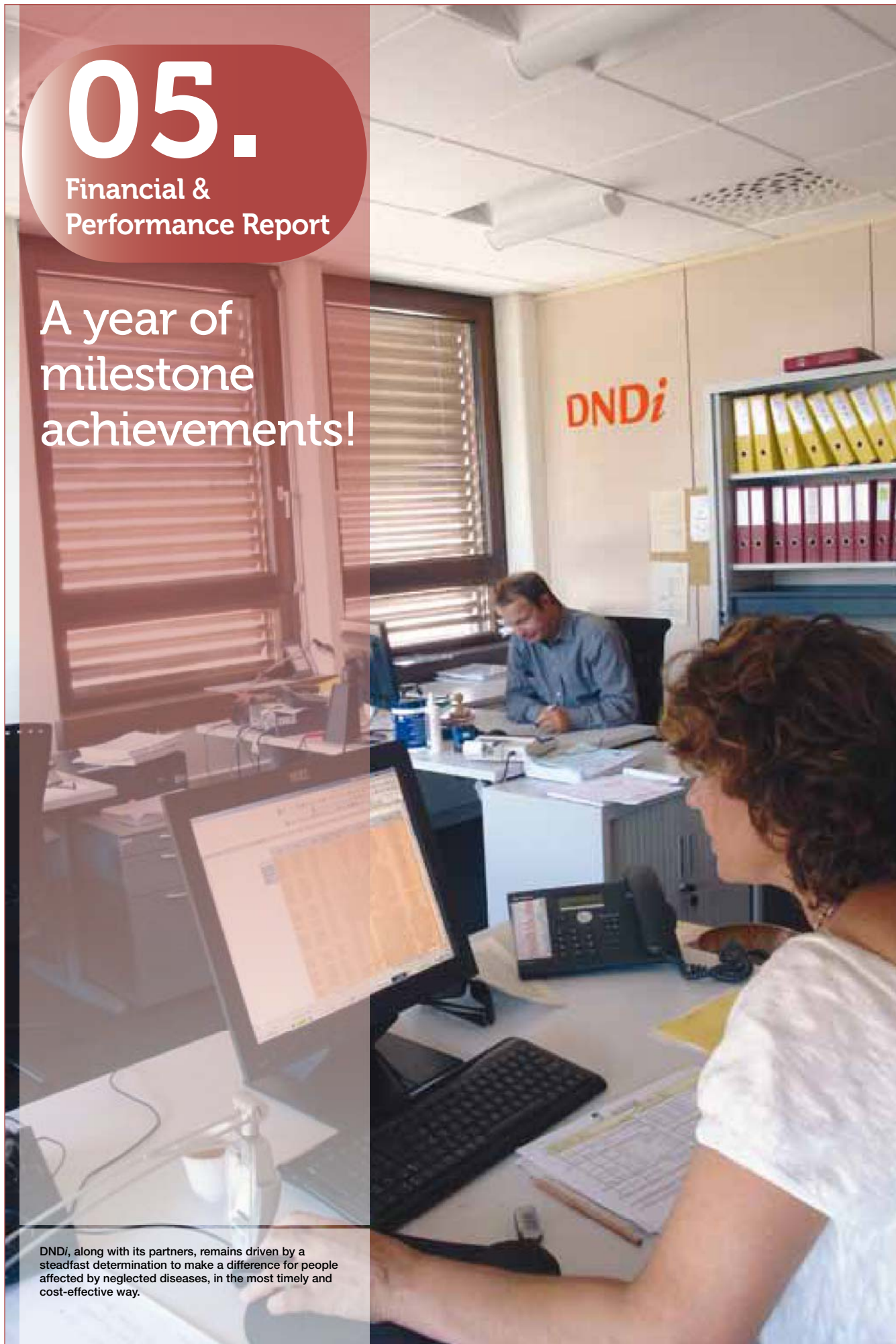


05.

Financial & Performance Report

A year of milestone achievements!



DNDi, along with its partners, remains driven by a steadfast determination to make a difference for people affected by neglected diseases, in the most timely and cost-effective way.

PERFORMANCE REPORT

SUMMARY

In 2008, DNDi delivered a second combination drug for malaria. ASMQ, a new fixed-dosed combination of artesunate and mefloquine was registered and made available for patients in Brazil, through a partnership with a public Brazilian pharmaceutical company.

In addition to delivering a new treatment, DNDi continued to develop a robust R&D portfolio of potential new treatments for Chagas disease, leishmaniasis, and sleeping sickness, consisting of 20 projects and several exploratory screening activities with the diverse range of DNDi partners, from the pharma industry, the academic world and organisations involved in the fight against neglected diseases.

DNDi's expenditure reflected this dynamism and grew to EUR 17.6 million from EUR 11.8 million in 2007. This growth in expenditure was matched with income growth, as total donations and contributions rose to EUR 20 million in 2008 compared with EUR 15.9 million in 2007. For the fifth year of its existence, DNDi's donors demonstrated the confidence they have in the initiative and their support for DNDi's strategy to produce new treatments for neglected diseases.

As in previous years, DNDi was able to increase its unrestricted funds reserve to secure the continuity of its activities and the long-term viability of the organisation. As of December 2008, DNDi had a total of EUR 9.1 million in net assets (total capital of the organisation). These funds represent five months of DNDi's 2009 revised operating budget.

In response to the growth of its activities, DNDi has continued to develop a team of talented staff and consultants throughout the world. In December 2008, DNDi had a total of 57.3 full-time equivalent (FTE) staff and consultants - 26.9 FTE working at headquarters and 30.4 in regional offices or with projects, on five continents. This can be compared with 43.4 FTE in December 2007 (22.4 FTE in headquarters and 21 FTE in regional offices and projects).

The Finance, Human Resources and Administration Department is composed of five staff members: a Director, Financial Controller, Accountant, Human Resources Manager and a Travel Assistant/ Receptionist. In 2008, an amendment was made to the Swiss Code of Obligations (CO) articles 728a and 728b making it mandatory for large organi-

DISCLAIMER

- The present financial and performance report is written in accordance with the regulations of the Swiss Generally Accepted Accounting Principles, Swiss GAAP, specifically FER/RPC 21, which is applicable to charitable and social not-for-profit organisations.

- The report provides financial information and some efficiency indicators regarding DNDi's activities in 2008, notably the social mission ratio and the breakdown by stage of development and disease. It also highlights the evolution of public institutional versus private sources of funds and the independence ratio pertaining to the diversity of resources.

sations to verify that well-designed, effective internal control systems are being implemented. The reinforcement and formalisation of the Internal Control System has enabled DNDi to improve its management procedures. Large organisations shall also assess the risks facing their organisation. In this regard, DNDi has taken steps to upgrade its general risk management procedure. DNDi's auditors, Deloitte SA, conducted the organisation's 2008 financial audit in accordance with Swiss Auditing Standards.

STATEMENT OF ACTIVITIES

► STATEMENT OF OPERATIONS for the year ended December 31, 2007 (Summary in EUR)	2008	2007
INCOME (in thousand Euros)		
Public Institutional Funding	9,895	9,563
Private Resources	10,175	6,290
Total Income	20,071	15,852
EXPENDITURE		
Research & Development	13,649	8,577
Strengthening Capacities	1,111	974
Advocacy	864	658
Fundraising	694	363
General & Administration	1,247	1,251
Total Expenditure	17,564	11,823
Operating Surplus	2,506	4,029
Other Income (net)	231	83
Net Surplus for the year	2,737	4,113

RESEARCH & DEVELOPMENT EXPENDITURE

During 2008, DNDi continued to build a dynamic portfolio for the three diseases: visceral leishmaniasis, human African trypanosomiasis, and Chagas disease. As of December 2008, 20 R&D projects and several exploratory activities were being managed by seven DNDi Project Managers and four Project Coordinators with total project expenditures of EUR 13.6 million.

In 2008, DNDi continued its steady growth with an increase of 59% in R&D expenditure compared to the previous year (46% growth increase in 2007).

