

05.

FINANCIAL & PERFORMANCE REPORT



Significant progress towards providing safe, affordable, and effective new treatments, with a fourth new treatment available in 2010.

Performance report

SUMMARY

In 2010, DNDi completed its seventh year of activities to develop and deliver new treatments to patients suffering from the most neglected diseases, with a fourth new treatment available: a combination of sodium stibogluconate and paromomycin (SSG&PM).

Since 2003, EUR 93.7 million has been spent (EUR 24.9 million in 2010 compared to EUR 21.1 million in 2009) to build a strong and robust portfolio. Among other projects and activities, 2010 was marked by the following:

- The **fourth new treatment** developed by DNDi, SSG&PM, a short-course combination treatment against visceral leishmaniasis (VL) was launched. SSG&PM showed a similar safety and efficacy profile to that of the standard SSG monotherapy and provides shorter treatment duration (17 days *versus* 30 days for SSG alone) in addition to lower cost. The WHO Expert Committee on the Control of Leishmaniasis recommended SSG&PM as first-line treatment for VL in East Africa. At the close of 2010, Sudan recommended SSG&PM as first-line treatment for VL;
- ASAQ, the first new treatment against malaria developed by DNDi in partnership with sanofi-aventis, which was launched in March 2007, is now **registered and available in 30 African countries in addition to India with more than 80 million treatments courses distributed** by December 2010;
- On 14 December 2010, along with two other Product Development Partnerships (PDPs), DNDi was granted the status of 'other **International Organization**' by the Swiss Government with effect as of 1 January 2011. This provided important recognition of DNDi's goals of developing and implementing effective, low-cost, and innovative drugs to fight neglected diseases.

In 2010, DNDi reached EUR 24.9 million in expenditure, an increase of 18% from 2009, continuing the growth pattern of previous years (+20% in 2009).

In 2010, contributions from donors and other revenue brought the level of income to EUR 24.9 million, leaving a small excess of income over expenditure of EUR 0.5 million, mainly due to net exchange rate gains related to the high volatility of currencies in 2010. This excess is due to the re-evaluation of DNDi's short-term cash position in USD and GBP as per 31 December 2010.

The operating surplus in 2010 amounted to EUR 55,757, consisting of royalties received from one of DNDi's main partners (see explanation in note 6) sanofi-aventis for EUR 54,071, the use of which is restricted, alongside an unrestricted operating surplus of EUR 1,686.

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/PC 21, which is applicable to charitable and social not-for-profit organizations.**
- **The report provides financial information and some efficiency indicators regarding DNDi's activities in 2010, 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.**

Therefore the *Restricted Operating Fund* created in 2009 and dedicated to projects and activities related to the use of anti-malarial treatments, totalled EUR 205,155 at the close of the year.

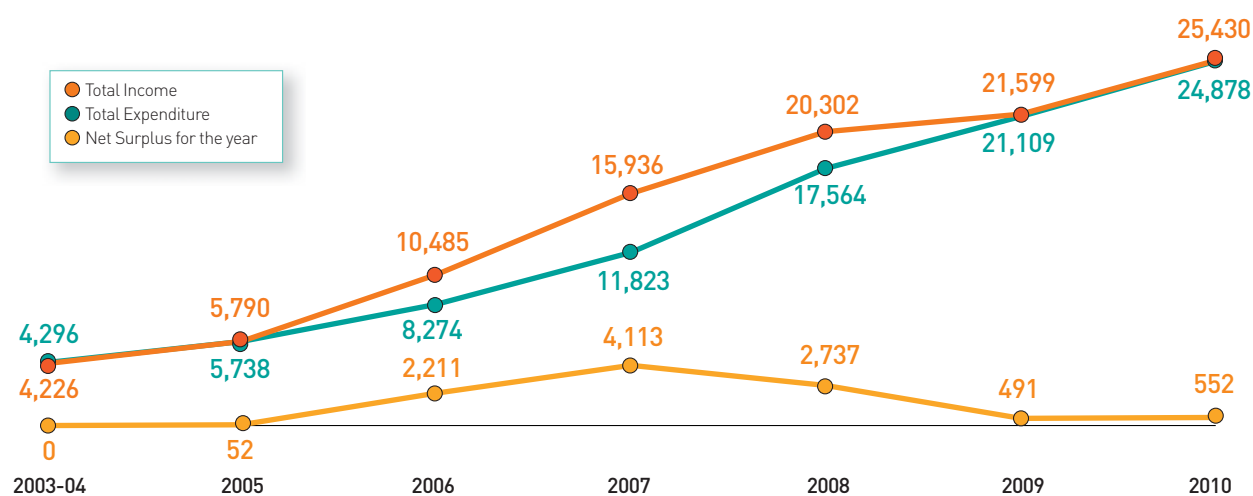
DNDi's reserve of unrestricted funds reached EUR 10 million in 2010 compared to EUR 9.5 million by end of 2009. This reserve is crucial for DNDi and represents four months of activities.

DNDi's work was led by a team of talented staff throughout the world. This team remained relatively stable, increasing from 69 full time equivalents (FTEs) in 2009 to 74 FTEs in 2010. Among them, 46% are working in DNDi Regional Offices and its Affiliate, in Nairobi, Rio de Janeiro, New Delhi, Penang, Kinshasa, Tokyo, and New York, respectively. This demonstrates the increasingly international rooting of DNDi, and continues a trend that was 43% in 2009, up from 25% in 2004. Additionally, over 80 partners and sub-contractors enabled DNDi to carry out its mandate in 2010 (+12% as compared to 2009).

The Finance, Human Resources, and Administration Department was composed of eight staff members in 2010 (six staff members in 2009): a Director, Financial Controller, Senior Accountant, Finance Assistant, Finance Officer, HR & Administration Manager, Travel Assistant, and Receptionist. In 2010, a Receptionist and a Finance Assistant joined to help the Senior Accountant manage the increased workload, raising the total of FTEs from 5.2 to 6.9. They are supported in the Regional Offices by six additional staff members (four of whom have been with DNDi since 2008), who maintain vital links with local authorities and partners. .../

STATEMENT OF ACTIVITIES 2004-2010 (SUMMARY)

(Euro '000s)	2010	2009	2008	2007	2006	2005	2003-4
INCOME							
Public Institutional Funding	11,890	11,768	9,895	9,563	4,902	377	1
Private Resources	13,044	9,499	10,175	6,290	5,398	5,364	4,225
Total Income	24,934	21,267	20,071	15,852	10,300	5,741	4,226
EXPENDITURE							
Research & Development	19,810	16,394	13,649	8,577	5,855	3,687	2,292
Strengthening Capacities	1,414	1,322	1,111	974	558	448	157
Advocacy	941	1,194	864	658	650	537	492
Fundraising	1,175	890	694	363	250	213	81
General & Administration	1,538	1,309	1,247	1,251	961	853	1,274
Total Expenditure	24,878	21,109	17,564	11,823	8,274	5,738	4,296
Operating Surplus	56	159	2,506	4,029	2,026	3	-70
Other Income (net)	496	332	231	83	185	49	70
Net Surplus for the year	552	491	2,737	4,113	2,211	52	0



... The Department is in charge of accounting, budget, internal control, cash management, human resources, administration, logistics, and IT services for the entire organization. DNDi's auditors, Deloitte SA, conducted the 2010 financial audit in accordance with Swiss Auditing Standards.

As of December 2010, 21 R&D projects and several exploratory activities were being managed with a restructured team: five Heads of Programme, six Project Managers, six Project Coordinators, and two Senior Advisors. This team is supported by the R&D Coordination Team.

RESEARCH & DEVELOPMENT EXPENDITURE

In 2010, DNDi continued to strengthen a large R&D portfolio for kinetoplastid diseases (leishmaniasis, human African trypanosomiasis, and Chagas disease) with ten clinical and post-registration projects, five pre-clinical projects and three lead optimization projects underway, in addition to discovery activities.

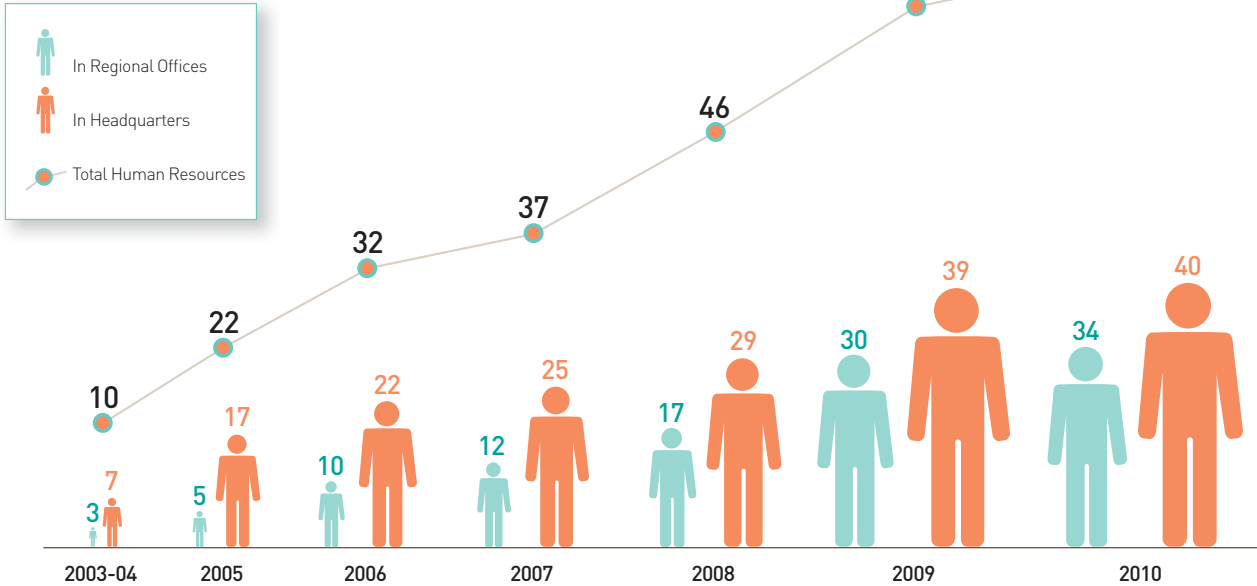
The growth of DNDi's R&D department continues with EUR 19.8 million in 2010, an increase of 21% compared to 20% in 2009.

