

The background of the cover features a dynamic, blurred photograph of two children running. One child is in the foreground, wearing a blue tank top and light blue shorts, captured in a mid-stride pose. Another child is partially visible behind them. The background is a soft, out-of-focus green and blue, suggesting a natural outdoor setting. The overall composition is energetic and forward-moving.

# FINANCIAL & PERFORMANCE REPORT 2018

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# 1. GARDP financial report 2018

The Global Antibiotic Research and Development Partnership (GARDP) is a not-for-profit research and development organization that addresses global public health needs by developing and delivering new or improved antibiotic treatments, while endeavoring to ensure their sustainable access.

Initiated by the World Health Organization (WHO) and the Drugs for Neglected Disease initiative (DNDi) in May 2016, GARDP is an important element of WHO's Global Action Plan on Antimicrobial Resistance that calls for new public-private partnerships to encourage research and development of new antimicrobial agents and diagnostics. GARDP was registered as an independent legal entity ("The GARDP Foundation") in Switzerland in July 2018 and was incubated by DNDi until March 2019.

During its incubation, and through the generous support of donors and partners, GARDP has built a skilled and dedicated team with expertise from a range of sectors and backgrounds led by a Board of Directors comprising leading international experts in the global health arena.

In the last three years, GARDP has formed numerous partnerships with industry, academia and research institutions in support of its clinical programmes to develop antibiotics for drug-resistant infections for children, newborns with

sepsis, and sexually-transmitted infections. These collaborations span the drug development lifecycle and include screening chemical libraries for antibacterial activity, assessing the viability of potential antibiotic candidates, and the completion of three clinical trials. Of particular significance is the pivotal, phase III global clinical trial GARDP is sponsoring for a novel, first-in-class antibiotic to treat gonorrhoea commencing later this year.

As the first financial year ends on 31 December 2019, the attached interim financial report represents the combined financial statements and activities GARDP carried out in DNDi and the GARDP Foundation in 2018 and are presented on a proforma basis.

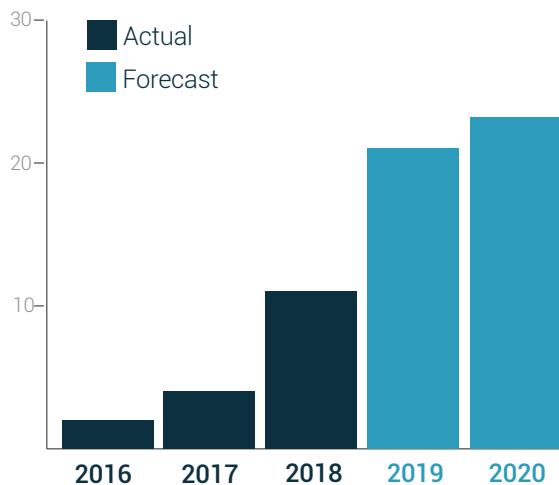
## 2. 2018 key financial performance indicators

### 2.1 Expenditure

#### Steady growth in spending, concentrated on R&D

- Expenditure totalled EUR 11.2M in 2018, an increase of 164% (+EUR 6.9 M) compared to 2017.
- Spending on social mission equated to 92% of the 11.2M with R&D expenditure totalling EUR 9.8M.
- GARDP expenditure totals EUR 16.5M since the start of its incubation within DNDi in 2016.

#### Actual expenditure 2016 – 2018 and forecast 2019-2020 in million EUR



### 2.2 R&D expenditure per programme

R&D spending per programme increased (+EUR 5.7M) significantly over 2017 with the largest proportion being spent within the neonatal sepsis and sexually-transmitted infections programmes. There are four clearly delineated programmes within GARDP.

#### Sexually-transmitted infections (STI)

GARDP's sexually-transmitted infections programme aims to help tackle the spread of STIs by initially developing a new treatment for gonorrhoea including infections resistant to current treatments, investigating combinations of antibiotics to treat STIs and supporting the development of public health pathways to ensure sustainable access to treatment. With a total of EUR 3.1 M<sup>1</sup> spent in 2018, the sexually-transmitted infections programme represented the largest area of R&D expenditure by disease portfolio (31%).

#### Key Achievements:

- Significant progress in the development of zolifludacin, a novel, first-in-class oral antibiotic against gonorrhoea, with the completion of key components of clinical pharmacology and microbiology studies to support the start of a phase 3 clinical trial.
- Numerous activities initiated to develop formulations for both clinical trial use and final product, with a focus on affordability by reducing the cost of manufacture, while ensuring quality.

1. Excluding DNDi direct costs/R&D transversal support

## 2.2 Continued

- Identified priority combinations and initiated preclinical evaluation for the management of syndromic sexually-transmitted infections.

