

Financial view



Financial year to 31 December 2020

Legal status

Medicines for Malaria Venture (MMV) is a Swiss foundation, established as a not-for-profit legal entity, registered in Geneva under statutes dated 15 November 1999. The consolidated financial statements of MMV also include the accounts of the United States entity MMV North America Inc., which is registered in the United States as a section 501(c)(3) organization (please refer to note 2.c of the consolidated financial statements).

Business model

MMV receives funding and support from government agencies, private foundations, international organizations, corporations, corporate foundations and private individuals. These funds are used to finance MMV's portfolio of R&D projects (historically 70–80% of total expenditure), as well as specific, targeted access & product management (APM) interventions that aim to facilitate increased access to malaria medicines by vulnerable populations in disease-endemic countries and support their appropriate use (historically 5–15% of total expenditure). Since its foundation in 1999, MMV has brought forward eleven new antimalarial drugs and taken over

the access stewardship of two more. Together, these medicines have saved an estimated 2.73 million lives. With partners, MMV has also established the world's largest R&D pipeline of innovative, new antimalarial medicines, designed to address remaining unmet medical needs and support the push towards malaria elimination and eradication. MMV's private sector partners support joint projects through co-investment and by contributing expertise and facilities. We estimate that for every United States dollar (USD) invested, MMV leverages approximately USD 1 in matched funds for external costs, plus USD 1.5 of in-kind contributions through its partners, resulting in a total investment impact of USD 3.5.

Tax status

As a not-for-profit Swiss foundation, MMV is exempt from Swiss cantonal and federal taxes and is the equivalent of an exempt organization within the meaning of section 501(c)(3) of the United States Internal Revenue Code. Furthermore, from 1 January 2011, the Swiss Federal Council granted MMV the status of 'Other International Organization' conferring certain privileges and immunities including exemption from VAT in Switzerland

– representing an estimated additional contribution from Switzerland to MMV of approximately 1 million Swiss francs (CHF) per annum.

Financial management

The philosophy underlying MMV's financial management is that of prudent, conservative control, including appropriate return on interim treasury investments. Forecasting various long-term funding and income scenarios enables MMV to manage its growing R&D portfolio more effectively. It also provides a baseline analysis for fundraising activities aimed at financing the portfolio in line with long-term projections. Given the current unsteady financial environment and market conditions, it is evident that the portfolio, cash flow and new potential fundraising opportunities must be managed dynamically and seamlessly. As an ethical healthcare organization, MMV maintains sufficient funds to support the managed close-out of ongoing clinical studies, related publication of clinical data, reporting and regulatory obligations, including those outlined by the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

Figure 4: Total donations received in 2020

Private Foundations

Bill & Melinda Gates Foundation (BMGF) 43.8%

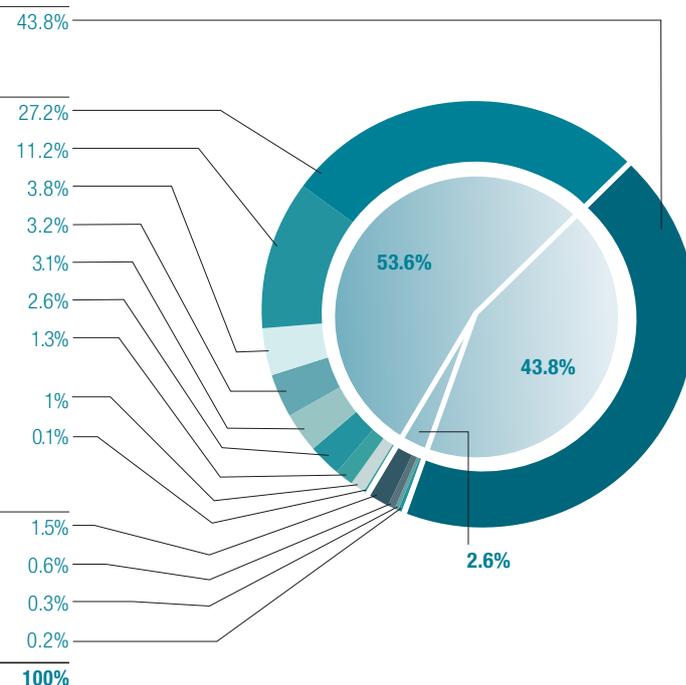
Governments

UK Foreign, Commonwealth & Development Office (FCDO, ex-DFID) 27.2%
 European and Developing Countries Clinical Trials Partnership (EDCTP) 11.2%
 Ministry of Foreign Affairs of the Netherlands (DGIS) 3.8%
 German Federal Ministry of Education and Research (BMBF) 3.2%
 Australian Government Department of Foreign Affairs and Trade (DFAT) 3.1%
 Swiss Agency for Development and Cooperation (SDC) 2.6%
 Ireland Department of Foreign Affairs (Irish Aid) 1.3%
 United States Agency for International Development (USAID) and National Institutes of Health (NIH) 1%
 Principality of Monaco Direction de la Coopération Internationale (DCI) 0.1%

Others (Other donors, partnerships, individual donations)

Global Health Innovative Technology Fund (GHIT) 1.5%
 Bristol Myers Squibb Foundation 0.6%
 Program for Appropriate Technology in Health (PATH) 0.3%
 Newcrest Mining Limited 0.2%

100%



Banking relationships

Cash and cash equivalents represent the largest portion of MMV's total assets. Relationships with four major Swiss banks allow MMV to effectively manage cash resources and diversify risk. The banks provide services such as current accounts, investment and cash management facilities in multiple currencies. The Foundation Fund explained below is managed by an investment manager, which is part of a major US investment banking group, under the terms of a discretionary portfolio management mandate and under the supervision of the Board of Directors of MMV.

Foreign exchange exposure

MMV operates in a multi-currency environment. Cash inflows from donors are largely received in US dollars and British pounds sterling (GBP), and a smaller portion in other currencies, such as Swiss francs (CHF), euros (EUR), Australian dollars (AUD) and Japanese yen (JPY). Cash outflows for R&D and APM projects are mostly in USD, which is the standard currency used in the various contractual agreements signed with each project partner and therefore a natural cover for financial exchange risk. Being a Swiss-based organization, many operational expenses are in CHF. Throughout the financial year, MMV's management strives to maintain a natural hedged position, whereby the breakdown of cash available by currency mirrors the estimated breakdown of expenditure by currency. At the end of 2020, MMV entered into a forward agreement with one of its relationship banks to fix the monthly conversion of USD into CHF at a predefined exchange rate throughout 2021. The reference currency for accounting at MMV is USD.

