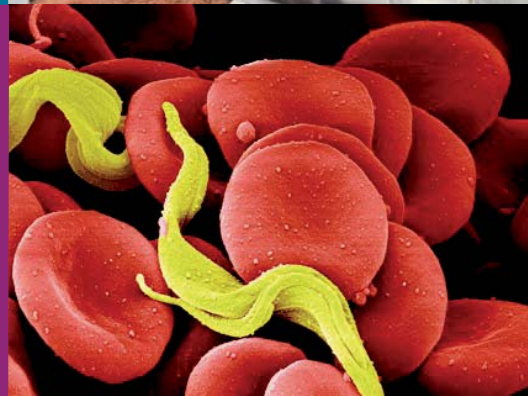


# 2007



## Financial & Performance Report

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**DNDi**

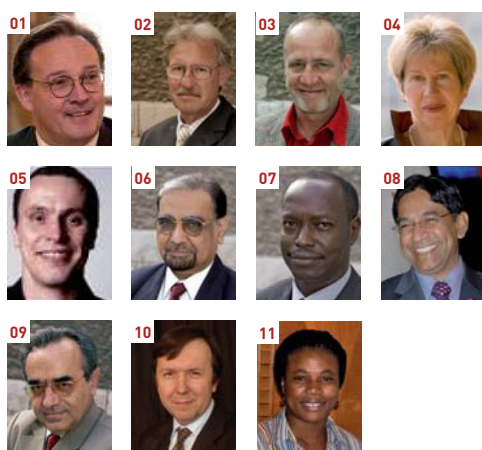
Drugs for Neglected Diseases *initiative*

# Governance

## ► THE BOARD OF DIRECTORS

The **Board of Directors** is composed of ten to thirteen members, including one patient representative. Each of the six funding members nominates one Board member. Board members serve for a term of four years.

### DNDi BOARD MEMBERS (AS OF DECEMBER 2007)

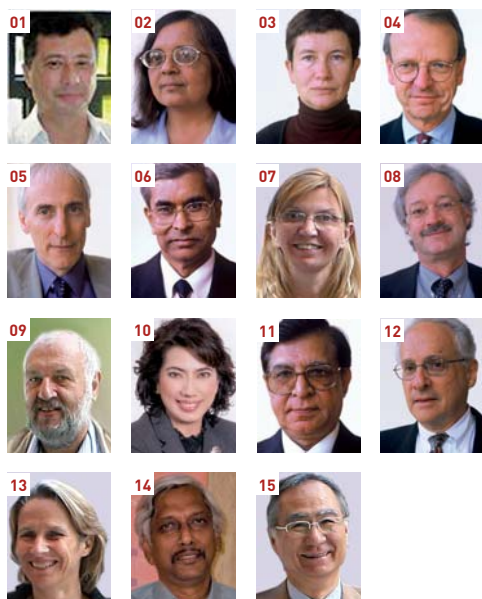


- 01 **Marcel Tanner**, Chair, Swiss Tropical Institute (STI)
- 02 **Reto Brun**, Secretary, Swiss Tropical Institute (STI)
- 03 **Bruce Mahin**, Treasurer, Médecins Sans Frontières (MSF)
- 04 **Alice Dautry**, Institut Pasteur, France
- 05 **Christophe Fournier**, Médecins Sans Frontières (MSF)
- 06 **Lalit Kant**, Indian Council of Medical Research (ICMR)
- 07 **Davy Kiprotich Koech**, Kenya Medical Research Institute (KEMRI)
- 08 **Datuk Mohd Ismail Merican**, Health Ministry of Malaysia
- 09 **Carlos Morel**, Oswaldo Cruz Foundation (FIOCRUZ), Brazil
- 10 **Robert G Ridley**, TDR (Permanent Observer of Board)
- 11 **Paulina Tindana**, Navrongo Health Research Centre, Ghana

## ► THE SCIENTIFIC ADVISORY COMMITTEE (SAC)

The **SAC** is composed of not less than five prominent scientists with expertise in various scientific disciplines relating to drug discovery & 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.

### DNDi SCIENTIFIC ADVISORY COMMITTEE MEMBERS (AS OF DECEMBER 2007)



- 01 **Julio Urbina**, Chair, Venezuelan Institute for Scientific Research (IVIC), Venezuela
- 02 **Khirana Bhatt**, University of Nairobi, Kenya
- 03 **Marleen Boelaert**, Institute of Tropical Medicine Antwerp, Belgium
- 04 **Pierre-Etienne Bost**, Institut Pasteur, France
- 05 **Alan Hutchinson Fairlamb**, University of Dundee, UK
- 06 **Chhitar Mal Gupta**, Central Drug Research Institute, India
- 07 **Maria das Graças Henriques**, Fiocruz Institute / FarManguinhos, Brazil
- 08 **Paul Herrling**, Novartis International AG, Switzerland
- 09 **Marcel Hommel**, Institut Pasteur, France
- 10 **Shadida Khairullah Nor**, Infectious Diseases Research Center, Malaysia
- 11 **Shiv Dayal Seth**, Indian Council for Medical Research (ICMR), India
- 12 **Bennett Shapiro**, formerly with Merck Sharp Dohme, USA
- 13 **Muriel Vray**, Institut Pasteur, France
- 14 **Krisantha Weerasuriya**, World Health Organization, (WHO), Geneva
- 15 **Haruki Yamada**, Kitasato Institute for Life Sciences, Japan

## ► THE EXECUTIVE TEAM

DNDi is composed of a small team of permanent core staff in Geneva and abroad with five regional support offices, two project support offices, and several associated staff and consultants worldwide. As of May 2008, there were 28 core staff members in Geneva, Paris and Rio de Janeiro equal to 27 full-time employees (FTEs).

### DNDI CORE STAFF IN GENEVA, PARIS & RIO DE JANEIRO (AS OF MAY 2008)

<b>Bernard Pécoul</b> , Executive Director	<b>Jennifer Katz</b> , Fundraising Manager
<b>Shing Chang</b> , Research & Development Director	<b>Jean-René Kiechel</b> <sup>1</sup> , Senior Project Manager, FACT project, and Expert, (based in Paris, France)
<b>Jean-François Alesandrini</b> , Fundraising & Advocacy Director	<b>Denis Martin</b> , Senior Project Manager
<b>Manica Balasegaram</b> , Clinical Project Manager (from February 2008)	<b>Céline Méot</b> , Site & Travel Secretary
<b>Gwenaëlle Carn</b> , Clinical Project Coordinator	<b>Janine Millier</b> , Accountant
<b>Eric Chatelain</b> , Senior Project Manager	<b>Béatrice Mouton</b> , Human Resources & Legal Affairs Manager
<b>Brigitte Crotty</b> , Executive & Board Assistant	<b>Jean-Pierre Paccaud</b> , Business Development Director
<b>Violaine Dällenbach</b> , Communication Officer (from May 2008)	<b>Sylvie Renaudin</b> , Research & Development Assistant (from February 2008)
<b>Ralf de Coulon</b> , Finance & Administration Director	<b>Isabella Ribeiro</b> <sup>1</sup> , Senior Project Manager, (based in Rio de Janeiro, Brazil)
<b>Robert Don</b> , Senior Project Manager	<b>Ivan Scandale</b> , Lead Optimization Coordinator (from May 2008)
<b>Sally Ellis</b> , Clinical Project Coordinator	<b>Ann-Marie Sevcsik</b> , Scientific Communications Manager
<b>Karin Génevaux</b> , Fundraising Coordinator	<b>Els Torrele</b> , Senior Project Manager
<b>Caroline Gaere</b> , Fundraising Officer for Major Donors, (from March 2008)	<b>Laurence Vielfaure</b> , Financial Controller
<b>Jean-Robert Ioset</b> , Screening Coordinator (from January 2008)	
<b>Sadia Shafaqj-Kaenzig</b> , Senior Communications & Press Officer	