In March 2008, DNDi launched its second new treatment in Brazil – **ASMQ** – in collaboration with Farmanguinhos, a Brazilian public pharmaceutical company. ASMQ is the first fixed-dose combination therapy of artesunate (AS) and mefloquine (MQ) for the treatment of malaria in South America and Asia. The 2-in-1 combination of ASMQ ensures that both drugs are taken together in correct proportions (easy to use with one daily administration of 1 or 2 tablets, according to age, over 3 days). As of December 2008, ASMQ is being used by the Brazilian authorities

as part of an ongoing intervention study (more than 25,000 patients treated). In addition, ASMQ is planned to be registered in ten countries in Latin America and Asia. Approximately EUR 0.9 million was spent in 2008, compared to EUR 0.7 million in 2007. The main efforts were dedicated to the production of ASMQ and the transfer of technology between Farmanguinhos and Cipla in India.

Fixed-dose combination therapy of artesunate (AS) and amodiaquine (**ASAQ**), the first new treatment launched by DNDi in 2007, is now registered in 24 disease-endemic countries. Produced in a landmark partnership with sanofi-aventis, the new treatment obtained WHO prequalification in October 2008. More than 5.4 million treatments were distributed in 2008. Expenditure remained stable between 2007 (EUR 1 million) and 2008 (EUR 1.1 million). The main effort was focused on post-registration activities including pharmacovigilance studies, complementary studies in India, and communication with national programmes about ACT (Artesunate Combination Therapy) and ASAQ.

Highlighted below are the projects for

human African trypanosomiasis (HAT) which represented the main expenditure increase in 2008: EUR 5.9 million in 2008 as compared to EUR 2.9 million in 2007.

DNDi KEY ACCOMPLISHMENTS

For HAT

- The multicentre clinical trials in DRC were completed (287 patients) for the Nifurtimox-Eflornithine combination therapy (NECT) – a simpler, less toxic treatment for stage 2 sleeping sickness. The partners that support this project in 2008 are PNLTHA (National Programme in DRC), Epicentre (France) and Swiss Tropical Institute (Switzerland). This combination therapy was added to the WHO Essential Medicines List in April 2009. EUR 0.5 million was spent in 2008.

- In 2008, the lead optimisation consortium for HAT progressed with Scynexis and Pace University, its partners in the USA. Two compounds series have been advanced from early-stage screening to attractive leads. Expenditure in 2008: EUR 3.3 million as compared to EUR 1.3 million in 2007 when the project started (Q4 2007). This is the most significant increase in DNDi expenditure (about +250%) for 2008.

- The preclinical studies for the fexinidazole project were successfully finalised in 2008. The project will enter phase I clinical trials in 2009. The main partners are based in Europe and include: Aptuit, Covance and Nerviano. Expenditure reached EUR 1.3 million in 2008 as compared to EUR 0.5 million in 2007.

For VL

- The budget increased by EUR 1 million in 2008 and reached EUR 3.1 million.

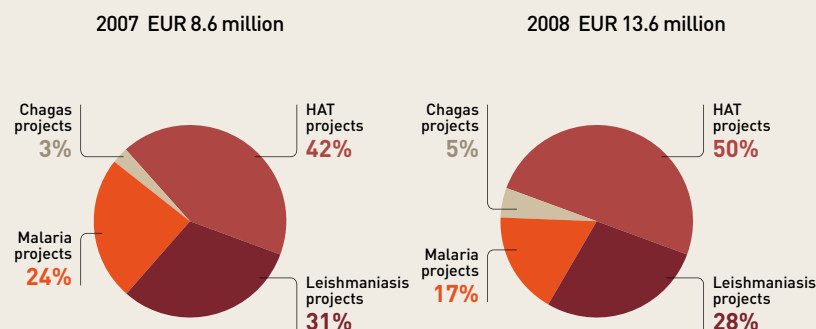
- Three clinical trials are underway to test combinations of existing medicines for less toxic, more affordable shorter-course treatments and to retard the onset of drug resistance. The actual costs for these clinical trials in 2008 reached EUR 1.9 million against EUR 1.5 million in 2007.

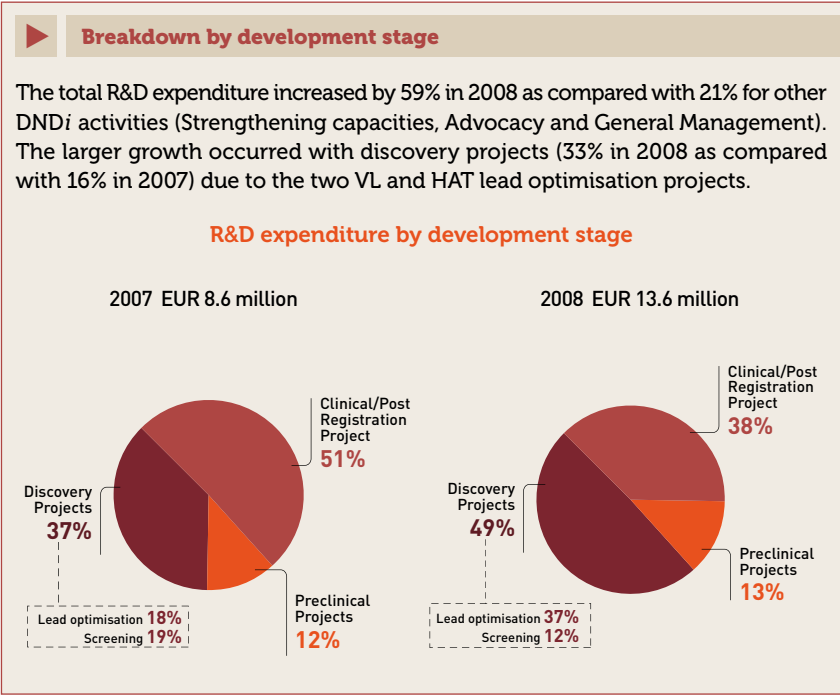
1. More than 1,000 patients have been included in the paromomycin multi-

Breakdown by disease

The percentage breakdown of R&D expenditure by disease highlights the continuation of DNDi's investment in HAT R&D in 2008. The percentage of Chagas projects increased because the lead optimisation project started at the beginning of 2008. The proportion of malaria projects in terms of total project expenditure, decreased since the project entered the post-registration phase (see above). Leishmaniasis project expenditure remained stable. Most of the expenses concern three ongoing clinical trials.

R&D expenditure by disease





centre trials in Ethiopia, Kenya, Sudan, and Uganda.

- More than 200 patients were recruited between May and December 2008 for the VL combination trials in India.
- Preparation for the AmBisome clinical trials has been ongoing in 2008: staff training, protocol approval and drug shipment.

- In addition, the VL lead optimisation consortium identified two promising series of compounds. Key partners for this project are Advinus and Central Drug Research Institute (CDRI) in India. A new agreement was signed in 2008 with Institut de Recherche et Développement (IRD), France. Another agreement was signed with a new partner in 2008 - Anacor (USA). This early-stage project was initiated at the end of 2007 with expenditure of EUR 0.1 million, which grew to EUR 0.9 million in 2008.

For Chagas disease

The budget reached EUR 0.6 million in 2008 against EUR 0.2 million in 2007. The consortium for Chagas lead optimisation was established in 2008 with three partners: Centre for Drug Candidate Optimisation (CDCO, Australia) Epichem & Murdoch University (Australia) and the Federal University of Ouro Preto (Brazil). The consortium is testing promising drug

candidates identified by DNDi’s global network of discovery research partners. 2008 expenditure equalled EUR 0.4 million. DNDi established an agreement with the Pharmaceutical Laboratory of Pernambuco (LAFEP) of Brazil in 2008 to develop the first benzimidazole formulation for children. 2008 expenditure equalled EUR 0.2 million.

In 2008, the **discovery stage** was consolidated with nine projects underway to bring new drug candidates to the preclinical stage.

- DNDi has a global network of partners who specialise in screening chemical libraries: Institut Pasteur Korea, Kitasato Institute Japan, Eskitis and Epichem Australia, CDRI India, and Fiocruz Brazil. Total EUR 1.3 million in 2008.
- Following screening, promising compounds are fed into DNDi’s three lead optimisation consortia. Total EUR 4.5 million in 2008.
- Potential drug candidates are tested for safety and efficacy in the laboratory in preparation for clinical trials.