Financial reporting standards

The consolidated financial statements (including MMV North America Inc.) are prepared in compliance with Swiss GAAP FER, as well as the requirements of the Swiss Code of Obligations. The organization's operating procedures are constantly updated in line with evolving requirements. MMV also issues stand-alone financial statements, which are prepared in compliance with the Swiss Code of Obligations (articles 957 to 963b, in force since 1 January 2013).

Figure 5: MMV expenditure 2020

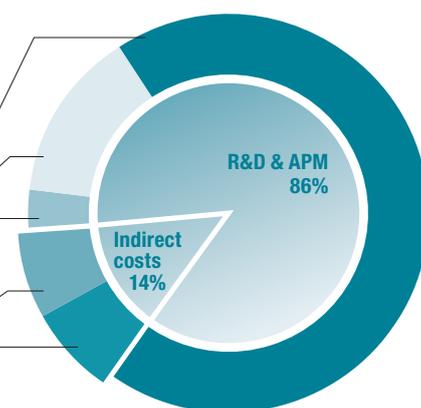
Total: USD 89.2 million

R&D & APM

Research & development 69%
Access & product management 14%
Other portfolio expenditure 3%

Indirect costs

Administration & finance 7%
Corporate affairs 7%



Foundation capital

By 31 December 2003, the stipulated foundation capital of USD 4 million was fully subscribed (in a Swiss foundation it is a legal requirement that foundation capital be constituted without delay, to provide a degree of financial security). The foundation capital has since remained unchanged.

Revenue

Total revenue in 2020 amounted to USD 88.4 million (2019: USD 93.4 million), thanks to the continued commitment of our donors.

In 2020, the Bill & Melinda Gates Foundation (BMGF) contributed a total of USD 32.5 million as part of the USD 180 million five year unrestricted grant for the period between 1 July 2019 and 30 June 2024 – the largest single donation pledged to MMV since its foundation in 1999. Furthermore, BMGF provided a one-off USD 5.5 million restricted grant related to COVID-19 activities. In 2020, BMGF's contributions to MMV represented 44% of total MMV revenue. The UK Foreign, Commonwealth and Development Office (FCDO, ex-DFID) contributed a total of GBP 15 million (equivalent to USD 19.1 million) as part of the 2017–2021 unrestricted grant, in addition to a GBP 3.4 million (equivalent to USD 4.5 million) restricted grant related to COVID-19 activities. In 2020, FCDO's contributions represented 27% of total MMV revenue.

In 2020, MMV was awarded two new grants: a new USD 10 million grant from the Korea

International Cooperation Agency Global Disease Eradication Fund (KOICA GDEF) related to the four year period 2021–2024; and (through MMV North America Inc.) a USD 0.5 million grant from the Bristol Myers Squibb Foundation.

In 2020, MMV received funding support from the European and Developing Countries Clinical Trials Partnership (EDCTP), the Directorate-General for International Cooperation (DGIS) of the Netherlands, the Australian Government Department of Foreign Affairs and Trade (DFAT), the German Federal Ministry of Education and Research (BMBF), the Swiss Agency for Development and Cooperation (DEZA/SDC), the Global Health Innovative Technology Fund (GHIT), the Irish government's programme for overseas development (Irish Aid), the United States Agency for International Development (USAID), PATH, Newcrest Mining Limited, and the Direction de la Coopération Internationale (DCI) of the Principality of Monaco. When comparing 2020 with 2019, it should be noted that 2019 revenue included a one-off restricted indemnity payment of EUR 17 million (equivalent to USD 19.4 million) from our pharmaceutical partner Sanofi for completion by MMV (under MMV's operational responsibility and leadership) of a Phase II artefenomel-ferroquine drug combination development programme from 1 January 2019 onwards.

MMV is extremely grateful for these and previous commitments from all its donors and partners.

New grants awarded in 2020

Donor	Amount in original currency	Title of grant	Grant type	Start date	End date
Korea International Cooperation Agency (KOICA) Global Disease Eradication Fund (GDEF)	USD 10 000 000	SMC IMPACT	Restricted	Jan-21	Dec-24
UK Foreign, Commonwealth & Development Office (FCDO)	GBP 5 662 624	MMV support to COVID-19 Therapeutics Accelerator	Restricted	Jun-20	Mar-22
Bill and Melinda Gates Foundation (BMGF)	USD 5 529 649	Vivax supply security	Restricted	Apr-20	Jul-22
Bristol Myers Squibb Foundation	USD 500 000	Research support	Restricted	Oct-20	Oct-21
Global Health Innovative Technology Fund (GHIT)	JPY 45 650 000	G2019-219	Restricted	Apr-20	Mar-22
Global Health Innovative Technology Fund (GHIT)	JPY 21 093 600	S2020-112	Restricted	Apr-20	Mar-22
Global Health Innovative Technology Fund (GHIT)	JPY 15 982 800	H2020-101	Restricted	Oct-20	Sep-21
Global Health Innovative Technology Fund (GHIT)	JPY 12 601 320	S2020-113	Restricted	Sep-20	Aug-21
European and Developing Countries Clinical Trials Partnerships (EDCTP)	EUR 62 500	Optimizing the impact of SMC: improving delivery and building capacity for evaluation (OPT-SMC)	Restricted	May-20	Apr-24

Expenditure

Total expenditure in 2020 amounted to USD 89.2 million (2019: USD 96.6 million). Research & development (R&D) expenditure amounted to USD 61.6 million (2019: USD 66.0 million). Access & product management (APM) expenditure amounted to USD 12.2 million (2019: USD 15.3 million). In 2020, corporate affairs, administration & finance and board expenditure amounted to USD 13.0 million (2019: USD 12.2 million) or 15% of total expenditure.

Capital & reserves

The total unrestricted funds of the organization as of 31 December 2020 amounted to USD 46.4 million (31 December 2019: USD 59.4 million), of which USD 4.0 million was paid-in capital, and USD 10.7 million unrestricted operating funds. There is an additional USD 31.8 million represented by the Foundation Fund (see below). As of the same date, total restricted funds amounted to USD 17.0 million (31 December 2019: USD 1.5 million).