1. DNDi core staff working from Rio de Janeiro and Paris

### REGIONAL SUPPORT OFFICES (AS OF MAY 2008)

10 staff members equivalent to 9 FTEs

#### Africa

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

#### Asia

**Visweswaran Navaratnam**, Head of Regional Support Office, Malaysia  
**Bhawna Sharma**, Head of Regional Support Office, India  
**Sharmila Roy**, Finance & Administration Officer, India (from April 2008)

#### South America

**Carolina Larriera**, Head of Regional Support Office, Brazil  
**Bethania Blum de Oliveira**, Project Support Officer, Brazil

#### North America

**Jana Armstrong**, DNDi North America Director, USA  
**Sarah de Tournemire**, Development & Administration Manager, USA (from April 2008)

### ASSOCIATED STAFF AND CONSULTANTS (AS OF MAY 2008)

24 staff & consultants equivalent to 12.7 FTEs

#### In Europe (6 FTEs)

**Samantha Bolton**, Media Communications Consultant, Switzerland  
**Bernadette Bourdin Trunz**, Scientific Associate, Nitroimidazole project, Switzerland  
**Mike Bray**, Preclinical Development Advisor, Fexinidazole project, Switzerland  
**Noelle Chehab**, Communications Associate, Switzerland  
**Graciela Diap**, Medical Coordinator, FACT project, Spain  
**Nicoletta Dentico**, Policy and Advocacy Advisor, Italy  
**Matthias Dormeyer**, Preclinical Development & Regulatory Advisor, Fexinidazole project, Germany  
**Marta Lucas**, Communication Associate, Switzerland  
**Ivan Maillet**, Finance & Process Officer, Switzerland (from January 2008)  
**Farrokh Modabber**, Acting Senior Project Manager, Visceral Leishmaniasis Combination project, Switzerland  
**Catherine Royce**, Clinical Development Advisor, Paromomycin project, London, UK  
**Daniela Sassela**, Clinical Development Advisor, Fexinidazole project, Italy  
**Michel Vaillant**, Biostatistician, FACT project, Luxembourg  
**Christina Zackiewicz**, Website Associate, The Netherlands

#### In Africa (4.5 FTEs)

**Moses Aloba**, Clinical Trial Coordinator, Paromomycin project, Kenya  
**Augustin Kadima Ebeja**, Regional human African trypanosomiasis Platform Coordinator, Democratic Republic of Congo (DRC)  
**John Kinuta**, Data Entry clerk, Paromomycin project, Kenya  
**Angèle Ngo-On**, Logistician, NEC project, DRC  
**Raymond Omolo**, Data Manager, Paromomycin project, Kenya

#### In Asia (0.9 FTEs)

**Fumiko Hirabayashi**, Japan Representative, Japan  
**Chris Brünger**, Drug Development Advisor, Japan

#### In South America (0.8 FTEs)

**Luciana de Barros**, Technology Transfer FACT project, Brazil  
**Maristela de Oliveira Suare**, Accountant & Administrative Assistant, Brazil

#### In North America (0.5 FTEs)

**Anne Gurnett**, Discovery Strategy Advisor, USA

# 2007, the Year of Consolidation

During its fourth year of operations, DNDi consolidated its growth, increasing its overall expenditures by 43% (44% in 2006).

## ► SUMMARY

Following its business plan, 2007 showed a continuous development of its Statement of Operations, EUR 11.8 million in 2007 as compared to EUR 8.3 million in 2006. Donors have continued to show confidence in DNDi as a product development partnership through total contributions amounting to EUR 15.9 million, as compared to EUR 10.3 million in 2006 and EUR 5.7 million in 2005. These contributions demonstrate strong support for DNDi to continue its mission.

This income growth has enabled DNDi to increase its unrestricted operating funds to secure the continuity of its activities and the long-term viability of the organisation. As of December 2007, DNDi has a total of EUR 6.4 million in net assets (EUR 2.3 million as of December 2006). Unrestricted operating funds represent 3.8 months of DNDi's 2008 revised operating budget in-line with the specific objective outlined by the Board of Directors to create net assets totalling

three months of the annual operating budget by the end of 2007.

In response to the growth of its activities, DNDi has accordingly grown its team of staff and consultants. In 2007, four scientists were hired to the R&D team, the position of Business Development was filled, and an additional staff member has reinforced the department of Fundraising, Communication & Advocacy.

The Financial and Human Resources department, which is composed of four staff members: a Finance & Administration Director, a Financial Controller, an Accountant, and a Human Resources & Legal Affairs Manager (equivalent to 3.7 FTEs), has managed the growth by improving the organization's procedures. DNDi's financials are now being managed using the enterprise resources planning software Navision™. This software enables DNDi to manage its finances in a more efficient way and to notably improve its financial reporting to its various donors.

DNDi's auditors, Deloitte SA, conducted the organization's 2007 financial audit according to Swiss auditing standards and International Standards on Auditing (ISA).



## 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 organisations.

→ The report provides financial information and some efficiency indicators regarding DNDi's activities in 2007, 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.

## ► STATEMENT OF ACTIVITIES

### STATEMENT OF OPERATIONS *for the year ended December 31, 2007 (Summary in Euros)*

	2007	2006
<b>INCOME (in Euros)</b>		
Public Institutional Funding	9,562,743	4,902,153
Private Resources	6,289,570	5,398,048
<b>Total Income</b>	<b>15,852,313</b>	<b>10,300,201</b>
<b>EXPENDITURE</b>		
Research & Development	8,577,253	5,855,204
Strengthening Capacities	974,041	557,741
Advocacy	657,580	649,292
Fundraising	363,084	249,587
General & Administration	1,251,076	961,344
<b>Total Expenditure</b>	<b>11,823,035</b>	<b>8,273,168</b>
Operating Surplus	4,029,278	2,027,033
Other income (net)	83,383	184,568
<b>Net surplus for the year</b>	<b>4,112,661</b>	<b>2,211,601</b>



**RESEARCH & DEVELOPMENT EXPENDITURE**

During 2007, DNDi continued to build a strong portfolio of screening, lead optimization, preclinical and clinical projects. As of December 2007, 18 R&D projects and several exploratory activities were being managed by five DNDi project managers with total Research and Development expenditures of EUR 8.6 million.

DNDi launched its first new treatment –**ASAQ**– in collaboration with Sanofi-aventis in March 2007. ASAQ, a fixed dose combination therapy of artesunate (AS) and amodiaquine (AQ) for the treatment of malaria in Sub-Saharan Africa is easy to use (one tablet-a-day dosing regimen for the most at-risk population, children), sold at low price in public markets -less than 1 USD for adults and less than 0.5 USD for children- and not patented. As of December 2007, ASAQ is registered in 21 countries in Africa. Approximately, EUR 1.0 million was spent in 2007, compared to EUR 0.8 million in 2006.

DNDi's second fixed-dose combination –**ASMQ**– is being developed in collaboration with Farmanguinhos, a public Brazilian pharmaceutical company. ASMQ is a fixed-dose combination of artesunate (AS) and mefloquine (MQ) for the treatment of malaria in Latin America and South East Asia. In December 2007, pharmaceutical development and registration activities were progressing well. 0.7 million was spent in 2007, compared to EUR 1.0 million in 2006.

Highlighted below are several promising projects for human African trypanosomiasis (HAT) and visceral leishmaniasis (VL). Each of these projects achieved their 2007 milestones, raising the HAT project expenditure from EUR 1.3 million in 2006 to EUR 2.9 million, and the VL project expenditure from EUR 1.4 million in 2006 to EUR 2.1 million in 2007.

Among DNDi's promising projects are two in clinical development: a **nifurtimox-eflonithine co-administration therapy** for stage 2 HAT, EUR 0.4 million were spent in 2007 as compared to EUR 0.6 million in 2006, and **paromomycin**, a treatment for VL in East Africa, EUR 1.3 million were spent in 2007 as compared to EUR 0.9 million in 2006.