In 2008, four projects were in the pre-clinical stage, for a total EUR 1.1 million. In December 2008, DNDi had seven projects in clinical development, amounting to EUR 4.7 million.

STRENGTHENING CAPACITIES EXPENDITURE

Strengthening capacities expenses increased to EUR 1,110,724 in 2008 as compared to EUR 1 million in 2007. These expenses integrate the cost of disease platforms for strengthening existing research capacity in Africa for VL and HAT. The main activities included:

- Construction (Dooka clinical trial site in Sudan), and rehabilitation (Kimalale centre in Kenya and Amudat Hospital in Uganda) of wards that are used for clinical trials in East Africa.
- Training of partners’ staff to enhance their skills and knowledge: GCP (Good Clinical Practice), ethics, trials monitoring and methodology, and information sharing on recent clinical research development.
- Local representatives and offices to support DNDi’s field activities (Penang, New Delhi, Nairobi and Rio).

COMMUNICATIONS & ADVOCACY EXPENDITURE

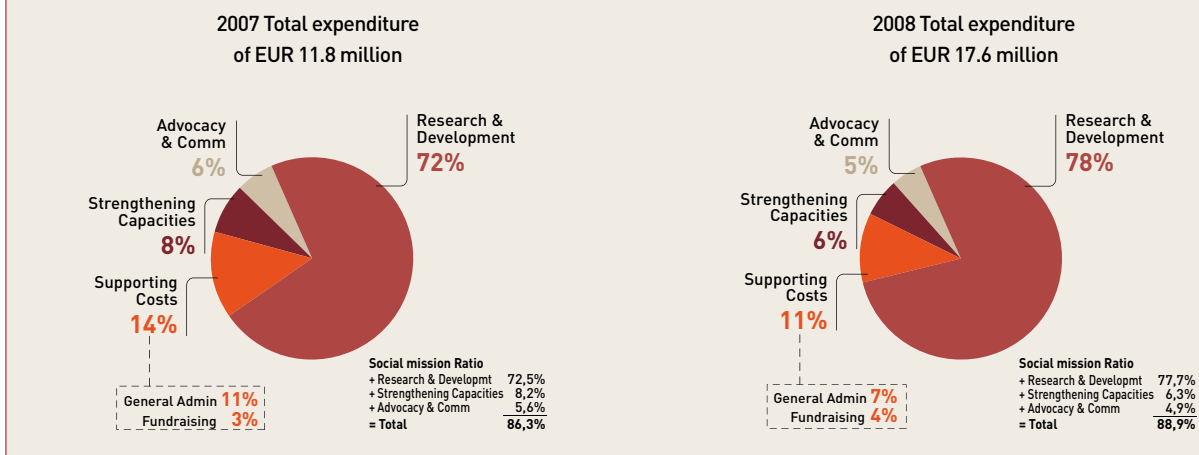
Communications and Advocacy expenses increased by 31% between 2007 (EUR 657,580) and 2008 (EUR 864,009). In 2008, DNDi Advocacy efforts were focused on: raising awareness of the lack of tools to treat neglected patients; exchange of information; and shared communication. DNDi facilitated meetings at regional and national level, participated in international congresses and conferences, produced educational material (newsletters, video and websites) regarding the three target diseases and malaria, and published the results of its ongoing clinical studies in peer-reviewed medical journals. A key event in 2008 was the launch of ASMQ on 17-18 April in Rio de Janeiro, Brazil.

The Communications and Advocacy activities were essential to influence countries and national programmes for the deployment of ASAQ and prepare the ground for the implementation of ASMQ and NECT, as well as to facilitate DNDi fundraising activities.

► **Social mission expenditure: 89% for the social mission**

The social mission ratio increased to 89% in 2008 compared to 86% in 2007 and 85% in 2006. Fundraising and General Management expenses, as a percentage of total expenses, thus decreased from 15% 2006 to 14% in 2007 and 11% in 2008.

Social mission ratios



FUNDRAISING & GENERAL MANAGEMENT EXPENDITURE

Fundraising expenditure increased by 91% in 2008 (EUR 694,486 in 2008 and EUR 363,084 in 2007). This increase is mainly due to the activity of the New York office, which opened at the end of 2007 and was officially launched in 2008. This office is dedicated to private fundraising in North America and complements the fundraising team based in Geneva. In line with the expenditure, the 2008 fundraising objective was to actively pursue private

fundraising in North America. DNDi's overall fundraising priorities remain the same: securing sustainable and diversified new funds from a mixture of public and private sources and raising unrestricted core funding. Fundraising expenses represent the costs to raise funds: personnel, travel and document production.

General Management & Administration total expenditure remains relatively constant in 2008 (EUR 1,246,694 in 2008 and EUR 1,251,076 in 2007). Expenditures increased slightly due to normal inflation,

though total expenses were higher in 2007 due to exceptional costs related to the recruitment of a new R&D Director, the setting up of a new position of Business Development Director and consultant fees related to writing the 2007-2014 Business Plan. General Management and Administration expenses represent costs of managing the organisation: expenses incurred by the Board of Directors, the Executive Director and the Financial and Administration Department.

THE FUTURE

In 2006, DNDi launched a process to review and update its Business Plan, with the support of Ernst & Young Business Advisory Services, to reflect the significant changes in the landscape of neglected disease research and to incorporate new information gathered during the first years of DNDi's opera-

tions. The outcome, approved in July 2007 by the Board of Directors, constitutes a benchmark for the development of new treatments by 2014 for visceral leishmaniasis, human African trypanosomiasis, and Chagas disease. The annual budget is projected to grow from EUR 4 million in 2004 to EUR 40 million in 2014. The

overall expenditure during this period is projected to be EUR 274 million, with a possible outcome of six to eight new treatments for neglected diseases and the creation of a healthy portfolio of projects throughout the development pipeline. DNDi will dedicate the majority of funding towards the development of treatments for visceral leishmaniasis (34%), human African trypanosomiasis (35%), and Chagas disease (17%).

Projects will be divided into five categories:

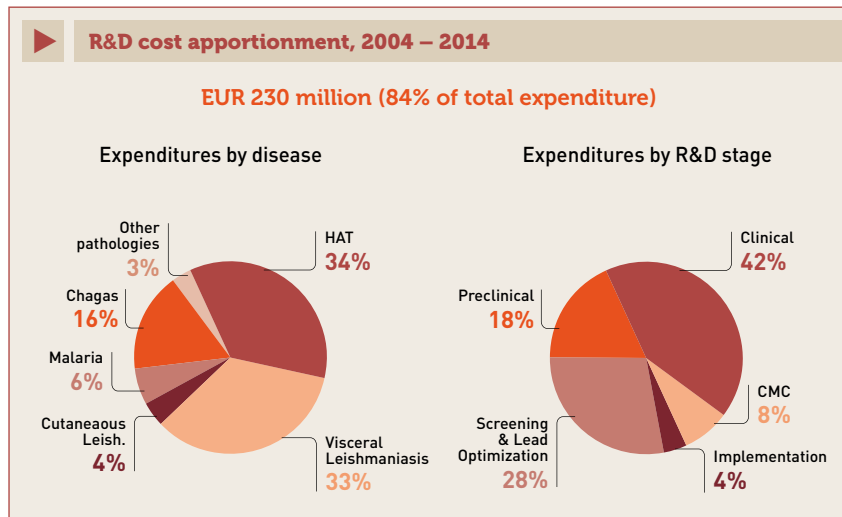
1. New drugs developed from novel compounds identified through screening and lead optimisation
2. New drugs from compounds with known antimicrobial/antiparasitic activities (could start at lead optimi-

► **Forecasted Social Mission Breakdown DNDi 2004-2014 (in million Euros)**

R&D	230	(84%)
Strengthening Capacities	11	(4%)
Advocacy	10	(3%)
Fundraising	10	(4%)
General Management	13	(5%)
Total	274	(100%)

- sation or preclinical development)
- 3. New indications for existing medicines in the field of the most neglected diseases (therapeutic switching)
- 4. Reformulations and combinations better adapted to field conditions (paediatric, long acting, new route of administration; fixed-dose combinations, co-packaging, or coadministration)
- 5. Existing drugs for target diseases (geographical extension of registration to additional geographic areas; completion of regulatory dossiers of existing drug candidates)

On average, the vast majority of funds will be devoted to R&D (84%), with a secondary programmatic focus on strengthening capacities (4%) and advocacy (3%). This focus shows a clear emphasis on the social mission with 91% of the funds allocated to this area. From a disease perspective, two thirds of overall expenses are devoted to visceral leishmaniasis and human African trypanosomiasis R&D,



which shows DNDi’s commitment to these two diseases. An update of the Business Plan will be made in 2010.

