

VALNES Corporate Finance GmbH
Radilostr. 43 • 60489 Frankfurt

- Non-binding English Translation -

To the Management Board of
msg life ag
Humboldtstr. 35
70771 Leinfelden-Echterdingen

To the Management Board of
msg systems ag
Robert-Bürkle-Strasse 1
85737 Ismaning / Munich

Interim declaration

**with regard to the signing of the domination agreement in accordance with § 291 (1) AktG
between msg systems ag, Ismaning, and msg life ag, Leinfelden-Echterdingen,**

as per the valuation reference date of 10 November 2020

Dear Sir or Madam,

on September 16, 2020 we have sent you our expert opinion on the equity value of msg life ag, Leinfelden-Echterdingen ("msg life"), as well as on the determination of the appropriate cash compensation pursuant to § 305 of the German Stock Corporation Act (AktG) and on the appropriate guarantee dividend pursuant to § 304 AktG as of the day of the annual shareholders' meeting on November 10, 2020 ("valuation reference date") with regard to the signing of the domination agreement in accordance with § 291 (1) AktG between msg systems ag ("msg systems"), Ismaning, and msg life.

For the period between the submission of our expert opinion and the day of the annual shareholders' meeting on November 10, 2020, it is necessary to review the validity of our statement regarding the appropriateness of the offered cash compensation and the guarantee dividend. The purpose of this review is to determine whether in the aforementioned period between the submission of our expert opinion and the actual valuation reference date occur any changes that have to be taken into account in determining the equity value of msg life and/or in determining the appropriate cash compensation and the guarantee dividend. In our expert opinion, we have indicated the necessity of such a validity review as well as the possibility of the resulting adjustments.

In addition, we report on the equity value per share based on the stock market price. As the planned signing of the domination agreement had not yet been announced at the time of our expert opinion, the average stock market price up to and including 14 September 2020 was retrieved. The announcement was later made in the context of the disclosure of the agenda for the annual shareholders' meeting convened for 10 November 2020, on 1 October 2020. Consequently, this statement also reports on the updated derivation of the average stock market price.

1 Determination of the company value

In order to analyse the validity of the business plan, we requested information from the company and asked the management to explain the current and expected economic development of the company near the valuation reference date. In addition, we conducted our own research on developments of the capital market and of the market and competitive environment.

The Management Board of msg life explained to us that the business plan, which was the basis of the valuation, still adequately reflects the expected development of msg life against the background of the current business development.

When analysing the capital markets data, it happened that the risk free rate changed in the period between the completion of the valuation work and today, November 6, 2020. Due to this development, it is expected that the risk free rate before personal income taxes of -0.1% has to be applied as per the valuation reference date 10 November 2020, instead of 0.0% previously. The method of how to calculate the risk free rate is documented in our expert opinion. There are no material changes in other parameters of the valuation that would require an adjustment of the company valuation. The updated capitalisation costs are as follows:

Capitalisation interest rate - msg life	Forecast 2020	Plan 2021	Plan 2022	Plan 2023	Plan 2024	TV 2025 ff.
Risk free rate before personal taxes	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Personal taxes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk free rate after personal taxes	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Market risk premium after personal taxes	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Unlevered beta factor	1.30	1.30	1.30	1.30	1.30	1.30
Debt ratio	-11%	-21%	-27%	-27%	-27%	-31%
Relevered beta factor	1.20	1.11	1.06	1.06	1.06	1.03
Risk premium	6.90%	6.40%	6.09%	6.07%	6.09%	5.90%
Growth deduction						1.00%
Capitalisation interest rate	6.80%	6.30%	5.99%	5.97%	5.99%	4.80%

Table 1: Period-specific capitalisation interest rate of msg life (updated)

The update of the company value of msg life as of the valuation date is based on the business plan, which is presented and explained in our expert opinion. We have converted the earnings before interest and taxes into expected earnings, taking into account the financial result and the company's income taxes. Due to the lower risk free rate, the loss carryforward (calculated as an annuity) results in a changed tax result in the terminal value. The expected results are as follows:

Income statement - msg life in kEUR (adjusted)	Forecast 2020	Plan 2021	Plan 2022	Plan 2023	Plan 2024	TV 2025 ff.
Revenue	172,020	163,975	168,581	172,834	175,000	
Increase or decrease in work in progress	-1,482	5,876	5,638	5,299	3,839	
Gross revenue	170,538	169,850	174,219	178,133	178,839	
Cost of materials	-33,196	-26,888	-24,643	-24,684	-21,937	
Gross profit	137,342	142,962	149,575	153,449	156,902	
Personnel expenses	-106,222	-114,797	-120,580	-123,642	-126,656	
Other operating income & expenses	-15,511	-16,585	-17,054	-17,447	-17,696	
EBITDA	15,609	11,580	11,942	12,360	12,550	12,676
Depreciation and amortisation	-3,246	-3,480	-3,550	-3,500	-3,246	-3,131
EBIT	12,363	8,100	8,392	8,860	9,304	9,545
Financial result	-560	-575	-405	-255	-150	23
EBT	11,803	7,525	7,987	8,605	9,154	9,568
Taxes on income	-1,811	-1,332	-1,394	-1,628	-1,773	-2,120
Net profit/loss for the year	9,992	6,193	6,593	6,978	7,381	7,448
<i>Growth gross revenue</i>	17.1%	-0.4%	2.6%	2.2%	0.4%	n.v.
<i>Cost of materials / gross revenue</i>	-19.5%	-15.8%	-14.1%	-13.9%	-12.3%	n.v.
<i>Personnel expenses / gross revenue</i>	-62.3%	-67.6%	-69.2%	-69.4%	-70.8%	n.v.
<i>Other operating income & expenses / gross revenue</i>	-9.1%	-9.8%	-9.8%	-9.8%	-9.9%	n.v.
<i>Gross profit margin</i>	80.5%	84.2%	85.9%	86.1%	87.7%	n.v.
<i>EBITDA margin</i>	9.2%	6.8%	6.9%	6.9%	7.0%	n.v.
<i>EBIT margin</i>	7.2%	4.8%	4.8%	5.0%	5.2%	n.v.
<i>Tax rate</i>	15.3%	17.7%	17.5%	18.9%	19.4%	22.2%

Table 2: Derivation of the expected earnings of msg life (updated)

Based on the profit after taxes and the assumptions regarding the typical tax burden on the shareholders' level, the expected net distributions to shareholders are derived as follows:

Net distributions - msg life in kEUR	Forecast 2020	Plan 2021	Plan 2022	Plan 2023	Plan 2024	TV 2025 ff.
Net profit/loss for the year	9,992	6,193	6,593	6,978	7,381	7,448
Real retention	9,992	6,193	1,236	0	0	0
Growth-related retention						-546
Gross distribution	0	0	5,357	6,978	7,381	6,902
<i>Payout ratio</i>	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%
Value amount from dividend distribution	0	0	2,518	3,279	3,469	3,244
Withholding tax on dividend distribution	0	0	0	0	0	-850
Value amount from fictitious retention	0	0	2,839	3,698	3,912	3,658
Capital gains tax on fictitious retention	0	0	-374	-488	-516	-482
Net distribution	0	0	4,983	6,490	6,866	5,569

Table 3: Derivation of net distributions to be capitalised (updated)

On the basis of the updated net distributions and applying the updated capitalisation interest rates, the capitalised earnings value of msg life's operating assets as per 10 November 2020 is as follows:

Calculation of the capitalised earnings value - msg life in kEUR	Forecast 2020	Plan 2021	Plan 2022	Plan 2023	Plan 2024	TV 2025 ff.
Net distribution	0	0	4,983	6,490	6,866	5,569
Capitalisation interest rate	6.8%	6.3%	6.0%	6.0%	6.0%	4.8%
Net present value factor for the respective year	0.936	0.941	0.943	0.944	0.944	20.821
Net present value for the respective year	100,101	106,909	113,645	115,470	115,877	115,950
Capitalised earnings value as per 31 December 2019	100,101					
Compounding factor	1.058					
Capitalised earnings value as per 10 November 2020	105,931					

Table 4: Capitalised earnings value of msg life as of 10 November 2020 (updated)

Taking into account the updated capitalised earnings value as per 10 November 2020 and the special value, the equity value of msg life is calculated as follows:

Value overview - msg life	
As per 10 November 2020	In kEUR
Earnings value	105,931
Special value ARGE	258
Equity value	106,189
Number of shares	42,802,453
Value per share (in EUR)	2.48

Table 5: Equity value and value per share of msg life (updated)

According to today's state of knowledge (as of 06 November 2020), the updated equity value of msg life as per November 10, 2020 amounts to kEUR 106,189. msg life's value per share is EUR 2.48 for 42,802,453 no-par value shares.