In 2019, GARDP plans to initiate a phase III clinical trial in Africa, Asia, EU and USA as well as initiating full-scale good manufacturing practice batches of zolifludacin.

### Neonatal sepsis (NNS)

GARDP's neonatal sepsis programme aims to develop new antibiotic treatments and provide an evidence base for the use of antibiotics, both old and new, in neonates with confirmed or suspected sepsis. With a total of EUR 2.5 M<sup>2</sup> spent in 2018, the programme represented 25% of R&D expenditure in 2018.

#### Key Achievements:

- Launched a global country observational study to increase understanding about neonatal sepsis. By year-end, 274 patients were enrolled in the clinical cohort from six sites.
- Reached 93% of planned recruitment at year-end for a clinical trial in Kenya to assess the safety and pharmacokinetics of an existing antibiotic (fosfomycin) for treatment of clinically diagnosed neonatal sepsis.

In 2019, GARDP plans to complete fosfomycin PK study analysis and reporting, as well as enrolment of 2500-3000 cases in the observational study.

### Paediatric antibiotics

GARDP's paediatric antibiotic programme aims to expedite the development of new, improved and adapted antibiotics to treat serious bacterial infections in children of all ages. The programme aims to develop antibiotics for use in hospitals and the community in both low middle-income countries and high-income settings. Programme activities started in Q4 2018 and accounted for 1% (EUR 0.1 M)<sup>3</sup> of R&D expenditure in 2018.

#### Key Achievements:

- Development of a paediatric investigation plan to facilitate initial registration of polymyxin B in children in Europe, Africa and Asia.
- Evaluated and prioritised assets for regulatory paediatric development and future candidates for neonatal sepsis treatment regimens.
- Initiated clinical network building activity to deliver both regulatory and public health trials.
- Successfully launched a collaboration with Novartis' generic division, Sandoz, to accelerate the development of paediatric antibiotic treatments and improve the availability of medicines.

In 2019, GARDP plans to submit a plan for regulatory approval for polymyxin B, and conduct initial work required by the European Medicines Agency, confirm new candidates for paediatric development and continue to develop a global network of sites with capacity and capability.

2. Excluding DNDi direct costs/R&D transversal support

3. Excluding DNDi direct costs/R&D transversal support

# 2. 2018 key financial performance indicators

## 2.2 Continued

### Antimicrobial memory recovery & exploratory (AMREP)

GARDP's Antimicrobial Memory Recovery & Exploratory Programme aims to use innovative approaches to identify, evaluate and validate a portfolio of old and novel antimicrobial candidates. These projects include working with the experts who investigated the molecules, training, and supporting a new generation of antibiotic discovery researchers and developers. With a total of EUR 0.9 M spent in 2018, AMREP accounted for 9% of R&D expenditure in 2018.

#### Key Achievements:

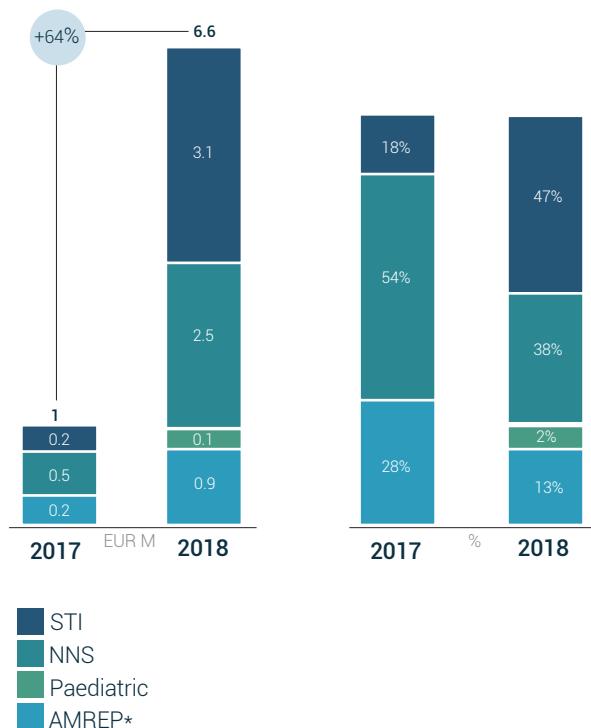
- Established agreements to access libraries in search of new antibacterials with Takeda (JP), and Eisai (JP).
- Established a due diligence process to review old and new candidates for drug development. Through this, more than 80 new and 'recovered' chemical entities have been evaluated, of which:
  - Two new assets in late-stage development are being evaluated and discussed with potential partners as possible candidates for GARDP's clinical programmes.
  - Two recovered assets fosfomycin & polymyxin B, have been identified as potential candidates for GARDP's clinical programmes.

- Six new assets have been identified as potential candidates for GARDP's pipeline.

