

MEDICINES PATENT POOL FOUNDATION, GENEVA

FINANCIAL STATEMENTS

for the year ended December 31, 2016
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, 2016, the statement of operations, the statement of changes in capital, the statement of cash flow 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, 2016 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.

Deloitte.

Medicines Patent Pool Foundation
Report of the statutory auditor
for the year ended
December 31, 2016

Other Matter

The financial statements of the Foundation for the year ended December 31, 2015 were audited by another auditor whose report, dated April 4, 2016, expressed an unqualified opinion on those financial statements.

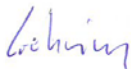
Report on Other Legal Requirements

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 16, 2017

Enclosures

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

MEDICINES PATENT POOL FOUNDATION, GENEVA

Balance Sheet as of December 31st, 2016

(with December 31st, 2015 comparative figures)

<i>(Expressed in Swiss francs)</i>	NOTES	2016	2015
Assets			
CURRENT ASSETS			
Cash and bank		3'025'390	1'377'460
Other receivables		44'214	19'909
Prepaid expenses		104'533	26'720
Total current assets		3'174'137	1'424'089
NON-CURRENT ASSETS			
Long term receivables		100'448	40'285
Tangible fixed assets (net)	3e / 4 / 5	78'582	77'030
Total non-current assets		179'030	117'315
Total ASSETS		3'353'167	1'541'404
Liabilities, funds and capital			
LIABILITIES			
Current liabilities			
Accounts payable		361'780	376'271
Salaries and social charges	3g	68'664	91'098
Other liabilities		35'173	57'302
Accrued liabilities	3f	94'155	39'000
Total current liabilities		559'772	563'671
Total liabilities		559'772	563'671
RESTRICTED FUNDS			
Restricted Fund	3c	2'743'395	927'733
Total restricted funds		2'743'395	927'733
CAPITAL			
Paid-in capital		50'000	50'000
Total Capital		50'000	50'000
Total LIABILITIES, FUNDS AND CAPITAL		3'353'167	1'541'404

MEDICINES PATENT POOL FOUNDATION, GENEVA

Statement of operations

for the period from January 1st to December 31st, 2016

(with December 31st, 2015 comparative figures)

<i>(Expressed in Swiss francs)</i>	NOTES	2016	2015
Income			
CURRENT ASSETS			
Donations			
Donations	3c	6'375'433	4'072'874
Total donations		6'375'433	4'072'874
OTHER INCOME			
Other income		8'624	14'332
Total other incomes		8'624	14'332
Total INCOME		6'384'057	4'087'206
Expenses			
PERSONNEL COSTS			
Personnel costs and social charges		2'672'840	2'653'523
Other personnel costs		133'609	82'144
Total personnel costs		2'806'449	2'735'667
ADMINISTRATIVE EXPENDITURE			
Professional fees		623'930	830'941
Rent		236'980	212'060
Other taxes (VAT)		35'173	57'302
General and administrative expenses		252'783	274'854
IT services and maintenance		114'283	96'089
Marketing and Advertising		28'925	57'106
Travel and representation costs		432'264	443'192
Depreciation of tangible assets		27'865	39'026
Total administrative expenditure		1'752'203	2'010'570
Non-Operating Expenses		-	(5'575)
Operating surplus/(deficit)		1'825'405	(664'606)
Net financial gain/(loss)	6	(9'743)	(7'260)
Net surplus/(deficit) for the year prior to allocations		1'815'662	(671'866)
(Allocation to)/use from restricted capital funds		(1'815'662)	671'866
Total (allocation)/use restricted capital funds		-1'815'662	671'866
Net surplus/deficit for the year after allocations		-	-

MEDICINES PATENT POOL FOUNDATION, GENEVA

Statement of operations

for the period from January 1st to December 31st, 2016

(with December 31st, 2015 comparative figures)

<i>(Expressed in Swiss francs)</i>	2016	2015
Cash flows from operating activities		
Net surplus / (deficit)	1'815'662	(671'866)
Depreciation and amortization	27'865	39'026
(Increase) decrease of other account receivable	(24'306)	3'981
Increase of prepaid expenses	(77'812)	(5'214)
Increase (decrease) of account payable from purchase of goods and services	(14'491)	167'608
Decrease of other accounts payable	(44'563)	(28'473)
Increase (decrease) of accrued expenses	55'156	(24'593)
Net cash provided by operating activities	1'737'510	(519'531)
Cash flow from investing activities		
Increase of long-term receivables	(60'163)	(980)
Increase of tangible fixed assets	(29'417)	(13'608)
Net cash used in investing activities	(89'580)	(14'588)
Cash flow from financing activities		
Net cash from financing activities	-	-
NET CHANGE IN CASH	1'647'930	(534'119)
Cash and cash equivalents		
At the beginning of the fiscal year	1'377'460	1'911'579
At the end of the fiscal year	3'025'390	1'377'460
NET CHANGE IN CASH	1'647'930	(534'119)

MEDICINES PATENT POOL FOUNDATION, GENEVA

Statement of changes in Capital

for the period ending December 31st, 2016

<i>(Expressed in Swiss francs)</i>	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 Unitaid	927'733	6'184'057	(4'568'395)	-	2'543'395
Restricted funds Swiss Agency for Cooperation and Development	-	200'000			200'000

	Beginning of the period 01.01.2016	External withdrawal	Internal fund transfers	Allocation to capital	End of the period 31.12.2016
Internally generated funds					
Paid-in capital	50'000	-	-	-	50'000
Internally generated unrestricted capital					
Surplus/(deficit) for the year	-	-	-		
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

