861 (2013: 40,895,861 shares).

	31.12.2014	31.12.2013*
	Euros	Euros
Consolidated earnings that are attributed to the parent company	-860,865	-5,301,536
Weighted number of shares issued	40,895,861	40,895,861
Total	**-0.02**	**-0.13**

* Please refer to the disclosures in II.4 of the notes, 'Corrections under IAS 8'

The **diluted earnings per share** for the 2014 financial year amount to -0.02 euros (previous year: -0.13 euros).

The diluted earnings per share in the previous year were calculated assuming that all option rights in circulation are exercisable so that there is maximum potential for dilution. Since the stock market price of the msg life share as at 31 December 2013 and as at the fixed date of the previous year was significantly lower than the exercise prices determined in the stock option programme and therefore the exercise thereof was unlikely, no fair-value measurement was undertaken.

As at 31 December 2014 there were no more options in circulation as they expired in the 2014 financial year.

X. Assumptions and estimates

In the sections 'III. Consolidation group, 1. Subsidiaries' and 'VII. Notes on the statement of financial position, 9. Goodwill and other intangible assets' of the Notes, the main assumptions are presented that were taken as the basis for the impairment test for goodwill carried out on the fixed date.

Item 3 of section II. 'Bookkeeping and valuation methods' contains significant assumptions in connection with the pension provisions.

With some of the customer projects (especially fixed-price projects) evaluation is carried out in accordance with the progress of the project (percentage-of-completion method). Using this method, the likely turnover, total cost of completing the project and the degree of completion must be estimated. Suppositions, estimations and uncertainties that are associated with the determination of the degree of completion have effects on the amount and temporal distribution of the achieved turnover and the expenses reported. The main assumptions are set out in the sections 'II. Bookkeeping and valuation methods', 'VI. Notes on the income statement, 1. Turnover' as well as 'VII. Notes on the statement of financial position, 3. Trade receivables'.

Other important assumptions relevant for the future and major sources of estimation uncertainties available on the fixed date, which could constitute a considerable risk, with the result that within the next financial year a major adjustment of the recorded assets and debts could be necessary, do not exist. Further estimates and assumptions relevant to the future are explained in the individual items of the statement of financial position and in the income statement.

XI. Related parties

Related parties are the Management Board and the Supervisory Board of msg life ag and msg group GmbH, Ismaning, which has been the highest-level parent company of msg life ag since 16 March 2009, including its subsidiaries and associated companies.

1. Total remuneration of the Management Board and the Supervisory Board

Changes in Management Board remuneration

On 1 July 2010, the Supervisory Board agreed on a new system for the remuneration of members of the Management Board. In the course of this decision, the rules, which have been in place since 5 August 2009, stipulated in the Act on the Appropriateness of Management Board Remuneration (VorstAG) and of the German Corporate Governance Codex were implemented. The Annual General Meeting on 17 August 2010 approved this new system.

In this new system, the Group turnover and Group EBTA ('EBTA') were to be used as the control ratio for calculating the short-term (bonus) and long-term variable remuneration components (long-term incentive, LTI) for the Management Board. EBTA refers to earnings before income taxes plus amortisation of the intangible assets identified in the course of the merger of the former COR AG Financial Technologies and not recognised in the statement of financial position (software, contract portfolio, customer relationships).

The above notwithstanding, the Supervisory Board took Group EBT* ('EBT*') in addition to Group turnover as the control parameter for calculating the Management Board's short-term and long-term variable remuneration components for the 2011 financial year, Group EBITDA ('EBITDA') in addition to Group turnover for the 2012 financial year, Group EBITDA without the earnings contribution from plenum AG ('EBITDA without plenum') in addition to Group turnover excluding plenum AG's share of turnover for the 2013 financial year and Group EBITDA in addition to Group turnover for the 2014 financial year. EBT* refers to earnings before taxes before the profit shares of plenum AG and the former COR&FJA Metris GmbH, and the effect on earnings from the shares in B+S Banksysteme Aktiengesellschaft. EBITDA refers to the earnings before interest, taxes, depreciation of tangible assets and amortisation of intangible assets. EBITDA without plenum refers to the earnings before interest, taxes, depreciation of tangible assets and amortisation of intangible assets without the earnings contribution from the equity stake in plenum AG.