- Project initiated (with University of Verona) to identify effective combinations to treat bacterial sepsis.

In 2019, GARDP will start library screening and evaluate assets to develop as candidates for existing and possible new clinical programmes including serious Gram-negative infections.

### R&D expenses per programme in million EUR



## 2.3 Human Resources

**Human Resources (HR) expenses increased by 72% to meet the needs of GARDP's growth. Significant expertise was added across the programmes and within the support teams including HR, finance, external affairs and business development.**

By the end of 2018, GARDP employed a total of 35 employees worldwide.

- Compared with 2017, the increase in 2018 personnel expenses<sup>4</sup> (+EUR 2.1 M) included:
  - Recruitment of 15 new positions at GARDP headquarters (+EUR 1.8 M) in 2018;
  - Recruitment of 7 new positions within the DNDi Regional Offices and in the DNDi GARDP joint office in Southern Africa (+EUR 0.3 M) in 2018;

The split between GARDP's headquarters and regional offices was 77% to 23%, with 27 core staff working in the headquarters and 8 working in the DNDi regional offices or the DNDi GARDP joint office in Southern Africa.

15 new core positions were recruited to work in GARDP's headquarters in 2018. The new roles were added to strengthen the departments: R&D (8), Business Development (2), External Affairs (2), Finance (2) and other (1). New core positions included: R&D Director, Finance & Administration Director, External Affairs Officer, Clinical Research Manager, Finance Manager, etc.

**GARDP Head Count Trend**



4. Personnel expense includes compensation costs and excludes consultant costs and travel expenses.

# 2. 2018 key financial performance indicators

## 2.4 Contributions

**GARDP continues to seek a broad range of funding from both public and private donors.**

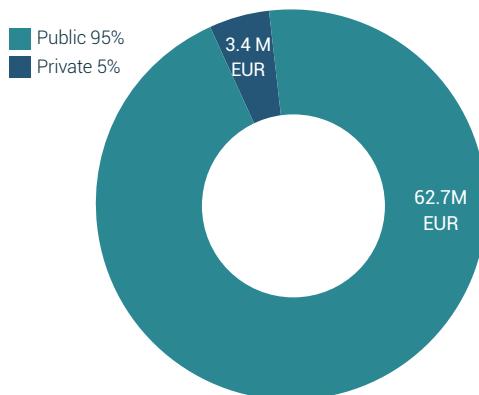
Five new donors were added in 2018:

- Two public donors: German Federal Ministry of Education and Research (BMBF) and UK Department of Health and Social Care (DHSC).
- Three private donors: Bill & Melinda Gates Foundation; Wellcome Trust and Leo Model Foundation.
- 95% of the EUR 53.8M in new funding in 2018 was granted by public institutions.

### 84% portfolio funding

GARDP aims to maintain a balance between restricted and unrestricted grants. However, a strong trend of portfolio funds puts GARDP in a good position to respond quickly to research opportunities within a broad portfolio of projects and provides flexibility in funding these diverse initiatives. 84% of portfolio funding plus 10% of unrestricted funding provides high flexibility to GARDP in managing its priorities.

### Public vs private contributors 2016-2022



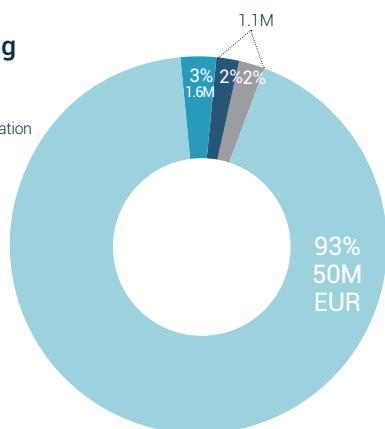
### Total Contributions EUR 66.1M

PUBLIC INSTITUTIONAL CONTRIBUTIONS		EUR 62.7M
German Government (BMBF and BMG)		EUR 54.1M
UK Government (DFID and DHSC)		EUR 4.6 M
Dutch Government (VWS)		EUR 2.5 M
The Swiss Government (FOPH)		EUR 0.8 M
South African Medical Research Council		EUR 0.6 M
Grand Duchy of Luxembourg		EUR 0.1M

PRIVATE INSTITUTIONAL CONTRIBUTIONS		EUR 3.4M
Bill & Melinda Gates Foundation		EUR 1.7M
Wellcome Trust		EUR 1.1M
Others: Médecins Sans Frontières, Leo Model Foundation		EUR 0.6M

