



MEDICINES PATENT POOL FOUNDATION, GENEVA

FINANCIAL STATEMENTS

for the year ended December 31, 2017
and Report of the Statutory Auditor



Deloitte SA
Rue du Pré-de-la-Bichette 1
CH - 1202 Genève

Tel: +41 (0)58 279 80 00
Fax: +41 (0)58 279 88 00
www.deloitte.com

Report of the Statutory Auditor

To the Board of the Foundation of
Medicines Patent Pool Foundation, Geneva

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Medicines Patent Pool Foundation, which comprise the balance sheet as at December 31, 2017, the statement of operations, the statement of cash flow, the statement of changes in capital and notes (pages 23 to 31) for the year then ended.

Board of the Foundation's Responsibility

The Board of the Foundation is responsible for the preparation of these financial statements in accordance with the requirements of Swiss GAAP FER (core FER), Swiss law and the Foundation's statutes. 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 of the Foundation 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, 2017 give a true and fair view of the financial position and the results of operations in accordance with Swiss GAAP FER (core FER) and comply with Swiss law and the Foundation's statutes.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 83b Civil Code (CC) in connection with article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 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 of the Foundation.

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

Deloitte SA

Jürg Gehring
Licensed Audit Expert
Auditor in Charge



Aurore De San Nicolas

Geneva, March 26, 2018

Enclosures

- Financial statements (balance sheet, statement of operations, statement of cash flow, statement of changes in capital and notes)

MEDICINES PATENT POOL FOUNDATION

BALANCE SHEET AS OF DECEMBER 31ST, 2017

(with December 31st, 2016 comparative figures)

(Expressed in Swiss francs)

	NOTES	2017	2016
Assets			
Current assets			
Cash and bank		1'865'848	3'025'390
Other receivables		6'023	44'214
Prepaid expenses		67'660	104'533
Total current assets		1'939'531	3'174'137
Non-current assets			
Long term receivables		60'430	100'448
Tangible fixed assets (net)	3e / 4	70'679	78'582
Total non-current assets		131'109	179'030
Total assets		2'070'640	3'353'167
Liabilities, funds and capital			
Liabilities			
Current liabilities			
Accounts payable		421'107	361'780
Salaries and social charges	3g	62'031	68'664
Other liabilities		39'804	35'173
Accrued liabilities	3f	40'700	94'155
Total current liabilities		563'642	559'772
Total liabilities		563'642	559'772
Restricted funds			
Restricted Fund	3c	1'450'676	2'743'395
Total restricted funds		1'450'676	2'743'395
Capital and unrestricted funds			
Paid-in capital		50'000	50'000
Unrestricted funds	3d	6'322	-
Total capital of the organisation		56'322	50'000
Total liabilities, funds and capital		2'070'640	3'353'167

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST, 2017

(with December 31st, 2016 comparative figures)

(Expressed in Swiss francs)

	NOTES	2017	2016
Income			
Donations	3c	3'668'482	6'375'433
Total donations		3'668'482	6'375'433
Other income		13'205	8'624
Total other income		13'205	8'624
Total income		3'681'687	6'384'057
Expenses			
Personnel costs			
Personnel costs and social charges		2'916'842	2'672'840
Other personnel costs		167'251	133'609
Total personnel costs		3'084'093	2'806'449
Administrative expenditure			
Professional fees		539'189	623'930
Rent		314'903	236'980
Other taxes (VAT)		36'915	35'173
General and administrative expenses		243'125	252'783
IT services and maintenance		176'926	114'283
Marketing and Advertising		5'000	28'925
Travel and representation costs		409'643	432'264
Depreciation of tangible assets		34'674	27'865
Total administrative expenditure		1'760'375	1'752'203
Operating surplus/(deficit)		(1'162'781)	1'825'405
Net financial gain/(loss)	5	(123'616)	(9'743)
Net surplus/(deficit) for the year prior to allocations		(1'286'397)	1'815'662
(Allocation to)/use of restricted funds		1'292'719	(1'815'662)
Allocation to unrestricted funds		(6'322)	-
Total (allocation)/use restricted capital funds		1'286'397	(1'815'662)
Net surplus/deficit for the year after allocations		-	-

MEDICINES PATENT POOL FOUNDATION

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST, 2017

(with December 31st, 2016 comparative figures)

(Expressed in Swiss francs)

	2017	2016
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Cash flows from operating activities

Net surplus / (deficit)	(1'286'397)	1'815'662
Depreciation and amortization	34'673	27'865
Decrease (increase) decrease of other account receivable	38'191	(24'306)
Decrease (increase) decrease of prepaid expenses	36'873	(77'812)
Increase (decrease) of account payable from purchase of goods and services	59'327	(14'491)
Decrease of other accounts payable	(2'002)	(44'563)
(Decrease) increase of accrued expenses	(53'455)	55'156
Net cash provided by operating activities	(1'172'790)	1'737'510

Cash flow from investing activities

Decrease (increase) decrease of long term receivable	40'018	(60'163)
Increase decrease of tangible fixed assets	(26'771)	(29'417)
Net cash used in investing activities	13'247	(89'580)