DIVERSIFICATION OF DONORS

To develop its activities and achieve its objectives, DNDi seeks diverse fund-

ing including: cash donations, in-kind contributions, grants, sponsorships, and legacies – from individuals, governments, public institutions, companies, foundations, NGOs, and other mechanisms. Since its founding, DNDi has been working to diversify its funding to include a mix of public and private donors and project, portfolio and initiative funding. As a key component of its mission is to stimulate increased involvement and to compel national governments and international organisations to assume their responsibilities in R&D for neglected diseases, DNDi strives to obtain half of its funding from public sources. DNDi works to achieve a balance of public and private funding, with total public institutional contributions amounting to EUR 9,895,423 (49%) as compared to EUR 10,175,249 (51%) in private grants in 2008. In addition to its continued funding from the American, British, Dutch, French, and Spanish governments, the Canton of Geneva, Switzerland, and the EU, the German government joined the public funders of DNDi with a grant of EUR 1 million for 2008-2009. The increase in private funding is a result of the grant from the Bill & Melinda Gates Foundation, awarded in 2007, with funding beginning in 2008. In 2008, DNDi launched a major fundraising effort with the opening of DNDi North America, and also began actively pursuing private funds in the Swiss market where DNDi is headquartered. The results of these efforts started to bear fruit at the end of 2008 and beginning of 2009 with



DNDi WOULD LIKE TO THANK THE FOLLOWING DONORS FOR THEIR SUPPORT OF DNDi ACTIVITIES SINCE JULY 2003

Public Institutional Donors

- Canton of Geneva, Switzerland
- Department for International Development (DFID), United Kingdom
- German Agency for Technical Cooperation (GTZ) on behalf of the Government of the Federal Republic of Germany
- European Union – Framework Partnership 5 and 6
- French Development Agency (AFD), France
- Ministry of Foreign Affairs (DGIS), Netherlands
- Ministry of Foreign and European Affairs (MAEE), France
- National Institutes of Health – National Institute of Allergy and Infectious Diseases (NIAID), USA
- Region of Tuscany, Italy
- Spanish Agency for International Cooperation and Development (AECID), Spain
- Swiss Agency for Development and Cooperation (DDC), Switzerland

Private Donors

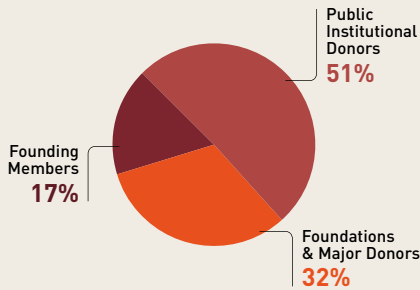
- Bill & Melinda Gates Foundation, USA
- Fondation André et Cyprien, Switzerland
- Guy’s, King’s and St Thomas’ Giving Week, UK
- Leopold Bachmann Foundation, Switzerland
- Médecins Sans Frontières
- Medicor Foundation, Liechtenstein
- Fondation Pro Victimis, Switzerland
- Sasakawa Peace Foundation, Japan
- Starr International Foundation, Switzerland
- UBS Optimus Foundation, Switzerland
- Other private foundations and private individual donors who wish to remain anonymous



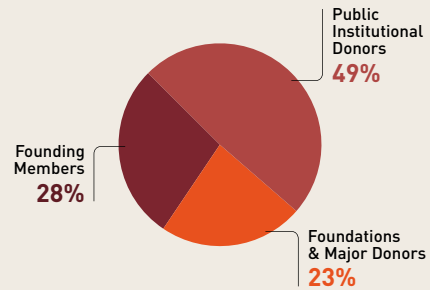
Evolution of public/institutional versus private and founding members funding since 2004 and in 2008, as compared to forecast from the DNDi business plan

Sources of Funds: Public Institutional, Private and Founding Members

Total: EUR 274 million forecast from 2004 to 2014



Total: EUR 20 million in 2008



several new grants awarded for 2009 funding, including grants from Fondation André et Cyprien, Fondation Pro Victimis and the Starr International Foundation, all in Switzerland. From North America, US\$ 34,655 was raised from different private donors by the end of 2008. DNDi accepts donations of unrestricted initiative funding (core funding) to the organisation, restricted or earmarked support to a project, or a contribution to several projects pertaining to one or multiple diseases. However, to allow for maximum flexibility in decision making needed for the R&D portfolio management

strategy, and to allow greater independence in its operations, DNDi's priority is to raise unrestricted initiative funding. In cases where this is not possible, DNDi will pursue project-specific or earmarked funding without requirements which might interfere with the objectives of the project. At the end of 2008, the cumulative funding mix of EUR 110 million was 31% restricted and 69% unrestricted grants. This bias toward unrestricted funding is both by design and a result of two new grants awarded at the end of 2008 of unrestricted initiative funding from the UK Department for International Development of

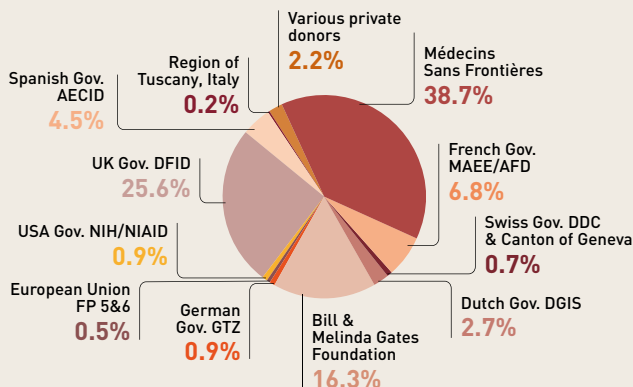
GBP 18 million and from Médecins Sans Frontières of EUR 18 million (2009-2014). These significant and multi-year commitments are critical to the success of DNDi for the next years. As the financial crisis impacts on private and public budgets and thus, fundraising efforts, we cannot stress enough the importance of commitments such as these to ensure that the advances made towards achieving the Millennium Development Goals and other commitments are not lost. Thanks to all its donors DNDi is able to deliver new treatments for the most neglected patients.



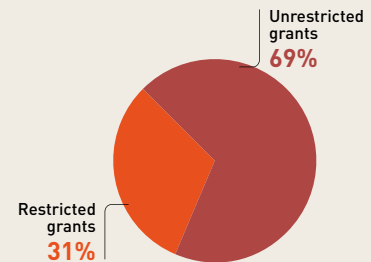
From 2003 to the end of 2008, a total of EUR 110 million was contributed to DNDi

In 2008, DNDi was pleased to welcome the German Agency for Technical Cooperation (GTZ) on behalf of the Government of the Federal Republic of Germany as a new public donor.