With the exception of Dr Christian Hofer's contract of employment, which has yet to be explained, the contracts of employment for the serving members of the Management Board in the 2014 reporting year all correspond to the remuneration described below.

The principles of Management Board remuneration

Assessment of the Management Board's salaries should be in proportion to their tasks and performance and also in relation to the situation of the company. The remuneration structure is oriented towards sustained development of the company. For this reason, a period of several years shall form the basis of assessing the long-term variable element of remuneration. All variable elements of remuneration include a cap or limitation option for extraordinary developments.

Management Board's remuneration

The remuneration system for the Management Board includes a fixed salary and variable components. Members of the Management Board receive additional benefits in the form of a company car, telecommunications services and the refund of reasonable expenses. They are also covered by accident insurance as well as by the D&O insurance policy taken out by the company. Finally, the company pays the members of the Management Board 50 per cent of the highest contributions to social insurance (state pension, unemployment, health and long-term nursing care insurance) as well as 100 per cent of the highest contributions for voluntary membership in the employers' liability insurance association. The remuneration system does not include any other components, e.g. a company pension or benefits on termination of membership of the Management Board or a change in control of the company. The fixed salary is intended to account for about

70 per cent of total remuneration. The variable portion of remuneration consists of two components: an annual bonus (about 45 per cent of the variable portion of remuneration) and a long-term incentive (LTI) (about 55 per cent of the variable portion of remuneration).

For the employment contract of Dr Christian Hofer, the Chairman of the Management Board who occupied the Management Board position only for a transitional period, msg life had agreed on remuneration without any variable component. The company took the view that the agreement of variable remuneration components in this specific case would have no advantage in comparison to the agreement of purely fixed remuneration. In addition, Dr Christian Hofer received no allowances towards the statutory pension and unemployment insurance from msg life on grounds of age.

Short-term variable remuneration components

In the new remuneration system, the annual bonus is linked to Group turnover ('turnover') and Group earnings (2010: Group EBTA; 2011: Group EBT*; 2012: Group EBITDA; 2013: Group EBITDA without plenum and 2014: Group EBITDA). The annual short-term variable remuneration components for the Management Board's members are determined by the extent to which the Group turnover target and the Group earnings target agreed with the respective Management Board members at the beginning of each and every financial year has been achieved. The short-term variable remuneration is between 0 and 200 per cent of the short-term variable salary component agreed for a target attainment of 100 per cent in relation to both the Group turnover and the Group earnings. The short-term variable bonus is payable immediately after adoption of the annual financial statements and, if the respective appointment is terminated during the year, is granted in proportion to its length.

LTI as long-term variable remuneration component

In the remuneration model, the LTI is a long-term, performance-based plan. The plan's assessment basis consists of Group turnover and average Group earnings (2010: Group EBTA; 2011: Group EBT*; 2012: Group EBITDA; 2013: Group EBITDA without plenum; 2014: Group EBITDA) over a period of three years. The LTI is granted in tranches which revolve annually, with each tranche having a term of three years. The long-term variable remuneration is between 0 and 200 per cent of the long-term salary component agreed for a target attainment of 100 per cent in relation to both Group turnover and Group earnings. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statements for the third financial year of the performance period are adopted. An advance payment of 50 per cent of the respective basic amounts is made at the end of the month in which the consolidated financial statements for the first or second financial year respectively of the performance period is adopted. If the advance payments exceed the amount payable for the performance period, the difference must be refunded immediately. If the appointment is terminated during one or more performance periods, the LTI will be granted pro rata.

Management Board remuneration

The remuneration of the Management Board active in the financial year is 1.732 million euros (previous year: 2.441 million euros). The remuneration is allocated as follows:

	2014	2013
	Thousand euros	*Thousand euros*
Payable short-term remuneration	932	1,161
Remuneration arising from the termination of employment relationship	800	1,280
Advance on LTI	0	0
Total	**1,732**	**2,441**

Remuneration for former members of the Management Board in 2014 amounted to 82,000 euros (previous year: 58,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 312,000 euros on 31 December 2014 (previous year: 326,000 euros).