Cash flow from financing activities

Net cash from financing activities	-	-
Net change in cash	(1'159'543)	1'647'930

Cash and cash equivalents

At the beginning of the financial year	3'025'390	1'377'460
At the end of the financial year	1'865'848	3'025'390
Net change in cash	(1'159'542)	1'647'930

STATEMENT OF CHANGES IN CAPITAL

FOR THE PERIOD ENDING DECEMBER 31ST, 2017

(Expressed in Swiss francs)

	Beginning of the period 01.01.2017	Allocation of the funds	Use of the funds	Revaluation	End of the period 31.12.2017
Restricted funds Unitaid	2'543'395	3'681'688	(4'864'439)	-	1'360'644
Restricted funds Swiss Agency for Cooperation and Development	200'000	-	(109'967)	-	90'033

	Beginning of the period 01.01.2017	Allocation of the funds	Use of the funds	Revaluation	End of the period 31.12.2017
Internally generated funds					
Paid-in capital	50'000	-	-	-	50'000
Unrestricted funds	-	6'322	-	-	6'322
Capital of the organisation	50'000	6'322	-		56'322
Total restricted funds and internally generated funds	2'793'395	3'688'010	(4'974'406)	-	1'506'999

MEDICINES PATENT POOL FOUNDATION, GENEVA

STATEMENT OF CHANGES IN CAPITAL

FOR THE PERIOD ENDING DECEMBER 31ST, 2016

(Expressed in Swiss francs)

	Beginning of the period 01.01.2016	Allocation of the funds	Use of the funds	Revaluation	End of the period 31.12.2016
Restricted funds Unitaïd	927'733	6'184'057	(4'568'395)	-	2'543'395
Restricted funds Swiss Agency for Cooperation and Development	-	200'000			200'000
Internally generated funds					
Paid-in capital	50'000	-	-	-	50'000
Unrestricted funds	-		-	-	-
Capital of the organisation	50'000	-	-		50'000
Total restricted funds and internally generated funds	977'733	6'384'057	(4'568'395)	-	2'793'395

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31ST, 2017

(with December 31st, 2016 comparative figures)

(Expressed in Swiss francs)

1: Presentation

The organisation's full name is "Medicines Patent Pool Foundation". It is registered in Geneva, Switzerland and is known as MPP. MPP is a foundation under the Swiss Civil Code. The purpose of the Foundation is to improve health by providing patients in low and middle income countries with increased access to quality, safe, efficacious, more appropriate and more affordable health products, including through a voluntary patent pool mechanism.

During this financial year, the Foundation opened a liaison Office in India. These financial statements include the figures of the Indian liaison office. The first audit of the Indian accounts will be performed in 2018, on the local accounts ending March 31, 2018.

2: Presentation of the financial statements

a - Statement of compliance - The MPP financial statements include:

- The balance sheet ;
- The statement of operations ;
- The cash flow statement ;
- The statement of changes in capital ;
- The notes

The financial statements present all activities of the Foundation and its Indian branch.

3: Summary of significant accounting policies

Accounting basis – the financial statements of the Foundation have been prepared in accordance with the provisions of the Swiss Code of Obligations and in accordance with Swiss GAAP FER (core FER), in particular Swiss GAAP FER 21 "Accounting for charitable non-profit organisations". The recommendations have been established for entities seeking to present their financial statements to reflect a true and fair view of the financial situation.

The financial statements have been prepared using historical cost principles and are based on the assumptions that the going concern is possible for the foreseeable future.

All amounts are rounded to the nearest Swiss Franc with the consequence that the rounded amounts may not add to the rounded total in all cases.

a - Translation of operations in foreign currency:

Transactions in currencies other than Swiss francs are converted as follows:

- Balance sheet accounts: closing rate: Credit Suisse for USD; Oanda for INR
- Incomes and expenses: Average monthly rates.

b - Revenue recognition

Revenue is recognised in the financial statements as it becomes earned. For multi-year contracts, the revenue is allocated over the contract period based on the donor-approved budgets.

c - Restricted funds - Unitaid

The Medicines Patent Pool Foundation ("the MPP") was established as an independent legal entity on 16 July 2010 with the support of Unitaid, which remains the MPP's main donor. Unitaid and the MPP have maintained a close working relationship since the MPP was established as an independent entity.

Per the MPP's statutes the majority of the MPP's third party funding (excluding royalty payments, if any) shall come from sources of public and/or non-profit nature.

On 1 March 2016, MPP and Unitaid signed a Memorandum of Understanding granting MPP a maximal amount of USD 29'215'571 for the period January 2016 to December 2020, subject to pre-approval of budgets submitted by MPP.

The donations from Unitaid are restricted to serve the objectives of the Foundation.

d - Restricted funds - Swiss Agency for Cooperation and Development

A grant agreement was signed in December 2016 with the Swiss Agency for Development and Cooperation SDC/Federal Department of Foreign Affairs FDFA.

