



2009

Financial & Performance Report

Third treatment
delivered
after six
years of
activities

DNDi

Drugs for Neglected Diseases *initiative*



Drugs for Neglected Diseases *initiative*

2009

Financial & Performance Report

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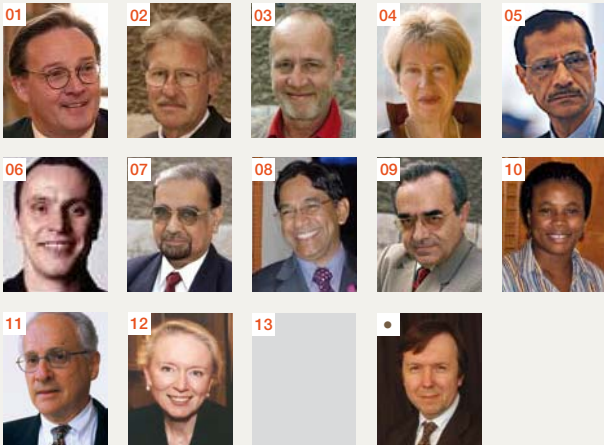
The present financial and performance report is written in accordance with the regulations of the Swiss Generally Accepted Accounting Principles, Swiss GAAP, specifically FER/RPC 21, which is applicable to charitable and social not-for-profit organisations. The report provides financial information and some efficiency indicators regarding DNDi's activities in 2009, 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.



Governance

The Board of Directors

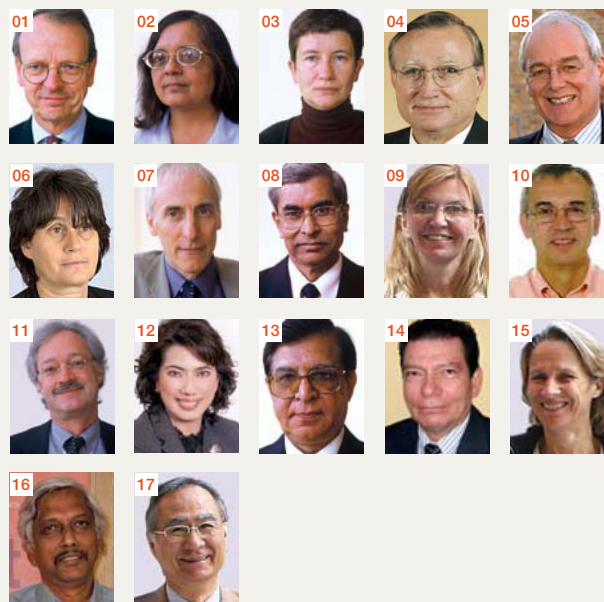
The Board of Directors is composed of between ten and thirteen members, including at least one patient representative. Board members serve for a term of four years and are nominated by the six founding members: Indian Council of Medical Research (ICMR); Oswaldo Cruz Foundation (FIOCRUZ), Brazil; Médecins Sans Frontières (MSF); Institut Pasteur, France; Kenya Medical Research Institute (KEMRI) & Ministry of Health, Malaysia.



- 01 **Marcel Tanner**, Chair; Swiss Tropical and Public Health Institute (Swiss TPH)
- 02 **Reto Brun**, Secretary; Swiss Tropical and Public Health Institute (Swiss TPH)
- 03 **Bruce Mahin**, Treasurer; formerly with Médecins Sans Frontières (MSF)
- 04 **Alice Dautry**, Institut Pasteur, France
- 05 **Abul Faiz**, Patient representative; Sir Salimullah Medical College, Bangladesh
- 06 **Christophe Fournier**, Médecins Sans Frontières (MSF)
- 07 **Lalit Kant**, Indian Council of Medical Research (ICMR)
- 08 **Datuk Mohd Ismail Merican**, Ministry of Health, Malaysia
- 09 **Carlos Morel**, Oswaldo Cruz Foundation (FIOCRUZ), Brazil
- 10 **Paulina Tindana**, Patient Representative; Navrongo Health Research Centre, Ghana
- 11 **Bennett Shapiro**, Pure Tech Ventures, formerly with Merck & Co, USA
- 12 **Gill Samuels**, Global Forum for Health Research, Geneva, formerly with Pfizer, UK
- 13 **Representative of Kenya Medical Research Institute (KEMRI)**: vacant post
 - **Robert G Ridley**, WHO-TDR (Permanent Observer)

The Scientific Advisory Committee (SAC)

The SAC is composed of seventeen prominent scientists with expertise in various scientific disciplines related to drug discovery and development, and/or the specific reality of neglected diseases and neglected patients. They operate independently of the Board of Directors and the Executive team. The SAC has the mandate to advise the Board of Directors on matters related to research and development and choice of projects, as well as the quality of the scientific output.



- 01 **Pierre-Etienne Bost**, Chair; formerly with Institut Pasteur, France
- 02 **Kirana Bhatt**, University of Nairobi, Kenya
- 03 **Marleen Boelaert**, Institute of Tropical Medicine, Antwerp, Belgium
- 04 **J. Carl Craft**, formerly with Medicines for Malaria Venture, Switzerland
- 05 **Simon Croft**, London School of Hygiene and Tropical Medicine, UK
- 06 **Muriel Eliaszewicz**, Institut Pasteur, France
- 07 **Alan Hutchinson Fairlamb**, University of Dundee, UK
- 08 **Chitar Mal Gupta**, Central Drug Research Institute, India
- 09 **Maria das Graças Henriquez**, Oswaldo Cruz Foundation (fiocruz) Brazil
- 10 **Federico Gomez de las Heras**, formerly with GlaxoSmithKline, Spain
- 11 **Paul Herring**, Novartis International AG, Switzerland
- 12 **Nor Shahidah Khairullah**, Infectious Diseases Research Centre, Malaysia
- 13 **Shiv Dayal Seth**, Indian Council of Medical Research (ICMR), India
- 14 **Faustino Torrico**, Universidad Mayor de San Simon, Cochabamba, Bolivia
- 15 **Muriel Vray**, Institut Pasteur, France
- 16 **Krisantha Weerasuriya**, World Health Organization (WHO), Geneva
- 17 **Haruki Yamada**, Kitasato Institute for Life Sciences, Japan

The Executive Team

DNDi consists of a team of permanent staff based in Geneva, and regional support offices in Nairobi, Rio de Janeiro, New Delhi, Penang, Kinshasa, Tokyo, and New York (Affiliate).

DNDi Headquarters, Geneva

Bernard Pécoul, Executive Director
Shing Chang, Research & Development Director
Hyo Jueng Ahn, Site and Travel Assistant
Jean-François Alesandrini, Fundraising and Advocacy Director
Manica Balasegaram, Senior Project Manager
Eva van Beek, Communications Manager
Severine Blesson, Clinical Project Coordinator
Gwenaëlle Carn, Clinical Project Coordinator
Eric Chatelain, Senior Project Manager
Brigitte Crotty, Executive and Board Assistant
Violaine Dällenbach, Communications Officer
Ralf de Coulon, Finance, HR, and Administration Director
Boban Djordjevic, Finance Officer
Robert Don, Senior Project Manager
Sally Ellis, Clinical Project Coordinator (Clinical Manager as of January 2010)
Karin Genèveaux, Fundraising Coordinator
Federica Giovannini, Scientific Communications Officer
Jean-Robert Ioset, Screening Coordinator (Discovery Manager as of January 2010)
Dominique Junod-Moser, Legal Officer (as of January 2010)
Jennifer Katz, Head of Fundraising
Jean-René Kiechel, Senior Product Manager & Special Advisor (based in Paris, France)

Delphine Launay, Project Coordinator
Denis Martin, Senior Project Manager
Farrokh Modabber, Senior Project Manager
Janine Millier, Senior Accountant
Béatrice Mouton, Human Resources & Administration Manager
Jean-Pierre Paccaud, Business Development Director
Sylvie Renaudin, Research & Development Assistant
Isabela Ribeiro, Senior Project Manager (based in Rio de Janeiro, Brazil)
Jerôme Saint-Denis, Fundraising Coordinator
Ivan Scandale, Project Coordinator
Nathalie Strub-Wourgaft, Clinical Development Director
Olaf Valverde, Project Manager
Laurence Vielfaure, Financial Controller

Associate Staff in Geneva

Pascale Boulet, IP & Regulatory Advisor
Bernadette Bourdin, Scientific Collaborator
Florence Camus-Bablon, Senior Access Advisor
Graciela Diap, Medical Coordinator, FACT Project
Caroline Gaere Gardaz, Fundraising Officer for Major Donors
Sandrine Lo Iacono, Communications & Fundraising Associate (as of March 2010)

Regional Support Offices & Affiliate

Africa

Monique Wasunna, Head of Regional Support Office, Kenya
Simon Bolo, Regional Finance and Administration Manager, Kenya
Joy Malongo, Administrative Assistant, Kenya

Associate Staff in Africa

Moses Alobo, Clinical Trial Manager, Kenya
Roselyne Matoke, Clinical Research Associate, Kenya
Raymond Omollo, Head of Data Centre and Statistician, Kenya
Augustin Kadima Ebeja, Regional HAT Platform Coordinator, Democratic Republic of Congo
Richard Mbumba Mvumbi, Logistician, NECT Project, Democratic Republic of Congo

Asia

Visweswaran Navaratnam, Head of Regional Support Office, Malaysia
Bhawna Sharma, Head of Regional Support Office, India
Sharmila Das, Finance & Administration Officer, India
Fumiko Hirabayashi, DNDi Representative in Japan

Associate Staff in Asia

Abhijit Sharma, Assistant Project Coordinator, India (as of February 2010)
Vikash Sharma, Logistician, India

Latin America

Michel Lotrowska, Head of Regional Support Office, Brazil (until December 2009)
Eric Stobbaerts, Head of Regional Support Office, Brazil (as of January 2010)
Fabiana Alves, Clinical Trial Advisor, (Clinical Manager as of January 2010)
Bethania Blum de Oliveira, Project Support Officer, Brazil
Maristela de Oliveira Soares, Accountant & Administrative Assistant, Brazil

Affiliate DNDi North America, Inc.