Cash and cash equivalents

MMV's total cash balance as of 31 December 2020 amounted to USD 41.9 million (2019: USD 57.2 million).

Foundation Fund

The Foundation Fund is a directly controlled quasi-endowment structure to invest the revenues from MMV's contractual share of the priority review voucher (PRV) received by our pharmaceutical partner GlaxoSmithKline (GSK) upon approval of *Krintafel* (tafenoquine) from the US Food and Drug Administration (FDA) in July 2018, as well as any possible and similar future extraordinary revenue. The long-term strategic objective of the Foundation Fund is to improve the conditions for MMV business sustainability, and/or to pursue possible future opportunities, which are consistent with its humanitarian mission, but may be restricted by the current business model of the foundation.

Financial commitments

MMV maintains sufficient funds to support the appropriately managed close-out of ongoing clinical studies in compliance with ICH requirements.

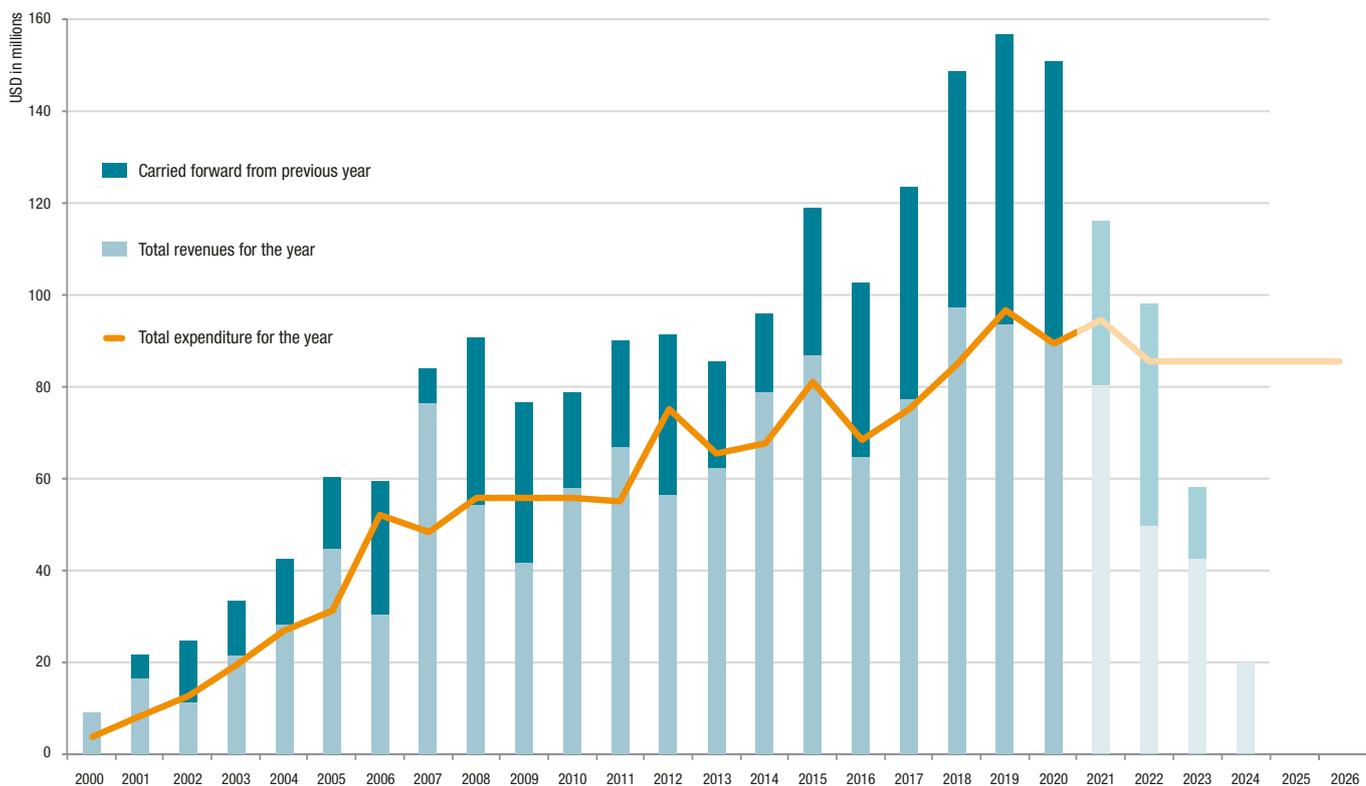
Financial forecasts

Management estimates that MMV's current portfolio will require an investment of approximately USD 85 million per annum over the five year period 2021–2025. With approximately USD 276 million available at the start of 2021 (USD 41.9 million cash as of 1 January 2021, USD 218.2 million committed pledges over the period 2021–2025 and a residual USD 16.2 million receivable from pharmaceutical partner GSK payable 50% in July 2022 and 50% in July 2023), the organization has sufficient funds for 2021, but is currently tracking a shortfall of approximately USD 150 million over the five year period 2021–2025. Although fundraising activities in 2020 were successful and significant additional funds were sourced, major fundraising efforts will be required in 2021 and beyond, as MMV continues to strive to meet the projected financial requirements of its growing portfolio.

Financial tables

The following financial tables and notes are extracted from the Swiss GAAP FER-compliant accounts.

Figure 6: MMV income and expenditure to date and scenario 2020–2024





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Report on extracted elements of consolidated financial statements to the management of

MMV MEDECINES FOR MALARIA VENTURE, Meyrin

We have audited the consolidated financial statements of the MMV MEDECINES FOR MALARIA VENTURE for the year ended 31 December 2020 from which the extracted elements of consolidated financial statements were derived, in accordance with Swiss law and Swiss Auditing Standards. In our report dated 29 April 2021, we expressed an unqualified opinion on the consolidated financial statements from which the extracted elements of consolidated financial statements were derived.

In our opinion, the accompanying extracted elements of consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the organisation's financial position and the results of its operations for the period and of the scope of our audit, the extracted elements of consolidated financial statements should be read in conjunction with the consolidated financial statements from which the extracted elements of consolidated financial statements were derived and our audit report thereon.