According to Section 314 Para. 1 No. 6a (5) of the German Commercial Code (HGB), Section 314 Para. 2 (2) HGB in connection with Section 286 Para. 5 HGB and Section 314 Para. 2 No. 4 (2) HGB, separate information about remuneration of every individual member of the Management Board is necessary:

	Fixed annual remuneration	Other remuneration	Short-term variable remuneration	Remuneration arising from the termination of employment relationship	Advance on LTI	Total
	Thousand euros	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*	*Thousand euros*
Management Board						
Bernhard Achter (from 1 January 2014)	200	18	53	0	0	**271**
Dr Christian Hofer (to 30 June 2014)	192	47	0	0	0	**239**
Volker Weimer (to 28 February 2014)	47	5	0	800	0	**852**
Rolf Zielke	280	26	64	0	0	**370**
Total	**719**	**96**	**117**	**800**	**0**	**1,732**

In the 2014 financial year, a total of 88,000 euros (previous year: 24,000 euros) was entered against costs for the Management Board's long-term variable remuneration (long-term incentive, LTI), in which regard 60,000 euros were attributable to Mr Zielke and 28,000 euros were attributable to Mr Achter. As at 31 December 2014, the chairman Mr Zielke's entitlements amount to 64,000 euros from short-term variable remuneration. These claims are offset by advances from the company amounting to 15,000 euros.

The main content of the benefit arrangements for pension schemes, incapacity provision and provision for dependants, which were approved for the former members of the Management Board, Michael Junker and Prof. Manfred Feilmeier, in the event of the termination of their activity, are as follows:

— Both men will receive a pension for life when they reach the age of 65 or in the case of occupational disability in line with Section 23 of the Employee Insurance Law (AnVG) or if they leave the company before the age of 65 in the case of termination of the contract or non-renewal thereof by the company.

— The monthly pension amounts to 2,556.46 euros after the fulfilment of four years of employment. This is adjusted – also in the case of payment beginning before retirement – proportionally in line with the basic salary of a civil servant in Bavaria in the A 13 pension benefits group at the highest seniority level.

— At the time of their passing, their legal spouse will receive a widow's pension amounting to 25 per cent of the pension. The widow's pension is terminated in the case of remarriage.

— Both men are entitled, in the case of payment due to attainment of pension age, to request a one-time capital payment of the sum of the converted present value of the pension commitment instead of a pension, as long as this request is communicated at least three years in advance. In this case, all claims lapse with this direct compensation.

— If they leave the company before payment begins, the pension entitlement earned is maintained. This will be calculated according to the share of the pension compensation that corresponds to the length of employment with the company from the time of taking up employment with the company to reaching the prescribed pension age, i.e. the age of 65.

Basic features of Supervisory Board remuneration

The currently valid remuneration rules for the Supervisory Board were adopted by both Annual General Meetings on 28 July 2009 and on 17 August 2010.

Each member of the Supervisory Board receives fixed remuneration of 16,000 euros per financial year.

As well as their fixed remuneration, each member of the Supervisory Board receives annual variable remuneration amounting to 0.25 per cent of the earnings before income taxes reported in the consolidated financial statements approved by the Supervisory Board and prepared in accordance with international accounting standards (IFRS), plus the amount pertaining to amortisation of the intangible assets identified in the course of the merger of the former COR AG Financial Technologies with the company, but which are not recognised in the statement of financial position (software, contract portfolio, customer relationships) ('EBTA'). Variable remuneration lapses when the consolidated financial statements record no positive EBTA.

The Chairman receives double, and the Deputy Chairman one and a half times, the fixed and variable remuneration described above.

The total of the agreed fixed and variable remuneration components for each member of the Supervisory Board is limited to 32,000 euros per financial year. For the Chairman of the Supervisory Board this sum amounts to 64,000 euros, and for the Deputy Chairman to 48,000 euros per financial year.