Jana Armstrong, Director, USA
Kathryn Cervino, Regional Communications Manager, USA (as of January 2010)
Michelle French, Regional Communications Manager, USA (until December 2009)
Sarah de Tournemire, Development & Administration Manager, USA

Consultants and Volunteers

John Amuasi, Luciana de Barros, Samantha Bolton, Philippe Bresseur, Michael Bray, Chris Bruenger, François Chappuis, Noëlle Chehab, Francis Crawley, Matthias Dormeyer, Eloan Dos Santos Pinheiro, Anouk Dunne, Nirmal Ganguly, Eva Gawronski-Renaud, Hellen Gelband, Tom von Geldern, Alan Hudson, John Kinuta, Marta Lucas Subirats, Guy Mazué, Emi Nakamura, Daniela Sassella, Jerzy Suwinski, Bob Taylor, David Tweats, Michel Vaillant, Christina Zackiewicz.



Performance Report

Summary

DNDi has been developing and delivering new treatments for patients suffering from the most neglected diseases for the past six years. In 2009, DNDi's third new treatment to reach patients in the field was launched: a new combination against human African trypanosomiasis, Nifurtimox-Eflornithine Co-Administration Therapy (NECT), now included on the World Health Organization (WHO)'s Essential Medicines List.

Since 2003, 68.8 million euros have been spent (21.1 million in 2009 as compared with 17.6 million in 2008) to build a strong and robust portfolio including in 2009:

- A very interesting new chemical entity coming from the lead optimisation programme against human African trypanosomiasis: *Oxaborole*, which will enter into preclinical studies early in 2010;
- The transition of fexinidazole from preclinical to phase I first-in-human clinical studies, which shows promising signs of efficacy against sleeping sickness;
- An increase in the number of clinical studies (10 in 2009 compared to 7 in 2008) showing DNDi's intense activity in combination therapy in the fields of visceral leishmaniasis and;
- The NECT success, the third new treatment to come out of the DNDi pipeline after ASAQ (a co-formulation of Artesunate and Amodiaquine, launched in 2007 with over 20 million treatments distributed in 24 countries in Sub-Saharan Africa) and ASMQ (a co-formulation

of Artesunate and Mefloquine, launched in 2008, and which has been registered and is distributed in Brazil and is on its way to being pre-qualified by WHO and registered in several countries in South-East Asia), both new treatments against malaria.

In six years, DNDi has quadrupled its budget reaching 21.1 million euros in 2009, an increase of 20% compared with 2008. To achieve these tasks, DNDi partnered with a diverse range of 82 partners and sub-contractors, from the pharmaceutical industry, the academic world, and organisations involved in the fight against neglected diseases.

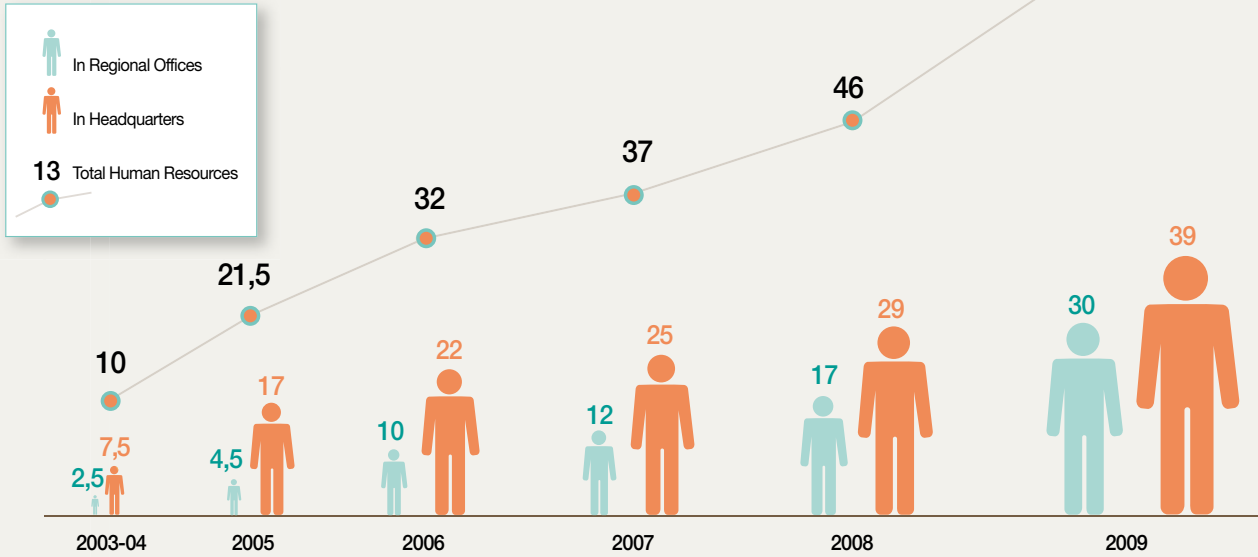
In 2009, contributions from donors and royalties from one of DNDi's partners (see explanation in note number: 6), page 21, brought the level of income to 21.6 million euros, leaving a small excess of income over expenditure of 0.5 million euros, mainly due to positive exchange rates linked to the Euro/US dollar rate. DNDi decided to commit the royalties to projects and activities relating to the use of its first new treatment, ASAQ. Therefore a *Restricted Operating Fund* was created to support pharmacovigilance projects such as a collaborative observational study of the real life use of ASAQ in Ivory Coast that will start in 2010.

DNDi's reserve of unrestricted funds reached 9.5 million euros compared with 9.1 million euros as per December 31, 2008. This reserve will be crucial for DNDi in the years to come as the financial and economic crisis is making access to donors more difficult in a more competitive environment.

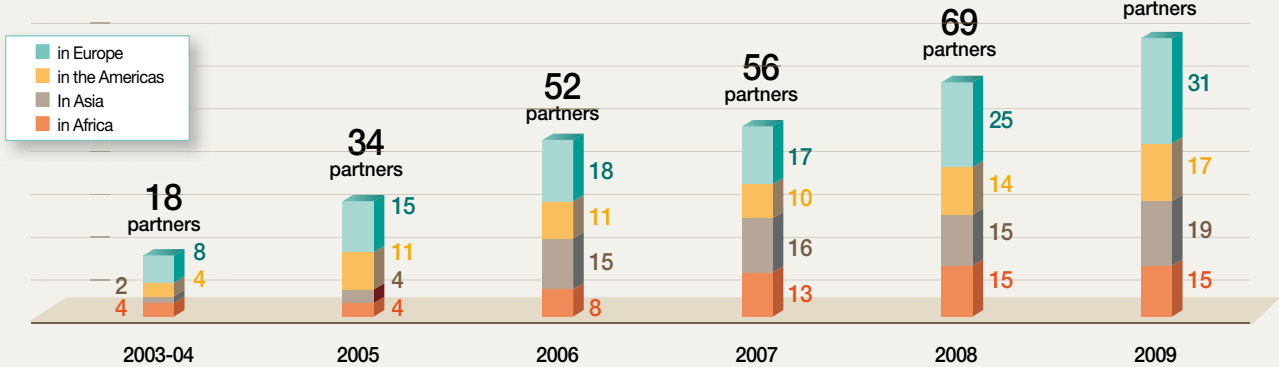
STATEMENT OF ACTIVITIES 2004-2009 (SUMMARY)

(Euro '000s)	2009	2008	2007	2006	2005	2003-4
INCOME						
Public Institutional Funding	11 768	9 895	9 563	4 902	377	1
Private Resources	9 499	10 175	6 290	5 398	5 364	4 225
Total Income	21 267	20 071	15 852	10 300	5 741	4 226
EXPENDITURE						
Research & Development	16 394	13 649	8 577	5 855	3 687	2 292
Strengthening Capacities	1 322	1 111	974	558	448	157
Advocacy	1 194	864	658	650	537	492
Fundraising	890	694	363	250	213	81
General & Administration	1 309	1 247	1 251	961	853	1 274
Total Expenditure	21 109	17 564	11 823	8 274	5 738	4 296
Operating Surplus	159	2 506	4 029	2 026	3	-70
Other Income (net)	332	231	83	185	49	70
Net Surplus for the year	491	2 737	4 113	2 211	52	0

Human Resources evolution 2004-2009



R&D Partners evolution 2004-2009 per Continent



DNDi's work is led by a team of talented staff located throughout the world. This team increased from 46 full time equivalents (FTEs), 33 core staff and 13 associate staff in 2008 to 69 FTEs (41 core staff and 28 associate staff) in 2009. Among them, 43% are working in DNDi Regional Offices in Nairobi, Rio de Janeiro, New Delhi, Penang, Kinshasa, Tokyo and New York, continuing a trend that was 37% in 2008, up from 25% in 2004.

The Finance, Human Resources and Administration Department has been composed of five staff members since 2007: a Director, Financial Controller, Accountant (part-time), HR & Administration Manager and a Travel Assistant/Receptionist. In September 2009, a part-time Finance Officer joined to help manage the increasing workload, raising the total of FTEs from 4.7 to 5.2. They are in charge of accounting and finance, budget, internal control, cash management, human resources,

administration, logistics, and IT services for the entire organisation. They have been supported in the Regional Offices by four staff members since 2008 who are an indispensable link with local authorities and local partners.

DNDi's auditors, Deloitte SA, conducted the organisation's 2009 financial audit in accordance with Swiss Auditing Standards.

Research & Development Expenditure

DNDi has strengthened a large R&D portfolio for kinetoplastid diseases (visceral leishmaniasis, human African trypanosomiasis and Chagas disease) with seven clinical/post-registration projects, four preclinical projects, and three lead optimisation projects underway, as well as discovery activities.

With the inclusion of NECT on the Essential Medicines List (EML) of the WHO in May 2009, three new treatments have now become available to patients since DNDi successfully delivered two antimalarial products in 2007 (ASAQ) and 2008 (ASMQ).

As of December 2009, 22 R&D projects and several exploratory activities were being managed by eight DNDi Project Managers and six Project Coordinators with total project expenditures of 16.4 million euros. In 2009 DNDi's growth continues with an increase of 20% in R&D expenditure. Compared to the 59% growth increase in 2008, one can observe a decreasing growth in 2009 as planned in the 2007-2012 Business Plan.

In order to support the clinical/post-registration projects, the R&D coordination team, driven by a Research & Development Director and his Assistant, has been reinforced with a new Clinical Development Director.