KPMG SA

Hélène Béguin
Licensed Audit Expert
Auditor in Charge

Jordan Chassard

Geneva, 29 April 2021

Enclosure:

- Extracted elements of the consolidated financial statements (page 47 to 55 included)



MMV CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS		Notes	31 Dec 2020	31 Dec 2019
			USD	USD
Current assets				
	Cash and cash equivalents	3	41 857 848	57 233 655
	Donations receivable	7	645 911	426 174
	Accounts receivable		874 321	788 720
	Tax receivable		7 451	263 992
	Prepays		555 643	735 240
	Prepaid portfolio commitments	11	10 646 546	907 157
Total current assets			54 587 720	60 354 938
Long-term assets				
	Long-term receivables	8	16 231 586	15 567 566
	Investment portfolio - Foundation Fund	5	15 526 418	14 431 325
	Guarantees	18	257 982	234 087
	Fixed assets, net	4	208 067	256 722
Total long-term assets			32 224 053	30 489 700
TOTAL ASSETS			86 811 773	90 844 638
LIABILITIES, CAPITAL & RESERVES				
Current liabilities				
	Accrued portfolio commitments		13 728 350	15 103 931
	Deferred revenue	9	2 800 000	9 793 333
	Other creditors		2 298 771	1 502 697
	Accrued expenses		3 072 030	2 748 345
	Short-term provisions	6	1 377 481	838 540
	Foreign exchange contracts	13	58 950	-
Total current liabilities			23 335 582	29 986 846
	Restricted operating funds		16 936 831	1 506 750
Total restricted funds			16 936 831	1 506 750
Unrestricted funds				
	Paid-in capital	1	4 000 000	4 000 000
	Foundation Fund	5	31 758 024	29 998 911
	Unrestricted operating funds		10 781 336	25 352 131
Total restricted funds			46 539 360	59 351 042
TOTAL LIABILITIES, CAPITAL & RESERVES			86 811 773	90 844 638

MMV CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL

	Balance at 1 January 2019	Internal funds transfer	Gain/(loss) for the period	Balance at 31 December 2019	Prior year adjustments	Gain/(loss) for the period	Balance at 31 December 2020
Restricted operating funds	11 265 709	(7 296 894)	(2 462 065)	1 506 750	-	15 430 081	16 936 831
TOTAL RESTRICTED OPERATING FUNDS	11 265 709	(7 296 894)	(2 462 065)	1 506 750	-	15 430 081	16 936 831
Paid-in capital	4 000 000	-	-	4 000 000	-	-	4 000 000
Foundation Fund	28 426 969	-	1 571 942	29 998 911	-	1 759 113	31 758 024
Unrestricted operating funds	19 505 608	7 296 894	(1 450 371)	25 352 131	1 420 653	(15 991 448)	10 781 336
TOTAL UNRESTRICTED FUNDS	51 932 577	7 296 894	121 571	59 351 042	1 420 653	(14 232 335)	46 539 360
TOTAL	63 198 286	-	(2 340 494)	60 857 792	1 420 653	1 197 747	63 476 192

MMV CONSOLIDATED STATEMENT OF OPERATIONS FOR THE PERIOD ENDED

			31 Dec 2020	31 Dec 2019
			USD	USD
REVENUE		Notes		
Donation revenue				
	Restricted donations	7	29 143 260	12 561 313
	Unrestricted donations	7	57 709 230	58 830 438
Total donations revenue		7	86 852 490	71 391 751
	Restricted revenue from partnerships	8	–	19 351 128
	Unrestricted revenue from partnerships	8	1 362 337	2 562 760
	Other unrestricted revenue	8	164 603	118 474
Total other revenue			1 526 940	22 032 362
TOTAL REVENUE			88 379 430	93 424 113
EXPENDITURE				
Portfolio expenditure				
	Discovery project expenditure	10	24 144 192	22 266 240
	Translational project expenditure	10	24 976 098	20 122 690
	Development project expenditure	10	12 499 688	23 622 642
	Access & product management project expenditure	10	12 239 427	15 271 157
	Other portfolio expenditure		2 286 135	3 021 284
Total portfolio expenditure			76 145 540	84 304 013
Support of portfolio expenditure				
	Board meetings expenditure	16	219 031	329 817
	Corporate affairs expenditure		6 148 532	5 834 979
	Administration & finance expenditure		6 600 129	6 084 948
Total support of portfolio expenditure			12 967 692	12 249 744
	Other expenditure		7 000	–
	Funding reimbursements		62 805	36 640
Other expenses			69 805	36 640
TOTAL EXPENDITURE			89 183 037	96 590 397
RESULT FROM OPERATING ACTIVITIES			(803 607)	(3 166 284)
	Financial income	13	2 520 140	1 005 032
	Financial expenses	13	(518 786)	(179 243)
	Net financial result		2 001 354	825 789
	<i>Of which related to Foundation Fund</i>		<i>1 095 092</i>	<i>217 861</i>
NET SURPLUS PRIOR TO ALLOCATIONS			1 197 747	(2 340 495)
ALLOCATIONS				
	Transfer (to)/from unrestricted operating funds		15 991 447	1 450 371
	Transfer (to)/from Foundation Fund		(1 759 113)	(1 571 942)
	Transfer (to)/from donor restricted operating funds		(15 430 081)	2 462 065
NET SURPLUS AFTER ALLOCATIONS			–	–