If Supervisory Board committees are formed, each member of the Supervisory Board is given 1,000 euros for every committee meeting of the Supervisory Board that the member attends in addition to the agreed fixed and variable remuneration, which is limited by statute; this, however, is limited to a maximum of 5,000 euros per financial year. Compensation for expenses incurred in holding a Supervisory Board position are also reimbursed. Members of the Supervisory Board are reimbursed with turnover tax paid on remuneration.

Supervisory Board remuneration

Remuneration of the Supervisory Board amounts to 144,000 euros (previous year: 103 ,000 euros). The remuneration paid to the Supervisory Board consisted of the following:

	Fixed components	Performance-related components	Total
	Thousand euros	Thousand euros	Thousand euros
Supervisory Board			
Prof. Elmar Helten (to 30 June 2014)	16	16	32
Klaus Kuhnle	24	24	48
Johann Zehetmaier	16	16	32
Dr Christian Hofer (from 1 July 2014)	16	16	32
Total	**72**	**72**	**144**

2. Shareholdings of the Management and Supervisory Boards

As at 31 December 2014 the Management Board did not hold any shares in msg life ag. At the same point, as a co-shareholder of msg group GmbH, the Supervisory Board member Mr Johann Zehetmaier, Ismaning, indirectly held shares in msg life ag through msg systems AG, Ismaning.

3. Other transactions with associated parties

Other associated companies and parties

There are no transactions with the members of the Management Board and the Supervisory Board in the financial year concerning the aforementioned matters.

The following table contains the total amounts from transactions between related companies for the reporting year:

	Income from transactions with associated parties and companies		Expenses from transactions with associated parties and companies		Amounts due from associated parties and companies		Amounts payable to associated parties and companies	
	2014	2013	2014	2013	2014	2013	2014	2013
	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros	Thousand euros
Associated companies								
a) msg systems ag, Ismaning (parent company)	759	481	432	384	26	45	138	43
b) innovas GmbH, Hamburg	33	18	966	700	0	0	127	0
c) msg global solutions ag, Regensdorf	31	0	66	0	31	0	11	0
d) msgGillardon AG, Bretten	0	71	0	19	0	0	0	0
e) msg services AG, Ismaning	0	0	142	342	0	0	12	73
f) Plaut Deutschland GmbH, Ismaning	0	0	52	0	0	0	16	0

4. Notifications in line with Section 21 Para. 1 and/or Section 26 Para. 1 of the German Securities Trading Act (WpHG)

In the reporting period, the following disclosures were published in accordance with Section 21 Para. 1 or Section 26 Para. 1 of the German Securities Trading Act (WpHG).

msg life Austria Ges.m.b.H., Vienna, Austria, notified us in accordance with Section 21 Para. 1 of the German Securities Trading Act (WpHG) on 9 September 2014 that their voting rights in B+S Banksysteme Aktiengesellschaft, Munich, Germany, did not meet the threshold of 20%, 15%, 10%, 5% and 3% of the voting rights on 2 September 2014 and on this day amounted to 0% (corresponding to 0 voting rights).

msg life AG, Leinfelden-Echterdingen, Germany, notified us in accordance with Section 21 Para. 1 of the German Securities Trading Act (WpHG) on 9 September 2014 that their voting rights in B+S Banksysteme Aktiengesellschaft, Munich, Germany, did not meet the threshold of 20%, 15%, 10%, 5% and 3% of the voting rights on 2 September 2014 and on this day amounted to 0% (corresponding to 0 voting rights).

msg life ag, Leinfelden-Echterdingen, Germany, disclosed the following in accordance with Section 26 Para. 1 of the German Securities Trading Act (WpHG) on 9 September 2014:

Disclosures in accordance with Sections 26 Para. 1 (1) and 27a Para. 2 WpHG

1. Mr Christoph Pflügler, Germany, informed us in accordance with Section 21 Para. 1 WpHG on 5 September 2014 that his proportion of the voting rights in msg life ag as at 30 November 2013 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% and that on this day they amounted to 49.09% (corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag. 49.09% of these voting rights, corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag, are attributed to Mr Christoph Pflügler in accordance with Section 22 Para. 1 subpara.1 (1) WpHG via msg group GmbH, based in Ismaning, and msg systems AG based in Ismaning.