In addition, the R&D coordination team conducted research on Intellectual Property and regulatory issues, mainly in collaboration with the George Institute in Australia, and launched a report during the first quarter of 2010 assessing the challenges of registering new drugs for neglected diseases in the African context. The reinforcement of the R&D coordination team explains why expenses reached 1.6 million euros compared to 1.3 million euros in 2008 (+29%).

DNDi Key Accomplishments

In May 2009, **the WHO included NECT on the Essential Medicines List**. NECT is the first new treatment for sleeping sickness in 25 years. NECT, a simplified co-administration of oral nifurtimox with intravenous eflornithine, showed excellent efficacy and safety profiles in patients with stage 2 of the disease. NECT is more convenient for patients, puts fewer burdens on health staff and cuts the cost for medicine, transport, and hospitalisation.

- In July 2009, the Democratic Republic of the Congo (DRC) placed an order with WHO for the first NECT kits to treat 6000 patients.
- In March 2010, five additional countries had signed the supply request: Central African Republic, Chad, Sudan, Uganda, and Equatorial Guinea.

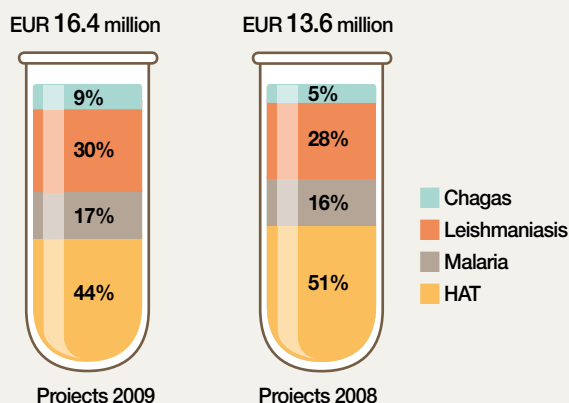
■ **ASAQ & ASMQ: Antimalarial products**

ASAQ, the fixed-dose combination (FDC) of artesunate (AS) and amodiaquine (AQ), was the first drug to be made available in 2007 by DNDi through public and private collaborations and an innovative partnership with sanofi-aventis. ASAQ is now registered in 24 African countries, and also in India based on a study managed by DNDi with the Indian Council for Medical Research (ICMR). In 2009, the first full year after prequalification by the WHO, over 20 million malaria treatments were distributed.

- Expenditures decreased from 2008 (1.1 million euros) to 2009 (0.9 million euros). As in 2008, the main efforts were focused on post-registration activities. Most of these activities were terminated or decreased in 2009, including the pharmacovigilance study in Liberia (0.5 million euros), a complementary study in India, and educational activities through national programmes about Artemisinin-based Combination Therapies (ACTs) and ASAQ. The Liberia study is one of the contributions to the risk management plan developed by sanofi-aventis and to which the Medicines for Malaria Venture (MMV), national programmes and DNDi participate.
- In 2009, a new partnership with Komfo Anokye Teaching Hospital Kumasi (KATH) in Ghana was signed to conduct public and private market surveys and policy analyses in Sierra Leone and Burundi. In 2010 a larger survey (up to 1500 outlet interviews) will be conducted by KATH and DNDi with the Global Fund - Affordable Medicines Facility - malaria (AMFm) support in Ghana.

R&D expenditure by disease

The percentage breakdown of R&D expenditure by disease highlights the efforts made on the Chagas portfolio in 2009 resulting in an increase of 242% compared to 2008 (800K euros). Clinical trials for VL Combination in Africa started in the beginning of 2009 increasing the expenditure for VL projects by 27% (+900 K€). With this increase, despite the end of the VL paromomycin clinical trial project, the breakdown of expenditure between HAT and VL projects is more balanced in 2009. The proportion of malaria projects in terms of the total expenditure remains stable as the finalization of the ASMQ dossier has required more investment in order to obtain the registration in various countries of Latin America and Asia and to obtain the WHO pre-qualification in 2010.



- In 2009 OTECI, a group of volunteer retired pharmaceutical experts, was working to identify a partner for the transfer of technology (0.15 million euros). The partner was identified in 2009 and the real transfer will start in 2010.

Approximately 1.5 million euros was spent in 2009 for **ASMQ (fixed-dose combination of artesunate - AS and Mefloquine - MQ)**, compared to 0.9 million euros in 2008 and 0.7 million euros in 2007. This major increase (+ 62%) is due to the finalization of the dossier and conclusion of the transfer of technology.

- April 2009 marked an important milestone for **ASMQ** as the first public order of treatments was completed by the Brazilian government.
- In 2009 DNDi mainly focused on collecting data in Brazil and India, finalizing all information and making available the International Quality Registration Dossier supported by internal reports and published data (expenditure reached 0.9 million euros). This dossier is needed for registration in various countries other than Brazil and mainly to support the WHO pre-qualification which was submitted in March 2010 and has been accepted for review. It is expected that many questions will need to be answered and will thus require some additional work and expenditure in 2010.
- Following the technology transfer agreement signed in 2008 between Far Manguinhos (Brazil) and CIPLA (India) with the support and facilitation of DNDi, CIPLA was able during the last semester of 2009 to manufacture the regulatory registration batches in India. The transfer of technology will be successfully achieved during the first quarter of 2010.

These investments have been made as **ASMQ** showed very promising preliminary results from the Brazilian intervention study (more than 25,000 patients were treated) as well as another study performed in Myanmar with the **ASMQ** fixed-dose combination (FDC) compared to other Artemisinin Combination Therapies (ACT). Therefore in 2010 further clinical research with partners will examine the potential therapeutic utility of **ASMQ** in pregnancy and in the African region. The process of registration will have a cost impact for the project.

■ **Human African Trypanosomiasis (HAT): Success & progress at each stage**

HAT expenditure remained quite stable between 2008 (6.3 million euros) and 2009 (6.5 million euros).

- Fexinidazole, currently in phase I clinical study for stage 2 HAT, is DNDi's first success from its proactive compound mining strategy. It entered into phase I first-in-human clinical studies in September 2009 which will be completed by mid-2010. The main partners are:

sanofi-aventis, France; Swiss Tropical and Public Health Institute, Switzerland; HAT Platform partners, and SGS, France and Belgium. In May 2009, DNDi and sanofi-aventis signed an agreement for the development, manufacturing, and distribution of fexinidazole (see in-kind contribution table). The total budget forecast for phase I is approximately 2 million euros.

In 2009 0.6 million euros were spent for phase I. Preclinical work was still ongoing in 2009, (expenditures of 0.7 million euros in 2009 compared to 1.3 million euros in 2008) and should terminate in 2010. Thus the total expenditure for the fexinidazole project reached 1.3 million euros in 2009.

- With the lead optimisation consortium in place (partnerships with Scynexis and Pace University, USA), one molecule has already been identified and optimised as a drug candidate and has been undergoing preclinical development since the last quarter of 2009. The team is also in the process of identifying a back-up compound in the same chemical series. Expenditure in 2009: 3.7 million euros compared to 3.3 million euros in 2008 and 1.3 million euros in 2007 when the project started. The increase (0.4 million euros) in the budget is due to the preclinical expenditure for the Oxaborole project. Oxaboroles, provided by Anacor and optimized by the team, is a new chemical class.

■ **Visceral Leishmaniasis (VL): Promising discovery & ambitious plan for drug combinations**

The budget increased by 1 million euros in 2009 and reached 4.1 million euros for the visceral leishmaniasis (VL) projects compared to 3.1 million euros in 2008 and 2.1 million euros in 2007. The major effort has been clinical trials to test combinations of existing medicines for better adapted, less toxic, more affordable shorter-course treatments and to retard the onset of drug resistance.

■ **VL combination therapy program in Asia, Latin America and Africa:**

- In Africa, since 2004, DNDi and the Leishmaniasis East Africa Platform (LEAP) have embarked on a clinical research programme with two specific objectives: to geographically extend all currently available VL drugs in the region and to develop one to two new combination therapies. Currently DNDi is conducting three clinical trials in the VL programme: paromomycin (PM), AmBisome® and miltefosine. The actual costs for these clinical trials in 2009 reached 1.6 million euros compared to 1.4 million euros in 2008. In 2009, 146 patients were enrolled in the AmBisome® study and 1,313 were treated, outside the trials, in the seven clinical trial sites (Ethiopia, Kenya, Sudan, and Uganda). In 2010,

DNDi expects to finalize the PM study and register PM with a recommendation for use in combination with SSG.

- In Asia a phase III clinical trial was designed to study the combination of drugs already registered in India: AmBisome®, miltefosine, and paromomycin. Three arms with a combination of two drugs for treatment of a maximum of 11 days were compared with the standard 30-day therapy. In June 2008, the first patient was enrolled in the study. Enrolment of 634 patients was completed in June 2009, and the results are being analysed. The expenditure was 0.5 million euros in 2008 and 0.7 million euros in 2009. A two-step phase III trial using the same combinations was in preparation in 2009 and is due to start in Bangladesh in the first quarter of 2010 to facilitate registration of combination treatments in this country.
- A VL combination study is in preparation in Brazil to address the needs of patients in that region. This created no significant cost in 2009.

- **The VL Lead optimisation consortium** with Indian partners (Advinus Therapeutics, a research-based pharmaceutical company and the Central Drug Research Institute, CDRI) has been identifying and optimising molecules since January 2008. Recently the consortium worked on the oxaborole series from Anacor Pharmaceuticals, USA that shows *in vivo* efficacy. The nitroimidazoles series accessed through the collaboration with TB Alliance produced a number of highly potent compounds, several of which also proved to be efficacious in a VL animal model. Additional pharmacokinetics or safety studies are under way in order to identify preclinical candidates from these promising series. The expenditure reached 0.9 million euros in 2008 and 1.1 million euros in 2009.

■ Chagas disease: Consolidating our portfolio

The budget reached 1.4 million euros in 2009 compared to 0.6 million euros in 2008 for **the Chagas disease projects**. This increase, the most significant in 2009, shows that the preparation work done for Chagas is starting to bear fruit.