MMV CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED

		2020	2019
	Notes	USD	USD
(LOSS)/SURPLUS FOR THE YEAR		1 197 747	(2 340 495)
CASH FLOW FROM OPERATING ACTIVITIES			
Increase in provisions	6	538 941	69 571
Depreciation	4	84 302	96 414
(Increase)/decrease in donations receivable		(219 737)	7 375 147
(Increase)/decrease in accounts receivable	8	(85 601)	16 442 945
(Increase)/decrease in tax receivable		256 541	(216 042)
(Increase)/decrease in portfolio-related prepaid expenses		(9 739 389)	44 251
(Increase)/decrease in prepaid expenses		179 597	(89 666)
Increase/(decrease) in accrued portfolio-related commitments		(1 311 095)	2 983 289
Increase/(decrease) in deferred revenue	9	(6 993 333)	(9 677 216)
Increase/(decrease) in other creditors		681 151	487 763
Increase/(decrease) in accrued expenses		304 919	573 712
(Increase)/decrease in long-term receivables	8	(664 020)	(1 354 082)
Increase/(decrease) in reserves due to reimbursement of prior years' expenditure		1 420 652	-
Unrealized foreign currency (gain)/loss		(616 062)	(346 649)
CASH FLOW FROM INVESTMENT ACTIVITIES		(14 965 385)	14 048 942
CASH FLOW FROM INVESTMENT ACTIVITIES			
(Increase)/decrease in guarantees		(16 044)	(13 324)
(Increase)/decrease in derivative financial instruments		58 950	-
Unrealized (gain)/loss on investment portfolio - Foundation Fund	13	(1 142 056)	(32 073)
(Increase)/decrease in investment portfolio - Foundation Fund	5	46 963	(14 399 252)
(Increase)/decrease in fixed assets	4	(35 647)	(177 583)
CASH FLOW RESULTING FROM INVESTMENT ACTIVITIES		(1 087 834)	(14 622 232)
NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		(16 053 219)	(573 290)
Cash & cash equivalents at beginning of year		57 233 655	57 409 733
Effect of exchange rate fluctuations on cash held		677 412	397 212
Cash & cash equivalents at end of year		41 857 848	57 233 655

1. GENERAL INFORMATION

a) Organization

MEDICINES FOR MALARIA VENTURE (MMV) is a Swiss foundation, established as a not-for-profit legal entity, registered in Geneva under statutes dated 15 November 1999. It is managed by a foundation council, a chief executive officer and eight senior managers.

With its head office in Geneva, the aim of MMV is to bring public and private sector partners together, to fund and provide managerial and logistical support for the discovery and development of new medicines for the treatment and prevention of malaria. The products should be affordable and appropriate for use by populations in developing countries.

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

The consolidated financial statements for the year ending 31 December 2020 were approved for issue by the MMV Board on 29 April 2021.

b) Paid-in capital

The paid-in capital is fully subscribed at USD 4,000,000 as stipulated under the original legal statutes. Under normal circumstances, paid-in capital may be used during the year to meet cash flow shortfalls, but should be replenished before closing at year end. Paid-in capital together with the residual operating funds serves to maintain the viability of the organization, for six months, until other funding sources can be found.

c) Operating funds

The accumulated restricted and unrestricted operating funds represent the excess of core grants over expenditure since the inception of MMV. These funds are available to be utilized for future operations and project funding costs in accordance with the donors' requirements.

d) Foundation Fund

In 2019, the MMV Board of Directors approved the establishment of a directly controlled quasi-endowment structure (the Foundation Fund, described in Note 5 below) to invest the revenues from the GSK *Krintafel* (tafenoquine) partnership described in Note 8 below, as well as any possible and similar future extraordinary revenue.

2. ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the articles of incorporation of MMV, the applicable provisions of the Swiss Code of Obligations and the Swiss Generally Accepted Accounting Principles (Swiss GAAP FER/RPC), in particular RPC 21.

The consolidated financial statements have been prepared on a historical cost basis, except where a standard requires a different measurement basis.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

The consolidated financial statements give a true and fair view of the organization's financial position, the result of operations and cash flows.

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

b) Foreign currency translation

The consolidated financial statements are presented in US dollars (USD), since the majority of MMV's activities are conducted in this currency (group functional and presentation currency).

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are translated to USD at the foreign exchange rate ruling on that date. Foreign exchange differences arising on translation are recognized in the consolidated statement of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

The following exchange rates were used at year end:

		2020	
→	CHF 1	=	USD 1.133052
→	EUR 1	=	USD 1.226373
→	GBP 1	=	USD 1.364900
→	AUD 1	=	USD 0.770745
		2019	
→	CHF 1	=	USD 1.033428
→	EUR 1	=	USD 1.121473
→	GBP 1	=	USD 1.318462
→	AUD 1	=	USD 0.701275

		2020	
→	USD 1	=	CHF 0.882572
→	USD 1	=	EUR 0.815413
→	USD 1	=	GBP 0.732654
→	USD 1	=	AUD 1.297446

		2019	
→	USD 1	=	CHF 0.967653
→	USD 1	=	EUR 0.891684
→	USD 1	=	GBP 0.758459
→	USD 1	=	AUD 1.425974

c) Basis of consolidation

MMV has established a special purpose entity (SPE) for fundraising in North America (MMV, North America Inc.). MMV does not have any direct or indirect shareholdings in this entity. An SPE is consolidated if, based on an evaluation of the substance of its relationship with MMV and the SPE's risks and rewards, MMV concludes it controls the SPE. The SPE is not fully controlled by MMV, but was established under such terms and conditions that it imposes strict limitations on the decision-making powers of the SPE's management, with the result that MMV receives the majority of the benefits related to the SPE's operations and net assets while being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets. MMV appoints the board members of the SPE.

In accordance with the Swiss GAAP FER 30 and based on the facts above, MMV North America Inc. is fully consolidated in these consolidated financial statements and has been, on a line by line basis, since 2011.

List of organizations consolidated in 2020:

Country	United States of America
Name and domicile	MMV North America, Inc., Delaware
Functional currency	USD
% controlled by MMV	N/A
Direct/Indirect	N/A

All intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d) Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with the Swiss GAAP FER requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent, from other sources. Actual results may differ from these estimates. If, in the future, such estimates and assumptions, which are based on management's best judgement on the date of the consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Certain critical accounting judgements in applying MMV accounting policies are described below.

Revenue recognition

MMV enters into complex grant contracts that contain numerous provisions related to performance, reporting and spending. These criteria are monitored by both the scientific programme and finance teams to assess progress according to grant milestones and objectives. The evaluation of progress requires judgement, as it is based on subjective evaluations and discussions with programme participants and sponsors.

Research and development expenditure

MMV's research and development expenditure is generally not direct expenditure, but is in the form of grants and contracts with external parties who perform certain tasks at their request. These requests are formalized by contracts and agreements that outline the requested services and development effort. Progress against expectations is difficult to measure, and measurement criteria are generally not defined

in grant agreements. We review research plans and activities regularly to adjust annual funding levels prospectively. Additionally, actual research and development timing and execution are often different to that of the original plans. These factors lead to subjectivity in the timing and recognition of research and development expenditure.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits with maturity of one month after the closing date.