2. Dr Jürgen Zehetmaier, Germany, informed us in accordance with Section 21 Para. 1 WpHG on 5 September 2014 that his proportion of the voting rights in msg life ag as at 30 November 2013 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% and that on this day they amounted to 49.09% (corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag. 49.09% of these voting rights, corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag, are attributed to Dr Jürgen Zehetmaier in accordance with Section 22 Para. 1 subpara.1 (1) WpHG via msg group GmbH, based in Ismaning, and msg systems AG based in Ismaning.

3. Mr Hans Zehetmaier jun., Germany, informed us in accordance with Section 21 Para. 1 WpHG on 5 September 2014 that his proportion of the voting rights in msg life ag as at 30 November 2013 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% and that on this day they amounted to 49.09% (corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag. 49.09% of these voting rights, corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag, are attributed to Mr Hans Zehetmaier jun. in accordance with Section 22 Para. 1 subpara.1 (1) WpHG via msg group GmbH, based in Ismaning, and msg systems AG based in Ismaning.

4. Mr Immanuel Enzbrenner, Germany, informed us in accordance with Section 21 Para. 1 WpHG on 5 September 2014 that his proportion of the voting rights in msg life ag as at 30 November 2013 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% and that on this day they amounted to 49.09% (corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag. 49.09% of these voting rights, corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag, are attributed to Mr Immanuel Enzbrenner in accordance with Section 22 Para. 1 subpara.1 (1) WpHG via msg group GmbH, based in Ismaning, and msg systems AG based in Ismaning.

5. Ms Christina Zimmermann, Germany, informed us in accordance with Section 21 Para. 1 WpHG on 5 September 2014 that her proportion of the voting rights in msg life ag as at 30 November 2013 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% and that on this day they amounted to 49.09% (corresponding to 21,012,249 out of a total of 42,802,453 voting rights in msg life ag. 49.09% of these voting rights, corresponding to 21,012,249

out of a total of 42,802,453 voting rights in msg life ag, are attributed to Ms Christina Zimmermann in accordance with Section 22 Para. 1 subpara.1 (1) WpHG via msg group GmbH, based in Ismaning, and msg systems AG based in Ismaning.

6. In respect of the objectives being pursued with the acquisition of voting rights and the origins of the funds used, Mr Christoph Pflügler, Dr Jürgen Zehetmaier, Mr Hans Zehetmaier jun., Mr Immanuel Enzbrenner and Ms Christina Zimmermann (referred to collectively as 'the parties obliged to report') informed us as follows in accordance with Section 27a Para. 1 WpHG on 5 September 2014:

   The exceeding of the voting rights thresholds is attributable not to the acquisition of shares, but to a first-time attribution of voting rights from shares held by msg systems AG, based in Ismaning, headquartered at Robert-Bürkle-Str. 1, 85737 Ismaning, entered in the commercial register at Munich District Court under HRB 140 149, Section 22 Para. 1 (1) WpHG.

   a. Objectives being pursued with the acquisition of voting rights (Section 27a Para. 1 subpara. 3 WpHG)

      aa. The underlying circumstances of the attribution serve neither the generation of trading profits nor the realisation of strategic objectives.

      bb. The persons subject to registration do not intend to acquire any voting rights through acquisition or in any other way during the next twelve months.

      cc. The persons subject to registration are not currently seeking to influence the composition of the issuer's administrative, management or supervisory bodies.

      dd. The persons subject to registration are not seeking to achieve any material change in the issuer's capital structure, particularly with regard to the relationship between equity and debt financing and to its dividend policy.

   b. Origins of the funds used (Section 27a Para. 1 subpara. 4 WpHG)

      The persons subject to registration have informed us additionally that the voting rights were acquired merely as a consequence of the attribution of voting rights in accordance with Section 22 Para. 1 (1) WpHG. Equity or debt financing was not used to finance the acquisition of voting rights.