As of April 2009, EUR 110 million has been committed to DNDi to fund its activities from 2003 - 2014



Restricted versus unrestricted grants committed to DNDi from 2003 - 2014



Statement of activities

FINANCIAL STATEMENTS AND AUDIT REPORT

► BALANCE SHEET AT DECEMBER 31, 2008 (with 2007 comparative figures)

ASSETS <i>(expressed in EUR)</i>	Notes	2008	2007
CURRENT ASSETS:			
Cash and cash equivalent:			
Cash and banks at head office		2,445,817	901,226
Cash and banks at RSOs and affiliate		295,373	87,880
Time deposits		11,722,000	11,053,320
Total cash and cash equivalent		14,463,190	12,042,426
Current accounts and receivables:			
Advances to officers and liaison offices		27,349	79,968
Advances to partners related to projects		505,771	524,959
Receivables from public institutional donors		1,081,410	2,766,989
Receivables from founders		6,746	37,887
Other receivables		132,405	54,492
Prepaid expenses		89,525	115,575
Total current accounts and receivables		1,843,206	3,579,870
Total current assets		16,306,396	15,622,296
NON-CURRENT ASSETS:			
Tangible fixed assets, net			
Bank guarantee	3	150,655	53,379
Total non-current assets		26,175	15,491
Total non-current assets		176,830	68,870
TOTAL		16,483,226	15,691,166
LIABILITIES & CAPITAL <i>(expressed in EUR)</i>			
Current liabilities			
Bank overdraft		544,153	0
Payables to partners related to projects		77,888	251,962
Accounts payable to founders		0	0
Other payables and accrued expenses		1,462,309	1,018,873
Deferred income		4,968,692	7,840,731
Provisions	4	283,104	169,995
Total current liabilities		7,336,146	9,281,562
Capital of the organisation			
Paid-in capital		32,510	32,510
Internally generated unrestricted funds		9,114,570	6,377,094
Total capital of the organisation		9,147,080	6,409,604
TOTAL		16,483,226	15,691,166

Statement of activities

► STATEMENT OF OPERATIONS for the year ended December 31, 2008 (with 2007 comparative figures)

(expressed in EUR)	Notes	2008	2007
Income			
Public institutional funding			
Govern. & public int. organis. unrestricted		6,289,508	5,440,744
Govern. & public int. organis. restricted		3,605,915	4,121,999
Total public institutional funding		9,895,423	9,562,743
Private resources			
Private foundations, corporations, and individuals, unrestricted		177,694	152,035
Private foundations, corporations, and individuals, restricted		4,466,965	892,735
Total private resources		4,644,659	1,044,770
Resources from founders			
Médecins Sans Frontières, unrestricted		5,530,590	5,244,800
Total resources from founders		5,530,590	5,244,800
Total income	5	20,070,672	15,852,313
Social mission expenditure			
Research & development expenditure			
Research & development coordination and supervision	6	1,265,594	1,329,644
Human African trypanosomiasis projects		5,934,243	2,907,810
Leishmaniasis projects		3,118,089	2,118,230
Chagas disease projects		577,108	230,382
Other projects		2,057,398	1,744,814
Portfolio building		696,074	246,373
Total research & development expenditure		13,648,506	8,577,253
Strengthening capacities	7	1,110,724	974,041
Advocacy expenses	8	864,009	657,580
Total social mission expenditure		15,623,239	10,208,874
Non-social mission expenditure			
Fundraising	8	694,486	363,084
General and administration	8	1,246,694	1,251,076
Total non-social mission expenditure		1,941,180	1,614,160
Total expenditure		17,564,420	11,823,034
Operating surplus		2,506,253	4,029,278
Other income (expenses)			
Financial income (expenses), net		373,862	134,338
Exchange loss, net		(199,476)	(72,850)
Other income		56,837	21,895
Total other income, net		231,223	83,383
Net surplus for the year prior to allocations		2,737,476	4,112,662
Allocation to internally generated unrestricted funds		(2,737,476)	(4,112,662)
Net surplus for the year after allocations		-	-

DRUGS FOR NEGLECTED DISEASES initiative (DNDi), GENEVA**► FUNDS FLOW STATEMENT for the year ended December 31, 2008** (with 2007 comparative figures)

(expressed in EUR)

	2008	2007
Funds flow from operations		
Net surplus for the year	2,737,475	4,112,661
Depreciation of fixed assets	90,959	34,768
Increase (decrease) in provisions	113,109	40,147
(Increase) decrease in advances	71,807	50,538
(Increase) decrease in receivables from donors	1,685,578	(1,949,556)
(Increase) decrease in founders and other receivables	(46,772)	230,101
(Increase) decrease in prepaid expenses	26,050	(28,565)
Increase (decrease) in payables to partners related to projects	(174,074)	(87,265)
Increase (decrease) in accounts payable to founders	0	(1,596)
Increase (decrease) in other payables and accrued expenses	987,589	289,858
Increase (decrease) in deferred income	(2,872,039)	7,081,621
Funds flow from operations	2,619,682	9,772,712
Funds flow from investing activities		
(Increase) decrease of investments in tangible fixed assets	(188,234)	(37,888)
(Increase) decrease in bank guarantee	(10,684)	(795)
Funds flow from investing activities	(198,918)	(38,683)
Funds flow from financing activities	-	-
Cash increase (decrease)	2,420,765	9,734,029
Cash and cash equivalent - beginning of year	12,042,426	2,308,397
Cash and cash equivalent - end of year	14,463,190	12,042,426

► STATEMENT OF CHANGES IN CAPITAL for the year ended December 31, 2008 (with 2007 comparative figures)

(expressed in EUR)

	Opening balance	Allocation	Internal fund transfers	Closing balance
Internally generated funds				
Paid-in capital	32,510	-	-	32,510
Internally generated unrestricted funds	6,377,094	-	2,737,476	9,114,570
Surplus for the year	-	2,737,476	(2,737,476)	-
Capital of the organisation	6,409,604	2,737,476	-	9,147,080

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

1. GENERAL INFORMATION

a) Legal aspects

The Drugs for Neglected Diseases initiative (DNDi) is a Swiss foundation, established as a not-for-profit legal entity, registered in Geneva under statutes dated July 17, 2003. DNDi is managed by a Board, an Executive Director, and three senior managers.

With its head office in Geneva, DNDi aims to:

- a) stimulate and support research and development of drugs, as well as vaccines and diagnostics for neglected diseases;
- b) seek equitable access and development of new drugs, to encourage the production of known effective drugs, diagnostic methods and/or vaccines for neglected diseases;
- c) adapt new treatments for neglected diseases, to meet patients' needs, as well as to meet the requirements of delivery and production capacity in developing countries;
- d) raise awareness of the need to research and develop drugs for neglected diseases.

As with all Swiss foundations, DNDi is monitored by the Swiss Federal Supervisory Board for Foundations.

b) Income tax

DNDi is exonerated from Swiss federal income tax for an indeterminate period, and from income tax from the Geneva Cantonal tax authorities for a five-year period, commencing 2003, which was renewed in September 2008 for a period of ten years until 2018.

c) Situation of Regional Support Offices (RSO) and Affiliate

DNDi has five Regional Support Offices and one Affiliate to help identify patients' needs, support Project Managers, identify and support regional partners, seek funding, and undertake regional advocacy work for DNDi. The RSOs, together with regional networks, ensure the participa-

tion of disease-endemic countries and foster South-South collaboration. In addition, RSOs can explore fundraising opportunities in their regions. Their tasks and duties are further developed in the DNDi Business Plan.

RSOs are usually hosted by a Founding Partner, often at no cost, and are represented by an experienced senior person as the RSO Director bearing a consultant contract with DNDi. For local or operational reasons, DNDi may deem it necessary to establish the RSO as a legal entity, usually a branch of the DNDi Foundation or as a corporation, in accordance with the needs and local regulations and requirements. Establishment of a DNDi legal entity outside Switzerland requires the authorisation of the Board of Directors.

As of December 2008, DNDi has established legal entities in Kenya (2006) and in Brazil (2008) in the form of branches for its African and Latin American RSOs. The establishment of a branch in India is still pending. The fourth DNDi RSO is in Penang, Malaysia and the process to have it registered as a branch in this country is already underway. Additionally DNDi has two Project Support Offices in Japan, and the Democratic Republic of Congo. RSOs' accounting is fully incorporated into DNDi accounts.