Several early-stage projects were also initiated in 2007: a preclinical project for HAT, a lead optimization project for HAT, and a lead optimization project for VL.

In preclinical development, the fexinidazole project began in January 2007. **Fexinidazole**, a new molecule synthesised by Hoechst, is active against the human African trypanosomiasis parasite and has been studied for its relative efficacy and safety compared to nifurtimox. The drug candidate is anticipated to enter Phase I clinical trials in 2008. EUR 0.5 million was spent in 2007.

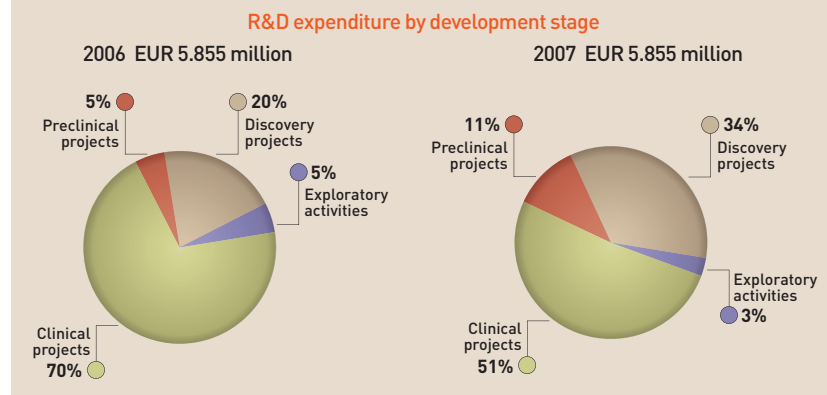
The two new **lead optimization projects** were initiated together with two sets of industrial and institutional partners: one in the USA with Scynexis Inc., in North Carolina, and Pace University, in New York, to investigate potential HAT treatments; and the other in India with Advinus Therapeutics, in Bangalore, and the Central Drug Research Institute

(CDRI), in Lucknow for compounds to treat VL. The total estimated budget of approximately EUR 22.6 million is anticipated to fully fund the program for the entire five years planned for the lead optimization phase. EUR 1.3 million has been spent in 2007.

**Consequently, R&D expenditure increased by 46% (EUR 8.6 million in 2007, as compared to EUR 5.9 million in 2006).** In December 2007, DNDi had seven projects in clinical development amounting to EUR 3.7 million; three projects in the preclinical stages, EUR 0.8 million; eight projects in the discovery stages, EUR 2.4 million; and pro-actively developed exploratory activities, EUR 0.2 million. Coordination and supervision amounted to EUR 1.3 million.

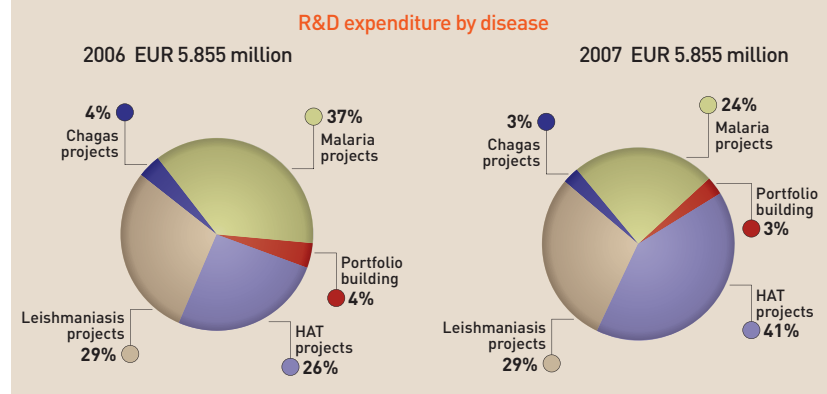
**> BREAKDOWN BY DEVELOPMENT STAGE**

The larger expenditures were in clinical development, but discovery projects represent 34% of the total R&D expenditure in 2007, as compared to 20% in 2006, due to the initiation of two lead optimization projects. Likewise, the addition of the fexinidazole project accounts for the increase in preclinical expenditures (11% in 2007, as compared to 5% in 2006).



**> BREAKDOWN OF TOTAL R&D EXPENDITURE BY DISEASE**

The breakdown of expenditure by disease highlights DNDi's investment in HAT R&D in 2007.



## STRENGTHENING CAPACITIES EXPENDITURE

Strengthening capacities expenses increased to EUR 974,041 in 2007 as compared to EUR 557,741 in 2006. These expenses comprise costs for construction and rehabilitation of clinics and hospital wards that are used for clinical trials in East Africa; training costs of partner's medical and paramedical staff to enhance their skills and knowledge; and the cost of local representatives to support DNDi's field activities.

## COMMUNICATIONS & ADVOCACY EXPENDITURE

Communications and Advocacy expenses remained stable at EUR 657,580 in 2007 as compared to EUR 649,292 in 2006. The 2007 activities focused on: raising DNDi's profile in key targeted international scientific congresses; increasing awareness of the need to research and develop drugs for those neglected diseases; and building public responsibility for and leadership in addressing the needs of these patients.

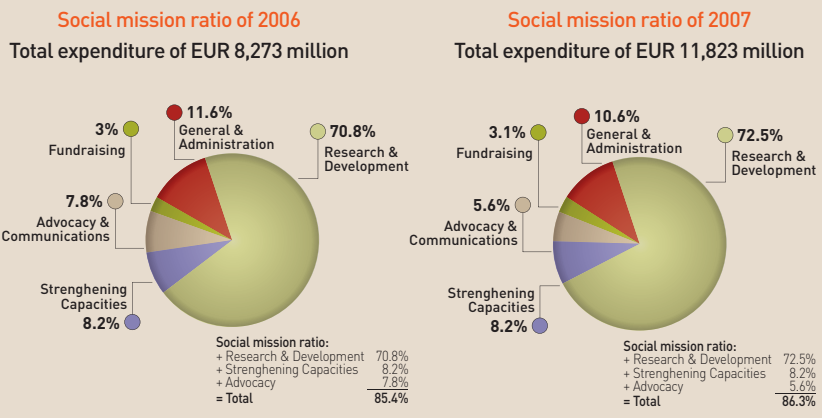
## FUNDRAISING & GENERAL MANAGEMENT EXPENDITURE

The 2007 fundraising objective was to continue securing new funds from a mixture of public and private sources to achieve a ratio of approximately 1:1 from both sources, while securing sustainable funding for the future (see below). Fundraising (EUR 363,084 in 2007 and EUR

## > SOCIAL MISSION EXPENDITURE: MORE THAN 86% FOR THE SOCIAL MISSION

Social mission expenditures comprise the operational expenses to implement the mission of DNDi as defined in its charter (Research & Development, Strengthening Capacities and Advocacy), as opposed to non-social mission expenditures represented by the supporting costs (Fundraising and General & Administration). Social mission expenditures increased by 44% from EUR 7.1 million in 2006 to EUR 10.2 million in 2007.

The social mission ratio increased to 86.3% in 2007 compared to 85.4% in 2006. Hence, Fundraising and General Management expenses, as a percentage of total expenses, decreased from 14.6% to 13.7%.



249,587 in 2006) and General Management & Administration (EUR 1,251,076 in 2007 and EUR 961,344 in 2006) expenses represent the costs to raise funds (personnel, travel and document production) and the costs to manage the organisation (expenses occurred by the Board, the Ex-

ecutive Director and the Financial & Administration Department). The increase of the latter in 2007, as compared to 2006, is due to the cost of creating a Business Development department and the recruiting of its Director.

## STATEMENT OF FINANCIAL POSITION

### CAPITAL

DNDi increased its internally generated unrestricted funds by EUR 4.1 million reaching a total of EUR 6.4 million as of 31 December 2007, enabling DNDi to have 54% of its 2007 overall expenditure covered by total capital, representing 3.8 months of 2008 activities.