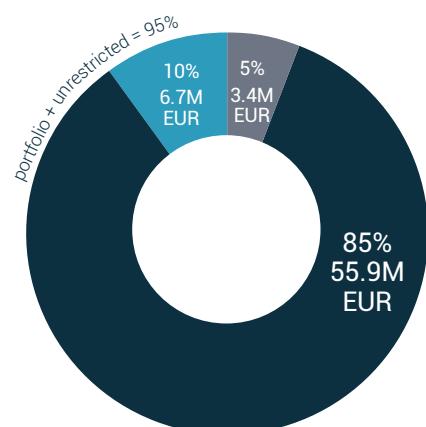
### New donors funding

German Government (BMBF)	
Bill and Melinda Gates Foundation	
Wellcome Trust & Leo Model	
UK Government (DHSC)	



### Fund types

Portfolio	
Unrestricted	
Restricted	



# 3. Interim combined financial statements

## 3.1 Statement of operations - at 31 December 2018 with 2017 comparative figures

INCOME (EUR)	NOTES	2018	2017
Total public institutional funding		10'213'611	3'937'635
Total private funding		965'963	324'975
Other income, net		1'406	3'307
<b>TOTAL INCOME</b>	<b>3.3</b>	<b>11'180'980</b>	<b>4'265'917</b>
SOCIAL MISSION EXPENDITURE		2018	2017
Antimicrobial Resistance R&D coordination & supervision		3'215'581	2'570'219
Antimicrobial Memory Recovery & Exploratory		862'708	261'104
Neonatal Sepsis		2'480'991	471'275
Sexually Transmitted Infections		3'065'379	180'242
Paediatric Antibiotics		138.022	-
<b>Total research &amp; development expenditure</b>		<b>9'762'681</b>	<b>3'482'840</b>
International Network Expenditure		485'350	329'870
<b>TOTAL SOCIAL MISSION EXPENDITURE</b>		<b>10'248'031</b>	<b>3'812'710</b>
NON-SOCIAL MISSION EXPENDITURE	-	2018	2017
Fundraising and general administration,		931'544	449'900
<b>Total non-social mission expenditure</b>		<b>931'544</b>	<b>449'900</b>
<b>TOTAL EXPENDITURE</b>	<b>3.5</b>	<b>11'179'575</b>	<b>4'262'610</b>
Operating surplus/(loss)		1'405	3'307

# 3. Interim combined financial statements

## 3.2 Notes to the financial statements

### 1. General information

As GARDP has been incubated by DND*i* since 2016, the activities of GARDP have been reported by DND*i* through 2017 in its Annual Report. As the GARDP Foundation was incorporated in July 2018 and received material grants directly, activities of GARDP took place both in the DND*i* and GARDP legal entities in 2018.

The purpose of this first set of audited financial statements is to represent the combined activities of GARDP in 2018 for the year ended 31 December 2018 in order to show our donors a true and accurate picture of the GARDP activities as they are only partially reported by DND*i* in 2018 as a result of the incorporation of the GARDP Foundation in July 2018.

#### A) Legal aspects

The Global Antibiotic Research and Development Partnership (GARDP) is a Swiss Foundation registered in Geneva under statutes dated 21 June 2018 as a not for profit legal entity, with headquarters in Geneva. GARDP is monitored by the Swiss Federal Supervisory Board for Foundations and has applied for "Other International Organization" status in December 2018. This application is still pending with the Swiss Confederation. GARDP is compliant with Swiss law and with Swiss GAAP FER.

The purpose of GARDP, as per its Charter, is "to develop new health technologies to tackle global and regional public health priorities where there are research and development or access gaps,

contributing in particular to the fight against antimicrobial resistance and diseases that affect vulnerable populations, and fostering appropriate use and enhancing access to such technologies".

Per its charter, "GARDP may pursue all such activities as may be appropriate to attain its purpose, including raising funds for the purpose of the Foundation. GARDP may *inter alia* engage in:

- Conducting, supporting and stimulating the research and development of new health technologies, including medicines, vaccines and diagnostic tools as well as other technologies;
- Fostering appropriate use and equitable access to such health technologies;
- Raising awareness on the need to invest in research and development in health technologies, appropriate use and equitable access to health technologies; and
- Supporting other relevant global and regional initiatives in public health.
- GARDP will primary focus on health technologies for humans but may also engage in the research and development of health technologies for animals and plants where this can contribute to protect human health".

GARDP is governed by a Board of Directors, with a Scientific Advisory Committee (SAC), Audit Committee and Management Team providing key scientific and management guidance for decision making.

Until June 2018, GARDP was managed under the governance of DND*i*. The GARDP Board of Directors was appointed on 21 June 2018 and has since met in September and December 2018. At the Board of Directors meeting of 10 December 2018, the GARDP Board *inter alia* approved the principles of the Collaboration Agreement with DND*i* and the transition plan of GARDP to the GARDP Foundation as described in the subsequent events paragraph 3.10.