The calculation of the guarantee dividend results in an adjusted annuity interest rate of 0.79% (after tax) and the updated guarantee dividend pursuant to § 304 of the German Stock Corporation Act (AktG) amounts to EUR 0.03 per share (gross profit share per share) less corporate income tax including solidarity surcharge. The corporate income tax rate including the solidarity surcharge, applicable at the time the agreement was concluded, is 15.825%. This results in a corporation tax deduction of EUR 0.00 per share. With an unchanged corporation tax rate of 15.0% and solidarity surcharge of 5.5%, the compensation payment is EUR 0.03 per share (net guarantee dividend per share).

The presented updates are based on the information, which is available to us at the time of the submission of this interim statement. Should between the submission of this statement and the date of the planned Annual General Meeting on 10 November 2020 occur events, which have a material impact on the amount of cash compensation and/or guarantee dividend, the value would have to be adjusted accordingly.

2 Stock market price

With regard to the reference period, in accordance with the decision of the Federal Court of Justice (BGH) of 19 July 2010, an average value, to be taken as a basis, is derived from the turnover-weighted average price over a period of three months. According to current case law, the day before the announcement is to be applied, to increase the informative value of stock market prices and to avoid manipulation when determining a three-month average price. The announcement of the domination agreement between msg systems and msg life, which was signed on September 25, 2020, was made on October 1 with the publication of the convening of the annual shareholders' meeting of msg life in the German Federal Gazette ("Bundesanzeiger"). Consequently, the reference period for the derivation of the stock market price is between 1 July 2020 and 30 September 2020 inclusive.

The shares of msg life are not traded on a regulated market, but are traded on the open market in Hamburg under the international securities identification number (ISIN) DE0005130108. The open market is not an organised market within the meaning of the Securities Trading Act. BaFin therefore does not determine a valid minimum price for shares traded on the open market (within the meaning of § 31 (1), (7) WpÜG in conjunction with § 5 WpÜG Offer Ordinance). Based on the data from the financial information service provider Bloomberg, an average price of EUR 2.30 per share weighted by total turnover was determined for the reference period.

Due to the fact that the stock market price is lower than the value per share determined by the capitalised earnings value method, it is not necessary to conclusively clarify whether the stock market price can be used to calculate the cash compensation.

3 Summary

Based on the described updates and according to today's state of knowledge, the appropriate cash compensation for msg life as per 10 November 2020 is EUR 2.48 per share. As the updated compensation payment would result in a lower value, the previously determined compensation payment remains valid. The appropriate net compensation per share (i.e. net guarantee dividend per share) thus amounts to EUR 0.03 (gross compensation per share is EUR 0.04).

Frankfurt, 06 November 2020

VALNES Corporate Finance GmbH

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Annex 1: General Terms and Conditions of Contract

This is a translation of the German "Allgemeine Auftragsbedingungen", which is the sole authoritative version

[Translator's notes are in square brackets]

1. Scope

(1) The Terms and Conditions of Assignment shall apply to the contracts between VALNES Corporate Finance GmbH (hereinafter referred to as "VALNES") and its clients, unless terms to the contrary have been expressly agreed to in writing or are required by law.

(2) If, in exceptional cases, contractual relations are also established between VALNES and persons other than the client, the provisions of the following No. 8 shall also apply to such third parties.

2. Scope and execution of the contract

(1) The subject of the contract is the agreed performance of services, not a specific economic success. The assignment will be carried out with appropriate technical and professional expertise and by applying current knowledge and experience. VALNES reserves the right to select the staff providing the services (including whether employed and/or freelance) during the course of the project, provided that the proper and timely fulfilment of the assignment is guaranteed.

(2) The consideration of foreign law requires an express written agreement.

(3) Events of force majeure that make it considerably more difficult or impossible for VALNES to perform its obligations, entitle VALNES to postpone the fulfilment of its obligations for the duration of the hindrance and for a reasonable lead time. Strikes, lock-outs and similar circumstances that directly or indirectly affect VALNES shall be considered as force majeure.

3. Client's duty to inform

(1) The client shall ensure that all documents necessary for the execution of the order are submitted to VALNES in good time, even without special request, and that VALNES is informed of all processes and circumstances that may be of importance for the execution of the assignment. This also applies to documents, procedures and circumstances that only become known in the course of VALNES's work.

(2) At the request of VALNES, the client shall confirm the completeness of the documents submitted and of the information and explanations given in a written declaration drafted by VALNES.

4. Reporting and oral information

If VALNES and the client agree that the results of VALNES' activities are to be presented in writing, only the written presentation shall be authoritative. Oral statements and information from employees outside the placed order are always non-binding.