### BALANCE SHEET at December 31, 2007 (summary in Euros)

ASSETS	2007	2006	LIABILITIES AND CAPITAL	2007	2006
Cash & securities	12,042,426	2,308,397	Payables & accruals	1,270,836	1,069,837
Receivables	3,579,870	1,882,388	Deferred income	7,840,730	759,110
Non-current assets	68,870	64,954	Provisions	169,995	129,849
			Total Liabilities	9,281,562	1,958,796
			Paid-in capital	32,510	32,510
			Intern. generated unrestricted funds	6,377,094	2,264,433
			Total Capital	6,409,604	2,296,943
<b>Total Assets</b>	<b>15,691,166</b>	<b>4,255,739</b>	<b>Total Liabilities and Capital</b>	<b>15,691,166</b>	<b>4,255,739</b>

**STATEMENT OF CHANGES IN CAPITAL, for the year ended December 31, 2007** *(in Euros)*

	Opening balance	Allocation	Internal fund transfers	Closing balance
Paid-in capital	32,510	-	-	32,510
Internally generated unrestricted funds	2,264,433	-	4,112,661	6,377,094
Surplus for the year	-	4,112,661	(4,112,661)	-
<b>Total Capital</b>	<b>2,296,943</b>	<b>4,112,661</b>	<b>-</b>	<b>6,409,604</b>

**CASH FLOW**

The increase in cash flow in 2007, due to the development of internally generated reserves, lead to the need to strengthen

DNDi's treasury management, UBS SA, a major Swiss bank, is providing these services as well as global banking rela-

tionships. As a consequence, financial income increased in 2007 to EUR 134,338 as compared to EUR 61,099 in 2006.

**► THE FUTURE**

In 2006, DNDi launched a process to review and update its Business Plan, with the support of Ernst & Young Business Advisory Services to reflect significant changes in the landscape of neglected disease research and incorporate new information gathered during the first years of DNDi's operations. The outcome, approved in July 2007 by the Board of Directors, constitutes a benchmark for the development of new treatments by 2014 for visceral leishmaniasis, human African trypanosomiasis, and Chagas disease. The annual budget is projected to grow from EUR 4 million in 2004 to EUR 40 million in 2014. The overall expenditure during this period is projected to be EUR 274 million, with a possible outcome of six to eight new treatments for neglected diseases and the creation of a healthy portfolio of projects throughout the development pipeline. DNDi will dedicate the majority of funding towards the development of treatments for visceral leishmaniasis (34%), human African trypanosomiasis (35%), and Chagas disease (17%).

Projects will be divided into five categories:

1. New drugs developed from novel compounds identified through screening and lead optimisation
2. New drugs from compounds with known antimicrobial/antiparasitic activities (could start at lead optimisation or pre-clinical development)
3. New indications for existing medicines in the field of the most neglected diseases (therapeutic switching)
4. Reformulations and combinations better adapted to field conditions (paedi-

atric, long-acting, new route of administration; fixed-dose combinations, co-packaging, or co-administration)

5. Existing drugs for target diseases (geographical extension of registration to additional geographic areas; completion of regulatory dossiers of existing drug candidates).

On average, the vast majority of funds will be devoted to R&D (84%), with a sec-

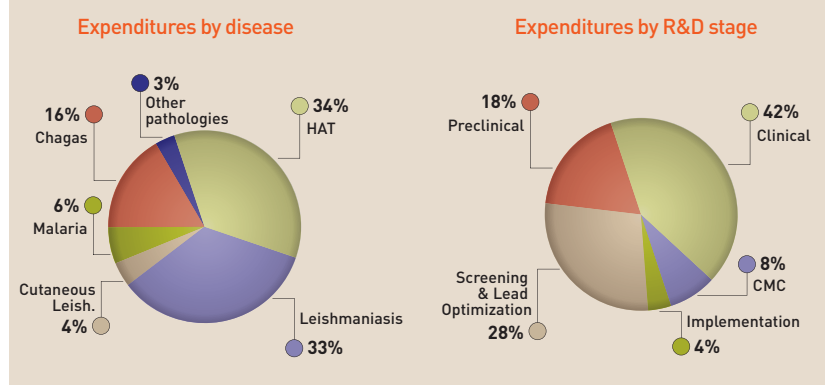
ondary programmatic focus on strengthening capacities (4%) and advocacy (3%). This focus shows a clear emphasis on the social mission with 91% of the funds allocated in this area. From a disease perspective, two thirds of overall expenses are devoted to visceral leishmaniasis and human African trypanosomiasis R&D, which shows the commitment of DNDi to these two diseases.

**FORECASTED SOCIAL MISSION BREAKDOWN DNDi 2004-2014**

*(in million Euros)*

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

**> R&D COST APPORTIONMENT, 2004 - 2014, EUR 230 MILLION (84% of total expenditure)**



## ► DIVERSIFICATION OF FUNDING

DNDi was founded in 2003 with one of its founding partners, Médecins Sans Frontières (MSF), providing EUR 5 million per year for the first five years of operation. That financial contribution of MSF, as well as its operational support over the past five years has been instrumental to give DNDi the independence and flexibility needed for the start-up of the initiative: to support the development of a robust pipeline for the target diseases; to launch its first products and to develop its fund-raising capacity. Since that time DNDi has been working to diversify its funding on several fronts to include both a mix of public and private donors and of project, portfolio and initiative funding.

Specifically, DNDi seeks diverse funding including: cash donations, in-kind contributions, grants, sponsorships, and legacies from individuals, governments, public institutions, companies, foundations, NGOs, and new alternative financial mechanisms. DNDi accepts donations of core funding to the organisation, earmarked support to a project, or a contribution to several projects pertaining to one or multiple diseases. However, to allow for the greatest flexibility in decision making needed for the R&D portfolio management strategy and to allow greatest independence in its operations, the DNDi priority is to raise unrestricted initiative funding.

### CONGRATULATIONS

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

#### Public Institutional Donors

- Canton of Geneva, Switzerland
- Department for International Development (DFID), United Kingdom
- Dutch Ministry of Foreign Affairs (DGIS)
- European Union – Framework Partnership 5 and 6
- French Development Agency (AFD)
- French Ministry of Foreign and European Affairs (MAEE)
- Region of Tuscany, Italy
- Spanish Agency for International Cooperation (AECI)
- Swiss Development and Cooperation Agency (DDC)
- United States National Institutes of Health – National Institute of Allergy and Infectious Diseases (NIAID)

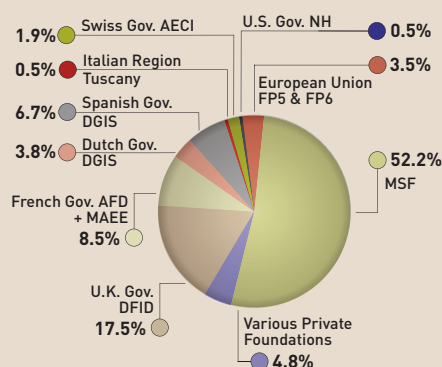
#### Private Donors

- Bill & Melinda Gates Foundation, USA
- Leopold Bachmann Foundation, Switzerland
- Médecins Sans Frontières, International
- Sasakawa Peace Foundation, Japan
- UBS Optimus Foundation, Switzerland
- Other Private Foundations and Private Individual Donors

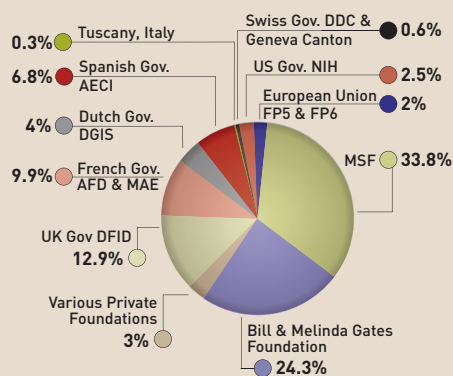
### > FROM 2003 TO THE END OF 2007, A TOTAL OF EUR 37 MILLION WAS CONTRIBUTED TO DNDi

In 2007, DNDi was pleased to welcome the French Ministry of Foreign & European Affairs, the Spanish Agency for International Cooperation and the US National Institutes of Health, National Institute of Allergy and Infectious Diseases as important new public donors. In November 2007, DNDi obtained the commitment of the Bill & Melinda Gates Foundation with the signature of a five year grant agreement for USD 25.7 million (~ EUR 18 million), with funding to begin in 2008.