The GARDP Management Team is led by the Executive Director and includes the R&D Director, the Scientific Affairs Director, the Business Development & Corporate Strategy Director, the External Affairs Director and the Finance and Administration Director.

#### **B) Income tax**

An application with the Swiss Federal Council for "*Other International Organization*" status has been filed with the Swiss Confederation in December 2018. The purpose of this application is to grant GARDP certain privileges effective 1 January 2019, including:

- Exoneration from all direct and indirect federal, cantonal and communal taxes;
- Exoneration from all indirect taxes (VAT) on all goods and services acquired for the sole use of the foundation within Switzerland as from 1 January 2019;
- Unrestricted access to work permits for non-Swiss, non-EU nationals.

This application is pending with the Swiss Confederation.

GARDP is exonerated from Swiss federal income tax on gains and from Geneva cantonal and communal taxes on gain and capital for an indefinite period.

#### **C) International Network**

GARDP, through DND*i*, has a global presence with offices in several countries, including Africa, North America, Latin America and South Asia. This network of regional offices has allowed GARDP to develop local activities during the incubation period. As outlined in the Subsequent Events paragraph, the GARDP Foundation has entered into a collaboration agreement with DND*i* effective 1 January 2019. Under this collaboration agreement, the GARDP Foundation will be able to keep using the local infrastructure provided by DND*i* to GARDP until December 2021. Through this network, GARDP has the ability to develop local R&D activities with local partners (clinical trials, observational studies, etc.), but also develop relationships with local governments or donors.

In June 2018, GARDP also registered a non-profit company in Cape Town, South Africa, with DND*i*, and its office is currently hosted by the South African Medical Research Council (SAMRC). This non-profit company ("DND*i* GARDP Southern Africa NPC"), which is a joint company with DND*i*, will allow GARDP to develop local GARDP activities.

# 3. Interim combined financial statements

## 3.2 Continued

### 2. Significant accounting policies

#### A) Accounting basis

As from 2019, the financial statements of the Foundation will be prepared in accordance with the provisions of the Swiss Code of Obligations and in accordance with the Swiss GAAP, in particular Swiss GAAP FER 21 relating to accounting for charitable non-profit organizations. Swiss GAAP FER are Swiss accounting standards geared to entities that operate primarily in Switzerland. The recommendations have been established for entities seeking to present their financial statements to reflect a true and fair view of the financial situation, including:

*a) Balance sheet*

*b) Statement of operations (activity-based method)*

*c) Funds flow statement*

*d) Statement of changes in capital*

*e) Notes*

#### B) Scope of this report

This report presents the combined GARDP activities included in the GARDP Foundation in 2018 and those activities that were undertaken on behalf of GARDP by DNDi. As the first financial year ends on 31 December 2019, this report mainly presents the combined statement of operations of GARDP but does not include all financial items (i.e. balance sheet, funds flow statements and statement of changes in capital) which are required to be included in financial statements prepared under Swiss FER.

#### C) Social mission expenditure

Social mission expenditure represents expenses according to the purposes defined in the GARDP statutes. They are defined in the present general notes above under point 1.A (Legal aspects). GARDP's social mission expenditure comprises: research & development (R&D), communications and policy advocacy.

#### D) Functional currency

The GARDP Board of Directors has determined that the assets, liabilities, and operations should be measured using EUR as the functional currency. The environment in which the entity primarily generates and expends cash determines this decision. All amounts presented in the financial statements are stated in EUR, except when specified otherwise.

#### E) Foreign currency translation

Transactions in currencies other than functional currency (EUR) are converted at the monthly average of the daily closing exchange rate of the previous month as from first of July 2018. Previously the exchange rate used was the rate of the last day of the previous month. Year-end balances in other currencies are converted at the last prevailing exchange rates available in the system for the year. Resulting exchange differences are recognized in the Statement of Operations.

#### F) Income

Restricted public and private donations based on annual or multi-year agreements are recorded,

over the life of the agreement, as and when the milestones set out in the agreement are achieved.

Unrestricted public and private donations based on annual or multi-year agreements are recorded on an accrual basis over the life of the agreement. A reconciliation between donations committed to GARDP and income recognized in the statement of operations is shown under section 4.2 below. Other small (below equivalent to EUR 50'000) donations are recorded on a cash basis.

#### G) Expenditures incurred for projects and activities

The annual action plan and budget, and all revised budgets are approved by the Board of Directors.

After Board of Directors approval, the contracts are drawn up and signed, as per the DND*i* signature policy: above EUR 50,000 by at least one Director, while strategic and long-term agreements and contracts above EUR 200,000 are signed by two relevant Directors. A new signature policy will be adopted by GARDP in 2019.