Affiliate: Drugs for Neglected Diseases *initiative* North America, Inc., a Delaware not-for-profit corporation exempt from U.S. Federal income taxation pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code (DNDi NA (North America)), was established in February 2007. This affiliate is based in New York City, New York, USA and operates under the Direction of DNDi NA Board of Directors. The affiliate was formed exclusively for charitable and educational purposes including conducting activities to support or benefit the Drugs for Neglected Diseases *initiative* (DNDi). It awards grants to support programmes, projects and activities to stimulate and support research and development of drugs for

neglected diseases, and raising awareness in the region about the need for increased research and development for neglected diseases.

DNDi NA presents an annual report comprising the financial statement of the calendar year. This report is certified by an independent Certified Public Accounting (CPA) firm selected by its Board of Directors. The firm auditing DNDi NA accounts as of 2008, is Tait, Weller & Baker LLP, Philadelphia, Pennsylvania, USA.

Start-up funding is provided via annual grants from DNDi and is accounted for in the DNDi financial statements by combining DNDi NA accounts, following the method of full integration (i.e. all income and expenditures are incorporated into the DNDi financial statement).

DNDi NA's 2008 financial position as of December 31, 2008 is the following:

- Total liabilities and net assets: US\$ 128,011;
 - Total revenue and other support: US\$ 530,980, of which a total grant from DNDi to DNDi NA, amounting to US\$ 496,000 and unrestricted contributions from eight individuals and one student association ranging from US\$ 5 to US\$ 20,000 for a total of US\$ 34,655 plus US\$ 1,500 as in-kind services donated ;
 - Total expenses: US\$ 464,092 including US\$ 1,500 as professional consultancy in-kind services, and
 - An excess of revenue over expenses (change of net assets) of US\$ 68,388.
- Lastly, in September 2004, a legal entity was set up in France in the form of a not-for-profit association for administrative purposes. This legal body is not a RSO.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with Swiss GAAP RPC. They include:

- a) Balance sheet,

- b) Statement of operations (activity based method),
- c) Funds flow statement,
- d) Statement of changes in capital,
- e) Notes, and
- f) Performance report.

These financial statements present all activities of the Foundation. A list of in-kind income and expenditures is disclosed in Note 10.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis. The principal accounting policies are set out below.

c) Social mission expenditure

Social mission expenditures represent expenses made according to the purposes defined in Article 5 of the DNDi statutes. They are defined in the present general notes under point 1.a Legal aspects. R&D, strengthening existing capacities, and advocacy are the three chapters that comprise "Social mission expenditure."

d) Functional currency

The Board of DNDi has determined that the assets, liabilities, and operations should be measured using EUR as the functional currency. The environment in which the entity primarily generates and expends cash determines this decision. All amounts presented in the financial statements are stated in EUR, except when otherwise specifically stated.

e) Foreign currency translation

Transactions in currencies other than the entity's measurement and reporting currency (EUR) are converted at the average monthly rate of exchange. Year-end balances in other currencies are converted at the prevailing rates of exchange at the balance sheet date. Resulting exchange differences are recognised in the statement of operations.

The following are the principal rates of exchange used at the end of the year to revalue the balance sheet items to EUR for reporting purposes:

	2008	2007
USD	0.7100	0.6796
CHF	0.6706	0.6034
GBP	1.0259	1.3563
100 CDF	0.1274	0.1207
100 INR	1.4619	1.7257
100 KES	0.9120	1.0740
100 JPY	0.7868	0.6063
100 BRL	30.4247	38.1709

f) Income

Restricted public and private institutional donations based on annual or multi-year agreements are recorded over the life of the agreement, as and when the milestones set out in the agreement are achieved.

Unrestricted public and private institutional donations based on annual or multiyear agreements are recorded on an accruals basis over the life of the agreement.

Other donations are recorded on a cash basis.

g) Funding committed to projects

After Board approval of the annual action plan and budget comprising the approved projects to be funded by DNDi, one or more contracts are drawn up and signed by two Directors, including the Executive Director or the R&D Director for contracts above EUR 50,000, as detailed in the agreement signature process. Thereafter, funds are allocated to the partner(s) in charge of the project. Expenditures are recorded:

- a) according to a financial report presenting expenditures incurred during the year on an accrual basis; or
- b) if financial reports are unavailable as per the deadline of 15 March of the following year, an estimated amount is calculated on a *prorata temporis* basis, based on the time between the contract signing date and 31 December. This estimated amount is considered as an accrued expense following Swiss GAAP RPC to be regularised in the following year. The unpaid portion remaining at year-end is included under current liabilities.

h) Expenditures incurred for projects and activities

The annual action plan and budget are approved by the Board. They include funding for projects subcontracted to partners and current expenditures required to achieve the objectives for the year. A budget revision is approved by the Board at mid-year. All expenditures incurred on behalf of a project or for any activity of DNDi are recorded on an accrual basis.

i) Credit risk, cash-flow management

DNDi's liquid assets are maintained in cash, low-risk, short-term deposits or capital guaranteed investments. At the balance sheet dates, there are no significant concentrations of credit risk. The maximum exposure is primarily represented by the carrying amounts of the financial assets in the balance sheet, including accounts receivable and cash.

j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the statement of operations on a straight-line basis over the estimated useful lives of the tangible fixed asset items.

The rates of depreciation used are based on the following estimated useful lives:

Office fittings and equipment	20%
IT equipment	33%

k) Bank guarantee

Guarantees are presented as non-current assets. To date, DNDi has four guarantees representing three deposits related to office rental in Tokyo, New York and parking space rental in Geneva; and a letter of guarantee pertaining to the Geneva premises. It is recoverable, subject to prevailing contract terms, upon vacating the premises.

l) Provisions

A provision is recognised on the balance sheet when the organisation has a legal

or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the management's best estimates of the expenditure required to settle that obligation at the balance sheet date.

m) Capital of the organisation

The founding capital (paid-in capital) of EUR 32,510 (CHF 50,000) referenced in the statutes was received from the founding members of DNDi, including the Indian Council of Medical Research, the Institut Pasteur, the Kenya Medical Research Institute, and the International office of Médecins Sans Frontières. The capital is fully subscribed.

n) Restricted and unrestricted reserves

Restricted and unrestricted reserves represent the excess of income over expenditure since the inception of DNDi. Restricted reserves are available to DNDi

for future operations and project funding costs as its evolving research and development project pipeline dictates. Unrestricted reserves will be utilised for expenditures of DNDi as incurred.

o) In-kind donations

Gifts-in-kind are not recorded but disclosed in the notes to the financial statements at fair market values according to the following principles:

- Goods transferred to a DNDi project or services rendered to DNDi must be free.
- They must be clearly identifiable and part of DNDi's projects and activities as defined by DNDi's action plans and budgets.
- Recognisable as a visible contribution to DNDi's projects and activities, benefiting DNDi, and in-line with DNDi's mission and objectives.
- Partners' voluntary involvement in joint projects and activities, in particular if the partner does not aim to achieve DNDi's project objectives, are not considered as gifts-in-kind.

■ For goods or services paid at below market prices, the difference between real payment and current market price is not considered as gifts-in-kind, but the current market price reached after negotiations is.

■ Fair market value is defined as the price DNDi would have paid to utilise the good or service. Fair market value can be suggested by partners. However, DNDi will be careful not to overestimate such valuations in compliance with Swiss GAAP RPC 3 basic principles of materiality and prudence.

■ Gifts-in-kind estimated at EUR 5,000 and above are taken into account. Exceptions can be made by DNDi when it serves the purpose of providing consistency and completeness of a project's accounts.