R&D COORDINATION & SUPERVISION

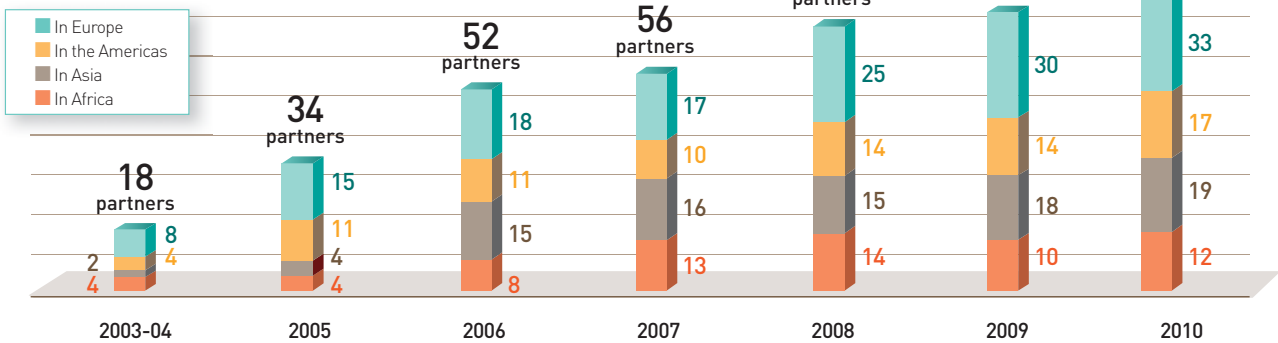
R&D coordination & supervision expenditure remained stable with a slight increase of 4% in 2010: EUR 1.69 million compared to EUR 1.63 million in 2009.

The R&D Coordination Team, driven by the Research & Development Director, his assistant, and one Clinical Development Director, has been reinforced with a new Discovery & Pre-clinical Director. The Business Development Director, as part of the R&D Coordination Team, recruited a Legal Officer in January

HUMAN RESOURCES EVOLUTION 2004-2010



R&D PARTNERS & SUB-CONTRACTORS PER CONTINENT



2010 in order to increase internal capacity for contractual and complex negotiations issues.

This growth accounts for the EUR 0.1 million increase in R&D Coordination costs. However, expenses related to coordination (office of the R&D Director, Medical Director & Pre-clinical Director) and IP, and regulatory research decreased mainly because fewer consultants supported these activities in 2010 compared to 2009.

The R&D Coordination Team also undertook specific work on intellectual property and regulatory issues. DNDi launched a report on regulatory issues during the first quarter of 2010 in collaboration with the Georges Institute.

The team under R&D coordination and supervision in December 2010 consisted of 9 staff members (7.8 FTEs, plus 1 FTE) including 1.5 staff members in Tokyo, Japan.

LARGE USE OF ASAQ IN AFRICA & POSITIONING OF ASMQ ON THREE CONTINENTS

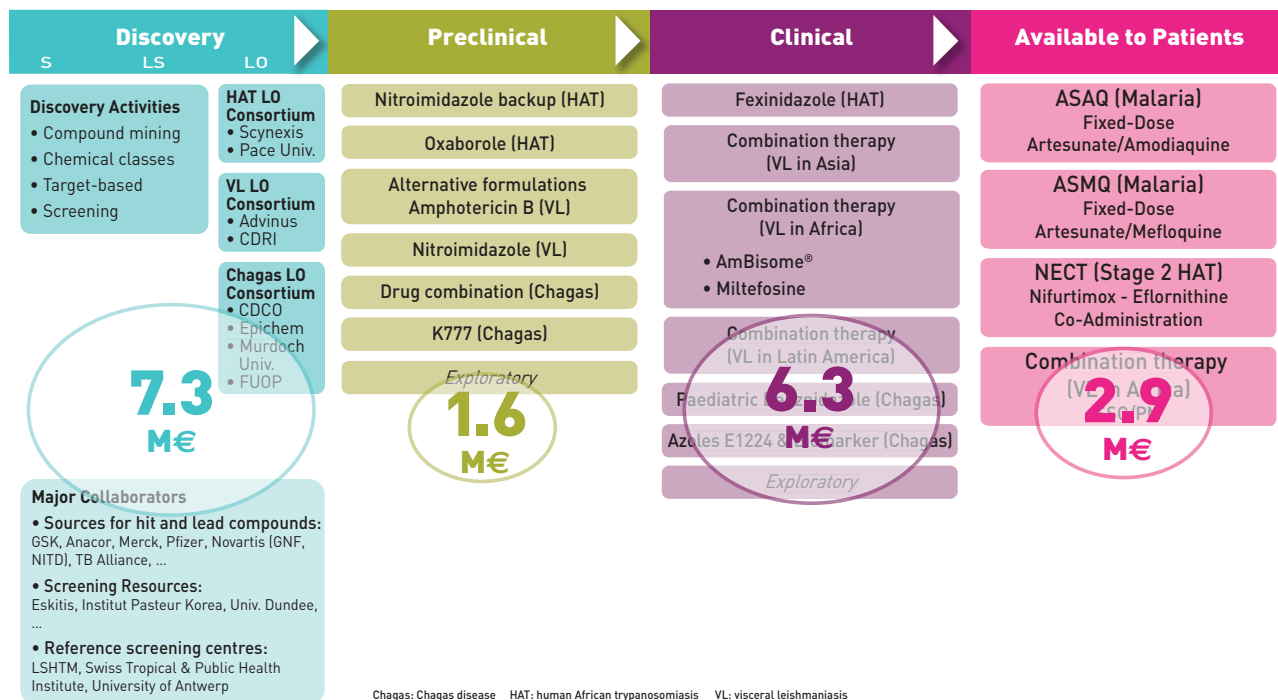
ASAQ, the fixed-dose combination of artesunate and amodiaquine, was the first drug to be made available by DNDi through an innovative partnership with sanofi-aventis in 2007. The main activities regarding ASAQ in 2010 were as follows:

- With the support of Epicentre, the analysis of the Phase IV efficacy & tolerability study (1,350 patients) in Liberia (EUR 0.35 million in 2010) was completed;
- MMV, sanofi-aventis, and DNDi collaborated in Ivory Coast to implement a pharmaco-vigilance study. DNDi provided financial support to the study's monitoring activities (EUR 0.08 million);
- DNDi, in collaboration with Komfo Anokye Teaching Hospital, Kumasi (KATH), assessed the distribution of .../

BREAKDOWN BY DEVELOPMENT STAGE

The total R&D expenditure increased by 21%, which is superior to the increase for the other DNDi activities (strengthening capacity, advocacy, and general management +7.5%). The greatest expenditure (40%) is in discovery projects, mainly because the lead optimization activities (80% of the discovery investment) continued to work on 4 series (1 for VL, 2 for HAT, and 1 for Chagas). Two new projects entered pre-clinical activity in 2010: Oxaborole for HAT and Nitroimidazole for VL. These 2 new projects account for the 28% increase from 2009 to 2010. The increase of expenditure dedicated to clinical development doubled between 2009 and 2010 (+EUR 3.2 M) as DNDi invested in a Phase I clinical trial for the Fexinidazole project (EUR 2.150 M in 2010 compared to EUR 0.550 M in 2009) and that VL combination projects increased by EUR 1M because of the launch of 2 new projects (Bangladesh and Latin America). The investment (16% of R&D) for availability to patients remains stable: despite the combination therapy (VL in Africa, SSG&PM) entering in this phase, the malaria project expenditure decreased.

BREAKDOWN PER STAGE (PORTFOLIO 2010)



... malaria treatments in 1,500 outlets in Ghana (EUR 0.18 million) as part of the *Baseline Outlet Survey for the Affordable Medicines Facility* (Global Fund);

- OTECI actively supported DNDi's selection of its second industrial partner for the production of ASAQ in Africa (EUR 0.09 million). With the support of AEDES and Bertin Pharma, technology will be transferred to Zenufa in Tanzania as of 2011.

Expenditure for ASAQ decreased from EUR 0.9 million (in 2009) to EUR 0.7 million (in 2010).

DNDi's 2010 investment in **ASMQ**, a fixed-dose combination of artesunate and mefloquine, was aimed at ensuring that this treatment progressively be made available over three continents. In 2010 the Brazilian Ministry of Health ordered 150,000 treatments from Farmanguinhos and Bolivia committed to implement ASMQ. The main activities regarding ASMQ in 2010 were:

- Cipla in India manufactured the registration batches according to those produced by Farmanguinhos in Brazil, thus suc-

cessfully concluding this South-South **technology transfer** facilitated by DNDi (EUR 0.200 million);

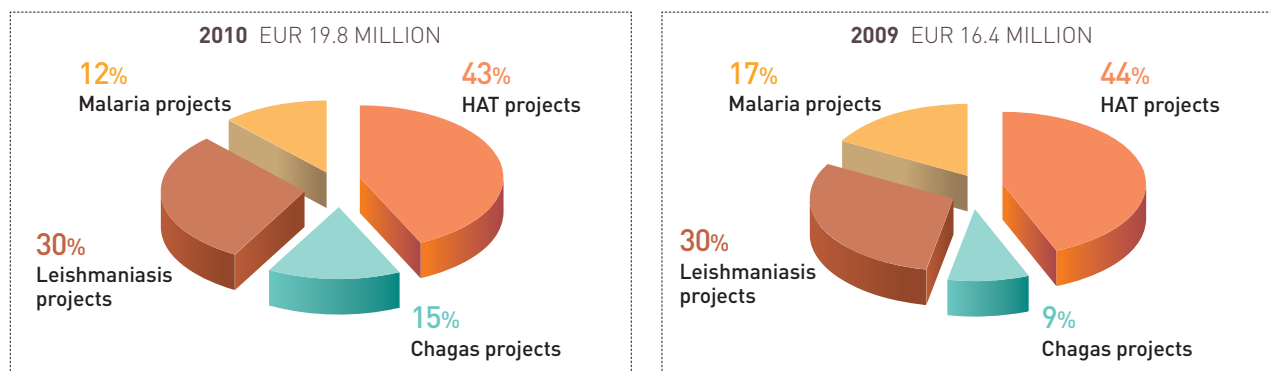
- A dossier was submitted to **WHO for ASMQ prequalification**. The DNDi Malaria team supported the filing of the registration dossier by Cipla for ASMQ in South East Asia (EUR 0.375 million);
- Active support was provided for a series of clinical studies on ASMQ in Cambodia, Myanmar, and India and regional expert meetings were held in Myanmar, Malaysia, Cambodia, and Kenya (EUR 0.4 million). DNDi prepared a **multi-centric study** to assess the efficacy, safety, and population pharmacokinetics (PK) of ASMQ in children in Burkina Faso, Kenya, and Tanzania (EUR 0.575 million). The clinical study started in Burkina Faso in 2010 with 26 children enrolled by the end of March 2011.

Approximately EUR 1.5 million was invested in ASMQ in 2010, equivalent to the 2009 investment.