MEDICINES PATENT POOL FOUNDATION, GENEVA

Statement of changes in Capital

for the period ending December 31st, 2015

<i>(Expressed in Swiss francs)</i>	Beginning of the period 01.01.2015	Allocation of the funds	Use of the Funds	Revaluation	End of the period 31.12.2015
Restricted funds Unitaïd	1'599'600	4'087'206	(4'759'073)	-	927'733

	Beginning of the period 01.01.2015	External withdrawal	Internal fund transfers	Allocation to capital	End of the period 31.12.2015
Internally generated funds					
Paid-in capital	50'000	-	-	-	50'000
Internally generated unrestricted capital		-	-	-	
Surplus/(deficit) for the year	-	-	-	-	-
Capital of the organisation	50'000	-	-	-	50'000
Total restricted funds and internally generated funds	1'649'600	4'087'206	(4'759'073)	-	977'733

MEDICINES PATENT POOL FOUNDATION, GENEVA

Notes to the financial statements as of December 31st, 2016

(with December 31st, 2015 comparative figures)

Appendix 1: Presentation

The financial statements are in compliance with Swiss GAAP FER 21 and the Swiss Law.

The Balance Sheet positions are valued at historical cost of acquisition.

The financial statements are based on the assumptions that the going concern is possible for the foreseeable future. They comply with the criterias of reliability and true and fair view.

Appendix 2: Accounting principles and allowed valuation principles for assets and liabilities

Translation of operations in foreign currency

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

- Assets and liabilities: Closing rates
- Incomes and expenses: Average monthly rates.

Appendix 3: Accounting principles and allowed valuation principles for assets and liabilities

a - Statement of compliance - The MPP financial statement includes:

- The balance sheet;
- The statement of operations;
- The cash flow statement;
- The statement of changes in capital 2015;
- The statement of changes in capital 2016.

The financial statements present all activities of the Foundation.

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.

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.

b - Principle of recognition revenue

Revenue is recognised in the financial statements as it becomes earned and not when cash or cash equivalents are received.

For multi-year contracts, the revenue is allocated over the contract period based on the donor-approved annual budget.

c - 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.

d - 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.

This grant of 200'000 CHF (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.

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:

<i>Category of fixed assets</i>	<i>Useful life (years)</i>
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 exercise.

g - Pension Fund

As of December 31, 2016, the Company has a liability due to the pension fund amounting of CHF 3'330 (2015: CHF 66'269).

h - Taxes

The Foundation is not subject to taxes.

MEDICINES PATENT POOL FOUNDATION, GENEVA

Notes to the financial statements

as of December 31st, 2016

Appendix 4: Fixed assets

<i>(Expressed in Swiss francs)</i>	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	0	229'116
Additions	0	21'663	7'754	29'417
Change in the actual values	0	0	0	0
Disposals (stolen assets)	0	0	0	0
Reclassifications	0	6'502	0	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	0	-152'085
Systematic depreciation	-14'272	-13'594	0	-27'865
Impairment		0	0	0
Disposals (stolen assets)		0	0	0
Reclassifications		-6'502	0	0
End of the period 31.12.2016	-71'485	-114'969	0	-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, 2015

Appendix 5: Fixed assets

<i>(Expressed in Swiss francs)</i>	Office Equipment	IT Infrastructure	Total
Net carrying amount 01.01.2015			102'449
Accumulated gross values of cost			
Beginning of the period 01.01.2015	109'746	112'998	222'744
Additions	4'427	9'181	13'608
Change in the actual values	0	0	0
Disposals (stolen assets)	0	-7'236	-7'236
Reclassifications	0	0	0
End of the period 31.12.2015	114'173	114'943	229'116
Accumulated depreciation			
Beginning of the period 01.01.2015	-43'495	-76'801	-120'295
Systematic depreciation	-13'718	-25'308	-39'026
Impairment	0	0	0
Disposals (stolen assets)	0	7'236	7'236
Reclassifications	0	0	0
End of the period 31.12.2015	-57'213	-94'873	-152'086
Net carrying amounts 31.12.2015	56'960	20'070	77'030

MEDICINES PATENT POOL FOUNDATION, GENEVA

Notes to the financial statements

as of December 31st, 2016

(with December 31st, 2015 comparative figures)

Appendix 6: Net financial result

The financial income and costs are the following:

<i>(Expressed in Swiss francs)</i>	2016	2015
Exchange gain/(loss), net	(4'238)	(2'665)
Bank interest income	4	552
Others, net	(5'509)	(5'147)
TOTAL	(9'743)	(7'260)

Appendix 7: Pro-Bono Agreements

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

The valuation of such donated services for the period from January 1, 2016 to December 31, 2016 amounts to CHF 61'338 (CHF 268'740 in 2015). This figure represents the actual market value of pro bono legal services received.

Appendix 8: 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 Foundation's accounts

The Foundation council has validated the financial statement 2015 on May 19, 2016.

Appendix 9: Number of employees

The Foundation had an average of about 15 employees in 2016 (15 employees - 2015).

Appendix 10: Liabilities from leasing contracts

<i>(Expressed in Swiss francs)</i>	2016	2015
Liabilities from leasing agreement up to one year	279'749	170'541
Liabilities from leasing agreement from one year to five years	1'045'869	396'691

Appendix 11: Subsequent events

No subsequent event appeared after the preparation of the 2016 financial statements.