	2020 USD	2019 USD
Petty cash	6 475	10 265
Bank balances	33 689 235	40 129 307
Time deposits	8 162 138	17 094 083
Total cash and cash equivalents	41 857 848	57 233 655

4. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the consolidated statement of operations on a straight line basis over the estimated useful life of the assets.

- office furniture 20%
- fixtures and installations 33%
- computers and equipment 33%

2020	Fixtures & installations USD	Office furniture USD	Computers & equipment USD	Total USD
Costs at 1 January	1 019 140	392 362	287 196	1 698 698
Additions	20 497	–	15 150	35 647
Disposals	–	–	–	–
At 31 December	1 039 637	392 362	302 346	1 734 345
Accumulated depreciation at 1 January	830 600	389 458	221 918	1 441 976
Charge for the year	45 715	1 428	37 159	84 302
Disposals	–	–	–	–
At 31 December	876 315	390 886	259 077	1 526 278
Net book value at 31 December	163 322	1 476	43 269	208 067

5. INVESTMENT PORTFOLIO – FOUNDATION FUND

In 2019, the MMV Board of Directors approved the establishment of a directly controlled quasi-endowment structure (the Foundation Fund) to invest the revenues from the GSK *Krintafel* (tafenoquine) partnership described in Note 8 below, as well as any possible and similar future extraordinary revenue.

The long-term strategic objective of the Foundation Fund is to improve the conditions for MMV business sustainability, and/or to pursue possible future opportunities, which are consistent with its humanitarian mission, but may be restricted by the current business model of the foundation.

In 2019, the Board also approved the related investment policy and appointed an investment manager for the Foundation Fund, following a competitive selection process, and approved the transfer to the investment manager of the initial 50% received from GSK (described in Note 8). The investment of this initial amount is accounted for in MMV's 2019 consolidated statement of financial position as a "long-term investment portfolio", as the intention of MMV is to keep these investments over the long-term. In compliance with the investment policy approved by the Board, the above-mentioned assets were invested in:

- a discretionary fixed interest portfolio (USD-denominated, investment-grade bonds, 87.5% of total);
- a well-known exchange-traded fund, or ETF, (the MSCI World ESG Index) reflecting the performance of the global equity markets (10% of total); and
- a money market fund (2.5% of total).

The market value of this investment portfolio as of 31 December was the following:

	2020 USD	2019 USD	2020 performance
Money market funds	357 577	357 486	0.03%
MSCI World ESG Index	1 737 825	1 480 020	17.42%
Fixed interest portfolio (discretionary mandate)	13 431 016	12 593 819	6.65%
Total	15 526 418	14 431 325	7.59%

6. SHORT-TERM PROVISIONS

A provision is recognized in the balance sheet when MMV has a present 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.

	Unused vacation provision USD	Total provision USD
Balance at 1 January 2019	703 624	703 624
Use/release	(703 624)	(703 624)
Allocation for the year	838 540	838 540
Balance at 31 December 2019	838 540	838 540
Use/release	(838 540)	(838 540)
Allocation for the year	1 377 481	1 377 481
Balance at 31 December 2020	1 377 481	1 377 481

7. REVENUE AND DONATIONS RECEIVABLE

Revenue recognition

Unrestricted grants

An unrestricted grant is recognized as revenue in the consolidated statement of operations when the grant becomes receivable. Any other grant which has performance, timing or other conditions is recognized in the balance sheet as revenue once the foundation has complied with the stipulated conditions. If the conditions have not yet been fully complied with, then this grant component is reported as a contingent asset as disclosed in Note 15.

At year end, if the unrestricted grants have not been fully used, they are presented as unrestricted operating funds in the balance sheet.

Restricted grants

When the donor wishes to see a donation allocated to a specific cause, the donation is considered to be a restricted grant. Restricted grants that have not been used at the end of the year are presented in the restricted operating funds in the balance sheet.

Contributions in kind

Occasionally, MMV receives donations in kind, primarily in the form of free use of goods or services or preferential discounts. These in-kind contributions are not stated in the statement of operations as this type of contribution is difficult to valorize.

Below is a summary of donations received or committed during 2020:

	Cash received 2020	Revenue recognized during previous year	Donations receivable	Revenue deferred from previous year	Revenue deferred to following year	Unrealized foreign exchange gain/(loss)	Total revenue as per statement of operations
Bill & Melinda Gates Foundation (BMGF, Core grant)	32 505 000	–	–	–	–	–	32 505 000
UK Foreign, Commonwealth & Development Office (FCDO)	19 132 955	–	–	–	–	–	19 132 955
Australian Government Department of Foreign Affairs and Trade (DFAT)	2 673 518	–	–	–	–	–	2 673 518
Swiss Agency for Development and Cooperation (DEZA/SDC)	1 752 797	–	–	–	–	–	1 752 797
Irish Government Department of Foreign Affairs (Irish Aid)	1 144 926	–	–	–	–	–	1 144 926
Bristol Myers Squibb Foundation	500 000	–	–	–	–	–	500 000
Individual donors	35	–	–	–	–	–	35
Total unrestricted donations received	57 709 230	–	–	–	–	–	57 709 230
European and Developing Countries Clinical Trials Partnership (EDCTP, PAMAFrica grant)	–	–	–	9 793 333	–	(94 914)	9 698 419
Bill & Melinda Gates Foundation (BMGF, Vivax supply security)	5 529 649	–	–	–	–	–	5 529 649
UK Foreign, Commonwealth & Development Office (FCDO, South Africa ReACT study)	4 493 637	–	–	–	–	–	4 493 637
Netherlands Ministry of Foreign Affairs (DGIS)	3 279 745	–	–	–	–	–	3 279 745
German Federal Ministry of Education and Research (BMBF)	2 790 331	–	–	–	–	–	2 790 331
Global Health Innovative Technology Fund (GHIT)	1 176 701	–	154 905	–	–	–	1 331 606
United States Agency for International Development (USAID)	935 889	(426 174)	368 369	–	–	–	878 084
Swiss Agency for Development and Cooperation (DEZA/SDC, Antimalarial Treatment Options for Pregnant Women)	543 793	–	–	–	–	–	543 793
Program for Appropriate Technology in Health (PATH, VivAccess grant)	257 454	–	–	–	–	–	257 454
Principality of Monaco Direction de la Coopération Internationale (DCI)	–	–	122 637	–	–	–	122 637
Newcrest Mining Limited	180 696	–	–	–	–	–	180 696
European and Developing Countries Clinical Trials Partnership (EDCTP, OPT-SMC grant)	37 210	–	–	–	–	–	37 210
Korea International Cooperation Agency (KOICA) Global Disease Eradication Fund (GDEF)	2 800 000	–	–	–	(2 800 000)	–	–
Total restricted donations received	22 025 104	(426 174)	645 911	9 793 333	(2 800 000)	(94 914)	29 143 260
TOTAL RECEIVED	79 734 335	(426 174)	645 911	9 793 333	(2 800 000)	(94 914)	86 852 490

Of the total donations recognized in the consolidated statement of operations, USD 500,035 have been received through MMV North America Inc.