Partners' expenditures are recorded:

- a. According to a financial report presenting expenditures incurred during the year on an accrual basis;
- b. If financial reports are unavailable by the deadline of 1 March of the following year, the amount is calculated on an estimate basis provided by the partner. The unpaid portion remaining at year-end is included under current liabilities.

Vendors expenditure are recorded:

- c. All expenditures incurred on behalf of a project or for any activity of GARDP are recorded on an accrual basis.

#### H) Credit risk, liquidity risk and cash flow management

GARDP's liquid assets are maintained in cash, low-risk, short-term deposits or capital-guaranteed investments. Any form of speculation is prohibited.

At the balance sheet date, the GARDP Foundation had cash freely available of EUR 0.5 and EUR 8.6 M equivalent on its EUR and CHF accounts respectively, plus EUR 0.5M held by DND*i* on behalf of GARDP, making a total of EUR 9.6 M. There was no significant concentration of credit risk.

The main financial risk for GARDP is the volatility of foreign exchange rates that can affect the value of its holding in various currencies (USD, EUR, GBP, and CHF). GARDP is exposed to currency risk on donations received, project expenditures, and general and administrative expenses that are denominated in a currency other than the functional currency (EUR). These transactions are mainly denominated in EUR, CHF, USD, GBP and ZAR.

GARDP ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The diversity of fundraising currencies represents a natural hedging mechanism (income in CHF, EUR, GBP, USD and ZAR).

#### I) Organizational capital

The founding capital of CHF 50,000 referenced in the statutes was received from the founding members of GARDP, including DND*i* and WHO. The capital is fully paid in.

# 3. Interim combined financial statements

## 3.3 Income

The list of cumulative donations committed to and /or received by GARDP by 2018 is as follows:

Donors	Currency	Funding type	Total commitment in currency	Total commitment in EUR	As per the statement of operations 2018 in EUR	To be used after 2018 in EUR
Bill & Melinda Gates Foundation	USD	Restricted	1.990.889	1.642.882	435.037	1.207.845
Welcome Trust	EUR	Portfolio	1.083.800	1.083.800	488.906	594.894
Médecins Sans Frontières	EUR	Unrestricted	600.000	600.000		
Leo Model Foundation	USD	Unrestricted	50.000	42.020	42.020	
UK Government (DFID)	GBP	Unrestricted	3.075.000	3.494.922	1.495.481	374.049
UK Government (DHSC)	GBP	Restricted	1.000.000	1.127.982	713.045	414.937
German Government (BMBF)	EUR	Portfolio	50.000.000	50.000.000	3.918.155	46.081.845
German Government (BMG)	EUR	Portfolio	4.100.000	4.100.000	1.585.043	643.801
Dutch Government (VWS)	EUR	Unrestricted	2.500.000	2.500.000	2.036.430	
Swiss Government (FOPH)	CHF	Portfolio	860.000	761.569	197.425	111.064
Grand Duchy of Luxembourg	EUR	Unrestricted	100.000	100.000		
South African Medical Research Council	ZAR	Restricted	10.000.000	639.508	268.032	231.601
<b>Total Donations (EUR)</b>				<b>66.092.683</b>	<b>11.179.574</b>	<b>49.660.036</b>