3. TANGIBLE FIXED ASSETS, NET

	Computer Equipment	Office fittings & Installations	Office Equipment	Total
Net carrying amounts 1.1.	21,586	19,513	12,280	53,379
Gross values of cost				
Beginning of the period 1.1	135,757	44,899	22,366	203,022
Additions	33,543	71,006	83,684	188,233
Disposals	-	-	-	-
End of the period 31.12	169,300	115,905	106,050	391,255
Cumulated amortisation				
Beginning of the period 1.1	(114,172)	(25,385)	(10,085)	(149,642)
Systematic amortisation	(25,771)	(34,390)	(30,796)	(90,958)
End of the period 31.12	(139,943)	(59,775)	(40,881)	(240,600)
Net carrying amounts 31.12	29,357	56,130	65,169	150,655

4. PROVISIONS

	Provision for taxes	Provision for HR expenses (holidays not taken)	Provision for running expenses (other)	Total
Carrying amount as per 1.1.2007	123,779	0	6,070	129,849
Creation	48,682	54,787	0	103,469
Utilisation	(57,253)	0	(6,070)	(63,323)
Reversal	0	0	0	0
Carrying period as per 31.12.2007	115,208	54,787	0	169,995
Carrying period as per 1.1.2008	115,208	54,787	0	169,995
Creation	24,405	70,801	69,957	165,163
Utilisation	0	(52,054)	0	(52,054)
Reversal	0	0	0	0
Carrying period as per 31.12.2008	139,613	73,534	69,957	283,104

5. INCOME

► a) Cumulative donations committed to DNDi and/or received by 2008 (in EUR)

		Total Commitment in currencies*	Total Commitment in EUR	As per Statement of Operations 2008 in EUR	To be used after 2008 in EUR
Médecins Sans Frontières	EUR	42,566,228	42,566,228	5,530,590	17,565,484
UK Government DFID	GBP	24,500,000	28,203,392	3,789,508	17,875,500
Bill & Melinda Gates Foundation	USD	25,729,285	17,906,784	4,203,373	13,703,411
French Government MAEE/ AFD	EUR	7,455,000	7,455,000	1,835,526	2,451,415
Spanish Government AECID	EUR	5,000,000	5,000,000	2,500,000	0
Dutch Government DGIS	EUR	2,975,000	2,975,000	1,000,000	550,000
German Government GTZ	EUR	1,000,000	1,000,000	324,190	675,810
USA Government NIAID	USD	1,375,633	958,954	190,364	621,424
UBS Optimus Foundation	CHF	1,250,000	792,193	166,588	181,062
Medicor Foundation	EUR	650,000	650,000	0	0
Canton of Geneva	CHF	1,000,000	643,860	126,860	134,120
European Union FP5 & FP6	EUR	581,335	581,335	128,975	49,412
Sandoz Family Foundation	CHF	500,000	308,700	0	0
Sasakawa Peace Foundation	EUR	241,350	241,350	97,004	3,896
Tuscany Region	EUR	200,000	200,000	0	0
Various other donor(s)	EUR	170,060	170,060	0	0
Anonymous Donation	CHF	201,229	138,108	138,108	0
Leopold Bachmann Foundation	EUR	91,900	91,900	0	0
Swiss Government DDC	CHF	120,000	77,045	0	0
Various individual donors	EUR	41,997	41,997	39,586	0
TOTAL DONATIONS (EUR)*			110,001,906	20,070,672	53,811,534

*Exchange rates used for "Total Commitment in Euros" and "As per Statement of Operations 2008" are real exchange rates following DNDi exchange rate policy. Exchange rates used for "To be used after 2008" appear in Euro at the USD/EUR, CHF/EUR and GBP/EUR exchange rates as per 31.12.2008 (see note 2). "Total Donations" yield therefore an approximate value, as exchange will vary over time.

► b) Funding per project (restricted and unrestricted) (in EUR)

		UK Government DFID* (Unrestricted)	Spanish Government AECID (Unrestricted)	French Government MAEE (Restricted)	Dutch Government DGIS (Restricted)	German Government GTZ (Restricted)	United States Government NIH** (Restricted)
Clinical & Post Clinical	FACT (ASAQ & ASMQ) for Malaria	514,030	485,442		901,648		
	Nifurtimox + Eflornithine for HAT	58,619		467,353			
	Paromomycin for VL	16,572		384,415			
	Ambisome for VL		2,228	137,757			
	Combination therapy for VL	13,444	273,903				
	Clinical Projects for Chagas		202,692				
Preclinical	Amphotericin B polymer for VL	10,965	48,896				159,228
	Buparvaquone for VL	3,386	0	49,338			
	Feixinidazole for HAT	665,888	63,856	300,509		197,573	
Discovery	VL Consortium Lead Optimisation		31,071			13,960	
	Chagas Consortium Lead Optimisation	36,100	313,521			16,813	
	HAT Consortium Lead Optimisation		0				
	Exploratory activities (Dundee, Otsuka,...)	114,238	42,381			403	
	Discovery Projects (Screening, 7 projects)	657,508	75,842	39,115		4,921	
R&D Coordination, Supervision costs	HAT & LEAP Platforms	0	0	276,790			
	Other Strengthening Capacities activities	201,918	273,175	13,242			
	Advocacy	334,787	161,647	144,528	70,833		
	Fundraising	112,892	82,974	22,479		2,057	3,622
	General Management before retreatment	364,453	6,750	0	4,428	88,463	27,514
	Year-end result						
	TOTAL GRANTS ONLY	3,789,508	2,500,000	1,835,526	1,000,000	324,190	190,364

* DFID: the grant considered for 2008 is comprised of 2 grants = 1st grant: 2005-2008 and 2nd grant 2008-2013

** NIH: the grant considered in 2008 covers 2 NIH periods: part of year 1 = January to August 2008 and part of year 2 = September to December 2008

*** MSF donation includes a restricted grant for the "Paromomycin for VL" project of EUR 530,597 and an unrestricted grant of EUR 5,000,000

European Union FP6 HAT (Restricted)	Switzerland Canton of Geneva (Restricted)	Médecins S. Frontières*** (Unrestricted & Restricted)	Bill & Melinda Gates Foundation (Restricted)	UBS Optimus Foundation (Restricted)	Anonymous Grant (Unrestricted)	Sasakawa Peace Foundation (Restricted)	Individual Donors from USA (Unrestricted)	Guy's, King's & St. Thomas giving week (Unrestricted)	TOTAL
		156,278							2,057,398
		13,539							539,511
	126,724	598,377			117,337			16,074	1,259,498
		0							139,985
		169,774							457,121
		0		7,983					210,675
		0							219,089
		0							52,724
		99,760							1,327,586
		69,467	752,588						867,086
		0							366,434
		0	3,310,426						3,310,426
		95,572	496	5,740			23,513		282,343
		361,435	2,595	151,620					1,293,036
		92,820	29,353						1,265,594
115,311	136	63,736							455,973
		79,310				87,106			654,751
		143,302				8,912			864,009
13,664		439,706	17,092						694,486
		641,261	90,823	1,245,	20,771	986			1,246,694
		2,506,253							2,506,253
128,975	126,860	5,530,590	4,203,373	166,588	138,108	97,004	23,513	16,074	20,070,672

6. R&D PROJECTS RELATED EXPENDITURE

Recognised in	2008	2007
Clinical/Post-Registration Projects		
Nifurtimox – Eflornithine coadministration for stage 2 <i>T.b.gambiense</i> HAT ¹	539,511	391,583
Paromomycin for V Leish. in East Africa ²	1,259,498	1,281,593
Artesunate+Amodiaquine for Malaria ³	1,122,506	1,041,260
Artesunate+Mefloquine for Malaria ³	934,892	703,554
Imiquimod for Cutaneous Leishmaniasis ⁴	832	93,737
Combination therapy for VL ⁵	457,121	165,858
Ambisome for VL ⁶	139,985	18,770
Clinical projects for Chagas (Ped. Benznidazole, Posaconazole...) ⁷	210,675	28,870
Total Clinical/Post-Registration Projects	4,665,020	3,725,225
Preclinical Projects		
Fexinidazole HAT ⁸	1,327,587	526,344
Amphotericin B polymer ⁹	219,089	293,856
Buparvaquone VL ¹⁰	52,724	6,880
Total Preclinical Projects	1,599,400	827,080
Discovery (Selection & Optimisation) Projects		
Cysteine Protease Inhibitors for HAT	0	2,197
Kitasato screening Tryps ¹¹	180,825	155,482
Nitroimidazoles for HAT ¹²	230,081	226,767
Trypanothione reductase inhibitors for Leishmania & Trypanosomes	0	104,182
Microtubule Inhibitor ¹³	163,147	189,295
Eskitis Natural Product Screening for HAT ¹⁴	182,666	0
HTS Image Screening / Institut Pasteur Korea ¹⁵ (exploratory in 2007)	122,585	0
Screening Assays (STI, LSHTM, Antwerp, Murdoch) ¹⁶	356,832	292,587
Various Discovery (CDRI & Scynexis in 2008) ¹⁷	56,067	122,653
HAT Consortium Lead Optimisation ¹⁸	3,310,426	1,299,743
VL Consortium Lead Optimisation ¹⁹	867,085	56,025
Chagas Consortium [...] Lead Optimisation ²⁰	366,434	0
Total Discovery Projects	5,836,148	2,448,931
Other Exploratory Activities to Build the Portfolio		
Other exploratory activities (Dundee, Otsuka, Ouro Preto, FUNDEP...)	282,343	246,373
Total Exploratory Projects	282,343	246,373
Project-Related Variable Expenditure		
Coordination & Supervision	1,265,594	1,329,644
TOTAL OF PROJECT RELATED EXPENDITURE	13,648,505	8,577,253