8. LONG-TERM RECEIVABLES & TOTAL OTHER REVENUE

Revenues from partnerships

GlaxoSmithKline

MMV has been collaborating with pharmaceutical partner GlaxoSmithKline (GSK) on the co-development of *Krintafel* (tafenoquine) since 2008. On 20 July 2018, the United States Food and Drug Administration (FDA) granted regulatory approval, under priority review, of single-dose *Krintafel* for the radical cure (prevention of relapse) of *Plasmodium vivax* malaria, in patients aged 16 years and older, who are receiving appropriate antimalarial therapy for acute *P. vivax* infection.

Under US law, following approval by the FDA of a treatment for a neglected or rare paediatric disease, the developer may receive a priority review voucher (PRV) that entitles the recipient to a priority review by the FDA for a different drug. This voucher can either be used by the developer, or sold to a third party. Upon approval of *Krintafel*, the FDA granted a PRV to GSK. In October 2018, GSK used this PRV for a new drug application to the FDA by ViiV Healthcare, an affiliate of GSK.

GSK and MMV have both contributed to the cost of development of *Krintafel* during the period 2008–2018. Under the terms of the co-development agreement, as GSK has used the PRV, MMV is entitled to the refund of its share of

the co-development costs from GSK. GSK agreed to reimburse 50% of MMV's cumulative costs for the period from 2008 to 31 December 2018 in Q1 2019, 25% in July 2022 and the residual 25% in July 2023. The two latter payments are subject to amendments to reflect any additional *Krintafel* development costs incurred by MMV after 1 January 2019.

The cumulative costs incurred by MMV on the development of *Krintafel* from 2008 and up to 31 December 2018, amounted to USD 28,426,969. Therefore, MMV recognized this amount as revenue from the GSK partnership during the fiscal year 2018. MMV also booked in its consolidated statement of financial position as of 31 December 2018, 50% of the above amount, i.e. USD 14,213,484, as a short-term account receivable due in March 2019; and USD 14,213,484 as a long-term account receivable (to account for two residual payments of USD 7,106,742 each, due in July 2022 and July 2023).

In March 2019 MMV received from GSK a USD 14,213,484 cash payment in respect of the above-mentioned short-term account receivable. In 2020 MMV incurred additional net expenditure of USD 664,021 (2019: USD 1,354,081) in the co-development of *Krintafel*. As the two parties had

agreed that GSK would refund any additional expenditure incurred by MMV after 1 January 2019, by increasing the two residual payment amounts, MMV recognized USD 664,021 (2019: USD 1,354,081) as revenue from the GSK partnership during the fiscal year 2020. MMV also increased the long-term receivable by the same amount, so that the total of the two residual payments due in July 2022 and July 2023 increased to USD 16,231,587 (2019: USD 15,567,566).

The *Krintafel* trademark is owned by or licensed to the GSK group of companies.

Others

In 2020, in addition to the above-mentioned revenues from GSK, MMV booked the following revenues from partnerships: USD 140,970 from Janssen in respect of the co-development of P218 and IM-atovaquone (2019: USD 1,028,556), and USD 292,968 from Shin Poong (2019: USD 180,123). In 2019 MMV had also received USD 19,351,128 from Sanofi in respect of an indemnity payment of EUR 17,014,000 for the completion by MMV of the above-mentioned Phase II studies, from 1 January 2019 onwards.

MMV plans to use the above-mentioned revenues from partnerships in support of its charitable mission.

All other types of revenues which are not considered donations are presented in other unrestricted revenues as follows:

	2020	2019
	USD	USD
Tax at source commission	41 520	37 059
Honorarium	35 373	32 771
Consulting fees	12 908	17 952
Reimbursement from grantees	30 370	–
Other	44 432	30 692
OTHER INCOME	164 603	118 474

9. DEFERRED REVENUE

In late December 2020, MMV received the first payment from Korea International Cooperation Agency (KOICA) as a pre-financing grant of USD 2,800,000. Considering the project financed by

this grant will start in 2021, this payment was recognized as deferred revenue and will be booked as revenue in the fiscal year 2021.

In 2019 a deferred revenue of USD 9,793,333 was recorded in respect of a pre-financing grant received from EDCTP as described in Note 7 and Note 11.

10. PROJECT GRANTS

Expenditure and grants allocated for research and development activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recorded on the basis of contracts with grantees. In the event that a portion of a grant is unpaid at the year end, it is included under current liabilities. Expenses paid before year end for the following period are recorded as prepaid portfolio commitments.

Regulatory and other uncertainties inherent in the development of new products in this sector preclude MMV from capitalizing on development costs.

Project-related variable expenditure includes all legal advice/services for contract negotiations (IPR), organization and travel for project meetings/reviews, and MMV scientific personnel compensation. Expenditure for this MMV support

totalled USD 19,422,922 and USD 16,428,039 in 2020 and 2019, respectively.

Project reimbursements receivable

These refer to unused balances of project grants previously committed, which are returned to MMV by the project partners as stipulated in the individual contractual agreements on termination or reorganization of R&D projects.

11. PREPAID PORTFOLIO COMMITMENTS

Prepaid portfolio commitments are payments made to grantees or suppliers for goods or services which will only be delivered during the following fiscal year.

As of 31 December 2020, there were the three following major categories of prepayments in relation to MMV portfolio projects:

	2020 USD	2019 USD
Chloroquine prepayment	4 500 000	–
EDCTP PAMAfrica prepayments to sub-grantees	4 199 643	–
Discovery related	453 167	491 740
Translational related	214 236	137 622
Product development related	662 163	12 255
Access & product management related	561 395	210 707
Other prepaid portfolio commitments	55 942	54 833
Total prepaid portfolio commitments	10 646 546	907 157

The significant increase in prepaid portfolio commitments is mainly due to the two following items:

a) Use of a restricted donation of USD 4,984,000 received from the Bill & Melinda Gates Foundation in 2020 and aimed at the procurement and distribution of 120 million tablets of chloroquine phosphate 250 mg.