BREAKDOWN BY DISEASE

The percentage breakdown of R&D expenditure by disease highlights the major efforts exerted for the Chagas portfolio in 2010, resulting in an increase of 195% compared to 2009 (242% compared to 2008). Indeed, the finalization of the registration dossier for Paediatric Benznidazole (+EUR 200 K) and the preparation of the clinical trial sites in Bolivia for Azole E1224 Project (+EUR 300 K) demonstrate this increase. Clinical trials for VL combinations in Bangladesh started in early 2010 and the 7 clinical sites operational in Africa for VL increased the expenditure for VL clinical projects by 32% (+EUR 600 K). In addition, a new pre-clinical project, Nitrimidazole for VL (+EUR 400 K), explains the increase of VL diseases in 2010 (Total + EUR 1,000 K). The HAT clinical programme increased by EUR 1,100 K, mainly because of the Fexinidazole Project entering in a clinical Phase I package (+EUR 1,300 K) with decrease of NECT field study I of EUR 200 K. Regarding pre-clinical HAT program, the Oxaborole Project entering in a full pre clinical package in 2010 increased by 215% (+EUR 500 K). The proportion of malaria projects in terms of the total expenditure is decreasing (-EUR 200 K).

R&D EXPENDITURE BY DISEASE



HUMAN AFRICAN TRYPANOSOMIASIS (HAT): NECT IMPLEMENTATION AND DEVELOPMENT OF NEW CHEMICAL ENTITIES TO SUPPORT THE ELIMINATION STRATEGY

HAT expenditure increased in 2010 (EUR 7.7 million) as compared to 2009 (EUR 6.5 million) mainly because of the Fexinidazole Project (EUR from 1.3 million in 2009 to 2.6 million in 2010) entering Phase I.

The main activities regarding the development of new treatments for HAT in 2010 were:

- **NECT**, a simplified co-administration of Eflornithine and Nifurtimox for stage 2 HAT patients, was included on the WHO Essential Medicines List in 2009. Since then, DNDi, the national programme against human African trypanosomiasis (PNLTHA) of the Democratic Republic of the Congo, and the Swiss Tropical and Public Health Institute (Swiss TPH) have implemented the NECT Field study to document its safety and effectiveness in field conditions as well as the feasibility of its implementation. The NECT Field study recruited 630 patients including 100 children and 47 pregnant or lactating women. Patient follow-up will continue in 2011 (EUR 0.5 million in 2010 compared to EUR 0.7 million in 2009). By end of December 2010, **10 countries, which cover approximately 97% of all HAT estimated cases, had ordered NECT kits from WHO to use as first-line treatment.**
- **The promising oral drug candidate for HAT, fexinidazole,**

moved from pre-clinical to Phase I in 2009. Since then, some 100 volunteers have been included in a Phase I study conducted by SGS (France) and Chemistry, Manufacturing, and Control (CMC) work with sanofi-aventis was undertaken (EUR 2.1 million) while pre-clinical work was finalized (expenditure of EUR 0.5 million in 2010 compared to EUR 0.7 million in 2009). Thus, total expenditure for the Fexinidazole Project reached EUR 2.6 million in 2010. Following review by WHO, the eligibility of fexinidazole for an evaluation through article 58 of the European regulatory agency (EMA) has been confirmed. In 2010, DNDi and sanofi-aventis (see in-kind contribution table) applied for joint EMA article 58 and US Food Drug and Administration Office (FDA) scientific advice on the clinical development plan. In 2011, DNDi will complete the Phase I programme before starting the pivotal Phase II-III study.

- **Oxaborole** (SCYX-7158 compound) is the first pre-clinical candidate developed through DNDi's lead optimization program. In 2010, pre-clinical safety studies for oxaborole (oral candidate) have been carried out in collaboration with SCYNEXIS (USA) and Advinus (India), and thus increasing pre-clinical expenditure for the project from EUR 0.4 million in 2009 to EUR 0.9 million in 2010. **All safety studies indicate so far that oxaborole should enter Phase I clinical studies in 2011.**
- **The Lead Optimization Consortium** (partnership with SCYNEXIS and Pace University, USA) for HAT continued working in 2010 on two promising series. Expenditures reached .../

... EUR 3.3 million, the same as in 2009 and 2008. The consortium aims to identify and optimize back-up compounds in order to replace fexinidazole or oxaborole in a timely manner should they fail to progress successfully in clinical phases.

LEISHMANIASIS: DEVELOPMENT AND USE OF VL COMBINATIONS WHILE ADVANCING NOVEL THERAPIES ALONG THE R&D CHAIN

The expenditures for leishmaniasis projects increased by EUR 0.6 million in 2010 and reached EUR 4.7 million compared to EUR 4.1 million in 2009. Major efforts have been devoted to clinical trials to test **combinations of existing treatments**.

- In **Africa**, DNDi and the Leishmaniasis East African Platform (LEAP) completed a multi-centre, multi-country (Kenya, Ethiopia, Sudan, and Uganda) clinical trial with patient follow-up ending in February 2010; clinical study reports and two publications have been produced (EUR 0.150 million). This study involved over 1,100 VL patients and showed that the short-course combination of SSG&PM (17 days) had a similar safety and efficacy profile as the standard SSG monotherapy treatment (30 days).
- DNDi and LEAP conducted two clinical trials in 2010: AmBisome® and miltefosine to develop a second shorter combination. Through this work, approximately 1,000 patients in 2010 were treated both within and outside the trials. The costs for these activities in 2010 totalled EUR 1.8 million against EUR 0.5 million in 2009.
- In **India**, DNDi and Sitaram, Kala-Azar Medical Research Center, and GVK completed a Phase III clinical trial assessing three combinations of drugs registered in India, (AmBisome®, miltefosine, and paromomycin). The results presented at the ICMR/DNDi meeting in New Delhi in March 2010 and published in *The Lancet* in 2010, indicated that all three shorter duration combination therapies were highly efficacious and caused fewer adverse reactions than the standard Amphotericin B treatment. Expenditure for this study was EUR 0.7 million in 2009, and EUR 0.2 million in 2010 (632 patients enrolled).
- A Phase III trial testing the same combination treatments started in 2010 in **Bangladesh** in order to facilitate their registration. As of March 2011, 60 patients have been recruited in partnership with Shaheed Surawhady Medical College Hospital and the International Centre for Diarrhoeal Disease Research, Bangladesh. (EUR 0.450 million)
- A VL combination study started in **Brazil** in 2010 with Centro de Pesquisa René Rachou and Fiocruz. The Brazilian Ministry of Health sponsored (see in-kind contribution table) DNDi for its support in evaluating the safety and efficacy of the currently recommended treatments for VL in Brazil as well as the combination of AmBisome® + Glucantime (EUR 0.1 million). The first patients for the study were recruited in February 2011.
- The **VL Lead Optimization Consortium**, Advinus and Central Drug Research Institute (CDRI), Lucknow, India, worked in 2010 on the oxaborole and nitroimidazoles series and pro-

duced a number of highly potent compounds. Pharmacokinetics and safety studies were underway to validate a pre-clinical candidate from these promising series. The expenditure remains stable at EUR 1.1 million in 2009 and EUR 1.2 million in 2010.

- In 2010, DNDi conducted **pre-clinical** studies with the **nitroimidazoles series** accessed through collaboration with the TB Alliance. As of September 2010, a promising compound demonstrated significant efficacy in acute (mouse) and chronic (hamster) animal models (EUR 0.4 million).
- In 2010, DNDi invested EUR 0.1 million to explore potential treatment options for **cutaneous leishmaniasis** (CL) projects.

CHAGAS DISEASE: PREPARING PAEDIATRIC BENZNIDAZOLE FOR AVAILABILITY TO PATIENTS AND NEW CHEMICAL ENTITIES AT DISCOVERY AND CLINICAL PHASE

Expenditure for **Chagas disease projects** reached EUR 2.4 million in 2010 against EUR 1.4 million in 2009. This increase highlights DNDi's efforts to mobilize R&D to develop a new treatment for Chagas by 2014.

- DNDi and LAFEPE (Brazil) are developing a paediatric formulation of benznidazole for children with Chagas disease. In 2010, the bio batches were manufactured and underwent the required stability testing. In March 2011, the regulatory dossier was submitted to the regulatory agency ANVISA (Agência Nacional de Vigilância Sanitária). The **paediatric benznidazole formulation** should be available in 2011. 2010 expenditure of EUR 0.45 million was double that of 2009.
- Following the signature in 2009 of a license agreement with the Japanese pharmaceutical company Eisai Inc. DNDi developed the clinical development plans for **E-1224, a prodrug of ravuconazole** in 2010. In partnership with CRESIB (Spain), DNDi conducted the preliminary activities at the site level to start a Phase II proof-of-concept clinical trial in adult patients with chronic indeterminate Chagas disease in Cochabamba, Bolivia. The 2010 expenditure reached EUR 0.5 million.
- The **Chagas Lead Optimization Consortium** includes institutions in Australia (CDCO/Monash and Murdoch Universities, Epicchem Ltd) with the support of Universidade Federal de Ouro Preto (Brazil) and Institut Pasteur Korea. In 2010, DNDi assessed seven classes of compounds in hit-to-lead studies. One of these series was selected and is currently in lead optimization. The 2010 expenses reached EUR 1.45 million, compared to EUR 0.8 million in 2009.

DISCOVERY STAGE: ACCESS TO QUALITY LIBRARIES

The expenditure for early discovery increased by EUR 0.2 million in 2010 (EUR 1.5 million in 2010 against EUR 1.3 million in 2009). Since end of 2009, the **high-throughput screening** (HTS) capacity for all diseases with Eskitis (for HAT) and Institut Pasteur Korea (for VL and Chagas) has enabled DNDi to fully implement its discovery strategy.

- DNDi gained access to **chemical diversity** through key agreements and partnerships with pharmaceutical companies (Merck, Pfizer, Genzyme). The cost of the screening of these new libraries was EUR 0.6 million.
- The partnership with the Drug Discovery Unit (DDU) at the **University of Dundee** provides DNDi a broader access to early-stage discovery and state-of-the-art technology in order to discover new lead compounds against *Leishmania* spp. This accounted for expenditure of EUR 0.45 million in 2010.
- In addition, DNDi continued to work in 2010 with reference screening partners including Swiss TPH, Antwerp University. The costs related to partners, screening centres in 2010 totalled EUR 0.35 million against EUR 0.6 million in 2009.

EXPLORATORY WORK: PREPARING FOR EXTENSION OF THE PORTFOLIO

Exploratory expenditure in 2010 totalled EUR 0.2 million. Half of this budget was dedicated to assess patient needs and R&D opportunities for helminth-related diseases and half to assess patient needs and R&D opportunities for paediatric HIV (see page 53 below).