- The current clinical project, which evaluates E-1224, a new generation triazole compound, was in preparation during 2009. A phase II clinical study is to be initiated in 2010. The 2009 expenditure reached 0.1 million euros.
- Benznidazole, one of only two products registered for Chagas disease, can be highly efficacious in children. Yet no paediatric formulation exists. With the goal of developing an adapted, dispersible tablet of benznidazole, DNDi and LAFEPE (Brazil) signed a development deal in July 2008. Since then, the project team has been engaged in pre-formulation

and analytical development activities. In 2009 the team determined the most appropriate paediatric tablet formulation, strength, and associated dosing regimen. Work is progressing, with batch production and stability testing planned for early 2010. 2009 expenditure equalled 0.2 million euros, which is the same level as expenditure in 2008.

- In mid-2008, a lead optimisation consortium devoted to Chagas disease drug discovery was set up by DNDi. This consortium includes institutions in Australia (Monash and Murdoch Universities, Epichem Ltd) and Brazil (Universidade Federal de Ouro Preto). In 2009, five classes of compounds identified in DNDi screening programmes were further assessed in hit-to-lead studies. One of these series has been selected and is currently in the lead optimisation process. The 2009 expenses reached 0.8 million euros, double the 2008 expenditure.

■ Discovery stage: Building the pipeline

Two breakthroughs in 2009:

- Access to libraries of compounds for chemical diversity, agreements with pharmaceutical companies:
 - Merck
 - Genomics Institute of the Novartis Research Foundation (GNF)
 - Pfizer
 - Others in negotiation
- Access to high throughput screening (HTS) capacity.

In 2009 assay development for VL and Chagas diseases took place at Institut Pasteur Korea (IPK).

In April 2009 DNDi signed a partnership with the University of Dundee. They are using assay development, medium throughput screening (MTS), for VL and screening for diverse libraries and target sets of compounds.

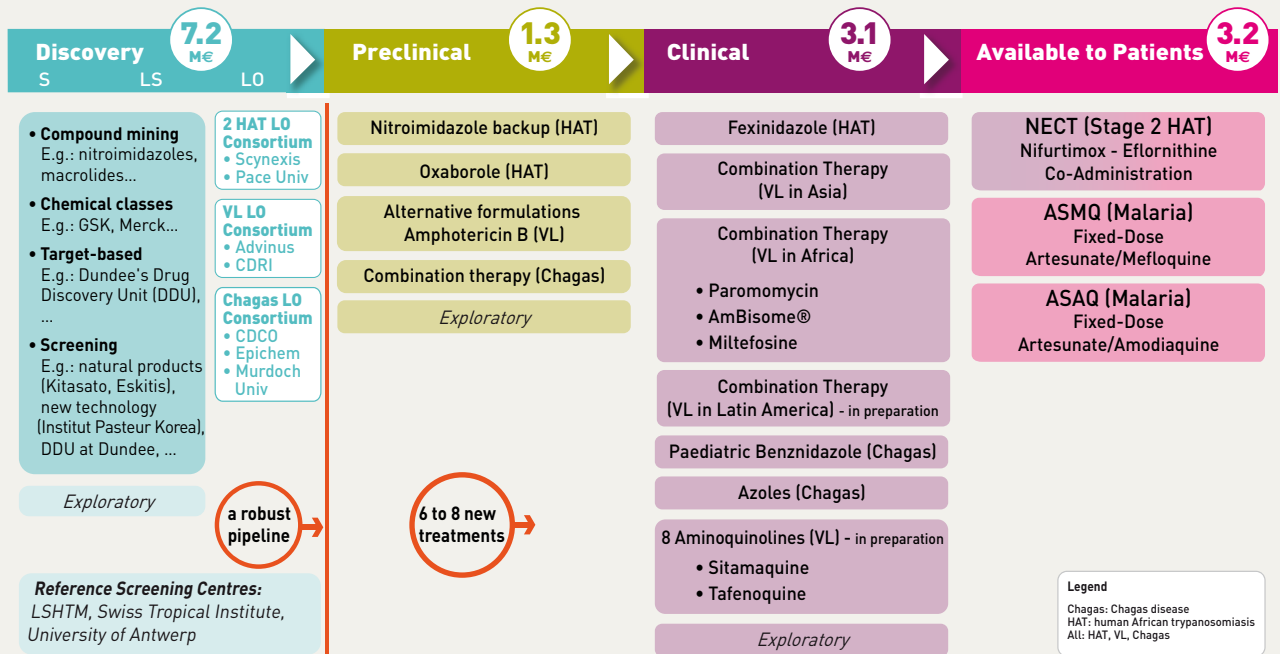
Disease	High Throughput Screening (HTS)
HAT	HTS available since 2008
VL	HTS developed at IPK in 2009
Chagas	HTS developed at IPK in 2009

The availability of HTS for all diseases has increased the early discovery expenditure between 2008 and 2009 by 0.4 million euros, reaching 0.9 million euros in 2009.

The other discovery projects are phasing out and three projects were closed by the end of 2009 (the Microtubule Inhibitor project, the Kitasato screening tryps project and the Eskitis natural product screening for HAT project). The expenditure for specific discovery projects decreased by 0.4 million euros in 2009. In conclusion, the expenditure for discovery projects (without lead optimisation) remains stable compared to 2008, reaching a total of 1.3 million euros in 2009.

Project Portfolio 2009 – R&D expenditure by development stage

The total R&D expenditures increased by 20%, which is comparable to the increase for the other DNDi activities (strengthening capacity, advocacy, and general management). The largest expenditure (49%) remains in discovery projects as the lead optimisation activities continued their natural growth, for VL and HAT, and the Chagas lead optimisation program was in operation for the full year in 2009. The 3 lead optimisation projects (for HAT, for VL and for Chagas) represent 39% of the R&D expenditure in 2009 as compared to 37% in 2008. The percentage of the expenditure dedicated to clinical development increased by 5% (+1.2 M€) as the fexinidazole project moved from the preclinical phase to the clinical phase. The fexinidazole preclinical activity is close to being terminated and in consequence the preclinical costs decreased by 5%.



Strengthening capacities expenditure

■ In 2009 a new platform was formed for Chagas disease

DNDi works with partners^(*) in disease-endemic countries and ensures their involvement in the R&D process through technology transfer and through a global network of collaborations. Strengthening capacities expenditures increased to 1.3 million euros in 2009 as compared to 1.1 million euros in 2008. This included:

- Supporting platforms, such as the Leishmaniasis East Africa Platform (LEAP, created in 2006), HAT Platform in Africa (created in 2007) and the Chagas Platform (created in 2009). LEAP opened 3 new clinical centres in Sudan, Kenya, and Uganda, reaching a total of 7 sites in 2009. In addition, the HAT Platform welcomed 2 new partners, the Central African Republic and Chad.

(*) VL and HAT platforms' partners:

- VL:** Kenya Medical Research Institute (KEMRI); Addis Ababa University, Gondar University and Drug Administration & Control Authority (DACA) in Ethiopia; Institute for Endemic Diseases (IEND) and the University of Khartoum in Sudan; Makerere University in Uganda; MSF; WHO-TDR.
- HAT:** Institute for the fight and control of trypanosomiasis (ICTT) Angola; National HAT control programs (PNLTHA); Democratic Republic of the Congo and Republic of Congo; Tropical Medicine Research Institute (TMRI) Sudan; Ministry of Health and Government of South Sudan (GoSS); Coordination Office for the Control of Trypanosomiasis in Uganda (COCTU); Swiss Tropical Institute (STI); MSF; WHO; KARI-Trypanosomiasis Research Centre, Kenya; Epicentre, France.

Total expenditures in 2009 amounted to 0.7 million euros. The main increase (+0.1 million euros) compared to 2008 is related to the new Chagas Platform.

- The management of the Natural Substance Network has been transferred to a partner in Asia for the future sustainability of the project.
- Networking was carried out through local representatives and DNDi regional offices based in Nairobi, Rio, Penang, and New Delhi with national control programmes, founding partners, and other existing networks in disease endemic countries. Total expenditure in 2009 was 0.6 million euros.

In addition, physical upgrading of facilities directly related to clinical trials is taking place within disease-endemic regions. For instance the construction/rehabilitation expenditure of Dooka hospital (clinical trial site in Sudan for LEAP Platform) reached 0.15 million euros.

Communications & advocacy expenditure

Communications and Advocacy expenditures increased by 38% in 2009 (1.19 million euros compared with 0.86 million euros in 2008).

In 2009, DNDi Advocacy efforts were mainly focused on two events:

1) The launch of a Chagas campaign in partnerships with other organisations to support prioritisation of Chagas disease on the agenda of policy makers and donors; to raise awareness of the disease in order to break the silence which surrounds it; and to boost Research & Development of new tools (diagnostics and treatments) for the disease, which are urgently needed.

2) The organisation of the second stakeholder meeting and third African DNDi meeting in Nairobi where over 250 participants, mainly scientists, researchers, policymakers, and global leaders from 28 countries in Africa, Asia, Europe, Latin America, and North America met to stimulate greater regional research partnerships. These leading experts used this opportunity to examine ongoing DNDi projects in drug research and development, access, and capacity strengthening. It proved to be an excellent forum to share knowledge on the realities of conducting research, managing drug development, ensuring access to treatment, and securing funding for neglected diseases.

The DNDi Communication and Advocacy team also worked to raise awareness of the lack of tools to treat neglected patients; facilitated meetings at regional and national levels; 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.

The Communications and Advocacy team in 2009 was composed of 4 staff members (3.5 FTEs, same figure as 2008) with the support of temporary staff and consultants in the head office and staff members for regional communications in North America and Latin America.

Fundraising & general management expenditure

Fundraising expenditure increased by 28% in 2009 (0.89 million euros in 2009 and 0.69 million euros in 2008). This increase is due to the reinforcement of human resources to reach the 2009 objectives: to maintain and secure funding renewals from current large contributors (public and private); to engage new major donors;

to develop new fundraising strategies for private contributions; to explore fundraising in emerging countries and to monitor new funding mechanisms. Fundraising expenses represent the costs to raise funds: personnel, travel and document production. The Fundraising team was composed in 2009 of 5 staff members (4 FTEs), was compared with 3 FTEs in 2008, and with the support of 2 staff members in DNDi North America, dedicated to fundraising in North America, and some consultants.

