

Translation Report

(Only the German version is legally binding)

of the

Annual Report 2018

**Deutsches Medikamenten-Hilfswerk
„action medeor“ e.V., Tönisvorst
(German Medical Relief Organisation)**

RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

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Die RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ist ein unabhängiges Mitglied des RSM Netzwerks, einem Zusammenschluss unabhängiger Wirtschaftsprüfungs- und Steuerberatungsgesellschaften. RSM International ist der Name eines Netzwerks unabhängiger Wirtschaftsprüfungs- und Steuerberatungsgesellschaften, in dem jede einzelne Gesellschaft als eigenständige unternehmerische Einheit operiert.



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Statement of assets and liabilities as of December 31, 2018					L i a b i l i t i e s	
A s s e t s		€		€	€	Previous year €
<u>A. Long-term assets</u>		€	€			
<u>I. Intangible fixed assets</u>						
1. Acquired concessions, industrial and similar rights and assets,		16,420.90			9,173,061.40	9,336,656
2. Prepayments		104,595.00	121,015.90		399,995.00	-44
					-414,742.55	-200,000
					-151,974.89	18,042
					16,425.16	19,798
					0.00	-1,431
					9,022,767.32	9,173,061
<u>II. Tangible assets</u>						
1. Property		552,384.08				
2. Premises		1,449,927.69				
3. Courtyard fortification and outside facilities		6,787.00				
4. Operating equipment		72,131.92				
5. Office equipment		67,188.22				
6. Car pool		33,770.09				
7. Exhibition material		11.00				
8. Low-value assets		36,225.24				
9. Prepayments and construction in progress		160,392.34	2,378,818.58			
					25,361.00	28,655
<u>III. Financial assets</u>						
1. Investments		163,346.63				
2. Long-term securities		6,916.00	170,262.63			
					0.00	2,861
					204,326.32	122,693
<u>B. Short-term assets</u>						
<u>I. Inventories</u>						
1. Goods		2,725,008.58				
2. Advance payments		59,701.74	2,784,710.32		1,044,499.03	1,733,123
<u>II. Receivables and other assets</u>						
1. Trade receivables		506,471.37				
2. Receivables from other long-term investors and investors		878,831.78			154,578.03	267,786
3. Other assets		690,045.50	2,075,348.65		215,654.62	106,384
<u>IV. Cash in hand and bank balances</u>						
1. Cash in hand		3,382.70			416,028.25	402,285
2. Bank balances		3,519,769.31	3,523,152.01			
					786,260.90	
<u>C. Prepaid expenses</u>						
			32,239.48		2,333.00	2,377
					11,085,547.57	11,839,225

Tönisvorst, May 13, 2019

Executive Board



Bernd Pastors

Christoph Bonsmann

Statement of revenue and expenses for the period
from January 1 to December 31, 2018

	€	€	Previous year €
1. Revenues	2,685,311.16		3,407,451.62
2. Income from the use of donations	7,920,389.83		7,573,395.70
3. Income from third party subsidies for projects	4,891,021.21		5,381,858.94
4. Other income	71,678.21	15,568,400.41	114,895.92
5. Expenses for raw material and purchased services (of which change in inventories: € -116,250.72 (previous year: € 639,504.48)		-4,282,451.67	16,477,602.18
6. Gross profit		11,285,948.74	-5,265,712.82
7. Personnel expenses			11,211,889.36
a) Wages and salaries	-2,730,927.61		-2,673,105.03
b) Social security, post-employment and other employee benefit costs	-558,128.19		-539,622.43
c) Voluntary social expenses	-37,022.71		-41,312.09
8. Depreciation of intangible fixed assets and tangible fixed assets		-3,326,078.51	-3,254,039.55
9. Other operating expenses		-315,562.80	-309,740.79
10. Operating result		-7,782,818.76	-7,608,897.05
11. Other interest and similar income	16,962.63	-138,511.33	39,211.97
12. Interest and similar expenses	-14,000.83		29,859.35
13. Financial result		2,961.80	-31,230.67
14. Taxes on income		0.00	-1,371.32
15. Income after tax		-135,549.53	-1,431.46
16. Net loss/ -income		-135,549.53	36,409.19
			36,409.19
of which net income purpose enterprise		-151,974.69	18,042.23
of which net income administration of property		16,425.16	19,798.42
of which net income business operations		0.00	-1,431.46
		-135,549.53	36,409.19

Cash flow statement 2018

Net income	k€	-135	
+ Depreciation of fixed assets	"	316	
- Increase in inventories	"	-159	
- Increase in receivables (in general) and prepaid expenses	"	-605	
+ Increase in provisions/Special items	"	74	
- Decrease in donations / funds for projects not yet disposed	"	-689	
- Decrease in advance payments received	"	-113	
+ Increase in trade payables	"	110	
+ Increase in other liabilities	"	14	
1. Inflow from operating activities	k€	-1,187	
- Payments for investments in fixed assets	k€	-194	
+ Disposal of fixed assets	"	10	
2. Outflow from investment activities	k€	-184	
+ Increase in net income by legacies in 2018	k€	876	
- Decrease in net income by legacies in 2018	"	-476	
- Decrease in net income by withdrawals for the ideal field	"	-415	
3. Outflow from financing legacies	k€	-15	
4. Net change in cash and cash equivalents (balance 1.-3.)	k€	-1,386	
+ Cash as of 1.1.2018	"	4,909	
= Cash as of 31.12.2018	k€	3,523	

IV. Auditors' Opinion

To Verein Deutsches Medikamenten-Hilfswerk "action medeor" e.V.

Audit opinions

We have audited the annual financial statements of the Verein Deutsches Medikamenten-Hilfswerk "action medeor" e.V., which comprise the statement of assets, liabilities, income and expenses for the fiscal year from January 1 to December 31, 2018, and the notes to the financial statements, together with a description of the accounting and valuation principles used. In addition, we have audited the management report of the Verein Deutsches Medikamenten-Hilfswerk "action medeor" e.V. for the fiscal year from January 1 to December 31, 2018.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets, financial position and results of operations of the association as of December 31, 2018 in accordance with German principles of proper accounting and
- the attached management report provides an accurate overall picture of the situation of the association. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 of the HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Auditor's responsibility for the audit of the annual financial statements and the management report" of our audit opinion. We are independent of the association in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German principles of proper accounting and in accordance with German commercial law, and for the presentation of the net assets, financial position and results of operations of the association in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the association's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the same accounting policy, except to the extent that this is contrary to fact or law.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides a suitable view of the association's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report.

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

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report as a whole provides a suitable view of the position of the association and is consistent, in all material respects, with the annual financial statements and the findings of our audit, complies with German legal requirements and presents fairly the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the annual financial statements and the management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements could result from violations or inaccuracies and are considered material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these annual financial statements and management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the annual financial statements and management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and of the procedures and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.
- we draw conclusions about the appropriateness of the accounting principles applied by the legal representatives for the continuation of the association's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the association's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related statements in the financial statements and management report or, if the information is inappropriate, to modify our respective opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the association no longer being able to continue its business activities.
- we express an opinion on the overall presentation, the structure and the content of the annual financial statements, including the disclosures, as well as on whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the association in accordance with German principles of proper accounting.
- we assess the consistency of the management report with the annual financial statements, its legal pronouncements and the overall picture of the association's position conveyed by it.
- we perform audit procedures on the forward-looking statements in the management report as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

Krefeld, May 13, 2019



RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Steinborn
Wirtschaftsprüfer



Kinalzik
Wirtschaftsprüfer

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

DokID:

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.