Main partners:

1 Swiss Tropical Institute; Epicentre, France; PNLTHA, Democratic Republic of the Congo; COCTU, Uganda; Médecins Sans Frontières; WHO-TDR; sanofi-aventis, France; Bayer, Germany; Roche, Switzerland

2 Kenya Medical Research Institute, Kenya; Institute of Endemic Diseases, Sudan; Gondar University & University of Addis Abeba, Ethiopia; Makerere University, Uganda; Médecins Sans Frontières; LSHTM, UK; IDA, Netherland

3 University of Bordeaux, Tropival, Epicentre, IRD & Ellipse, France; CNRFP, Burkina Faso; KEMRI, Kenya; ICMR, India; Médecin Sans Frontières; University of Oxford, UK; WHO-TDR University Sains, Malaysia; University Oxford, UK; CIPLA, India; Mahidol University Shoklo Malaria Research Unit in Mae Sot, Thailand; Catalent, UK; ICMR & GVK, India; Institut FarManguinhos, Brazil; WHO-TDR

4 McGill University, Canada; Universidade Peruana Cayeto Heredia, Peru; 3M Pharmaceuticals

5 ICMR & GVK-BIO, India

6 University of Addis Abeba & Gondar University, Ethiopia; Armaur Hansen Research Institut & LSHTM, UK

7 Lafepe & Universidade Federale de Ouro Preto, Brazil; Tulasne University, USA; University of Liverpool, UK

8 Axynis, France; Swiss Tropical Institute; Nerviano, Italy; Covance & Aptuit, UK; KARI-TRC, Kenya

9 Imperial College London, London School of Pharmacy & LSHTM, UK

10 Advinus, India; University Sains Malaysia; LSHTM, UK; Tetra Q, Australia; Drugabilis, France

11 Kitasato University & Institute, Japan

12 Swiss Tropical Institute; Fiocruz Institute & Ouro Preto University, Brasil; Covance & BioDynamics, UK; Absorption Systems, USA

13 Murdoch University, Monash University & Epicchem, Asutralia

14 Eskitis Institut at Griffith University, Australia

15 Institut Pasteur, Korea - France

16 Swiss Tropical Institut; LSHTM, UK; Antwerp Tropical Institut, Belgium; Murdoch University, Australia

17 CDRI, India

18 Scynexis Inc & Pace University, USA

19 Advinus Therapeutics & CDRI, India; LSHTM, UK; Drugabilis, France; Anacor, USA; GSK-Tres Cantos, Spain

20 CDCO Monash University, Epicchem & Murdoch University, Australia; University of Washington, USA; University of Ouro Preto, Brazil

7. STRENGTHENING CAPACITIES EXPENDITURE

DNDi expenditures on strengthening existing capacities in developing countries aim to:

- build networks around specific projects between researchers from developing and developed countries;
- establish working partnerships, including technology transfers, with public and private institutions, and researchers from developing and developed countries; and
- invest in sustainable capacity and leadership in developing countries at all stages of research and development.

	2008	2007
Regional Support Offices: Brazil, India, Kenya, Malaysia	527,087	337,430
Paromomycin for VL, Ward Construction Gondar, Ethiopia & Dooka, Sudan	163,737	157,548
Leishmaniasis East Africa Platform	35,363	163,249
Human African Trypanosomiasis (HAT) Platform	256,873	201,146
Pan-Asian Natural Substances Network	127,663	114,668
TOTAL	1,110,724	974,041

8. ADVOCACY, FUNDRAISING, AND GENERAL & ADMINISTRATION EXPENSES

	ADVOCACY		FUNDRAISING		GENERAL & ADMINISTRATION*	
	2008	2007	2008	2007	2008	2007
Human resources	370,462	333,670	504,588	274,468	790,591	837,653
Office charges	38,975	13,909	52,146	14,256	71,353	32,857
Travel expenses	52,961	41,660	31,812	23,052	97,291	110,055
Administration	76,350	62,217	43,781	23,946	90,274	145,376
IT & telecommunications	42,496	25,590	28,484	19,454	88,755	63,311
Communication	268,525	173,894	24,479	3,902	65,718	44,427
Depreciation	14,240	5,608	9,197	4,006	24,208	9,133
Exceptional expenses	0	1,032	0	0	18,504	8,264
TOTAL	864,009	657,580	694,486	363,084	1,246,694	1,251,076

*Including Business Development in 2007

9. INDEMNITIES & REMUNERATIONS GIVEN TO DIRECTORS

All members of the Board are volunteers. The Board members did not receive any remuneration for their mandate in 2008, or in 2007.

10. VALUATION OF IN-KIND CONTRIBUTIONS

The Drugs for Neglected Diseases *initiative* (DNDi), as an independent needs-driven not-for-profit organisation, is developing drugs for people suffering

from the most neglected diseases around the world. Its operations and activities are funded through financial donations. In addition to funding, generous partners,

companies, and individuals provide DNDi with goods or services at zero cost, as gifts-in-kind.

► Gifts-in-kind evaluated in Euros for the year 2008 per category and per project

	Staff scientific	Staff non-scientific	R&D services	Office, furniture & admin.	TOTAL
FACT	120,000				120,000
Natural Substances	10,031	5,261		750	16,042
Institut Pasteur Korea IPK	145,888				145,888
Kitasato Institut	47,712				47,712
Regional Support Offices	78,431	6,667	13,128	61,447	159,673
General Management		6,000			6,000
TOTAL	402,062	17,928	13,128	62,197	495,315

Main in-kind contributors: Experts J.-R. Kiechel, France and C. Brünger, Japan; Volunteers for administrative work in Geneva and Tokyo; ICMR, India; KEMRI, Kenya; Sains University, Malaysia; Institut Pasteur, Korea (IPK); Kitasato Institute, Japan.

11. ASSETS PLEDGED AS GUARANTEE FOR COMMITMENTS

At year-end, a bank of the Foundation provided a rental letter of guarantee for CHF 70,000 (EUR 46,942) in favour of a third party. Cash for an equivalent amount is pledged at the corresponding bank.



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REPORT OF THE STATUTORY AUDITOR

To the Board of
Drugs for Neglected Diseases initiative (DNDi), Geneva

Report on the financial statements

As statutory auditor, we have audited the financial statements of Drugs for Neglected Diseases initiative (DNDi), which comprise the balance sheet, statement of operations, funds flow statement, statement of changes in capital and notes, presented on pages 51 to 62, for the year ended December 31, 2008. In accordance with Swiss GAAP RPC 21, the content of the performance report presented on pages 45 to 50 is not audited.

Board's Responsibility

The Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss GAAP RPC and the requirements of Swiss law as well as with the charter of foundation and regulations. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP RPC and comply with Swiss law as well as with the charter of foundation and regulations.

A member firm of
Deloitte Touche Tohmatsu



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (articles 83b paragraph 3 CC and 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with articles 83b paragraph 3 CC and 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board.

We recommend that the financial statements submitted to you be approved.

DELOITTE SA

Peter Quigley
Licensed audit expert
Auditor in charge

Jürg Gehring
Licensed audit expert

May 26, 2009



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Best science
for the most neglected

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