General Management & Administration total expenditure remained stable at 4% (1.31 million euros in 2009 and 1.25 million euros in 2008). General Management and Administration expenses represent the costs of managing the organisation: expenses incurred by the Board of Directors, the Executive Director Office, and the Financial and Administration Department. In 2009 with the addition of a new Finance Officer, the team was composed of 8 staff members (7 FTEs) compared with 7 staff members (6.5 FTEs) in 2008.

The future

DNDi's business plan developed in 2003 and updated in 2007 for the 2004–2014 period has served as a framework and guide for DNDi activities until today. However, by the end of 2009, DNDi had accumulated significant information and data providing a deeper insight into the real costs associated with its business model.

DNDi's accomplishments from 2004 to 2009 and a forecast for the three years to come (2010–2012) have shown that the objectives of delivering six to eight new treatments for neglected diseases and creating a healthy portfolio of projects, do not require a total budget of 274 million Euros as previously envisaged. Careful management of DNDi's resources, the involvement of DNDi's partners in building the portfolio and in the development phases, and the fall of the US Dollar against the Euro, has led DNDi to reconsider this total sum and to re-estimate it at 230 million Euros, down from 274.

DNDi will continue to dedicate the majority of funding towards the development of treatments for visceral leishmaniasis (34%), human African trypanosomiasis (35%), and Chagas disease (17%).

On average, the vast majority of funds are 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.

R&D cost breakdown, 2004-2014, 193 million euros (84% of total expenditure)

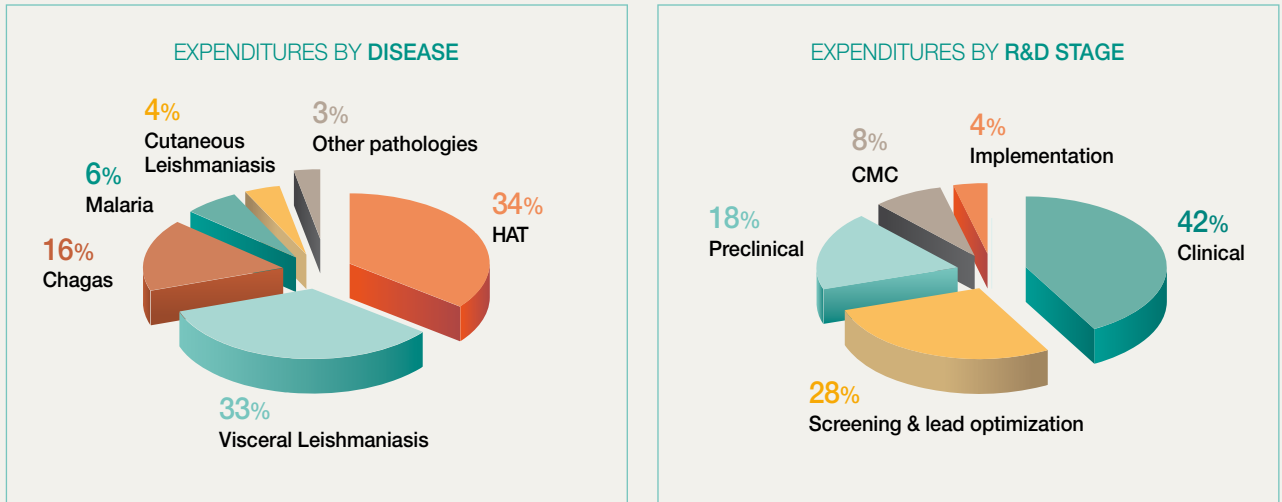


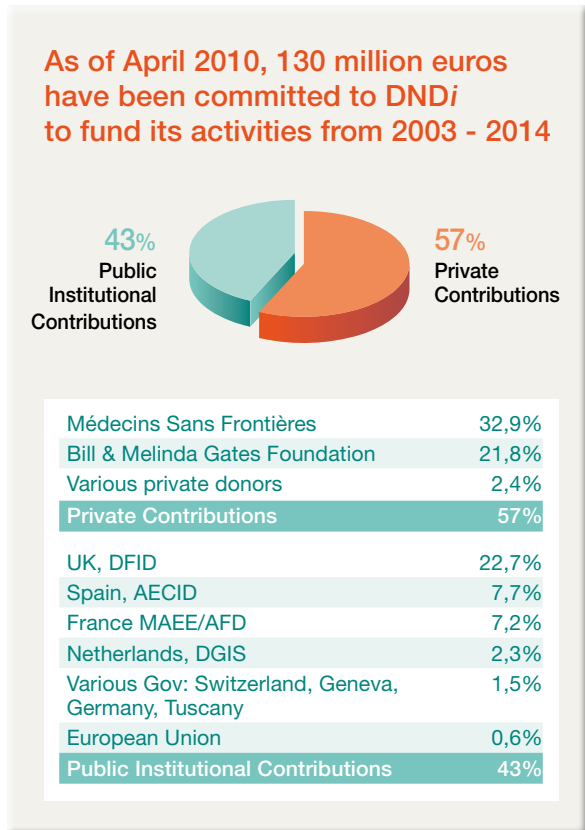
Figure 1

A new business plan will be developed by the end of 2010 for the period 2011 - 2018. It is an opportunity for DNDi to review its objectives and to re-estimate the expenditure required.

in 2008) as compared to total private contributions amounting to 9,498,997 euros (45% of total income in 2009; 10,175,249 euros and 51% in 2008).

Forecast Social Mission Breakdown DNDi 2004-2014 (in EUR million)		
R&D	193	(84%)
Strengthening Capacities	9	(4%)
Advocacy	8	(3%)
Fundraising	9	(4%)
General Management	11	(5%)
Total	230	(100%)

(previous total = 274)



Diversification of donors

To develop its activities and achieve its objectives, DNDi seeks diverse funding, including: cash donations, in-kind contributions, grants, sponsorships, and legacies – from individuals, governments, public institutions, companies, foundations, NGOs, and other mechanisms. Since its creation, DNDi has been working to diversify its funding to include a mix of public and private donors and project, portfolio and initiative funding.

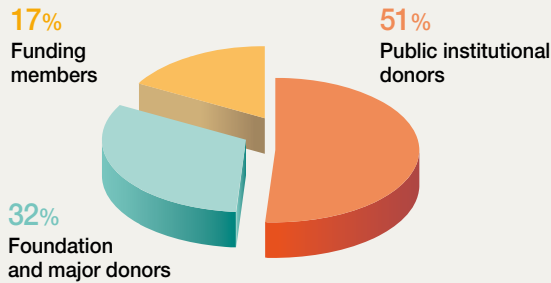
DNDi strives to obtain half of its funding from public sources. DNDi works to achieve a balance of public and private funding, with total public institutional contributions amounting to 11,768,260 euros (55% of total income in 2009, 9,895,423 euros and 49%

Figure 2

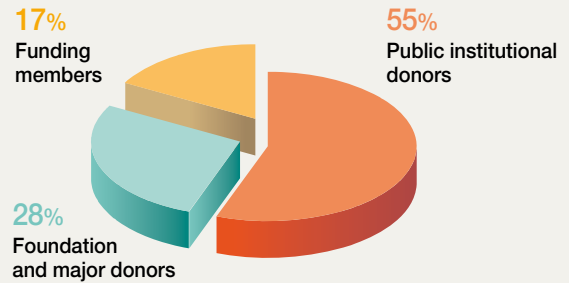
Evolution of public/institutional versus private and founding members funding since 2003 and in 2009, as compared to forecast from the DNDi business plan

Source of Funds: Public Institutional, Private, and Founding Members

TOTAL 230 MILLION EUROS FORECAST FROM 2003-2014



TOTAL 21 MILLION EUROS IN 2009



DNDi received continuing grants from the American, British, Dutch, French, and Spanish governments, the Canton of Geneva, Switzerland, EU, the Medicor Foundation, and the Bill & Melinda Gates Foundation. 2009 was a year of continuity in the efforts to raise funds. DNDi was successful in signing new grants for 2009 and beyond, with current public and private donors demonstrating their confidence in DNDi's objectives. New grants were secured from the French Ministry of Foreign Affairs and the Agence Française du Développement (MAEE 1.3 million euros and AFD 0.5 million euros); the Spanish government (AECID 5 million euros); the Bill & Melinda Gates Foundation (USD 15 million) and the Medicor Foundation (USD 0.6 million).

Despite a couple of new private donors such as the Starr Foundation, the decrease in private funding in 2009 as compared with 2008 is representative of the difficulties to bring new contributors due to the economic crisis which followed the 2008 financial crisis. In spite of these uncertainties, total grants of 21,116,173 euros plus 151,084 euros of royalties (see financial section) were raised in 2009 as compared with 20,070,672 euros in 2008 (+6%).

At the end of 2009, the cumulative funding mix of 130 million euros was 36% restricted funds (31% by the end of 2008) and 64% unrestricted funds (69% by the end of 2008). This bias toward unrestricted funding is both by design and a result of unrestricted initiative funding from the UK Department for International Development of GBP 24.5 million (2006-2013) from the Spanish Agency for International Development and Cooperation of 10 million euros (2006-2010) and from Médecins Sans Frontières of 42.6 million euros (2003-2014). These significant and multi-year commitments are critical to the success of DNDi for the next years.

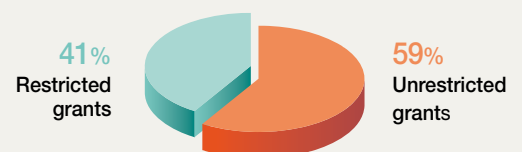
In-kind donations grew from 495,315 euros to 1,125,320 euros in 2009, showing the involvement of the founding members of DNDi, international organisations and pharmaceutical partners in new chemical entities development.

As of March 2010, a total of 130 million euros has been committed to DNDi which enabled all of its activities to be funded since 2003. However, DNDi still needs a total of 100 million euros by 2014 to achieve its business plan objectives.

Thanks to all its donors DNDi has been able to deliver three new treatments for the most neglected patients and build a robust pipeline for the future.