STRENGTHENING CAPACITIES EXPENDITURE

Strengthening capacity expenditure increased to EUR 1.4 million in 2010 compared to EUR 1.3 million in 2009. This includes:

Chagas Clinical Trial Platform (since 2009)

The first general meeting of the Chagas Clinical Trial Platform took place in Buenos Aires (Argentina, 22-24 March 2010) with the attendance of key stakeholders, Chagas control programme members, international organizations, and

manufacturers. The objectives were to revise the Chagas disease Target Product Profile (TPP), present the Chagas disease strategy, provide an update on clinical studies and projects, and offer a Good Clinical Practices (GCP) training course. The total reached EUR 0.1 million.

HAT Platform (since 2007)

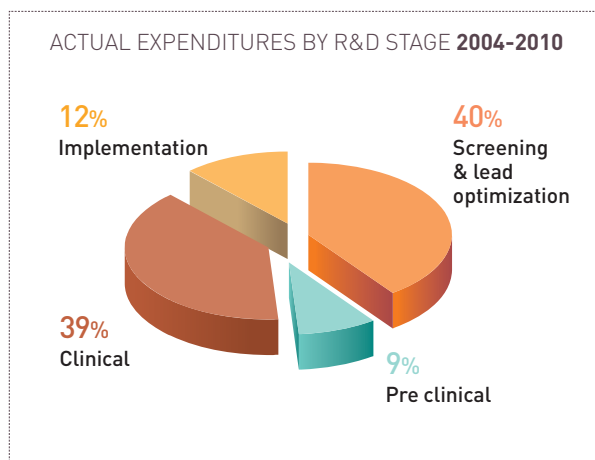
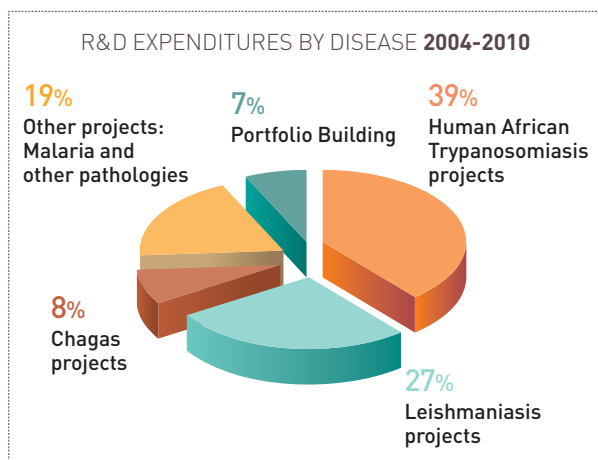
The annual scientific meeting of the HAT Platform was organized in October 2010 in Nairobi in collaboration with EANETT (Eastern African Network on Trypanosomiasis) and was attended by more than 75 participants, including leaders from the National Control Programmes of the most endemic countries. Updates were given on epidemiological data of the first semester of 2010 and researchers presented the latest findings.

The HAT Platform creates synergy with regional partners to strengthen the overall national capacities in clinical research. The main challenges for the HAT Platform are to overcome the difficulties of the remote settings, improve access to the sites, reinforce infrastructures, and address staff limitations in order to conduct the research-related activities. The 2010 total reached EUR 0.2 million.

LEAP Platform (since 2003)

The Leishmaniasis East Africa Platform (LEAP) is a regional clinical research network collaborating to study new treatments for African patients suffering from visceral leishmaniasis (VL). It incorporates over 20 institutional members from four countries across the spectrum of clinical research and disease control organizations. In 2010, LEAP conducted two bi-annual meetings in Uganda and Sudan. LEAP continued to update the national treatment policies. The recommendation of SSG&PM by the Sudanese MoH followed one of these meetings. LEAP continued to coordinate clinical trials and .../

R&D CUMULATED COST BREAKDOWN, 2004-2010, 70.3 MILLION EURO, INCLUDING R&D COORDINATION (75% OF TOTAL EXPENDITURE)



... studies and conducted several trainings for site personnel, health workers, and laboratory staff. In September 2010, an additional LEAP trial site was inaugurated in Doka (the site was equipped in 2010) in the State of Gedaref. Expenditure totalled EUR 0.2 million.

CL Platform (since end of 2009)

A CL platform was built in partnership with LSHTM and with the support of the European Union-Framework Programme 7 (EU FP7) in order to strengthen clinical research for CL vaccines. The consortium will prepare clinical study facilities and enhance sites through GCP training and infrastructure building. Expenditure totalled EUR 0.1 million.

Regional Support Offices

Networking in disease endemic countries (e.g. national control programmes, Founding Partners, other existing networks) as well as management/support of local/regional activities were carried out through DNDi regional offices based in Nairobi, Rio de Janeiro, Penang, and New Delhi. Total expenditure was EUR 0.7 million in 2010 against EUR 0.6 million in 2009.

COMMUNICATION & ADVOCACY EXPENDITURE

Communication and Advocacy expenditures decreased by 21% in 2010 (EUR 0.94 million) compared to (EUR 1.19 million) in 2009.

This decrease is explained by the investment in an important campaign in 2009, the Chagas Campaign, which did not continue in 2010.

DNDi advocacy efforts were mainly focused on the organization of a major event in December 2010: the **Third DNDi Partners' Meeting** in collaboration with the Indian Council for Medical Research (ICMR) in New Delhi. DNDi brought together more than 150 Indian and international health researchers, policy makers, and experts from 22 countries, to stimulate greater regional research partnerships to fight the most neglected diseases. These leading experts used this opportunity to examine ongoing DNDi projects in drug research and development, access, and capacity strengthening.

During this meeting, two projects were highlighted as **DNDi's successes of the year 2010**: a combination therapy for visceral leishmaniasis – a new hope for patients suffering from this disease – and the partnership with Institut Pasteur Korea, which was deemed the year's most innovative and important breakthrough to boost innovation for neglected tropical diseases.

The DNDi Communication and Advocacy team also worked to: raise awareness of the lack of tools to treat neglected patients; facilitate meetings at regional and national levels; produce educational material (newsletters, video, and websites); publish the results of clinical studies in peer-reviewed medical journals; and participate in international congresses such as ASTMH 2010 in Atlanta (USA). During the latter, DNDi organized a joint symposium with Central Drug Research Institute (CDRI) on visceral leishmaniasis in the Indian Continent and in East Africa,

and a satellite symposium on 'Challenges and Successes of the FACT Project for Malaria'. DNDi also participated in the XIIth International Congress of Parasitology (ICOPA) in Australia, at which the movie *1\$ for 1 Life* was presented.

The Communication and Advocacy team in December 2010 was composed of 5 staff members (4 FTEs, plus 0.5 FTE since 2009) with the support of temporary staff and consultants at headquarters and in North America and Latin America.

FUNDRAISING & GENERAL MANAGEMENT EXPENDITURE

Fundraising expenditure increased by 32% in 2010 (EUR 1.18 million in 2010 and EUR 0.99 million in 2009).

This increase is a consequence of the reinforcement of the Fundraising team with consultants in various countries to support the achievement of DNDi's 2010 fundraising objectives to address the balance of funds in 2010, and beyond; to renew existing commitments from current government donors; to secure additional multi-year contracts with new governments; to secure new grants from major private foundations; to develop private fundraising strategies in high-income countries; to explore public and private targets in other countries; and to advocate for new funding mechanisms.

Fundraising expenses represent the costs to raise funds: personnel, travel, and document production. The Fundraising team was composed in 2010 of 6 staff members (4.5 FTEs), compared to 4 FTEs in 2009, and had the support of 2 staff members at DNDi North America, dedicated to fundraising in North America, as well as additional consultants.

General Management & Administration total expenditure increased by 18% (EUR 1.54 million in 2010 compared to EUR 1.31 million in 2009).

The increase was due to the reinforcement of the administrative and financial team with two new staff members; the growing costs of IT support to the organization and the support of a consultant to help DNDi develop a new business plan for the period 2011-2018, including the potential extension of DNDi scope of diseases.

General Management and Administration expenses represented the costs of managing the organization: expenses incurred by the Board of Directors, the Executive Director, and the Financial and Administration Department. In 2010, with the addition of a new Finance Officer, the team was composed of 10 staff members (9 FTEs) as compared with 8 staff members (7 FTEs) in 2009.

PREPARING THE FUTURE

DNDi's **business plan**, developed in 2003 and updated in 2007, for the 2004-2014 period serves as a framework and guide for DNDi activities. In 2010, DNDi launched a process to think beyond 2014 and to **update** its business plan for the period **2011-2018**. This was an opportunity for DNDi to review its objectives and reforecast expenditure. DNDi's Board of Directors is scheduled to approve the updated business plan in June 2011.

Having confirmed the strengths, potential, and key assets of its **business model**, DNDi was able to identify the essential building blocks for a more dynamic approach to its disease portfolio, including the development of mini-portfolios (carefully selected projects, limited in number, for specific disease areas) to address well-defined unmet needs for other poverty-related diseases. In-depth needs assessments were conducted by expert working groups, which led DNDi to decide upon an **expansion of its scope of diseases**, guided by the same vision and mission laid forth in its original business plan. While remaining fully committed to neglected diseases such as sleeping sickness, leishmaniasis, and Chagas disease, DNDi's Board of Directors decided in December 2010 to take on specific projects for two new disease areas: **paediatric HIV** and specific **helminth** infections.

Paediatric HIV: Over 85 % of the 2.5 million children infected with HIV (as of 2009) are not treated. DNDi aims at developing a mini-portfolio in 2011 to offer a better combination treatment for this population under the age of 3.

Helminths: Millions of people suffer from filaria diseases (onchocerciasis, lymphatic filariasis, and loiasis). DNDi aims to develop a mini-portfolio to provide one new treatment for lymphatic filariasis in *Loa loa* co-endemic areas.

Until the approval of the updated business plan 2011-2018, the current 2004-2014 business plan, which foresees the delivery of six to eight new treatments by 2014 at an estimated EUR 230 million, is the benchmark against which the seven years (2004 - 2010) of DNDi's accomplishments are to be measured. By 2010, DNDi delivered four new treatments at a cumulative cost of EUR 94 million and commitments from donors for EUR 153 million.

This comparison and the forecast's review of the three years to come (2011 - 2013) shows that DNDi is well on its way to succeed in delivering at least six new treatments for neglected diseases and creating a healthy portfolio of projects by 2014 for the target current business plan estimation of EUR 230 million.