From 2003 to end of 2007, a total of EUR 37 million was contributed to DNDi



As of April 2008, EUR 74 million has been committed to DNDi to fund its activities from 2003 through 2010





In cases where this is not possible, DNDi will pursue project specific or earmarked funding without requirements that may interfere with the objectives of the project. In 2007, while MSF is still the largest donor contributing 33% of the 2007 funding (50% since 2003, cumulative funding), this is a significant reduction from the 87% funding in 2005 and 49% in 2006.

As a key component of the mission of DNDi is to stimulate increased involvement and responsibility of national governments and international organisations in R&D for neglected diseases, DNDi strives to obtain half of its funding from public sources. DNDi works to achieve a balance of public and private funding, with total public institutional contributions amounting to EUR 9,562,743 (60%) as compared to EUR 6,289,570 (40%) in private grants in 2007. This increase in public funding was a result new actors entering the field of Product Development Partnerships (PDPs) and neglected diseases research with the US National Institutes of Health, Institute for Allergy and Infectious Diseases releasing a call specifically for PDPs under which DNDi was awarded a grant of USD 1.4 million. The French and Spanish governments also demonstrated their commitment to neglected diseases with awards of EUR 5.95 million over 3 years and EUR 5 million over 2 years respectively. In addition the Region of Tuscany, Italy joined this group of public donors.

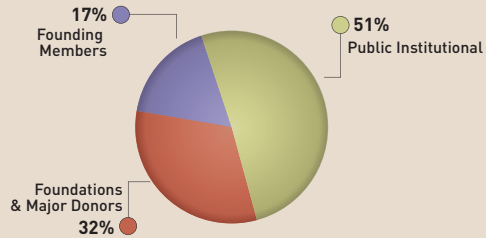
To ensure the other 50% of DNDi's funding, DNDi is actively pursuing private funding from its founding members, foundations and major donors. In November 2007, DNDi obtained the commitment of the Bill & Melinda Gates Foundation with the signature of a five year grant agreement for USD 25.7 million (around EUR 18 million), with funding to begin in 2008. In addition with the opening of an office in North America by the end of 2007, DNDi is launching a major fundraising effort following the long history of private philanthropy in North America.

Thanks to all its donors DNDi is able to deliver new treatments for the most neglected patients.

**> EVOLUTION OF PUBLIC/INSTITUTIONAL VERSUS PRIVATE AND FOUNDING MEMBERS FUNDING IN 2006 AND 2007 AS COMPARED TO FORECAST FROM DNDI BUSINESS PLAN**

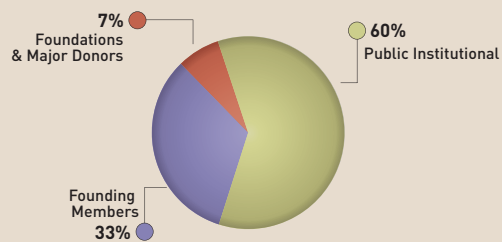
Sources of funds: Public institutional, Private and Founding Members

Total: EUR 276 million forecast from 2004 to 2014

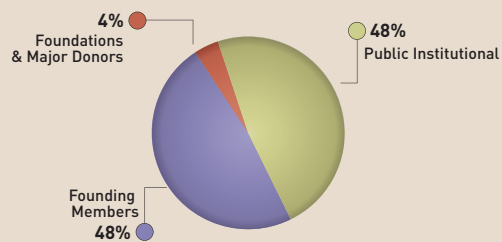


Source: DNDi Business Plan

Total : EUR 15.9 million in 2007



Total : EUR 10.3 million in 2006



# Financial Statements and Audit Report

## DRUGS FOR NEGLECTED DISEASES INITIATIVE (DNDi), Geneva

### BALANCE SHEET at December 31, 2007 *(with 2006 comparative figures)*

ASSETS <i>(expressed in EUR)</i>	Notes	2007	2006
<b>Current assets</b>			
<b>Cash and marketable securities</b>			
Cash and banks at head office		901,226	976,726
Cash and banks at subsidiaries		87,880	31,671
Time deposits		11,053,320	1,100,000
Marketable securities		0	200,000
<b>Total cash and marketable securities</b>		<b>12,042,426</b>	<b>2,308,397</b>
<b>Current accounts and receivables</b>			
Advances to officers and liaison offices		79,968	32,227
Advances to partners related to projects		524,959	623,238
Receivables from public institutional donors		2,766,989	817,433
Receivables from founders		37,887	270,750
Other receivables		54,492	51,731
Prepaid expenses		115,575	87,009
<b>Total current accounts and receivables</b>		<b>3,579,870</b>	<b>1,882,388</b>
<b>Total current assets</b>		<b>15,622,296</b>	<b>4,190,785</b>
<b>Non-current assets</b>			
Tangible fixed assets, net	3	53,379	50,259
Bank guarantee		15,491	14,695
<b>Total non-current assets</b>		<b>68,870</b>	<b>64,954</b>
<b>TOTAL</b>		<b>15,691,166</b>	<b>4,255,739</b>
<b>LIABILITIES &amp; CAPITAL <i>(expressed in EUR)</i></b>			
<b>Current liabilities</b>			
Payables to partners related to projects		251,962	339,227
Accounts payable to founders		0	1,596
Other payables and accrued expenses		1,018,873	729,014
Deferred income		7,840,731	759,110
Provisions	4	169,995	129,849
<b>Total current liabilities</b>		<b>9,281,562</b>	<b>1,958,796</b>
<b>Capital of the organisation</b>			
Paid-in capital		32,510	32,510
Internally generated unrestricted funds		6,377,094	2,264,433
<b>Total capital of the organisation</b>		<b>6,409,604</b>	<b>2,296,943</b>
<b>TOTAL</b>		<b>15,691,166</b>	<b>4,255,739</b>

# Statement of activities

## STATEMENT OF OPERATIONS for the year ended December 31, 2007 *(with 2006 comparative figures)*

<i>(expressed in EUR)</i>	<i>Notes</i>	<b>2007</b>	<b>2006</b>
<b>Income</b>			
<b>Public institutional funding</b>			
Govern. & Public int. Organis. Unrestricted		5,440,744	3,597,640
Govern. & Public int. Organis. Restricted		4,121,999	1,304,513
<b>Total public institutional funding</b>		<b>9,562,743</b>	<b>4,902,153</b>
<b>Private resources</b>			
Private foundations, corporations, and individuals, unrestricted		152,035	156,925
Private foundations, corporations, and individuals, restricted		892,735	241,123
<b>Total private resources</b>		<b>1,044,770</b>	<b>398,048</b>
<b>Resources from founders</b>			
Médecins Sans Frontières, unrestricted		5,244,800	5,000,000
Total resources from founders		5,244,800	5,000,000
<b>Total income</b>	<i>5</i>	<b>15,852,313</b>	<b>10,300,201</b>
<b>Social mission expenditure</b>			
<b>Research &amp; development expenditure</b>			
Research & development coordination and supervision	<i>6</i>	1,329,644	963,873
Human african trypanosomiasis projects		2,907,810	1,293,323
Leishmaniasis projects		2,118,230	1,416,658
Chagas disease projects		230,382	179,524
Other projects		1,744,814	1,782,759
Portofolio building		246,373	219,067
<b>Total research &amp; development expenditure</b>		<b>8,577,253</b>	<b>5,855,204</b>
Strengthening capacities	<i>7</i>	974,041	557,741
Advocacy expenses	<i>8</i>	657,580	649,292
<b>Total social mission expenditure</b>		<b>10,208,874</b>	<b>7,062,237</b>
<b>Non-social mission expenditure</b>			
Fundraising	<i>8</i>	363,084	249,587
General and administration	<i>8</i>	1,251,076	961,344
<b>Total non-social mission expenditure</b>		<b>1,614,160</b>	<b>1,210,931</b>
<b>Total expenditure</b>		<b>11,823,034</b>	<b>8,273,168</b>
Operating surplus		4,029,279	2,027,033
<b>Other income (expenses)</b>			
Financial income (expenses), net		134,338	61,099
Exchange loss, net		(72,850)	(42,455)
Other income		21,894	165,924
<b>Total other income, net</b>		<b>83,382</b>	<b>184,568</b>
Net surplus for the year prior to allocations		4,112,661	2,211,601
Allocation to internally gener. Unrestricted funds		(4,112,661)	(2,211,601)
<b>Net surplus for the year after allocations</b>		<b>-</b>	<b>-</b>