Evolution of restricted versus unrestricted grants between 2008 and 2009

2008 20 MILLION EUROS



2009 21 MILLION EUROS



DNDi would like to thank the following donors for their support of DNDi activities since July 2003:

■ Public Institutional Donors

- Republic and 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, 6 and 7
- 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 & Cyprien, Switzerland
- Guy's, King's and St Thomas' Giving Week, UK
- Leopold Bachmann Foundation, Switzerland
- Médecins Sans Frontières, International
- 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



Statement of activities

Financial statements and audit report

Balance sheet at December 31, 2009 (with 2008 comparative figures)

Assets (expressed in EUR)	Notes	2009	2008
CURRENT ASSETS			
Cash and cash equivalents			
Cash and banks at head office		13,609,027	2,445,817
Cash and banks at RSO's and affiliate		159,774	295,373
Time deposits		0	11,722,000
Total cash and cash equivalents		13,768,801	14,463,190
Stocks of drugs	3	35,000	0
Current accounts and receivables			
Advances to officers and liaison offices		44,103	27,349
Advances to partners related to projects		658,542	505,771
Receivables from public institutional donors		1,653,715	1,081,410
Receivables from founders		6,745	6,746
Other receivables		15,490	132,405
Prepaid expenses		120,756	89,525
Total current accounts and receivables		2,499,351	1 843 206
Total current assets		16,303,152	16,306,396
NON-CURRENT ASSETS			
Tangible fixed assets, net	4	153,166	150,655
Bank guarantee		23,888	26,175
Total non-current assets		177,054	176830
TOTAL		16,480,206	16,483,226

Liabilities & Capital (expressed in EUR)	Notes	2009	2008
CURRENT LIABILITIES			
Bank overdraft		0	544,153
Payables to partners related to projects		263,390	77,888
Other payables and accrued expenses		1,237,251	1,462,309
Deferred income		5,112,172	4,968,692
Provisions	5	229,750	283,104
Total current liabilities		6,842,563	7,336,146
CAPITAL OF THE ORGANISATION			
Paid-in capital		32,510	32,510
Restricted operating funds	6	151,084	0
Internally generated unrestricted funds		9,454,049	9,114,570
Total capital of the organisation		9,637,643	9,147,080
TOTAL		16,480,206	16,483,226

STATEMENT OF OPERATIONS for the year ended December 31, 2009 (with 2008 comparative figures)

<i>(expressed in EUR)</i>	<i>Notes</i>	2009	2008
INCOME			
Public institutional funding			
Govern. & public int. organis. unrestricted		7,517,316	6,289,508
Govern. & public int. organis. restricted		4,250,944	3,605,915
Total public institutional funding		11,768,260	9,895,423
Private resources			
Private foundations, corporations, and individuals, unrestricted		196,233	177,694
Private foundations, corporations, and individuals, restricted		5,659,380	4,466,965
Royalties on drug sales	6	151,084	0
Total private resources		6,006,697	4,644,659
Resources from founders			
Médecins Sans Frontières, unrestricted		3,492,300	5,530,590
Total resources from Founders		3,492,300	5,530,590
Total income	7	21,267,257	20,070,672
SOCIAL MISSION EXPENDITURE			
Research & development expenditure			
	8		
Research & development coordination and supervision		1,629,330	1,265,594
Human African trypanosomiasis projects		5,998,437	5,934,243
Leishmaniasis projects		4,066,409	3,118,089
Chagas disease projects		1,396,556	577,108
Other projects		2,448,972	2,057,398
Portfolio building		854,121	696,074
Total research & development expenditure		16,393,825	13,648,506
Strengthening capacities	9	1,322,228	1,110,724
Advocacy expenses	10	1,193,540	864,009
Total social mission expenditure		18,909,593	15,623,239
NON-SOCIAL MISSION EXPENDITURE			
Fundraising	10	890,154	694,486
General and administration	10	1,308,822	1,246,694
Total non-social mission expenditure		2,198,976	1,941,180
Total expenditure		21,108,569	17,564,420
Operating surplus		158,688	2,506,253
OTHER INCOME (EXPENSES)			
Financial income, net		58,909	373,862
Exchange gain (loss), net		203,751	(199,476)
Other income		69,215	56,837
Total other income, net		331,875	231,223
Net surplus for the year prior to allocations		490,563	2,737,476
Allocation to restricted operating funds	6	(151,084)	0
Allocation to internally gener. unrestricted funds		(339,479)	(2,737,476)
Net surplus for the year after allocations		-	-

FUNDS FLOW STATEMENT for the year ended December 31, 2009 (with 2008 comparative figures)

<i>(expressed in EUR)</i>	2009	2008
FUNDS FLOW FROM OPERATIONS		
Net surplus for the year, unrestricted	339,479	2,737,475
Net surplus for the year, restricted	151,084	0
Depreciation of fixed assets	79,977	90,959
Increase (decrease) in provisions	(53,354)	113,109
(Increase) decrease in stocks	(35,000)	0
(Increase) decrease in advances	(169,525)	71,807
(Increase) decrease in receivables from donors	(572,305)	1,685,578
(Increase) decrease in Founders and other receivables	116,916	(46,772)
(Increase) decrease in prepaid expenses	(31,231)	26,050
Increase (decrease) in payables to partners related to projects	185,502	(174,074)
Increase (decrease) in accounts payable to founders	0	0
Increase (decrease) in other payables and accrued expenses	(769,211)	987,589
Increase (decrease) in deferred income	143,380	(2,872,039)
Funds flow from operations	(614,188)	2,619,682
FUNDS FLOW FROM INVESTING ACTIVITIES		
(Increase) decrease of investments in tangible fixed assets	(82,489)	(188,234)
(Increase) decrease in bank guarantee	2,287	(10,684)
Funds flow from investing activities	(80,201)	(198,918)
FUNDS FLOW FROM FINANCING ACTIVITIES		
	-	-
Cash increase (decrease)	(694,389)	2,420,765
Cash and cash equivalents - beginning of year	14,463,190	12,042,426
Cash and cash equivalents - end of year	13,768,801	14,463,190

STATEMENT OF CHANGES IN CAPITAL for the year ended December 31, 2009 (with 2008 comparative figures)

<i>(expressed in EUR)</i>	Opening balance	Allocation	Internal fund transfers	Closing balance
Internally generated funds				
Paid-in capital	32,510	-	-	32,510
Surplus for the year	-	490,563	(490,563)	-
Restricted operating funds	-	-	151,084	151,084
Internally generated unrestricted funds	9,114,570	-	339,479	9,454,049
Capital of the organisation	9,147,080	490,563	-	9,637,643

Notes to the financial statement for the year ended 31 December 2009

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 five 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 income tax from the Swiss federal income tax for an indeterminate period and from the Geneva Cantonal 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 six Regional Support Offices and Affiliates 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 participation 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 necessary to establish the RSO as a legal entity, usually a branch of DNDi Foundation or a corporation following needs and local regulations and requirements. Establishment of a DNDi legal entity outside Switzerland requires the authorization of the Board of Directors.

As of December 2009, DNDi has established legal entities in Kenya (in 2006), in Brazil (in 2008) and in India (2009) in the form of branches. The fourth DNDi RSO is in Penang, Malaysia and is still in the process to be registered as a branch in this country. Additionally DNDi has one Project Support Office in 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), was established in February 2007. This affiliate is based in New York City, New York, USA and operates under the Direction of the DNDi NA Board of Directors.

The purposes for which it was formed are exclusively charitable and educational and include conducting activities to support or benefit the Drugs for Neglected Diseases *initiative* (DNDi), such as making grants to support programs, 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 statements 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 in the DNDi financial statement).

DNDi NA's 2009 Financial position as of 31 December 2009 is the following:

- Total liabilities and net assets: USD 137,240;
- Total revenue and other support: USD 584,538, of which a total grant from DNDi to DNDi NA, amounting to USD 565,882 and unrestricted contributions from

twenty individuals and one company ranging from USD 10 to 5,000 for a total of USD 18,246;

- Total expenses: USD 588,389, and an excess of the expenses over revenue (change of net assets) of USD 3,851.

In June 2009, the Board of Directors approved the creation of a second Affiliate in Japan, under the form of a “specified non-profit organisation”, a legal entity registered with the city of Tokyo. DNDi Japan was established in November 2009.

The aim of DNDi Japan is exclusively charitable, and includes but shall not be limited to: assisting people in developing countries who are suffering from tropical diseases and contributing to the health and welfare of people in developing countries by supporting activities of the Drugs for Neglected Diseases *initiative* (DNDi) by promoting medical treatment; encouraging scientific research; liaising, advising and assisting bodies performing these activities. The DNDi Japan Board of Directors met for the first time in February 2010.

In June 2009, the Board of Directors approved the change in legal status of DNDi in Brazil from a branch to a not-for-profit legal entity under the form of “Associação de direito privado, sem fins lucrativos e de fins não econômicos” DNDi Latin America. The process will be terminated during the first semester 2010.

Lastly, a legal entity has been set up in France in the form of a not-for-profit association for administrative purposes in September 2004, 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 by 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. Research & development, 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 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 rates 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 recognized 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:

	2009	2008
USD	0.6943	0.7100
CHF	0.6725	0.6706
GBP	1.1184	1.0259
100 CDF	0.0740	0.1274
100 INR	1.4862	1.4619
100 KES	0.9213	0.9120
100 JPY	0.7525	0.7868
100 BRL	39.8454	30.4247

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 multi-year 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 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 the 15th of March of the following year, an estimated amount is calculated on a *pro rata temporis* basis, based on the time between the contract signing date and December 31. This estimated amount is considered as an accrued expense following Swiss GAAP RPC to be regularized 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 offices rental in Tokyo, New York and parking 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 32,510 euros (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 utilized 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 and valued at fair market values according to the following principles:

- Goods transferred to a DNDi project or services rendered to DNDi must be free, excluding the involvement of a monetary transfer.

- They must be clearly identifiable and part of DNDi's projects and activities as defined by DNDi's action plans and budgets.
- Recognizable as a visible contribution to DNDi's projects and activities, benefiting to DNDi, and in-line with DNDi's mission and objectives.
- Partners' voluntary involvements 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 good or services paid at prices below market prices, the difference between real payment and current market price is not considered as gift-in-kind, but the current market price reached after negotiations.
- Fair market value is defined as the price DNDi would have paid to utilize 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 5,000 euros 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. DRUG INVENTORY

On 26 October 2009, DNDi purchased 7,995 packages of Glucantime from IDA Foundation, a Dutch not-for-profit drug seller, for its paromomycin for visceral leishmaniasis clinical trial in Sudan. As of 31 December 2009, an inventory with an estimated value of Euros 35,000 of these drugs stored at the Principal Investigator site in Khartoum.