msg life ag, Leinfelden-Echterdingen, Germany, disclosed the following in accordance with Section 26 Para. 1 of the German Securities Trading Act (WpHG) on 23 October 2014:

Disclosures in accordance with Section 26 Para. 1 WpHG

We received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Johann Zehetmair
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

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Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Helga Zehetmaier
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (equals 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Dr. Jürgen Zehetmaier
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Hans Zehetmaier jun.
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Pius Pflügler
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Christoph Pflügler
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Herbert Enzbrenner
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

---

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Immanuel Enzbrenner
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

Furthermore, we received the following report on 20 October 2014 in accordance with Section 25a Para. 1 WpHG:

1. **Issuing party:** COR&FJA AG
   Humboldtstraße 35, 70771 Leinfelden-Echterdingen

2. **Party obliged to report:** Christina Zimmermann, née Enzbrenner
   Country: Germany

3. **Nature of threshold contact:** Exceedance

4. **Thresholds affected:** 5%, 10%, 15%, 20%, 25%, 30%

5. **Date of threshold contact:** 30 November 2013

6. **Proportion of voting rights subject to disclosure:** 49.09% (equals 21,012,249 voting rights) of the 42,802,453 voting rights of the issuer

7. **Disclosures on the proportion of voting rights:**
   Proportion of voting rights due to (financial/other) instruments under Section 25a WpHG: 49.09% (corresponds to 21,012,249 voting rights)
   of which held indirectly: 49.09% (corresponds to 21,012,249 voting rights)
   Proportion of voting rights due to (financial/other) instruments under Section 25 WpHG: 0% (corresponds to 0 voting rights)
   of which held indirectly: 0% (corresponds to 0 voting rights)
   Proportions of voting rights under Sections 21 and 22 WpHG: 49.09% (corresponds to 21,012,249 voting rights)

8. **Particulars of the (financial/other) instruments under Section 25a WpHG:**
   Chain of controlled companies: msg group GmbH, msg systems AG
   Name of the (financial/other) instrument: Pre-emptive right

XII. Information on the management bodies

1. Members of the Supervisory Board in the reporting period:

Prof. Elmar Helten, Chairman (to 30 June 2014)

President of Bayerisches Finanz Zentrum e.V., Munich

— Deputy Chairman of the Advisory Council at FidesSecur Versicherungsmakler GmbH, Munich

— Deputy Chairman of the Supervisory Board at Delta Lloyd Lebensversicherungs AG, Wiesbaden

— Deputy Chairman of the Supervisory Board at Delta Lloyd Pensionskasse AG, Wiesbaden

— Deputy Chairman of the Supervisory Board at Hamburger Lebensversicherung AG, Wiesbaden

— Member of the Advisory Council at Solutio AG, Grünwald

Klaus Kuhnle, Deputy Chairman

Management consultant, Grünwald

— Member of the Advisory Council of Deutsche Gesellschaft für Personalführung e.V. (DGfP), Munich

— Chairman of the Advisory Council at dmc digital media center GmbH, Stuttgart

— Member of the Advisory Council of Embitel Technologies Pvt Ltd., Bangalore, India

Johann Zehetmaier, member of the Supervisory Board

Chairman of the Board at msg systems AG, Ismaning

— Chairman of the Supervisory Board of msgGillardon AG, Bretten

— Member of the Supervisory Board of msg services AG, Ismaning

— Chairman of the Board of Directors of msg global solutions ag, Zurich, Switzerland

— Chairman of the Board of Directors of Prevo-System AG, Basel, Switzerland

— President of the Board of Directors of finnova AG, Lenzburg, Switzerland

— President of the Board of Directors at msg systems ag Schweiz, Zurich, Switzerland

— Member of the Supervisory Board of Plaut AG, Vienna, Austria

— Member of the Supervisory Board of inex24 AG, Ismaning

Dr Christian Hofer, Chairman (from 1 July 2014)