## DRUGS FOR NEGLECTED DISEASES INITIATIVE (DNDi), Geneva

### FUNDS FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007 *(with 2006 comparative figures)*

*(expressed in EUR)*

	2007	2006
<b>Funds flow from operations</b>		
Operating surplus for the year	4,112,661	2,211,601
Depreciation of fixed assets	34,768	43,778
Increase (decrease) in provisions	40,147	75,532
(Increase) decrease in advances	50,538	(460,407)
(Increase) decrease in receivables from donors	(1,949,556)	(522,376)
(Increase) decrease in founders and other receivables	230,101	(288,683)
(Increase) decrease in prepaid expenses	(28,565)	(65,417)
Increase (decrease) in payables to partners related to projects	(87,265)	(171,443)
Increase (decrease) in accounts payable to founders	(1,596)	(58,612)
Increase (decrease) in other payables and accrued expenses	289,858	131,921
Increase (decrease) in deferred income	7,081,621	683,333
<b>Funds flow from operations</b>	<b>9,772,712</b>	<b>1,579,227</b>
<b>Funds flow from investing activities</b>		
(Increase) decrease of investments in tangible fixed assets	(37,888)	(34,959)
(Increase) decrease in bank guarantee	(795)	416
<b>Funds flow from investing activities</b>	<b>(38,683)</b>	<b>(34,543)</b>
<b>Funds flow from financing activities</b>		
Cash increase	9,734,029	1,544,684
Cash and marketable securities - beginning of year	2,308,397	763,713
<b>Cash and marketable securities - end of year</b>	<b>12,042,426</b>	<b>2,308,397</b>

## DRUGS FOR NEGLECTED DISEASES INITIATIVE (DNDi), Geneva

### STATEMENT OF CHANGES IN CAPITAL, for the year ended December 31, 2007 *(expressed in Euros)*

	Opening balance	Allocation	Internal fund transfers	Closing balance
Internally generated funds				
Paid-in capital	32,510	-	-	32,510
Internally generated unrestricted funds	2,264,433	-	4,112,661	6,377,094
Surplus for the year	-	4,112,661	(4,112,661)	-
<b>Capital of the organisation</b>	<b>2,296,943</b>	<b>4,112,661</b>	<b>-</b>	<b>6,409,604</b>



## ► NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

### 1. GENERAL INFORMATION

#### a) Legal aspects

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

With its head office in Geneva, DNDi aims to:

a) stimulate and support research and development of drugs, as well as vaccines and diagnostics for neglected diseases;

b) seek equitable access and development of new drugs, to encourage the production of known effective drugs, diagnostic methods and/or vaccines for neglected diseases;

c) adapt new treatments for neglected diseases, to meet patients' needs, as well as to meet the requirements of delivery and production capacity in developing countries;

d) raise awareness of the need to research and develop drugs for neglected diseases.

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

#### b) Income tax

DNDi is exonerated from income tax from the Geneva Cantonal tax authorities for a five-year period commencing 2003 and from Swiss federal income tax for an indeterminate period.

#### c) Situation of Regional Support Offices (RSO)

DNDi has five Regional Support Offices 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. Establishment of a DNDi legal entity outside Switzerland requires the authorization of the Board of Directors.

As of December 2007, DNDi has established legal entities in Kenya and Brazil in the form of branches for its African and Latin American RSO. The establishment of a branch in India is still pending. A legal entity has been set up in the United States of America as a Delaware not-for-profit corporation without capital stock under the name DNDi North America. Its main purpose is to support DNDi's fundraising activities in North America. A legal entity has been set up in France in the form of a not-for-profit Association for administrative purposes, this legal body is not a RSO. The final DNDi RSO is in Malaysia. Additionally DNDi has two Project Support Offices in Japan, and the Democratic Republic of Congo.

RSO accounting is fully incorporated into DNDi accounts.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

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

- Balance sheet,
- Statement of operations (activity based method),
- Funds flow statement,
- Statement of changes in capital,
- Notes, and
- 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 rate of exchange. Year-end balances in other currencies are converted at the prevailing rates of exchange at the balance sheet date. Resulting exchange differences are 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:

	2007	2006
USD	0.6796	0.7587
CHF	0.6034	0.6222
GBP	1.3563	1.4914
100 CDF	0.1207	0.1493
100 INR	1.7257	1.7111
100 KES	1.0740	1.0951
100 JPY	0.6063	0.6384

#### f) Income

Public and private donations are recorded on an accrual basis. Individual and spontaneous donations are recorded on a cash basis.

#### g) Funding committed to projects

After Board approval of grants for projects, one or more contracts are drawn up and signed by the Executive Director. Thereafter, funds are allocated to the partner(s) in charge of the project. Expenditures are recorded:

- according to a financial report presenting expenditures incurred during the year on an accrual basis; or
- 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 on 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 grants for projects 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 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 one guarantee representing a deposit related to an office rental and a letter of guarantee pertaining to the new premises. DNDi will rent from February 2008. It is recoverable, subject to prevailing contract terms, upon vacating the premises.

#### **l) Provisions**

A provision is recognised on the balance sheet when the organisation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

#### **m) Capital of the organisation**

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

#### **n) Restricted and unrestricted reserves**

Restricted and unrestricted reserves represent the excess of income over expenditure since the inception of DNDi. Restricted reserves are available to DNDi for future operations and project funding costs as its evolving research and development project pipeline dictates. Unrestricted reserves will be 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 EUR 5'000 and above are taken into account. Exceptions can be made by DNDi when it serves the purpose of providing consistency and completeness of a project's accounts.

## 3. TANGIBLE FIXED ASSETS, NET

	Computer Equipment	Office fittings & Installations	Office Equipment	Total
<b>Net carrying amounts 1.1.</b>	<b>15,915</b>	<b>25,655</b>	<b>8,689</b>	<b>50,259</b>
<b>Gross values of cost</b>				
Beginning of the period 1.1	108,649	42,156	14,328	165,132
Additions	27,108	2,743	8,038	37,889
Disposals	-	-	-	-
End of the period 31.12	135,757	44,899	22,366	203,022
<b>Cumulated amortisation</b>				
Beginning of the period 1.1	(92,734)	(16,501)	(5,639)	(114,874)
Systematic amortisation	(21,438)	(8,884)	(4,446)	(34,768)
End of the period 31.12	(114,172)	(25,385)	(10,085)	(149,642)
<b>Net carrying amounts 31.12</b>	<b>21,586</b>	<b>19,513</b>	<b>12,280</b>	<b>53,379</b>