5. Protection of intellectual property

Documents, document templates, forms, work equipment, files and similar provided by VALNES may only be used by the client for its own purposes. VALNES shall be entitled to use general ideas, concepts, models and experience as it sees fit and to make them available to third parties without this giving rise to licence and compensation claims on the part of the client or violating the agreed confidentiality.

6. Distribution of reports and other written statements

(1) The passing on of statements and opinions of VALNES (reports, expert opinions, presentations, memos and the like) to a third party requires the written consent of VALNES, unless the content of the order already indicates consent for passing on to a specific third party. VALNES shall only be liable to a third party (within the scope of No. 8) if this has been agreed in writing and the third party accepts the terms and conditions of assignment.

(2) The use of results or statements of VALNES for advertising purposes is not permitted; a violation shall entitle VALNES to terminate without notice all orders of the client not yet executed.

7. Correction of deficiencies

(1) In the event of any deficiencies, the client is entitled to supplementary performance by VALNES. Only in the event of failure of the supplementary performance, he may also demand a reduction of the remuneration or revocation of the contract. Insofar as claims for damages exist beyond this, No. 8 shall apply.

(2) The claim for correction of deficiencies must be asserted by the client in writing without delay. Claims according to paragraph (1), which are not based on an intentional act, shall become statute-barred after the expiry of one year from the beginning of the statutory limitation period.

(3) Obvious inaccuracies, such as typing errors, arithmetical errors and formal deficiencies [formelle Mängel] contained in a comment or other statement (report, expert opinion and the like) by VALNES may be corrected at any time by VALNES, also towards third parties. Any inaccuracies that may call into question the conclusions contained therein shall entitle VALNES to withdraw the statement to third parties also.

8. Liability

(1) The limitation of liability of VALNES will be agreed individually with the client within the scope of a project contract.

(2) Preclusive periods

A claim for damages can only be asserted within a preclusive period of one year after the person entitled to claim has become aware of the damage and of the event giving rise to the claim, but at the latest within 5 years after the event giving rise to the claim. The claim expires if no legal action is taken within a period of six months after the written rejection of the compensation and the client has been informed of this consequence. The right to assert the plea of limitation remains unaffected.

9. Confidentiality, obligation of secrecy towards third parties, data protection

(1) VALNES is obliged to treat business and trade secrets confidentially and not to pass on or otherwise use other knowledge and information to third parties, insofar they are not obvious, unless the client releases it from this obligation of secrecy. VALNES will impose a corresponding obligation on its employees. The obligation of secrecy remains in force even after termination of the contract.

(2) VALNES may only hand over reports, expert opinions and other written statements on the results of its activities to third parties with the consent of the client.

(3) VALNES is authorised to process or have processed by third parties personal data entrusted to it within the scope of the purpose stipulated by the client.

10. Default of acceptance and failure to cooperate on the part of the client

If the client is in default of acceptance of the service offered by VALNES or if the client fails to provide the assistance required by No. 3 or otherwise, VALNES is entitled to terminate the contract without notice. VALNES' right to claim compensation for additional expenses incurred as a result of the default or failure to cooperate on the part of the client, as well as the damage caused, shall remain unaffected, even if VALNES does not exercise its right to terminate the contract.

11. Remuneration

(1) VALNES shall be entitled to reimbursement of its expenses in addition to its claims for fee or charge; value added tax shall be charged additionally. VALNES may demand reasonable advances on remuneration and reimbursement of expenses and may make the rendering of its services dependent on the full satisfaction of its claims. Several clients are liable as joint and several debtors.

(2) A set-off against claims of VALNES for remuneration and reimbursement of expenses shall only be permitted in the case of undisputed or legally established claims.

12. Storage and release of documents

(1) VALNES shall retain for ten years the documents handed over to it in connection with the execution of an order and prepared by itself as well as the correspondence concerning the order.

(2) After settlement of its claims arising from the assignment, VALNES must, at the request of the client, return all documents which it has received from or on behalf of the client in connection with its activities for the execution of the assignment. However, this shall not apply to correspondence between VALNES and its client or to documents already in the client's possession, either in original or copy. VALNES may make and retain copies or photocopies of documents returned by the company to the client.

13. Miscellaneous

(1) Only German law shall apply to the order, its execution and the resulting claims.

(2) VALNES is entitled to keep the client, including the type of service provided, in a customer directory and to use this directory for reference and acquisition purposes, unless otherwise individually agreed.

(3) If provisions of the General Terms and Conditions of Assignment are invalid, the remaining provisions shall not be affected thereby. The parties undertake to replace the invalid provisions with economically equivalent provisions.

Information on data processing in accordance with DSGVO can be found on our homepage at www.valnes.de