Graduate mathematician, Herrsching

— Chairman of the Supervisory Board at msg systems ag, Ismaning

— Member of the Supervisory Board of INSIDERS Technologies GmbH, Kaiserslautern

2. Members of the Management Board in the reporting period:

Dr Christian Hofer

(direct overall responsibility for Non-Life and Central Services – Chairman), graduate mathematician, Munich (to 30 June 2014)

— Member of the Supervisory Board of INSIDERS Technologies GmbH, Kaiserslautern

— Member of the Supervisory Board at plenum AG, Wiesbaden (until 15 April 2014)

— Managing Director of msg life Deutschland GmbH, Munich (to 30 June 2014)

— Managing Director of PYLON GmbH, Hamburg (to 30 June 2014)

— Managing Director of msg life consulting gmbh, Aachen (to 30 June 2014)

Volker Weimer

(direct overall responsibility for Banking, Non-Life and IT Services), graduate in business management / IT (ADP), Leinfelden-Echterdingen (until 28 February 2014)

— Managing Director of msg life Deutschland GmbH, Munich (to 28 February 2014)

— Managing Director of Sopra Banking Software GmbH, Leinfelden-Echterdingen (to 18 February 2014)

— Liquidator of COR bAV Services GmbH i. L., Leinfelden-Echterdingen

— Liquidator of COR Pension Management GmbH i. L., Leinfelden-Echterdingen

Rolf Zielke

(direct overall responsibility for Life, Cross Components, Sales, HR & Legal – Speaker), Munich

— Managing Director of msg life Deutschland GmbH, Munich

— Liquidator of FJA bAV Service GmbH, Munich

— Managing Director of PYLON GmbH, Hamburg (to 21 August 2014)

Bernhard Achter

(direct overall responsibility for USA, CEE, IBERIA, Metris, IT, Finance, Corporate Planning & Controlling), banker, Leinfelden-Echterdingen

— Managing Director of msg life Deutschland GmbH, Munich (from 6 March 2014)

— Managing Director of msg life consulting gmbh, Aachen (from 2 January 2015)

— Managing Director of msg life Slovakia s.r.o., Bratislava (Slovakia) (from 26 March 2014)

— Managing Director of msg life Iberia, Unipessoal Lda., Porto (Portugal) (from 1 April 2014)

— Managing Director of msg life Austria Ges.m.b.H., Vienna (Austria) (from 26 March 2014)

— Member of the Board of Directors of msg life Switzerland AG, Regensdorf (from 15 April 2014)

— Member of the Board of Directors of FJA-US, Inc., New York (USA) (from 31 March 2014)

Dr Aristid Neuburger

(direct overall responsibility for Life, Actuarial Components and Consulting), graduate mathematician, Munich (from 1 January 2015)

— Managing Director at BELTIOS GmbH, Munich

— Managing Director at BELTIOS Holding GmbH, Munich

XIII. Declaration of Compliance with the German Code of Corporate Governance

In December 2014, the Management and Supervisory Boards of msg life ag submitted their updated declaration of compliance by msg life ag with the German Code of Corporate Governance under Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders on the company's website (http://www.msg-life.com/en/company/investor-relations/corporate-governance/declarations-of-compliance).

XIV. Events after the reporting date

Events occurring after the balance sheet date and the date of release of the consolidated financial statements to the Supervisory Board by the Management Board, 22 April 2015, have been taken into account.

Following the end of the reporting period (31 December 2014), the following transactions of particular significance took place:

Following the acquisition of shares in B+S Banksysteme Aktiengesellschaft in the 2010 financial year, msg life ag concluded a recollateralisation in favour of the former holder of the shares in B+S Banksysteme Aktiengesellschaft in order to release it from its obligations towards the creditors of B+S Banksysteme Aktiengesellschaft. In this context, the Group company msg life Austria Ges.m.b.H. was the defendant at the District Court of Munich as part of a declaratory procedure. Shortly after the end of the reporting period, in a significant moment for the company the court fully rejected the lawsuit after it concluded that msg life Austria Ges.m.b.H. was only obliged to hold negotiations with the banks and not to provide collateral; this obligation has also been fulfilled. Furthermore, the court concluded that, as before, the company was obliged to indemnify the former holder of the shares in B+S Banksysteme Aktiengesellschaft. Considering the positive economic forecast for the market environment of B+S Banksysteme Aktiengesellschaft, it is currently unlikely that the company will be sued on the grounds of the guarantee.