4. TANGIBLE FIXED ASSETS, net

<i>(expressed in EUR)</i>	Computer Equipment	Office fittings & Installations	Office Equipment	Total
Net carrying amounts 1.1.	29,357	56,130	65,169	150,656
Gross values of cost				
Beginning of the period 1.1	169,300	115,905	106,050	391,255
Additions	40,698	10,580	31,211	82,489
Disposals	-	-	-	-
End of the period 31.12	209,998	126,485	137,261	473,744
Cumulated amortisation				
Beginning of the period 1.1	(139,943)	(59,776)	(40,882)	(240,601)
Systematic amortisation	(35,869)	(18,548)	(25,560)	(79,977)
End of the period 31.12	(175,812)	(78,324)	(66,441)	(320,578)
Net carrying amounts 31.12	34,186	48,161	70,820	153,166

5. PROVISIONS

<i>(expressed in EUR)</i>	Provision for taxes	Provision for HR expenses (holidays not taken)	Provision for running expenses (other)	Total
Carrying amount as per 1.1.2008	115,208	54,787	0	169,995
Creation	24,405	70,801	69,957	165,163
Utilization	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
Carrying period as per 1.1.2009	139,613	73,534	69,957	283,104
Creation	24,507	62,985	23,625	111,117
Utilization	(23,712)	(70,801)	(69,957)	(164,470)
Reversal	0	0	0	0
Carrying period as per 31.12.2009	140,408	65,718	23,625	229,751

6. ROYALTIES

In December 2004, DNDi signed an agreement with sanofi-aventis, a pharmaceutical company, pertaining to the implementation of co-formulation treatments against Malaria developed originally by DNDi together with sanofi-aventis (ASAQ). Article VI of the contract states that 3% royalties resulting from net sales of this drug whose brand name is CoArsucam® to the private sector in developing countries are to be paid to DNDi.

DNDi has decided to allocate this money to support pharmacovigilance projects or activities such as the implementation of the ASAQ treatment in developing countries. A first project was supposed to start in 2009, but the signature of the contract with implementing partners has been delayed. This collaboration has started in 2010.

Hence, DNDi decided to allocate the total amount of the 3% royalties on the 2007-2008 sales of CoArsucam® amounting to Euros 151,084 to a "Restricted operating fund" which will be used for a collaborative project with several partners for an observational study at the district level in Ivory Coast which should ultimately include 15,000 patients. This unique study in its scope and protocol, with strong pharmacovigilance as well as effectiveness components, will bring critical information of the real life use of ASAQ and thus its contribution to public health at the country level.

7. INCOME

a) Cumulative donations committed to DNDi and/or received by 2009 (in EUR)

DONORS		Total Commitment in currencies*	Total Commitment in EUR	As per Statement of Operations 2009 in EUR	To be used after 2009 in EUR
Médecins Sans Frontières	EUR	42,566,228	42,566,228	3,492,300	14,073,184
UK Government DFID	GBP	24,500,000	29,325,208	5,017,316	13,980,000
Bill & Melinda Gates Foundation	USD	40,729,285	28,179,978	4,995,957	18,980,648
Spanish Government AECID	EUR	10,000,000	10,000,000	2,500,000	2,500,000
French Government MAEE/AFD**	EUR	9,255,000	9,255,000	2,641,361	1,610,054
Dutch Government DGIS	EUR	2,975,000	2,975,000	482,000	68,000
USA Government NIAID	USD	1,600,659	1,137,820	243,630	556,660
Medicor Foundation	EUR	1,054,940	1,054,940	404,940	0
German Government GTZ	EUR	1,000,000	1,000,000	675,810	0
European Union FP5 & FP6	EUR	835,135	835,135	75,674	227,538
UBS Optimus Foundation	CHF	1,250,000	791,045	179,914	0
Canton of Geneva	CHF	1,000,000	642,209	132,469	0
Sandoz Family Foundation	CHF	500,000	308,700	0	0
Sasakawa Peace Foundation	EUR	241,336	241,336	3,882	0
Tuscany Region	EUR	200,000	200,000	0	0
Various private donors	EUR	171,529	171,529	129,532	0
Various other donors	EUR	170,060	170,060	0	0
Starr International Foundation	USD	200,000	141,388	141,388	0
Anonymous donation	CHF	201,229	138,108	0	0
Leopold Bachmann Foundation	EUR	91,900	91,900	0	0
Swiss Government DDC	CHF	120,000	77,045	0	0
TOTAL DONATIONS (€)*			129,302,629	21,116,173	51,996,084

* Exchange rates used for "Total Commitment in Euros" and "As per Statement of Operations 2009" are real exchange rates following the DNDi exchange rate policy. Exchange rates used for "To be used after 2009" appears in Euro at the USD/EUR, CHF/EUR and GBP/EUR exchange rates as per 31.12.2009 (see note 2). "Total Donations" therefore yields an approximate value as exchange will vary over time.

** The French Government, Ministry of Foreign and European Affairs, funded DNDi with 4 grants. From the MAEE: 5.955 million Euros in April 2007 for the period 2007-2010; from the MAEE: 1.3 million Euros in December 2009 for the period 2009-2010; from the AFD: 1.5 million Euros in June 2006 for the period 2006-2008 & from the AFD 0.5 million Euro in December 2009 for the period 2009-2010.

b) Funding per project (restricted and unrestricted):

	UK Government DFID (Unrestricted)	French Government MAEE & AFD (Restricted) ⁴	Spanish Government AECID (Unrestricted)	German Government GTZ (Restricted)	Dutch Government DGIS (Restricted)	United States Government NIH ² (Restricted)
CLINICAL & POST-CLINICAL	FACT (ASAQ & ASMQ) for Malaria	874,967	320,165	231,741	472,804	
	Nifurtimox + Eflornithine (NECT) for HAT	177,133	394,698			
	Paromomycin for VL	12,938	191,434	184,967		
	Ambisome for VL		365,640			
	Combination therapy for VL (Asia, Africa and Latin America)	31,876	159,731	280,124		
	Fexinidazole for HAT	298,162	22,528			
	Azole & Pediatric Benznidazole for Chagas	233,583		3,219		
PRECLINICAL	Amphotericin B new formulation for VL	5,617				206,812
	Buparvaquone for VL		42,445			
	Fexinidazole for HAT	153,734	272,328	23,989	181,691	
	Drug combination for Chagas & VL					
DISCOVERY	VL Consortium Lead Optimization	27,989		87,033	103,158	
	Chagas Consortium Lead Optimization	33,563		284,149	241,547	
	HAT Consortium Lead Optimization		177,471			
	Discovery Projects, (Dundee, IPK..)	585,588	136,325	156,654	129,263	
	Exploratory activities	136,697	23,362			
R&D Coordination, Supervision costs	691,195		503,166		6,231	17,176
HAT LEAP & Chagas Platforms	10,392	336,135	42,533			
Other Strengthening Capacity activities	228,110		259,663			
Advocacy	797,929	21,495	216,515			
Fundraising	267,013	29,926		14,934	2,965	5,491
General Management	450,832	147,678	226,248	5,217		14,152
Restricted Funds						
Year-end result						
TOTAL GRANTS ONLY	5,017,316	2,641,361	2,500,000	675,810	482,000	243,631

1 B&M Gates Foundation = two grants in 2009: 1. Grant pertaining to Lead Optimization projects covering the period Jan-Dec 2009 and 2. A grant signed in Nov 2009 related to Fexinidazole project

2 NIH: the grant considered in 2009 covers 2 NIH period: year 2 = January - August 2009 and year 3 = September - December 2009

3 MSF donation includes a restricted grant for the "FACT Clinical trial ASAQ Liberia" project of 100,000€ and an unrestricted grant of 3'392'300€

4 MAEE & AFD: MAEE grants considered in 2009 cover 2 different grants, 1st grant for various clinical projects for HAT and Leish (Jan-Dec 2009) and 2nd grant signed in Dec 2009 for discovery projects.
AFD: The Agence Française du Développement granted DNDi for the FACT Projects

5 Private Foundations comprise grants from: Fondation Pro Victimis for 54,569€; Fondation André & Cyprien for 20,118€; Sasakawa Peace Foundation for 3,882€

6 Other Revenue comprise: a Gilead financing of Ambisome™ drugs for 41,061€; Royalties from sanofi-aventis for 151,084€ earmarked to a Monitoring Study on pharmacovigilance of ASAQ in Ivory Coast with STI & MMV; And various individual donations for a total of 13,783€, among which 12,531€ come from North America.

Switzerland Canton of Geneva (Restricted)	European Union EU FP6 + FP7 (Restricted)	Bill & Melinda Gates Foundation (Restricted) ¹	Médecins S. Frontières ³ (Unrestricted & Restricted)	Medicor Foundation (Restricted)	UBS Optimus Foundation (Restricted)	Starr International Foundation (Restricted)	Private Foundations (Restricted) ⁵	Other Revenue ⁶	TOTAL
			549,296						2,448,972
			201,122						772,953
117,920			138,394	254,529			78,569		978,751
			32,464	33,157				41,062	472,324
			85,590			141,388			698,709
		230,355	3,477						554,522
			59,592					10,373	306,767
									212,429
			24,665						67,111
		93,658							725,400
					140,643				140,643
		868,557	28,261						1,114,998
			285,151						844,411
		3,568,305							3,745,776
			480,064						1,487,893
					32,778				192,837
14,550		57,040	339,972						1,629,330
	49,410		197,278	41,677					677,425
	26,262		89,496	40,219	1,053				644,803
			155,442					2,158	1,193,540
		66,568	497,817		5,441				890,154
		111,473	316,614	35,357				1,251	1,308,822
								151,084	151,084
			7,602						7,602
132,470	75,673	4,995,957	3,492,300	404,940	179,914	141,388	78,569	205,929	21,267,257