**Cumulative Breakdown DNDi 2004 - 2010
(in million Euro) and social mission ratio**

R&D	70.3	[75%]	[80% in 2010]
Strengthening Capacities	6.0	[6%]	[6% in 2010]
Advocacy	5.3	[6%]	[4% in 2010]
Fundraising	3.7	[4%]	[5% in 2010]
General Management	8.4	[9%]	[6% in 2010]
Total	93.7	[100%]	

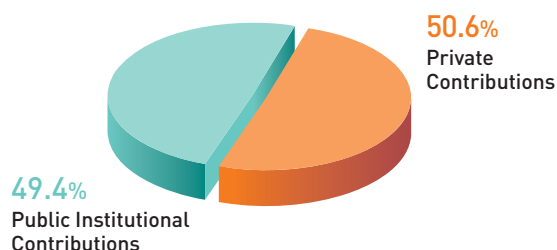
The cumulative breakdown illustrates that the vast majority of funds are devoted to R&D (75%), with a secondary programmatic focus on strengthening capacities (6%) and advocacy (6%). This focus shows a clear emphasis on the social mission with 87% of the funds allocated to this area. From a disease perspective, 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.

DIVERSIFICATION OF PUBLIC AND PRIVATE DONORS

To develop its activities and achieve its objectives, DNDi seeks diverse funding including grants, in-kind contributions, and cash donations from governments, public institutions, foundations, NGOs, companies, individuals, and other mechanisms. After more than seven years of operations, DNDi has secured diversified funding which includes a mix of public and private donors for project, portfolio, and initiative funding. DNDi aims to obtain half of its funding from public sources. By the end of 2010, DNDi achieved an overall balance of public and private funding, with total public institutional contributions of EUR 75,839,603 (49.5% of total commitment received by end of 2010).

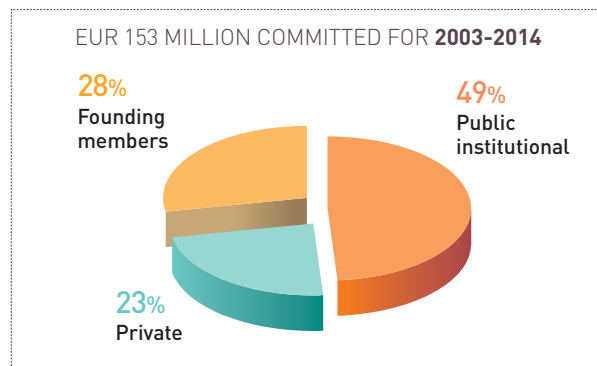
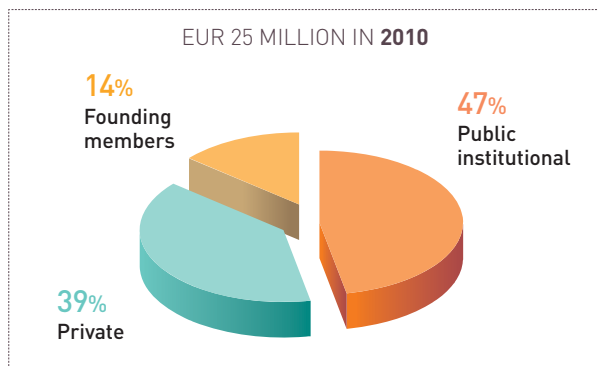
Despite the ripple effects of the on-going economic crisis, DNDi was able to generate enough income to cover its total expenses. This achievement is the result of sound financial management, ongoing multi-year grants, renewed and increased commitments of past and current donors, as well as new partnerships with key institutions. .../

AS OF JANUARY 2011, EUR 153 MILLION HAS BEEN COMMITTED TO DNDi TO FUND ITS ACTIVITIES FROM 2003-2014



Médecins Sans Frontières	28.1%
Bill & Melinda Gates Foundation	20.1%
The Various private donors	2.4%
Private Contributions	50.6%
UK (DFID)	20.6%
The Netherlands (DGIS)	11.1%
Spain (AECID)	6.5%
France (MAEE and AFD)	6.0%
Switzerland (SDC and Republic and Canton of Geneva)	2.8%
European Union: FP5, FP6, FP7, EDCTP	0.8%
Various Gov: Germany, Tuscany, USA	1.6%
Public Institutional Contributions	49.4%

PUBLIC INSTITUTIONAL VERSUS PRIVATE AND FOUNDING MEMBER FUNDING IN 2010 COMPARED TO TOTAL COMMITTED BETWEEN 2003 AND 2014



... In 2010, DNDi received contributions from the American, British, Dutch, and French governments, EU FP7, Médecins Sans Frontières, and The Bill & Melinda Gates Foundation. Demonstrating their confidence in DNDi's objectives and achievements, the Spanish government (EUR 2.5 million), the Republic and Canton of Geneva, Switzerland (CHF 0.6 million), and the Medicor Foundation (USD 0.4 million) renewed their commitments in 2010, while the UK government (GBP 1.4 million) increased its support to DNDi. Two governments decided in 2010 to support the development of new treatments for neglected tropical diseases by partnering with DNDi: the Dutch (EUR 14 million – 2011 to 2014) and Swiss governments (CHF 4 million – 2010 to 2012). DNDi also received a donation from ICMR, India. As of 2010, EDCTP and the Global Fund AMFm worked with DNDi on some specific malaria activities. Four private foundations decided to support DNDi for the first time in 2010, thereby further diversifying DNDi's donor portfolio.

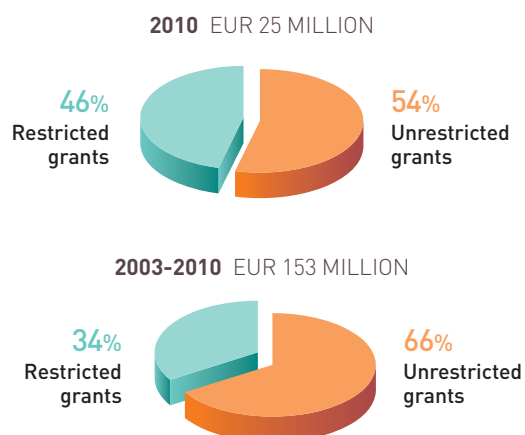
At the end of 2010, a total of EUR 24,880,077 (plus EUR 54,071 of royalties – see financial section) had been raised compared to EUR 21,116,173 in 2009 (an increase of 18%). The cumulative funding mix of EUR 153 million was 34% restricted funds (36% by the end of 2009) and 66% unrestricted funds (64% by the end of 2009).

Significant and multi-year commitments will be critical to the success of DNDi in the coming years. These include: unrestricted and multi-year initiative funding from Médecins Sans Frontières of EUR 42.6 million (2003-2014), the UK Department for International Development of GBP 24.5 million (2006-2013), the Swiss Agency for Development and Cooperation of CHF 4 million, and the portfolio funding from the Dutch government (14 million EUR – 2011 to 2014).

In-kind donations grew from EUR 1.1 million in 2009 to EUR 2.3 million in 2010, showing the increasing involvement of both public and private partners. Nearly 80% of all in-kind contributions to DNDi in 2010 can be attributed to six main sources: Epichem Pty Ltd (Australia), Eisai (Japan), sanofi-aventis (France), Monash University (Australia), CNPq - Uni-

versidade de Brasilia (Brazil), and Insitut Pasteur Korea. As of March 2011, a total of EUR 153 million was committed to DNDi, which has enabled all of its activities to be funded since 2003. However, DNDi still needs a total of EUR 77 million by 2014 to achieve its business plan objectives. Thanks to all its donors DNDi has delivered four new treatments for the most neglected patients and built a robust pipeline of innovative drug candidates, while strengthening the capacity of endemic countries in their fight against neglected diseases.

EVOLUTION OF RESTRICTED VERSUS UNRESTRICTED GRANTS BETWEEN 2003 AND 2010



DNDi WOULD LIKE TO THANK THE FOLLOWING DONORS FOR SUPPORTING ITS ACTIVITIES SINCE JULY 2003:

PUBLIC INSTITUTIONAL DONORS:

- Department for International Development (DFID) / United Kingdom
- Dutch Ministry of Foreign Affairs (DGIS) / The Netherlands
- European Union – Framework Programmes 5, 6, and 7
- European and Developing Countries Clinical Trials Partnerships (EDCTP) with co-funding from Member States / International
- French Development Agency (AFD) / France
- The Global Fund to Fight AIDS, Tuberculosis and Malaria (AMFm) / International
- German International Cooperation (GIZ) on behalf of the Government of the Federal Republic of Germany / Germany
- Ministry of Foreign and European Affairs (MAEE) / France
- National Institutes of Health (NIH), National Institute of Allergy and Infectious Diseases (NIAID) / USA
- Region of Tuscany / Italy
- Republic and Canton of Geneva / Switzerland
- Spanish Agency of International Cooperation for Development (AECID) / Spain
- Swiss Agency for Development and Cooperation (SDC) / Switzerland

PRIVATE DONORS:

- The Bill & Melinda Gates Foundation / USA
- Médecins Sans Frontières (Doctors without Borders) / International
- Medicor Foundation / Liechtenstein
- The Peter and Carmen Lucia Buck Foundation / USA
- Fondation André & Cyprien / Switzerland
- Fondation ARPE / Switzerland
- Fondation de bienfaisance de la banque Pictet / Switzerland
- Fondation Pro Victimis / Switzerland
- Starr International Foundation / Switzerland
- UBS Optimus Foundation / Switzerland
- Leopold Bachmann Foundation / Switzerland
- The Sasakawa Peace Foundation / Japan
- Guy's, King's and St Thomas, Giving Week / UK
- Other private foundations who would like to remain anonymous
- Numerous individual donors

Financial statements

BALANCE SHEET

at December 31, 2010

Assets <i>(expressed in EUR)</i>	Notes	2010	2009
CURRENT ASSETS			
Cash and cash equivalents			
Cash and banks at headquarters		3,985,617	13,609,027
Cash and banks at RSOs and affiliate		285,943	159,774
Time deposits		12,815,450	0
Total cash and cash equivalents		17,087,010	13,768,801
Stocks of drugs	3	81,041	35,000
Current accounts and receivables			
Advances to officers and liaison offices		47,700	44,103
Advances to partners related to projects		330,715	658,542
Receivables from public institutional donors		2,899,330	1,653,715
Receivables from founders		6,745	6,745
Other receivables		14,430	15,490
Prepaid expenses		119,064	120,756
Total current accounts and receivables		3,417,984	2,499,351
Total current assets		20,586,035	16,303,152
NON-CURRENT ASSETS			
Tangible fixed assets, net	4	86,051	153,166
Bank guarantee deposits		28,938	23,888
Total non-current assets		114,989	177,054
TOTAL		20,701,024	16,480,206
Liabilities & Capital <i>(expressed in EUR)</i>			
CURRENT LIABILITIES			
Payables to partners related to projects		589,209	263,390
Other payables and accrued expenses		2,882,574	1,237,251
Deferred income		6,791,274	5,112,172
Provisions	5	248,614	229,750
Total current liabilities		10,511,671	6,842,563
CAPITAL OF THE ORGANISATION			
Paid-in capital		32,510	32,510
Restricted operating funds	6	205,155	151,084
Internally generated unrestricted funds		9,951,688	9,454,049
Total capital of the organisation		10,189,353	9,637,643
TOTAL		20,701,024	16,480,206