### **Notes for cumulative donations committed table<sup>5</sup>:**

1. Bill & Melinda Gates Foundation (BMGF): restricted funding in support of the global neonatal observational study that is part of the neonatal sepsis programme covering May 2018 – November 2020. Focus on BMGF target countries. The grant will be transferred from DND*i* to GARDP at the end of October 2019.
2. Wellcome Trust: restricted funding in support of the neonatal sepsis programme and coordination covering July 2018 – June 2019.
3. Médecins Sans Frontières (MSF): unrestricted funding from four MSF sections (Australia, Japan, France and USA) covering February 2017 – December 2018. Funds were spent by the end of 2017.
4. Leo Model Foundation: unrestricted funding covering 2018.
5. United Kingdom Government (DFID): unrestricted funding covering April 2017 – March 2019.
6. United Kingdom Government (DHSC): restricted funding in support of the Sexually Transferred Infections Programme targeting UK's ODA countries covering May 2018 – March 2019.
7. German Government (BMBF): unrestricted funding consisting of four grants to each of the four GARDP programmes covering October 2018 – January 2023. Pursuant to these grants totalling 50M granted by BMBF to the GARDP Foundation in October 2018, GARDP has entered on 23 November 2018 into a sub award agreement with DND*i* in order to fund the R&D activities (including personnel costs) carried out by DND*i* on behalf of GARDP between October and December 2018. An amount of EUR 4M was granted to DND*i* in 2018 under this Sub award Agreement that expired on 31 December 2018. Under the Transfer Agreement referred to in the Subsequent Events paragraph, GARDP will continue to credit additional funds to DND*i* for the activities related to GARDP that DND*i* continues to perform on behalf of GARDP throughout 2019.
8. German Government (BMG): funding consisting of several contributions: unrestricted funding of EUR 500,000 covering March 2016 – January 2017. Restricted funding of EUR 750,000 in support of neonatal sepsis and coordination covering February 2017 – December 2017. Restricted funding of EUR 1,350,000 in support of AMREP, Sexually Transmitted Infections and coordination covering August 2017 – February 2018. Restricted funding of EUR 1,000,000 in support of sexually-transmitted infections and neonatal sepsis programmes covering August 2018 – February 2019. Restricted funding of EUR 500,000 in support of GARDP's migration to an independent legal entity covering December 2018 – February 2019.
9. Dutch Government (VWS): funding consists of two contributions: unrestricted funding of EUR 500,000 covering July 2017 – January 2018 and unrestricted funding of EUR 2,000,000 covering January 2018 – December 2018.
10. Swiss Government (FOPH): funding consists of two contributions: unrestricted seed funding of CHF 360,000 covering September 2016 – October 2017. Unrestricted funding of CHF 500,000 with part allocated to AMREP covering June 2017 – August 2019.
11. Grand Duchy of Luxembourg: unrestricted funding covering up until end September 2018. The funds were spent in 2017.
12. South Africa Medical Research Council (SAMRC): funding consists of two contributions: restricted funding of ZAR 6.000.000 for R&D of new and/or treatments covering March 2017 – March 2020. Restricted funding of ZAR 4.000.000 in support of neonatal sepsis and sexually-transmitted infections activities in South Africa covering April 2018 – March 2019.

5. Income recognized in 2018 statement of operations does not include deferred income.

# 3. Interim combined financial statements

## 3.4 2018 funding per project (Restricted & Unrestricted)

01.01.2018 - 31.12.2018 (expressed in EUR)

RESEARCH	Total GARDP	UK DFID UNRESTRICTED	UK DHSC RESTRICTED	DUTCH VWS UNRESTRICTED	GERMAN BMG RESTRICTED	GERMAN BMBF RESTRICTED	BMGF RESTRICTED	SWISS FOPH RESTRICTED	SAMRC RESTRICTED	LEO MODEL FDT UNRESTRICTED	WELCOME TRUST RESTRICTED
Neonatal Sepsis & Paediatric	2'619'013	59'038	-0	824'123	74'709	989'892	412'995		72'056		186'200
Antimicrobial Memory Recovery & Exploratory	862'708	214'775	-0	82'674	83'475	156'093	-0	132'788	25'207	2'100	165'596
Sexually Transmitted Infections	3'065'379	277'159	620'512	379'290	876'780	810'591	-0	-0	85'550	3'008	12'489
R&D coordination, supervision costs	2'830'301	875'515	76'837	587'197	289'817	806'420	944	23'950	17'144	36'912	115'565
Transversal R&D support	385'280	32'009	- 0	113'996	47'234	187'858	-0	-0	-0	-0	4'184
International Network Expenditure	485'349	36'967		7'851	15'779	424'753	-0	-0	-0	-0	-0
Fundraising	37'994	- 0	- 0	4'127	19'899	2'164	6'783	148	-0	-0	4'873
General Management	893'551	18	15'696	37'173	177'350	540'385	14'315	40'539	68'075	-0	-0
<b>TOTAL Income</b>	<b>11'179'575</b>	<b>1'495'481</b>	<b>713'045</b>	<b>2'036'430</b>	<b>1'585'043</b>	<b>3'918'156</b>	<b>435'037</b>	<b>197'425</b>	<b>268'032</b>	<b>42'020</b>	<b>488'906</b>

## 3.5 Expenditure

Presentation of the GARDP expenditure per nature of expenses (expressed in EUR)

PERSONNEL	2018	2017
Personnel at Headquarters	4'190'850	2'403'823
Personnel at Regional Offices	533'698	226'940
Consultant	381'200	290'968
Travel and Accommodation	571'309	387'683
<b>TOTAL PERSONNEL</b>	<b>5'677'057</b>	<b>3'309'415</b>
OPERATIONAL R&D	2018	2017
Purchase & Logistics	25'533	5'732
Discovery & Lead Optimization	22'400	0
Pre-clinical	226'202	10'000
Clinical & post-clinical	3'050'001	334'899
Product manufacturing & CMC	1'080'483	0
<b>TOTAL OPERATIONAL R&amp;D</b>	<b>4'404'619</b>	<b>350'631</b>
OTHER	2018	2017
Communication, Administration and IT	1'097.899	602'565
<b>GRAND TOTAL</b>	<b>11'179'575</b>	<b>4'262'610</b>

The increase in personnel expenditure is due to the growth in headcount which took place in 2018 in order to build GARDP's R&D Programme and its headquarters team to accomplish its social mission. The growth of operational R&D expenses reflects the increased activity, which took place mainly in the sexually-transmitted infections and neonatal sepsis programmes.