8. R&D PROJECTS RELATED EXPENDITURE

Recognized in	2009	2008
CLINICAL/POST-REGISTRATION PROJECTS		
Artesunate+Amodiaquine for Malaria ¹	932,861	1,122,506
Artesunate+Mefloquine for Malaria ²	1,516,111	934,892
Nifurtimox - Eflornithine co-administration for stage 2 <i>T.b.gambiense</i> HAT ³	716,471	539,511
Fexinidazole HAT Clinical ⁴	554,522	
Imiquimod for Cutaneous Leishmaniasis	0	832
Combination therapy for VL in Africa ⁵		
- Paramomycin for VL	978,751	1,259,498
- Ambisome for VL	472,324	139,985
- Miltefosine for VL	148,256	0
Combination therapy for VL in Asia, Latin America ⁵	550,453	457,121
Paediatric Benznidazole for Chagas ⁶	224,279	167,476
Azole E1224 for Chagas ⁷	82,487	43,199
Total Clinical/Post-Registration Projects	6,176,516	4,665,020
PRECLINICAL PROJECTS		
Fexinidazole HAT Preclinical ⁴ (Clinical phase I as of Sept. 2009)	725,400	1,327,587
Drug combination for Chagas ⁸	140,642	0
Amphotericin B ⁹	212,429	219,089
Buparvaquone VL ¹⁰ (terminated in 2009)	67,111	52,724
Total Preclinical Projects	1,145,582	1,599,400
DISCOVERY (SELECTION & OPTIMIZATION) PROJECTS		
Kitasato screening Tryps ¹¹	137,198	180,825
Nitroimidazoles for HAT (Back up Fexi) ¹²	146,027	230,081
Microtubule Inhibitor	0	163,147
Eskitis Natural Product Screening for HAT ¹³	119,070	182,666
HTS Image Screening / Institut Pasteur Korea ¹⁴	294,503	122,585
Reference Screening Centers (STI, LSHTM, Antwerp, Murdoch) ¹⁵	373,276	356,832
Dundee screening compounds against VL ¹⁶	227,584	0
Various Discovery	0	56,067
HAT Consortium Lead Optimization ¹⁷	3,745,776	3,310,426
VL Consortium Lead Optimization ¹⁸	1,114,998	867,085
Chagas Consortium (...) Lead Optimization ¹⁹	844,411	366,434
Total Discovery Projects	7,002,844	5,836,148
OTHER EXPLORATORY ACTIVITIES TO BUILD THE PORTFOLIO		
Other exploratory activities ²⁰	439,554	282,343
Total Exploratory projects	439,554	282,343
PROJECT-RELATED VARIABLE EXPENDITURE		
Coordination & Supervision ²¹	1,629,330	1,265,594
Total of Projects related expenditure	16,393,825	13,648,505

See notes on following page

Main R&D partners:

- 1 sanofi-aventis, France/Institute of Research for Development (IRD), Senegal/Ellipse Pharmaceuticals, France/Médecins Sans Frontières/Epicentre, France/WHO-TDR/KEMRI, Kenya/ICMR, India/GVK-BIO, India/Synxel, France/Catalent, UK/University of Liverpool, UK/Avagrado, Naturalia & Biologia, France/KATH, Ghana
- 2 Farmanguinhos, Brazil/Shoklo Malaria Research Unit, Thailand/Universiti Sains Malaysia/GVK-Bio, India/WHO-TDR/Cipla, India/ICMR, India/National Institute of Medical Research, Tanzania/Centre Hospitalier Universitaire Vaudois (CHUV), Switzerland/OTECI, France/AEDES, Belgique
- 3 Epicentre, France/Médecins Sans Frontières (MSF)/ HAT National Control Programmes of the Democratic Republic of the Congo (DRC)/ Swiss Tropical Institute/WHO
- 4 sanofi-aventis, France/Swiss Tropical Institute/Epicentre, France/Absorbion, UK/SGS, Belgium/Aptuit, UK/Xcentipharm, France/Accelera, Italy
- 5 Kenya Medical Research Institute, Kenya/Institute of Endemic Diseases (IED), University of Khartoum, Sudan/Addis Ababa University, Ethiopia/Gondar University, Ethiopia/University of Makerere, Uganda/LSHTM, UK/AMC, Slotervaart Hospital, KIT, the Netherlands/Médecins Sans Frontières (MSF)/i+ solutions, the Netherlands/Institute for OneWorld Health, USA/Gilead, USA/Kala Azar Medical Research Centre, India/ICMR, India/Rajendra Memorial Institute, India/International Centre for Disease Diarrhoeal Research, Bangladesh/Shaheed Surawhady medical College Hospital, Bangladesh
- 6 Pharmaceutical Laboratory of Pernambuco State (LAFEPE)/ Brazil; Centro Nacional de Diagnostico e Investigacion de Endemo-epidemias (CeNDIE), Argentina/University of Liverpool, UK
- 7 Eisai, Japan
- 8 Federal University of Ouro Preto, Brazil/Institut René Rachou, Brazil
- 9 Polytherics, UK; London School of Pharmacy, UK; LSHTM, UK; BioDelivery Sciences International (BDSI), USA

- 10 Advinus, India/University Sains Malaysia/LSHTM, UK/Tetra Q, Australia/Drugabilis, France
- 11 Kitasato University & Institute, Japan
- 12 Global Alliance for Tuberculosis, USA; Swiss Tropical and Public Health Institute, (STI)
- 13 Eskitis Institut at Griffith University, Australia
- 14 Institut Pasteur, Korea – France
- 15 Swiss Tropical Institut/LSHTM, UK/Antwerp Tropical Institut, Belgium/Murdoch University, Australia
- 16 University of Dundee, UK
- 17 Scynexis Inc & Pace University, USA/Drugabilis, France/Advinus, India
- 18 Advinus Therapeutics & CDRI, India/LSHTM, UK/Drugabilis, France/Anacor, USA/GSK-Tres Cantos, Spain
- 19 CDCO Monash University, Epichem & Murdoch University, Australia/University of Washington, USA/University of Ouro Preto, Brazil
- 20 Anacor, USA; Eskitis (Griffith University), Australia/Federal University of Ouro Preto & Fiocruz, Brazil/Genomics Institute of Novartis Research Foundation, USA/Institut Pasteur Korea, South Korea/Institut de Recherche pour le Développement (IRD), France/GlaxoSmithKline (GSK), Spain/Merck, Canada/TI Pharma, the Netherlands/Pfizer, NITD, Singapour/TB Alliance, USA/Walter and Eliza Hall Institute, Australia; etc.
- 21 R&D Coordination & Supervision

	2009	2008
Coordination	907,658	726,183
Scientific Advisory Committee	94,504	98,747
Business Development	253,090	252,738
Japan representation office (Regional office in 2010)	See 1.c	188,793
Research: IP & Regulatory affairs	185,285	66,290

9. 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

(expressed in EUR)	2009	2008
Regional Support Offices: Brazil, India, Kenya, Malaysia	596,295	527,087
For VL combo, Ward Construction Gondar, Ethiopia & Dooka, Sudan	183,389	163,737
Leishmaniasis East African Platform (LEAP)	234,824	35,363
Human African Trypanosmiasis (HAT) Platform	214,460	256,873
Chagas Platform	44,752	0
LeishDNAvax Consortium Agreement	26,262	0
Pan-Asian Natural Substances Network	22,246	127,663
TOTAL	1,322,228	1,110,724

10. ADVOCACY, FUNDRAISING AND GENERAL & ADMINISTRATION EXPENSES

	ADVOCACY		FUNDRAISING		GENERAL & ADMINISTRATION	
	2009	2008	2009	2008	2009	2008
Human resources	573,056	370,462	678,534	504,588	829,420	790,591
Office charges	40,422	38,975	52,118	52,146	69,491	71,353
Travel expenses	55,230	52,961	54,307	31,812	80,011	97,291
Administration	36,727	76,350	56,778	43,781	99,606	90,274
IT & telecommunications	40,272	42,496	16,077	28,484	132,305	88,755
Communication	433,942	268,525	20,592	24,479	74,522	65,718
Depreciation	12,796	14,240	9,597	9,197	21,594	24,208
Exceptional expenses	1,095	0	2,151	0	1,873	18,504
TOTAL	1,193,540	864,009	890,154	694,486	1,308,822	1,246,694

11. INDEMNITIES & REMUNERATIONS GIVEN TO DIRECTORS

All members of the Board are volunteers. The Board members have not received any remuneration for their mandate in 2009, nor in 2008.

12. VALUATION OF IN-KIND

The Drugs for Neglected Diseases *initiative* (DNDi), as an independent needs-driven not-for-profit organization, 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 in Euros evaluated for the year 2009 per category and per project:

	Staff Scientific	Staff non-Scientific	R&D Services	Office, furniture & admin.	TOTAL
FACT	23,594				23,594
NECT Field			49,195		49,195
VL-COMBO	13,972				13,972
AMBISOME			30,214		30,214
FEXINIDAZOLE	466,667				466,667
Natural Substances					0
Institut Pasteur Korea IPK	99,646		179,626	36,943	316,215
Kitasato Institute	37,779				37,779
Regional Support Offices	99,804	19,432		57,441	176,678
General Management		5,457			5,457
TOTAL	741,462	24,889	264,584	94,385	1,125,320

Main In-kind contributors: Expert C. Brunger, Japan; Volunteers for Administrative work in Geneva and Tokyo; ICMR, India; KEMRI, Kenya; Sains University, Malaysia; Institut Pasteur, Korea (IPK); Kitasato Institute, Japan; sanofi-aventis, France; CNPq, Brazil; WHO, Switzerland; Gilead, Ireland; Eisai, Japan *the contract has been signed in September 2009, the in-kind contribution will be assessed for year 2010; Expert P. Olliaro/TDR Switzerland.

13. ASSETS PLEDGED AS GUARANTEE FOR COMMITMENTS

At year-end, a bank of the Foundation had provided two rental letters of guarantee of CHF 70,000 (47,285 euros) and CHF 20,000 (13,450 euros) 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 of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying 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 14 to 26, for the year ended December 31, 2009. In accordance with Swiss GAAP RPC 21, the content of the performance report presented on pages 4 to 13 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 December 31, 2009 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.

Audit.Tax.Consulting.Corporate Finance.
Member of Deloitte Touche Tohmatsu

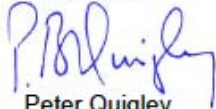
Report on other legal requirements

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

Geneva, May 11, 2010

Designed and artworked by BRIEF, Paris

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Drugs for Neglected Diseases *initiative*

Best science
for the most neglected

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