As at the reporting date, the company had a long-term loan of 4 million euros to repay to the main shareholder msg systems ag. This was repaid in full in the first quarter of 2015.

Furthermore, no significant events occurred between the balance sheet date and the preparation of this report.

Leinfelden-Echterdingen, 22 April 2015

ROLF ZIELKE
Speaker of the Management Board

BERNHARD ACHTER
Member of the Management Board

DR ARISTID NEUBURGER
Member of the Management Board

BALANCE SHEET OATH

Declaration by the statutory representatives under Section 297 Para. 2 (4) and Section 315 Para. 1 (6) of the German Commercial Code (HGB)

We affirm to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements convey a true and fair picture of the assets, financial and earnings position of the Group, and that the course of business, including the business results, and the position of the Group are presented in such a way in the condensed management report and the Group management report that a true and accurate picture is communicated and the opportunities and risks of the Group's likely future development are described.

Leinfelden-Echterdingen, 22 April 2015

ROLF ZIELKE
Speaker of the Management Board

BERNHARD ACHTER
Member of the Management Board

DR ARISTID NEUBURGER
Member of the Management Board

AUDIT CERTIFICATE

We have carried out an audit of the consolidated financial statements – consisting of the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes – as well as the management report and the Group management report for the financial year from 1 January to 31 December 2014 drawn up by msg life ag, Leinfelden-Echterdingen. The drawing up of the consolidated financial statements, the condensed management report and the Group management report pursuant to the IFRS, as applicable in the EU, and the regulations under German commercial law as per Section 315a, Para. 1 HGB (German Commercial Code) that apply supplementary to these, is the responsibility of the company's legal representatives. Our task is to submit an assessment of the consolidated financial statements as well as the condensed report and the Group management report based on the audit conducted by us.

We carried out our Group audit in accordance with Section 317 HGB with consideration for the auditing standards generally accepted in Germany that were established by the German Institute of Auditors (IDW). These stipulate that the audit must be planned and conducted in such a way that irregularities and infringements that could materially affect the picture of the assets, financial and earnings position of the Group communicated by the consolidated financial statements in compliance with the applicable accounting rules and by the condensed management report and the Group management report can be established with a sufficient degree of certainty. When the audit activities were determined, account was taken of existing knowledge about the business operations of the Group and the commercial and legal environment in which it operates, as well as expectations of possible errors. The effectiveness of the internal accounting control system and evidence of the amounts and disclosures in the consolidated financial statements and the condensed management report and Group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, the delimitation of the consolidated entity, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and the condensed management report and Group management report. We believe that our audit provides a sufficiently sound basis for our assessment.

Our audit did not give rise to any objections.

In our estimation, based on the information gathered during the course of the audit, the consolidated financial statements comply with the IFRS, as applicable in the EU, and the regulations of German commercial law as per Section 315a(1) HGB that supplement these, and, in compliance with these regulations, communicate a true and accurate picture of the assets, financial and earnings position of the Group. The group management report is consistent with the consolidated financial statements, communicates an accurate overall picture of the Group's situation and accurately describes the opportunities and risks of future development.'

Frankfurt, 22 April 2015

Baker Tilly Roelfs AG
Auditors

CHRISTIAN ROOS
Auditor

RENÉ WITZEL
Auditor

FINANCIAL CALENDAR

28 April 2015	Publication of company and consolidated financial statements for 2014
28 May 2015	Publication of report for 1st quarter of 2015
25 June 2015	Annual General Meeting 2015 in the Filderhalle, Leinfelden-Echterdingen
18 August 2015	Publication of report for 1st half-year 2015
19 November 2015	Publication of report for 1st – 3rd quarters 2015
November 2015	Analysts' conference

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Further up-to-date information about msg life can also be found on the Internet at www.msg-life.com.

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

www.msg-life.com