## 3.6 Indemnities & remunerations given to Board members & directors

All members of the Board of Directors are appointed on a voluntary basis. Board of Directors members did not receive any remuneration for their mandate in 2018.

## 3.7 Assets pledged, bank guarantee deposits and credit lines

a) Assets pledged: On 16 October 2018, the GARDP Foundation entered into a "Master Agreement for derivatives trading and forward transactions" and in a pledge agreement with UBS Switzerland AG. The purpose is to allow GARDP to enter into Swap EUR/CHF transactions and avoid being charged negative interest on its Euro holdings at monthly rates as the Swiss National Bank imposes negative interest on Euro holding due to Swiss market conditions. Swap transactions entered into are reversed at an agreed date at the same exchange rate, avoiding any exchange loss or negative interest. There is no other pledge with any other third party.

b) Credit line: GARDP currently does not have any credit line in place.

## 3.8 Financial instruments and hedging activities

GARDP works in a multi-currency environment and is therefore exposed to the risk of foreign currency fluctuations. This risk is covered by natural hedging for income received in EUR and USD, which is almost entirely spent in these same currencies. However, GARDP needs to sell EUR in order to buy CHF, as natural hedging for these four currencies does not entirely prevent net exchange loss. These exchange operations are done at the spot rate or through limited orders that do not guarantee the conversion but limit the exposure to losses related to foreign currency fluctuations.

### Swiss Franc equivalent of key figures

GARDP maintains its accounting records in EUR. The key figures below have been translated into CHF for information purposes only, using a closing rate of CHF/EUR 0.8848.

Expressed in CHF	2018 (CHF)	2017 (CHF)
Organizational capital	10'278.384	(1)
Total income	12.636.731	4.820.862
Total social mission expenditure	11.582.313	4.309.138
Total non-social mission expenditure	1.052.830	508.476

(1): As the GARDP Foundation was incorporated in July 2018, this is not applicable.

# 3. Interim combined financial statements

## 3.9 Audit fees

Audit services include statutory audits, project audits, and donors' audits. To date, Deloitte, the Foundation's Statutory Auditor, does not provide GARDP with other services such as tax or legal services. GARDP Audit fees increased in 2018 compared to 2017 due to two main factors: a) GARDP had a grant audit from the Dutch Ministry of Health, Welfare and Sport (VWS) which required the cooperation from Deloitte Netherlands b) GARDP had asked Deloitte to issue an audit report on its first financial statements.

Expressed in EUR	2018	2017
Total audit services	24.433	N/A

## 3.10 Subsequent events

Effective 1 January 2019, GARDP entered into a three-year collaboration agreement with DND*i*. Under this collaboration agreement, GARDP and DND*i* will foster a strategic collaboration, sharing specialized R&D expertise and capacity, policy advocacy expertise, and some infrastructure and support services to drive efficiencies. In-country implementation of GARDP's programmes will be supported by DND*i*'s regional network and a joint DND*i* GARDP office in Southern Africa.

Effective 1 January 2019, GARDP entered into a Transfer Agreement with DND*i*. Under this transfer agreement, all assets and employees were transferred to the new GARDP Foundation on 1 April 2019. Most R&D programmes were transferred on either 1st January or 1st April 2019, with the remaining to be transferred by 31 October 2019. GARDP will continue to credit additional funds to DND*i* for the collaborative activities related to GARDP and for the costs incurred by DND*i* in connection with the R&D Programmes until their completed transfer to GARDP.

There was no other subsequent event that took place in 2019.

# 4. Report of the Statutory Auditor

**Deloitte.**

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## **Independent Auditor's Report**

To the Management of  
**Global Antibiotic R&D Partnership (GARDP)**, Geneva

We have audited the Interim Combined Financial Statement which comprise the Statement of Operations and the notes to the Financial Statement for the year ended December 31, 2018, included in the activity Report of the Global Antibiotic R&D Partnership (GARDP) on pages 8 to 18.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of the financial statement in accordance with Swiss law and the relevant terms of the agreement relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Financial Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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 Interim Combined Financial Statement included in the activity report of Global Antibiotic R&D Partnership (GARDP) for the year ended December 31, 2018 is prepared, in all material respects, in conformity with Swiss law and the terms of the agreement relevant to preparing such a financial statement.

**Deloitte SA**



Annik Jaton Hüni  
Partner



Stéphane Etty  
Manager

Geneva, June 12, 2019

### Enclosures

Interim Combined Financial Statement

- Statement of Operations
- Notes to the Financial Statement



A joint DNDi / WHO initiative

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