## 4. PROVISIONS

	Provision for taxes	Provision for HR expenses (holidays not taken)	Provision for running expenses (other)	Total
<b>Carrying amount as per 1.1.2006</b>	<b>54,317</b>	<b>0</b>	<b>0</b>	<b>54,317</b>
Creation	69,462	0	6,070	75,532
Utilization	0	0	0	0
Reversal	0	0	0	0
<b>Carrying period as per 31.12.2006</b>	<b>123,779</b>	<b>0</b>	<b>6,070</b>	<b>129,849</b>
<b>Carrying period as per 1.1.2007</b>	<b>123,779</b>	<b>0</b>	<b>6,070</b>	<b>129,849</b>
Creation	48,682	54,787	0	103,469
Utilization	(57,253)	0	(6,070)	(63,323)
Reversal	0	0	0	0
<b>Carrying period as per 31.12.2007</b>	<b>115,208</b>	<b>54,787</b>	<b>0</b>	<b>169,995</b>

## 5. INCOME

### a) Cumulative donations committed to DNDi and/or received by 2007 (in EUR)

		Total Commitment in currencies*	As per Statement of Operations 2007 in EUR	To be used after 2007 in currencies*
Bill & Melinda Gates Foundation (signed in 2007)	USD	25,729,285	0	25,729,285
Canton of Geneva	CHF	600,000	124,440	0
Dutch Government DGIS	EUR	2,975,000	1,300,000	1,550,000
EU FP6 HAT	EUR	340,000	113,613	226,387
French Government AFD	EUR	1,500,000	568,720	0
French Government MAEE	EUR	5,955,000	1,668,060	4,286,940
Medicor Foundation	EUR	650,000	650,000	0
Médecins Sans Frontières	EUR	25,000,000	5,244,800	5,529,846
Sandoz Family Foundation	CHF	500,000	151,775	0
Sasakawa Peace Foundation	EUR	161,650	78,818	21,200
Spanish Government AECl	EUR	5,000,000	2,500,000	2,500,000
Tuscany Region	EUR	200,000	200,000	0
UBS Optimus Foundation	CHF	540,000	163,917	0
UK Government DFID	GBP	6,500,000	2,940,744	2,000,000
USA Government NIAID	USD	1,375,633	147,166	1,159,435
Various individual donors	EUR	260	260	0
<b>TOTAL DONATIONS*</b>	<b>EUR</b>	<b>70,222,102</b>	<b>15,852,313</b>	<b>35,100,547</b>

\*"Total donations" amounts appear in Euro at the USD/EUR, CHF/EUR and GBP/EUR exchange rates as per 31.12.2007 (see note 2). They give an approximate value of "total commitment in currencies" and "total to be used after 2007 in currencies" as exchange rates vary over time.

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

	Médecins Sans Frontières (Unrestricted)*	Sandoz Family Foundation (Unrestricted)	Médecins Sans Frontières (Restricted)	Spanish Government AECl (Unrestricted)	Canton of Geneva (Unrestricted)	UK Government DFID (Unrestricted)	French Government AFD (Restricted)
R&D Coordination, Supervision costs	24,572	3,331	8,117	422,933	0	805,965	0
Paromomycin for VL	0	0	219,129	4,533	32,844	0	0
FACT (ASAQ & ASMQ) for Malaria	0	0	0	0	0	0	566,160
Nifurtimox + Eflornithine for HAT	0	0	0	15,105	0	0	0
Other Clinical Projects	0	0	0	259,884	0	0	0
HAT Consortium (Scynexis) Lead Optim.	0	0	0	321,469	0	978,274	0
VL Consortium (Advinus) Lead Optim.	0	0	0	56,025	0	0	0
Other Pre-Clinical projects	0	5,401	0	157,760	0	6,197	0
Discovery Projects	0	68,043	0	721,266	0	554,211	0
HAT & LEAP Platforms	7,648	0	0	12,605	91,615	0	0
Other Strengthening Capacities activities	0	0	0	45,210	0	208,114	0
Advocacy	225,513	0	17,646	72,882	0	123,134	0
Fundraising	119,795	0	0	242,874	0	0	0
General Management costs	628,872	75,000	(92)	167,454	(19)	264,850	2,560
Year-end result	3,993,600	0	0	0	0	0	0
<b>TOTAL</b>	<b>5,000,000</b>	<b>151,775</b>	<b>244,800</b>	<b>2,500,000</b>	<b>124,440</b>	<b>2,940,744</b>	<b>568,720</b>
<b>TOTAL GRANTS ONLY</b>	<b>5,000,000</b>	<b>151,775</b>	<b>244,800</b>	<b>2,500,000</b>	<b>124,440</b>	<b>2,940,744</b>	<b>568,720</b>

\*Médecins Sans Frontières' donation is fully unrestricted and can be used to increase total capital, whereas Sandoz Family Foundation, UK and Spanish Government grants are only partially unrestricted.



French Government MAEE (Restricted)	Dutch Government DGIS (Restricted)	European Union EU FP6 HAT (Restricted)	Medicor Foudation (Restricted)	United States Government NIAID (Restricted)	Sasakawa Peace Foundation (Restricted)	Tuscany Region (Restricted)	UBS Optimus Foundation (Restricted)	Other Revenue	TOTAL
0	645	0	46,889	17,194	0	0	0	0	1,329,644
542,265	0	0	345,126	0	0	137,695	0	0	1,281,593
0	1,178,654	0	0	0	0	0	0	0	1,744,814
300,918	0	0	75,560	0	0	0	0	0	391,583
0	0	0	18,481	0	0	0	0	0	278,365
0	0	0	0	0	0	0	0	0	1,299,743
0	0	0	0	0	0	0	0	0	56,025
407,118	0	0	0	129,972	0	0	113,752	0	820,200
17,261	0	0	0	0	78,687	0	50,485	0	1,489,953
161,026	0	113,685	73,125	0	0	62,240	0	0	521,943
0	0	0	84,106	0	0	0	0	0	337,430
112,822	105,583	0	0	0	0	0	0	0	657,580
0	415	0	0	0	0	0	0	0	363,084
126,650	14,703	(72)	6,713	0	131	65	(320)	210,622	1,497,117
0	0	0	0	0	0	0	0	119,062	4,112,662
1,668,060	1,300,000	113,613	650,000	147,166	78,818	200,000	163,917	329,684	16,181,737
<b>1,668,060</b>	<b>1,300,000</b>	<b>113,613</b>	<b>650,000</b>	<b>147,166</b>	<b>78,818</b>	<b>200,000</b>	<b>163,917</b>		<b>15,852,053</b>

## 6. R&D PROJECTS RELATED EXPENDITURE

Recognized in	2007	2006
<b>Clinical/Post-Registration, Projects:</b>		
Nifurtimox-Eflornithine co-administration for stage 2 T.b.gambiense HAT <sup>1</sup>	391,583	615,755
Paromomycin for V Leish. in East Africa <sup>2</sup>	1,281,593	859,270
Artesunate+Amodiaquine for Malaria <sup>3</sup>	1,041,260	803,696
Artesunate+Mefloquine for Malaria <sup>3</sup>	703,554	979,063
Imiquimod for Cutaneous Leishmaniasis <sup>4</sup>	93,737	178,256
Combination therapy for VL <sup>5</sup> (Pre-Clinical phase until 2006)	165,858	0
Ambisome for VL <sup>6</sup>	18,770	251
Exploratory Clinical (Ped. Benznidazole, Posaconazole, ..)	28,870	9,994
<b>Total Clinical/Post-Registration Projects</b>	<b>3,725,225</b>	<b>3,446,285</b>
<b>Preclinical Projects:</b>		
Fexinidazole HAT <sup>7</sup>	526,344	0
Combination therapy for VL <sup>5</sup> (Clinical phase as from 2007)	0	249,731
Amphotericin B polymer <sup>8</sup>	293,856	1,883
Buparvaquone VL <sup>9</sup>	6,880	0
<b>Total Pre-Clinical Projects</b>	<b>827,080</b>	<b>251,614</b>
<b>Discovery (Selection &amp; Optimization) Projects</b>		
Benzofuroxans for Chagas	0	45,754
Cysteine Protease Inhibitors for HAT	2,197	85,169
DHFR Inhibitors	0	27,698
Kitasato screening Tryps <sup>10</sup>	155,482	91,960
Nitroimidazoles (+ Nitroheterocycles 2006) for HAT <sup>11</sup>	226,767	368,850
Protein Farnesyl-transferase inhibitors for Trypanosomes.	0	23,880
Trypanothione reductase inhibitors for Leishmania & Trypanosomes <sup>12</sup>	104,182	20,922
8 Aminoquiline NPC1161B for VL	0	2,214
Ascofuranone for HAT	0	1,086
Microtubule Inhibitor <sup>13</sup>	189,295	74,716
HAT Consortium (Scynexcis) Lead Optimization <sup>14</sup>	1,299,743	0
VL Consortium (Advinus) Lead Optimization <sup>15</sup>	56,025	0
Pan-Asian Natural Substances Network (Strengthening Existing Capacities in 2007)	0	54,351
Exploratory Screening Assays (STI, LSHTM, Antwerp, Murdoch)	292,587	0
Exploratory Discovery (Scynexis, CDRI)	122,653	158,952
<b>Total Discovery Projects</b>	<b>2,448,931</b>	<b>955,552</b>
<b>Other exploratory activities</b>		
Other exploratory activities	246,373	237,880
<b>Total Exploratory projects</b>	<b>246,373</b>	<b>237,880</b>
<b>Project-related variable expenditure</b>		
Coordination & Supervision	1,329,644	963,873
<b>TOTAL OF PROJECTS RELATED EXPENDITURE</b>	<b>8,577,253</b>	<b>5,855,204</b>