STATEMENT OF OPERATIONS

for the year ended December 31, 2010 (with 2009 comparative figures)

(expressed in EUR)	Notes	2010	2009
INCOME			
Govern. & public int. organiz. unrestricted		7,769,967	7,517,316
Govern. & public int. organiz. restricted		4,119,969	4,250,944
Total public institutional funding		11,889,936	11,768,260
Private foundations, corporations, and individuals, unrestricted		36,689	196,233
Private foundations, corporations, and individuals, restricted		9,322,111	5,659,380
Royalties on drug sales	6	54,071	151,084
Total private resources		9,412,871	6,006,697
Resources from founders			
Médecins Sans Frontières, unrestricted		3,165,075	3,392,300
Médecins Sans Frontières, restricted		465,000	100,000
Indian Council for Medical Research, unrestricted		1,266	
Total resources from Founders		3,631,341	3,492,300
Total income	7	24,934,148	21,267,257
SOCIAL MISSION EXPENDITURE			
Research & development expenditure			
	8		
Research & development coordination and supervision		1,687,659	1,629,330
Human African trypanosomiasis projects		7,308,575	5,998,437
Leishmaniasis projects		4,678,495	4,066,409
Chagas disease projects		2,356,588	1,396,556
Other projects		2,217,335	2,448,972
Portfolio building		1,561,311	854,121
Total research & development expenditure		19,809,963	16,393,825
Strengthening capacities	9	1,414,184	1,322,228
Advocacy expenses	10	941,318	1,193,540
Total social mission expenditure		22,165,465	18,909,593
NON-SOCIAL MISSION EXPENDITURE			
Fundraising	10	1,174,883	890,154
General and administration	10	1,538,043	1,308,822
Total non-social mission expenditure		2,712,926	2,198,976
Total expenditure		24,878,391	21,108,569
Operating surplus		55,757	158,688
OTHER INCOME (EXPENSES)			
Financial income, net		30,453	58,909
Exchange gain (loss), net		381,468	203,751
Other income		84,033	69,215
Total other income, net		495,954	331,875
Net surplus for the year prior to allocations		551,711	490,563
Allocation to restricted operating funds	6	(54,071)	(151,084)
Allocation to internally gener. unrestricted funds		(497,640)	(339,479)
Net surplus for the year after allocations		-	-

FUNDS FLOW STATEMENT

for the year ended December 31, 2010 (with 2009 comparative figures)

<i>(expressed in EUR)</i>	2010	2009
FUNDS FLOW FROM OPERATIONS		
Net surplus for the year, unrestricted	497,640	339,479
Net surplus for the year, restricted	54,071	151,084
Depreciation of fixed assets	88,815	79,977
Increase (decrease) in provisions	18,863	(53,354)
(Increase) decrease in stocks	(46,041)	(35,000)
(Increase) decrease in advances	324,231	(169,525)
(Increase) decrease in receivables from donors	(1,245,615)	(572,305)
(Increase) decrease in Founders and other receivables	1,059	116,916
(Increase) decrease in prepaid expenses	1,693	(31,231)
Increase (decrease) in payables to partners related to projects	325,819	185,502
Increase (decrease) in other payables and accrued expenses	1,645,323	(769,211)
Increase (decrease) in deferred income	1,679,102	143,480
Funds flow from operations	3,344,960	(614,188)
FUNDS FLOW FROM INVESTING ACTIVITIES		
(Increase) decrease of investments in tangible fixed assets	(21,700)	(82,489)
(Increase) decrease in bank guarantee deposits	(5,050)	2,287
Funds flow from investing activities	(26,750)	(80,202)
FUNDS FLOW FROM FINANCING ACTIVITIES		
Cash increase (decrease)	3,318,210	(694,390)
Cash and cash equivalents - beginning of year	13,768,800	14,463,190
Cash and cash equivalents - end of year	17,087,010	13,768,800

STATEMENT OF CHANGES IN CAPITAL

<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	-	551,711	(551,711)	-
Restricted operating funds	151,084	-	54,071	205,155
Internally generated unrestricted funds	9,454,049	-	497,640	9,951,689
Capital of the organisation	9,637,643	551,711	-	10,189,354

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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 17 July 2003. DNDi is managed by a Board, an Executive Director, and six senior managers.

With its headquarters 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 and communal taxes 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 Affiliates

DNDi has seven Regional Support Offices and Affiliates to help identify patients, needs, support heads of disease programmes, identify and support regional partners, and undertake regional advocacy work for DNDi. The RSOs, together with regional networks, ensure the participation of disease-endemic countries notably in clinical and post-clinical activities 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 2010, 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 in the process of being registered as a branch. Additionally DNDi has one Project Support Office in the Democratic Republic of Congo. RSO accounting is fully incorporated into DNDi accounts.

In June 2009, the Board of Directors approved the creation of a Regional Support Office in Japan, under the form of a 'specified non-profit organization', 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.

DNDi Japan 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 Japan accounts as of 2010 is Deloitte Touche Tohmatsu LLC, Tokyo, Japan.

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

DNDi Japan's 2010 financial position as of 31 December 2010 is the following:

- Total liabilities and net assets: JPY 2,801,553;
- Total revenue: JPY 6,036,900 which represents a grant from DNDi to DNDi Japan;
- Of this grant, JPY 2,506,168 is deferred to 2011 and JPY 150,000 was considered as net assets and carried forward for 2011.

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 conferring 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 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 2010 financial position as of 31 December 2010 is the following:

- Total liabilities and net assets: USD 106,760;
- Total revenue and other support: USD 580,750, of which a total grant from DNDi to DNDi NA, amounting to USD 524,407 and contributions (unrestricted) from twenty individuals and one private foundation (restricted) ranging from USD 25 to 25,000 for a total of USD 56,250;
- Total expenses: USD 601,560, and an excess of the expenses over revenue (change of net assets) of USD 20,810.

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 was 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 entity is not an 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 12.

b) Basis of preparation

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

c) Social mission expenditure

Social mission expenditures represent expenses incurred 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 specified otherwise.

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:

	2010	2009
USD	0.7496	0.6943
CHF	0.8006	0.6725
GBP	1.1597	1.1184
100 CDF	0.0801	0.0740
100 INR	1.6733	1.4862
100 KES	0.9287	0.9213
100 JPY	0.9210	0.7525
100 BRL	45.0999	39.8454

f) Income

Restricted public and private institutional donations based on annual or multiyear 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, the R&D Director, the Discovery Director, and/or the Medical Director for important and complex agreements and contracts exceeding 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 the 15th of 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 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) Expenditure 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 deposits

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 recognized on the balance sheet when the organization 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 organization

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 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.
- They must be recognizable as a visible contribution to DNDi's projects and activities, benefit DNDi, and be in line with DNDi's mission and objectives.
- A Partner's voluntary involvement in joint projects and activities, in particular if the Partner does not aim to achieve DNDi's project objectives, is not considered a gift-in-kind.
- For goods or services paid at prices below market prices, the difference between real payment and current market price is not considered a 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 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. DRUG INVENTORY

During the fourth quarter of 2010, DNDi purchased a total of 8,750 vials of SSG of an estimated value of EUR 51,000 from IDA Foundation, a Dutch not-for-profit drug seller, to be used in planned pharmaco-vigilance programmes for SSG, plus paromomycin combinations and patients, treatments at six clinical trial sites, mainly hospitals, in four countries: Ethiopia, Kenya, Sudan, and Uganda. In addition, stocks of AmBisome®, miltefosine, paromomycin, and glutamine, of an estimated value of EUR 30,041, were available at the clinical trial sites in Ethiopia, Kenya, Sudan, Uganda, as well as at a clinical trial site in Bangladesh. These stocks are stored at the clinical trial sites in the different countries.

4. TANGIBLE FIXED ASSETS, net

<i>(expressed in EUR)</i>	Computer Equipment	Office fittings & Installations	Office Equipment	Total
Net carrying amounts 1.1.2009	29,357	56,130	65,169	150,656
Gross values of cost				
Beginning of the period 1.1.2009	169,300	115,905	106,050	391,225
Additions	40,698	10,580	31,211	82,489
Disposals	-	-	-	-
End of the period 31.12.2009	209,998	126,485	137,261	473,744
Cumulated amortisation				
Beginning of the period 1.1.2009	(139,943)	(59,776)	(40,882)	(240,600)
Systematic amortisation	(35,869)	(18,548)	(25,560)	(79,977)
End of the period 31.12.2009	(175,812)	(78,324)	(66,441)	(320,577)
Net carrying amounts 31.12.2009	34,186	48,162	70,820	153,168
Net carrying amounts 1.1.2010	34,186	48,162	70,820	153,168
Gross values of cost				
Beginning of the period 1.1.2010	209,998	126,485	137,261	473,744
Additions	16,358	5,342	-	21,700
Disposals	-	-	-	-
End of the period 31.12.2010	226,356	131,827	137,261	495,444
Cumulated amortisation				
Beginning of the period 1.1.2010	(175,812)	(78,324)	(66,441)	(320,577)
Depreciation	(36,616)	(22,996)	(29,204)	(88,816)
End of the period 31.12.2010	(212,428)	(101,320)	(95,645)	(409,393)
Net carrying amounts 31.12.2010	13,928	30,507	41,616	86,051

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 1.1.2009	139,613	73,534	69,957	283,104
Creation	24,507	62,985	23,624	111,116
Utilization	(23,712)	(70,801)	(69,957)	(164,470)
Reversal	-	-	-	-
Carrying period as per 31.12.2009	140,408	65,718	23,624	229,750
Carrying period as per 1.1.2010	140,408	65,718	23,624	229,750
Creation	42,963	75,624	14,588	133,175
Utilization	(24,507)	(62,985)	(26,819)	(114,311)
Reversal	-	-	-	-
Carrying period as per 31.12.2010	158,864	78,357	11,393	248,614

6. ROYALTIES

In December 2004, DNDi signed an agreement with sanofi-aventis 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 supporting pharmacovigilance projects or activities such as the implementation of ASAQ treatment in developing countries, notably in Africa.

Hence, DNDi decided to allocate the total amount of the 3% royalties on the 2009 sales of CoArsucam® amounting to EUR 54,071 to the *Restricted operating fund*, which will be used for collaborative projects with various partners for an observational study at the district level in Africa. The total amount of this restricted fund amounted to EUR 205,155 as per 31 December 2010.