The grant of CHF 200'000 received in 2016 aims to finance a feasibility study of MPP's business model expansion to the Essential Medicines List set by the World Health Organization.

This grant includes management fees of 6.1% of incurred expenses, corresponding to CHF 6'322 in 2017. This amount was not used in 2017 and has been allocated to the unrestricted funds.

MEDICINES PATENT POOL FOUNDATION, GENEVA

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31ST, 2017

(Expressed in Swiss francs)

3: Summary of significant accounting policies (continued)

e - Fixed assets

The tangible fixed assets are valued at historical cost of acquisition, less the accumulated depreciation. The depreciation is recognised on the straight-line method over the useful life, as follows:

Category of fixed assets	Useful life (years)
Office equipment	8 years
IT infrastructure	3 years
Leasehold improvement	5 years

f - Accrued liabilities

This position includes the charges related to the current exercise that will be paid the following

g - Pension Fund

As of December 31, 2017, the Foundation has a liability due to the pension fund amounting of CHF 1'339 (2016: CHF 3'330)

h - Taxes

The Foundation is not subject to Capital and income taxes.
In 2017, the Foundation paid only VAT and equivalent taxes in India.

4: Fixed assets

	Office Equipment	IT Infrastructure	Leasehold Improvement	Total
Net carrying amount 01.01.2017				78'582
Accumulated gross values of cost				
Beginning of the period 01.01.2017	114'173	143'108	7'754	265'035
Additions	11'482	15'793	-	27'275
Change in the actual values	-	-	-	-
Sell equipment	-	(1'394)	-	(1'394)
Reclassifications	-	-	-	-
End of the period 31.12.2017	125'655	157'507	7'754	290'916
Accumulated depreciation				
Beginning of the period 01.01.2017	(71'485)	(114'969)	-	(186'453)
Systematic depreciation	(15'304)	(17'818)	(1'551)	(34'673)
Impairment	-	-	-	-
Disposal (sell equipment)	-	890	-	890
Reclassifications	-	-	-	-
End of the period 31.12.2017	(86'789)	(131'897)	(1'551)	(220'236)
Net carrying amounts 31.12.2017	38'866	25'610	6'203	70'679

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31ST, 2016

(Expressed in Swiss francs)

4: Fixed assets (continued)

	Office Equipment	IT Infrastructure	Leasehold Improvement	Total
Net carrying amount 01.01.2016				77 031
Accumulated gross values of cost				
Beginning of the period 01.01.2016	114'173	114'943	-	229'116
Additions	-	21'663	7'754	29'417
Change in the actual values	-	-	-	-
Disposals (stolen assets)	-	-	-	-
Reclassifications	-	6'502	-	6'502
End of the period 31.12.2016	114'173	143'108	7'754	265'035
Accumulated depreciation				
Beginning of the period 01.01.2016	(57'213)	(94'873)	-	(152'085)
Systematic depreciation	(14'272)	(13'594)	-	(27'865)
Impairment		-	-	-
Disposals (stolen assets)		-	-	-
Reclassifications		(6'502)	-	-
End of the period 31.12.2016	(71'485)	(114'969)	-	(186'453)
Net carrying amounts 31.12.2016	42'688	28'139	7'754	78'582

MEDICINES PATENT POOL FOUNDATION, GENEVA

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31ST, 2017

(with December 31st, 2016 comparative figures)

*(Expressed in Swiss francs)***5: Net financial result**

The financial income and costs are the following:

	2017	2016
Exchange gain/(loss), net	(117'684)	(4'238)
Bank interest income	6	4
Others, net	(5'938)	(5'509)
Total	(123'616)	(9'743)

6: Pro-Bono Agreements

The MPP received pro bono legal services from a number of law firms.

The valuation of such donated services for the period from January 1, 2017 to December 31, 2017 amount to CHF 3'218 (CHF 61'338 in 2016). This figure represents the actual market value of pro bono legal services received.

7: Other disclosures**Remuneration of the Governing Bodies of the Foundation and management**

The members of the Governing Bodies of the Foundation – the Governance Board and the Expert Advisory Group do not receive any remuneration in respect of their activities within the Foundation. The management of the Foundation is handled by one person. As permitted by Swiss GAAP FER 21.45, the disclosure of the compensation has been waived.

Date of approval of the financial statements

The Board of the Foundation has approved these financial statements on March 26, 2018.

8: Number of employees

The Foundation had an average of 17 employees in 2017 in Geneva (16 employees – 2016) and an average of 2 employees in India.

9: Liabilities from leasing contracts

	2017	2016
Liabilities from leasing agreement up to one year	276'083	279'749
Liabilities from leasing agreement from one year to five years	770'555	1'045'869

10: Subsequent events

On February 12, 2018 the Swiss government signed with the Foundation an "Accord de siège" agreement regarding the exemption of VAT from this date. The Foundation will no longer pay VAT for the import of services from February 13, 2018 onwards. The Foundation is now recognized as "Autres Organisations Internationales" and therefore no more restriction in term of Non-EU citizen recruitment applies.