### Main partners:

- Swiss Tropical Institute (STI), Switzerland / Epicentre, France / National Programs for the Fight Against Human African Trypanosomiasis (PNLTHA), Democratic Republic of Congo & The republic of Congo/ Coordinating Office for the Control of Trypanosomiasis (COCTU), Uganda / Médecins Sans Frontières (MSF) / WHO-TDR
- Kenya Medical Research Institute (KEMRI), Kenya / Institute of Endemic Diseases, Sudan / University of Addis Ababa, Ethiopia / MSF / WHO-TDR, Gondar University, Ethiopia / Gedaref MoH, Sudan/ IDA Solutions, The Netherlands, London School of Hygiene and Tropical Medicine, UK
- Sanofi-aventis, University of Bordeaux-Tropival, Epicentre,IRD & Ellipse, France / National Centre for Research and Development on Malaria (CNRFP), Burkina Faso / KEMRI, Kenya / Indian Council of Medical Research (ICMR), India / MSF / University of Oxford, UK, Rottendorf Pharma, Germany/Farmanguinhos, Brazil/ University Sains, Malaysia / Oxford University, UK / Cipla, India / Mahidol University Shoklo Malaria Research Unit in Mae Sot, Thailand / Catalent, ICMR & GVK, India / WHO-TDR
- McGill University, Canada / Universidade Peruana Cayeto Heredia, Peru / 3M Pharmaceuticals, USA
- ICMR, India / Kala Azar Medical Research Center, India/ RMRI, India/ University of Varanasi, India/ GVK-BIO, India
- University of Addis Abeba & Gondar University, Ethiopia/ London School of Hygiene and Tropical Medicine, UK
- Axyntis, France / STI, Switzerland / Nerviano, Italy / Covance & Aptuit, UK / KARI-TRC, Kenya
- Imperial College London & London School of Hygiene and Tropical Medicine (LSHTM), UK/ Shantha Biothec, India
- Advinus Therapeutics, India / University Sains, Malaysia / LSHTM, UK
- Kitasato University & Institute, Japan
- STI, Switzerland / Fiocruz Institute & Ouro Preto University, Brazil / Covance & BioDynamics, UK / Absorption Systems, USA
- Venezuelan Institute for Scientific Research (IVIC) / Ouro Preto University, Brazil
- Murdoch University, Monash University & Epicheim, Australia
- Scynexis Inc & Pace University, USA
- Advinus & CDRI, India / LSHTM, UK

## 7. STRENGTHENING CAPACITIES EXPENDITURE

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

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

	2007	2006
Regional Support Offices: Brazil, India, Kenya, Malaysia	337,430	332,224
Paromomycin for VL, Ward constructions Gondar, Ethiopia & Dooka, Sudan	157,548	37,043
Leishmaniasis East African Platform	163,249	97,990
Human African Trypanosmiasis (HAT) Platform	201,146	90,484
Pan-Asian Natural Substances Network*	114,668	0
<b>TOTAL</b>	<b>974,041</b>	<b>557,741</b>

\*Discovery Project in 2006

## 8. ADVOCACY, FUNDRAISING AND GENERAL & ADMINISTRATION EXPENSES

	ADVOCACY		FUNDRAISING		GENERAL & ADMINISTRATION*	
	2007	2006	2007	2006	2007	2006
Human resources	333,670	333,515	274,469	185,023	837,653	540,151
Office charges	13,909	16,365	14,256	7,013	32,857	24,754
Travel expenses	41,660	77,895	23,052	13,236	110,055	85,159
Administration	62,217	31,458	23,946	35,550	145,376	197,096
IT & telecommunications	25,590	24,569	19,454	4,215	63,311	59,802
Communication	173,894	155,762	3,902	1,038	44,427	38,396
Depreciation	5,608	8,064	4,006	3,456	9,133	11,982
Exceptional expenses	1,032	1,664	0	56	8,264	4,004
<b>TOTAL</b>	<b>657,580</b>	<b>649,292</b>	<b>363,084</b>	<b>249,587</b>	<b>1,251,076</b>	<b>961,344</b>

\*Including Business Development in 2007

## 9. INDEMNITIES & REMUNERATIONS GIVEN TO DIRECTORS

All members of the Board are volunteers. The Board members have not received any remuneration for their mandate in 2007. In 2006, the Treasurer was involved in the capacity of a consultant.

In this capacity, he was remunerated as an employee of Médecins Sans Frontières, France. Part of the Treasurer's salary, which amounted to EUR 11,017 in 2006, was invoiced to DNDi. DNDi received

the authorization from the Swiss Federal Supervisory Board for Foundations to remunerate a member of the Council until June 2007.

## 10. VALUATION OF IN-KIND

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 2007, per category and per project

	Staff scientific	Staff non-scientific	R&D services	Legal & comm. services	Office, furniture & admin.	TOTAL
FACT	120,000					120,000
NECT & HAT Platform			7,800			7,800
Paromomycin		14,818				14,818
Natural Substances					37,883	37,883
Exploratory: Buparvaquone			76,330			76,330
HTS Assay for VL			35,185			35,185
Regional Support Offices	72,061	6,125			43,762	121,948
Fundraising				23,037		23,037
General Management		5,000				5,000
<b>TOTAL</b>	<b>192,061</b>	<b>25,943</b>	<b>119,315</b>	<b>23,037</b>	<b>81,645</b>	<b>442,001</b>

Main in-kind contributors: J.-R. Kiechel, France; C. Brünger, Japan; STB, USA; KEMRI, Kenya; Sains University, Malaysia; Institut Pasteur, Korea.

## 11. ASSETS PLEDGED AS GUARANTEE FOR COMMITMENTS

At year-end, a bank of the Foundation provided a rental guarantee of EUR 42'238 in favour of a third party. Cash for an

equivalent amount is pledged at the corresponding bank.



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## AUDITOR'S REPORT

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of operations, funds flow statement, statement of changes in capital and notes) of Drugs for Neglected Diseases initiative (DNDi), presented on pages 10 to 20, for the year ended December 31, 2007. In accordance with Swiss GAAP RPC 21, the content of the performance report presented on pages 4 to 9 is not audited.

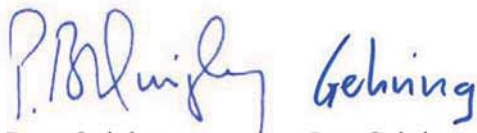
These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards as well as with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

DELOITTE SA



Peter Quigley  
*Auditor in charge*

Jürg Gehring

May 29, 2008