7. INCOME

a) Cumulative donations committed to DNDi and/or received by 2010 (in EUR):

DONORS		Total Commitment in currencies*	Total Commitment in EUR	As per Statement of Operations 2010 in EUR	To be used after 2010 in EUR
Médecins Sans Frontières	EUR	43,031,228	43,031,228	3,630,075	10,908,109
UK Government DFID**	GBP	25,881,529	31,507,947	6,220,601	9,942,138
Bill & Melinda Gates Foundation	USD	42,229,285	30,864,728	8,983,751	12,681,647
Dutch Government DGIS	EUR	16,975,000	16,975,000	68,000	14,000,000
Spanish Government AECID	EUR	10,000,000	10,000,000	2,500,000	0
French Government MAEE/AFD***	EUR	9,255,000	9,255,000	1,024,801	585,253
Swiss Government SDC	CHF	4,120,000	3,164,963	1,467,044	1,620,874
Medicor Foundation	EUR	1,360,245	1,360,245	305,305	0
European Union FP5-6-7, EDCTP	EUR	1,216,134	1,216,134	90,411	518,126
USA Government NIH/NIAID	USD	1,600,659	1,186,821	208,583	397,078
Republic and Canton of Geneva	CHF	1,600,000	1,111,777	149,328	320,240
German Government GTZ	EUR	1,000,000	1,000,000	0	0
UBS Optimus Foundation	CHF	1,250,000	791,045	0	0
Sandoz Family Foundation	CHF	500,000	308,700	0	0
Various private donors	EUR	247,200	247,200	71,011	4,659
Sasakawa Peace Foundation	EUR	241,336	241,336	0	0
Global Fund (AMFM)	EUR	221,961	221,961	161,168	60,793
Tuscany Region	EUR	200,000	200,000	0	0
Various other donor(s)	EUR	170,060	170,060	0	0
Starr International Foundation	USD	200,000	141,388	0	0
Anonymous donation	CHF	201,229	138,108	0	0
Leopold Bachmann Foundation	EUR	91,900	91,900	0	0
TOTAL DONATIONS (€)*			153,225,541	24,880,078	51,038,917

* Exchange rates used for Total Commitment in EUR, and As per Statement of Operations 2010, are real exchange rates following the DNDi exchange rate policy. Exchange rates used for To be used after 2010, appear in EUR at the USD/EUR, CHF/EUR, and GBP/EUR exchange rates as per 31 December 2010 (see note 2). Total Donations, therefore yield an approximate value as exchange rates will vary over time.

** The UK Government, DFID, funded DNDi with 3 grants. A first unrestricted grant of GBP 6,500,000 in 2006 for the period 2006–2008, a second unrestricted grant of GBP 18,000,000 in 2009 for the period 2009–2013 and a third restricted grant of GBP 1,381,529 in 2010 for the period 2010–2011, of which GBP 808,504 (EUR 950,634) was used in 2010 and GBP 491,496 to be used before 31 March 2011.

*** The French Government, Ministry of Foreign and European Affairs, funded DNDi with 4 grants. From the MAEE: EUR 5,955,000 in April 2007 for the period 2007–2010; from the MAEE: EUR 1,300,000 in December 2009 for the period 2009–2010; from the AFD: EUR 1,500,000 in June 2006 for the period 2006–2008, and from the AFD, EUR 500,000 in December 2009 for the period 2009–2010.

b) Funding per project (restricted and unrestricted):

	UK Government DFID ¹ (Unrestricted)	French Government MAEE & AFD ² (Restricted)	Spanish Government AECID (Unrestricted)	Dutch Government DGIS (Restricted)	United States Government NIH ³ (Restricted)	Switzerland SDC (Unrestricted)
CLINICAL & POST-CLINICAL	FACT (ASAQ & ASMQ) for Malaria	1,785,401	179,844	18,598	56,968	
	Nifurtimox + Eflornithine (NECT) for HAT	555				141,348
	Paromomycin for VL					118,071
	Combination therapy for VL (Asia, Africa, Latin America)	755,321	291,372	133,521		517,678
	Fexinidazole for HAT					
	Azole E1224 for Chagas	15,003		447,865		
	Pediatric Benznidazole for Chagas	83,974		4,814		
PRE-CLINICAL	Alternative formulation of Amphotericin B for VL				181,302	
	Oxaborole for HAT					
	Nitroimidazole for VL					
	Drug combination for Chagas & VL	6,934				
DISCOVERY	VL Consortium Lead Optimization					
	Chagas Consortium Lead Optimization	254,382	68,688	612,087		
	HAT Consortium Lead Optimization					
	Discovery Projects, (Dundee, GSK, IPK,...)	814,066	332,256	33,090		259,906
	Exploratory activities	43,947		20,146		
R&D Coordination, Supervision costs	514,064		310,442	11,032	16,231	92,481
HAT LEAP & Chagas Platforms	153,488	87,774	108,978			107,180
Other Strengthening Capacity activities	296,321	34,532	275,372			3,943
Advocacy	531,920	7,244	223,202			94,554
Fundraising	397,753		84,548		317	123,921
General Management	567,472	23,091	227,337		10,733	7,962
Restricted funds						
Year-end result						
TOTAL GRANTS ONLY	6,220,601	1,024,801	2,500,000	68,000	208,583	1,467,044

(1) DFID grants include: 1) An unrestricted grant of 5,269,967 € and 2) A restricted grant of 950,634 € for Malaria projects (Oct-Dec 2010).

(2) MAEE & AFD: MAEE grants considered in 2010 cover 2 different grants, 1) A first grant for various clinical projects for HAT and Leish (Jan-Apr 2010 - 444,013 €) and 2) A second grant for discovery projects (Jan-Dec 2010 - 400,944 €).

(3) NIH: the grant considered in 2010 is part of a multi year grant. Year 3 = January - August 2010 with a no cost extension for the period September - December 2010.

(4) B&M Gates Foundation: two grants in 2010: 1) A grant pertaining to Lead Optimization for HAT & VL pre-clinical projects covering the period January - December 2010 and 2) A grant related to Fexinidazole project for the same period.

Switzerland Republic and Canton of Geneva (Restricted)	AMM - Global Found (Restricted)	European Union EU FP7 (Restricted)	European Union EDCTP (Restricted)	Bill & Melinda Gates Foundation ⁴ (Restricted)	Médecins S. Frontières ⁵ (Restricted/ Unrestricted)	Medicor Foundation (Restricted)	Private Foundations & Other Revenue ⁶ (Restricted/ Unrestricted)	Royalties on drug sales ⁷	TOTAL
	148,360		11,545		8,974		7,645		2,217,335
142,214					205,241		10,709		500,066
					5,516		10,316		133,903
					694,391	305,305	15,950		2,713,538
				2,662,362	216				2,662,577
					4,192				467,060
					300,000		15,094		403,882
									181,302
				873,837					873,837
				397,432					397,432
					11,975				18,909
				1,179,856					1,179,856
					488,830		108		1,424,095
				3,272,096					3,272,096
				5,535	29,581		2,024		1,476,458
					135,866				199,959
				125,359	616,939		1,111		1,687,659
7,115		78,866			151,494		2,674		697,569
					106,447				716,615
					80,704		3,694		941,318
				35,683	532,661				1,174,883
	12,808			431,592	257,049				1,538,044
								54,071	54,071
							1,685		1,685
149,328	161,168	78,866	11,545	8,983,751	3,630,075	305,305	71,010	54,071	24,934,148

(5) MSF donation comprises 1 unrestricted grant for 3,165,075 € and 2 restricted grant: 1) A grant for the 'Pediatric Benznidazole' project for 300,000 € and 2) A grant related to the assessment of new diseases for 165'000 €.

(6) Private Foundations: Fondation Pro Victimis (10,316 €), Fondation Pictet (6,831 €), Arpe Foundation (7,645 €), Buck Foundation (15,094 €).

(7) Royalties from Sanofi-Aventis for 54,071 € earmarked to Monitoring study on pharmacovigilance of ASAQ (see note 6).

8. R&D PROJECT-RELATED EXPENDITURE

Recognized in	2010	2009
CLINICAL/POST-REGISTRATION PROJECTS:		
Artesunate+Amodiaquine for Malaria ¹	678,703	932,861
Artesunate+Mefloquine for Malaria ²	1,538,633	1,516,111
Nifurtimox - Eflornithine co-administration for stage 2 T.b.gambiense HAT ³	500,066	716,471
Fexinidazole for HAT ⁴	2,662,577	554,522
Combination therapy for VL in Africa ⁵		
- Paromomycin for VL	133,903	978,751
- AmBisome® for VL	257,191	472,324
- Miltefosine for VL	1,554,349	
Combination therapy for VL in Asia, Latin America ⁶	901,998	698,709
Paediatric Benznidazole for Chagas ⁷	403,882	224,279
Azole E1224 for Chagas ⁸	467,060	82,487
Total Clinical/Post-Registration Projects	9,098,362	6,176,516
PRE-CLINICAL PROJECTS:		
Fexinidazole for HAT ⁴ (Clinical phase I as of Sept. 2009)	0	725,400
Alternative formulations of Amphotericin B for VL ⁹	181,302	212,429
Drug combination for Chagas ¹⁰	18,909	140,643
Buparvaquone for VL (terminated in 2009)	0	67,111
Oxaborole for HAT ¹¹	873,837	0
Nitroimidazole for VL ¹²	397,432	0
Nitroimidazole backup for HAT	34,620	
Total Pre-clinical Projects	1,506,100	1,145,582
DISCOVERY (SELECTION & OPTIMIZATION) PROJECTS:		
Kitasato screening for Trypanosomiasis (terminated in 2009)	0	137,198
Nitroimidazoles for HAT (Pre-clinical as of 2010)	0	146,027
Screening Resources (Dundee, Eskitis, IPK) ¹³	1,139,512	641,156
Reference Screening Centers (STPH, LSHTM, Antwerp) ¹⁴	336,945	373,276
HAT Consortium Lead Optimization ¹⁵	3,272,096	3,745,776
VL Consortium Lead Optimization ¹⁶	1,179,856	1,114,998
Chagas Consortium Lead Optimization ¹⁷	1,424,095	844,411
Total Discovery Projects	7,352,504	7,002,843
OTHER EXPLORATORY ACTIVITIES TO BUILD THE PORTFOLIO:		
Other exploratory activities ¹⁸	165,338	439,554
Total Exploratory projects	165,338	439,554
PROJECT-RELATED VARIABLE EXPENDITURE		
- Coordination & Supervision ¹⁹	1,687,659	1,629,330
Total of Projects related expenditure	19,809,963	16,393,825

See notes on following page

Main R&D partners & sub-contractors:

- Sanofi-aventis, France / Institute of Research for Development (IRD), Senegal / Ellipse Pharmaceuticals, France / Médecins Sans Frontières Logistiques, France / Epicentre, France / KATH, Ghana / OTECI, France / AEDES, Belgium / Zenufa, Tanzania.
- Farmanguinhos, Brazil / University Sains Malaysia / Cipla, India / ICMR, India; National Institute of Medical Research, Tanzania; Centre Hospitalier Universitaire Vaudois (CHUV), Switzerland / Ministry of Health, Cambodia / Catalent, UK / TDR, WHO / CIPLA, India / CNRPF, Burkina Faso / KEMRI, Kenya.
- Epicentre, France / Médecins Sans Frontières (MSF) / the HAT National Control Programmes, Democratic Republic of the Congo / Swiss Tropical and Public Health Institute (STPH); HAT Platform partners (PNLTH, the Republic of Congo / TMRI Sudan / ICCT, Angola / COCTU, Uganda / PNLTHA Centrafrique / PNLTHA Chad); RCTS, France.
- Sanofi-Aventis, France / Swiss Tropical and Public Health Institute / HAT Platform partners (see point 3 above) / Aptuit, UK / Accelera, Italy / SGS, Belgium and France / Epicentre, France / Xcentipharm, France / Covance, UK.
- Kenya Medical Research Institute, Kenya / Institute of Endemic Diseases (IED) and University of Khartoum, Sudan / Addis Ababa University, Ethiopia / Gondar University, Ethiopia / University of Makerere, Uganda / Amudat Hospital, Uganda / LSHTM, UK / ASK (AMC, Slotervaart Hospital, KIT), The Netherlands / GILEAD, Ireland / IDA Foundation, The Netherlands.
- Universidade de Brasilia (UNB), Brazil / CNPQ, Brazil / GVK, India / Sitaram Kala Azar Medical center, India / RMRIMS (ICMR), India / ICDDR, Bangladesh / SHSMC, Bangladesh / SK Hospital Bangladesh.
- Pharmaceutical Laboratory of Pernambuco State (LAFEPPE), Brazil / Centro Nacional de Diagnostico e Investigacion de Endemo-epidemias (CeNDIE) / Ministry of Health, Argentina / LAT Research, Argentina / FITEC, Argentina.
- Eisai, Japan / Cardinal System, France / CRESIB, Spain / CEADES, Bolivia / CONICET, Argentina.
- Federal University of Ouro Preto, Brazil / Polytherics, UK / London School of Pharmacy, UK / LSHTM, UK / BioDelivery Sciences International (BDSI), USA.
- Federal University of Ouro Preto, Brazil.
- Scynexis, USA / Advinus Therapeutics, India / Drugabilis, France / Penn Pharma, UK.
- Global Alliance for TB, USA / Advinus Therapeutics, India.
- Eskitis Institut at Griffith University, Australia / Institut Pasteur Korea, South Korea / University of Washington, USA / STPH, Switzerland / GlaxoSmith-Kline (GSK-Tres Cantos), Spain / University of Dundee, UK.

- STPH, Switzerland / LSHTM, UK / Institute of Tropical Medicine, Antwerp, Belgium.
- SCYNEXIS Inc, USA / Pace University, USA.
- Advinus Therapeutics, India / CDRI, India / LSHTM, UK / Drugabilis, France / Anacor, USA.
- Epichem Pty Ltd, Australia / Institut Pasteur Korea, South Korea / Murdoch University, Australia / Monash University, CDCO, Australia.
- Anacor, USA / Eskitis (Griffith University), Australia / Institut Pasteur Korea, South Korea / Institut de Recherche pour le Développement (IRD), France / GlaxoSmithKline (GSK-Tres Cantos), Spain; LSHTM, UK.
- R&D Coordination & Supervision.

	2010	2009
Coordination	888,695	907,658
Scientific Advisory Commission	99,209	94,504
Business Development	377,565	253,090
Japan representation office	206,835	188,793
Research: IP & Regulatory affairs	115,355	185,285
Total	1,687,659	1,629,330

Consultants involved in R&D projects:

Amuasi John; Barros Gongalves Luciana; Bray Michael; Bruning Karin; Clarck Jeffrey; Crawley Peter; Dormeyer Mathias; Dorre Daniel; Fernandes Jaime; Ghabri Salah; Grislain Luc; Hailu Asrat; Hudson Alan; Mac Cerri; Mazue Guy; Mechali Daniel; Molyneux David; Moody Anthony; Mudawi Ahmed; Pierron Evelyne; Pinheiro Eloan; R.K. Singh; Sasella Daniela; Scherrer Bruno; Schijman Alejandro; Seltzer Jonathan; Smithuis Frank; Sosa-Estani Sergio; Taylor Bob; Thenot Jean-Paul; Tweats David; Vaillant Michel; Von Geldern Thomas; Yardley Vanessa; Zijlstra Ed; Zwang Julien.

Additional major partners involved in DND/R&D projects without financial implications:

Fiocruz, Brazil; Genzyme, USA; Hospital de Ninos Ricardo Gutierrez, Argentina; Institut René Rachou, Brazil; Institute for OneWorld Health, USA; Medical Malaria Venture MMV, Switzerland; Novartis Institute for Tropical Diseases NITD, Singapore; Pfizer, USA; University of Auckland, New Zealand; Universidade Federal do Piaui, UFP, Brazil; Universidade Federal de Tocantins, Brazil.

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)	2010	2009
Regional Support Offices: Brazil, India, Kenya, Malaysia	716,615	596,295
For VL combo, Ward Construction & Equipment in Ethiopia and in Sudan	78,654	183,389
Leishmaniasis East African Platform (LEAP)	155,355	234,824
Human African Trypanosomiasis (HAT) Platform	207,075	214,460
Chagas Platform	118,526	44,752
LeishDNAVax Consortium Agreement	99,183	26,262
Pan-Asian Natural Substances Network	38,776	22,246
TOTAL	1,414,184	1,322,228

Consultants: Vanessa Daniel-Boscoraj, Gan Eng Seong, Michel Lotrowska, Christina Zackiewicz.

HAT Platform: WHO, Ministries of Health and National Control Programmes of the major endemic countries (Angola, Democratic Republic of the Congo, Republic of Congo, Sudan, Uganda, Chad, and the Central African Republic), Swiss Tropical and Public Health Institute, Médecins Sans Frontières, DNDi.

Leishmaniasis East African Platform: University of Khartoum, Sudan; Addis Abeba University, Ethiopia; Makerere University, Uganda; Kenya Medical Research Institute; Ministries of Health of Kenya, Uganda, Ethiopia, and Sudan; London School of Hygiene and Tropical Medicine, UK; Médecins Sans Frontières; ANC-Slotervaart University, The Netherlands; i+ Solutions, The Netherlands; DNDi.

10. ADVOCACY & FUNDRAISING AND GENERAL & ADMINISTRATION EXPENSES

	ADVOCACY		FUNDRAISING		GENERAL & ADMINISTRATION	
	2010	2009	2010	2009	2010	2009
Human resources	487,445	573,056	919,307	678,534	938,799	829,420
Office charges	47,950	40,422	66,778	52,118	95,132	69,491
Travel expenses	29,072	55,230	46,559	54,307	103,848	80,011
Administration	31,820	36,727	92,905	56,778	160,719	99,606
IT & telecommunications	18,242	40,272	14,644	16,077	177,921	132,305
Communication	301,518	433,942	24,032	20,592	37,730	74,522
Depreciation	11,546	12,796	10,658	9,597	23,092	21,594
Exceptional expenses	13,725	1,095	0	2,151	802	1,873
TOTAL	941,318	1,193,540	1,174,883	890,154	1,538,043	1,308,822

Consultants: Samantha Bolton, Pernille Brodhal, Nina Holzhauser, Karly Louie, Rachel Kiddle-Monroe, Ivan Maillet, Masako Matsudaira, Thomas Saignac, Catrin Schulte Hillen, Daniel Stein, Marta Lucas Subirats, Ulrike Von Pilar, Lina Walid Abu Rous.

11. INDEMNITIES & REMUNERATIONS GIVEN TO DIRECTORS

All members of the Board are appointed on a voluntary basis. The Board members have not received any remuneration for their mandate in 2010, nor in 2009.

12. VALUATION OF IN-KIND CONTRIBUTIONS

DNDi operations are funded through financial contributions and donations. In addition to financial funding, generous partners – private companies, academic groups, and individuals – provide DNDi with goods and services at zero cost as gifts-in-kind (see note 2o, DNDi In-Kind Policy). DNDi aims at reflecting this increasing contribution in the 2010 financial statements in order to present a comprehensive picture of its activities. The in-kind contribution of DNDi's partners doubled between 2009 and 2010, from EUR 1.1 million in 2009 to EUR 2.3 million in 2010.

Gifts-in-kind in EUR evaluated for the year 2010 per category and per project:

	Staff Scientific	Staff non-Scientific	R&D Services	Office, furniture & admin.	TOTAL
FACT	21,416	14,559			35,974
NECT Field			52,800		52,800
VL-Combo	160,893		131,708		292,601
Fexinidazole	450,000		57,200		507,200
Azole E1224 for Chagas	547,602				547,602
Drug Combination for Chagas	28,196				28,196
Chagas Lead Optimization	203,239	34,642	107,926	34,642	380,448
Early Discovery	154,568		77,284		231,852
Regional Support Offices				55,985	55,985
R&D Coordination	136,291	8,789			145,079
TOTAL	1,702,204	57,989	426,917	90,627	2,277,737

Main in-kind contributors: Expert C. Brunger, Japan; Volunteers for Administrative work in Tokyo; ICMR, India; Sains University, Malaysia; Institut Pasteur Korea (IPK); sanofi-aventis, France; CNPq, Brazil; WHO, Switzerland; Gilead, Ireland; Paladin, Canada; Eisai, Japan; Expert P. Olliaro/TDR Switzerland; Epichem Pty Ltd, Australia; Monash University, Australia; European Medicine Agency, UK; GSK, France; Kyorin University, Japan; University Federal Ouro Preto, Brazil.

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 (EUR 56,042) and CHF 20,000 (EUR 16,012) in favour of a third party. Cash for an equivalent amount is pledged at the corresponding bank.

Report of the statutory auditor

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Report of the statutory auditor

To the Board of
Drugs for Neglected Diseases Initiatives (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, notes and performance report for the year ended December 31, 2010. In accordance with Swiss GAAP RPC 21, the content of the performance report 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, 2010 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.

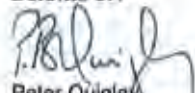
Report on other legal requirements

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.

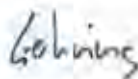
In accordance with articles 83b paragraph 3 CC and 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board.

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 9, 2011
PBO/JGE/rhe

Enclosures : Financial statements (balance sheet, statement of operations, funds flow statement, statement of changes in capital, notes and performance report)

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for the most neglected

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