Chloroquine is a generic oral medication initially used in the treatment and prevention of all malaria species (*Plasmodium falciparum*, *P. vivax*,

Plasmodium ovale, and *Plasmodium malariae*). It is no longer used for *P. falciparum*, as there is widespread resistance to it and artemisinin-based combination therapies are now the standard of care, but it is still the main treatment against the blood stage of *P. vivax* malaria.

The above-mentioned restricted grant from the Bill & Melinda Gates Foundation was accounted for as 'revenue' in 2020. As pharmaceutical products to be donated in the context of MMV's mission

can only be accounted for as 'expenditure' upon physical and legal transfer of ownership to the final beneficiaries (in this specific case, the Ministries of Health of India and Ethiopia and other similar entities), MMV has accounted for the entire stock of 120 million tablets as 'prepaid'. MMV will book as 'expenditure' the value either of part, or all of the stock, as soon as the organization either partly or wholly transfers its ownership.

b) Use of a restricted donation from the EDCTP as a pre-financing grant equivalent to USD 9,698,419, which was recognized as a revenue in the fiscal year 2020. In the first quarter of 2020, MMV (as leader of the consortium) released advance payments to other consortium members for a total amount equivalent to USD 5,848,430 to cover the costs of activities supported by the EDCTP grant for the period 2020–2021. As of 31 December 2020 the total amount of outstanding prepaid portfolio commitments related to 2021 activities funded by the EDCTP grant was equivalent to USD 4,199,643.

12. PERSONNEL EXPENSES

Salaries and related charges are included under project expenditure and support of portfolio expenditure in the consolidated statement of operations.

As of 31 December 2020 there were 67.8 full-time equivalent employees with permanent contracts

(2019: 60.7), as well as 37.6 full-time equivalent temporary staff members with fixed-term contracts ranging from one to three years (2019: 42.6).

The pension plan covers all employees for death and disability benefits. Cover for retirement benefits begins in the year following each

employee's 24th birthday. The retirement pension is based on the level of the retirement credits, the interest rate to be credited and the conversion rate to be applied at retirement age. Risk benefits are related to pensionable salary.

The occupational benefits are provided by a collective foundation, Profond, according to a defined contribution benefit plan. Investment yield has no impact on premiums; the employer does not guarantee the benefit amount. The plan is funded by the contributions made by MMV and its employees.

	2020 USD	2019 USD
Capital ratio	109.8%	111.3%
Amount payable to pension fund	684	1 999

13. FINANCIAL RESULT

	2020 USD	2019 USD
Unrealized gain on portfolio investments	1 142 056	32 073
Bank interest	194 735	764 401
Exchange gain from CHF	626 178	147 333
Exchange gain from EUR	375 088	49 962
Exchange gain from AUD	182 083	–
Exchange gain from GBP	–	11 263
Total	2 520 140	1 005 032

In order to minimize the potential adverse effect of foreign exchange fluctuations, MMV liquidity is deposited in bank accounts denominated in foreign currencies pro rata to the breakdown of total expenditure by currency (natural hedging).

	2020 USD	2019 USD
Loss on foreign exchange forward contracts	58 951	–
Bank charges	111 563	47 412
Exchange loss from CHF	–	–
Exchange loss from GBP	280 668	–
Exchange loss from AUD	–	131 831
Unrealized loss on money market deposit	67 604	–
Total	518 786	179 243

Furthermore, MMV is entered into foreign exchange forward contracts with a bank to cover its CHF purchases for 2021. These forwards are used for hedging balance sheet items, and are recognized at a fair value on the date a derivative contract is entered into; they are recorded as other receivables or other current liabilities.

	Positive value	2020 Negative value	Purpose	Positive value	2019 Negative value	Purpose
Foreign exchange forward contracts	-	(58 950)	Hedging	-	-	N/A
Total financial instruments	-	(58 950)	-	-	-	-

14. LEASES

Non-cancellable operating lease rentals are payable as follows:

	2020 USD	2019 USD
Less than one year	1 028 830	1 068 427
Between one and five years	2 732 081	3 880 854
Total	3 760 911	4 949 281

MMV has several operating leases. These leases generally run for a period of six years, with an option to renew the lease after that date. During the year ending 31 December 2020, USD 1,075,537 was recognized as an expense in the consolidated statement of operations in respect of operating leases (2019: USD 794,236).

15. CONTINGENT ASSETS

As per current contractual agreements, and depending on satisfactory reporting to donors, contingent assets related to donations are as follows:

	2020 USD	2019 USD
Less than one year	73 957 503	70 274 379
Between one and five years	130 715 668	165 956 820
Total	204 673 171	236 231 199

16. RELATED PARTIES

MMV has a related-party relationship with its board members, executive officers and MMV North America Inc.

	2020 USD	2019 USD
Board members & meetings	219 031	349 639

Board members serve on a voluntary basis and receive no remuneration. They are compensated for travel and accommodation for participation in board meetings and receive a per diem allowance to cover incidental expenses during these events.

There were no loans to directors or executive officers for the years ending 31 December 2020 and 31 December 2019.

Some donors are represented in the foundation council. Given the foregoing, these donors could be considered as related parties. However, MMV management considers that their presence in the foundation council does not affect the nature of the relation between MMV and these donors.

Therefore, all MMV donors have been considered third parties.

17. RISK MANAGEMENT

The foundation council has overall responsibility for organizing and supervising risk management. The audit committee monitors the management's approach to risk management in compliance with the organization's principles and procedures, and verifies that risks are managed appropriately in light of the current risks faced by the organization.

Based on a risk identification exercise carried out periodically, MMV's essential risks are assessed in respect of likelihood and impact and documented in a risk analysis report. The management has the responsibility to monitor and supervise the substantial risks.

For risks related to accounting principles and financial reporting, a risk analysis has been carried out. Controls in line with the internal control system have been defined and measures resulting from this have been implemented in order to minimize the risks related to accounting principles and financial reporting.

18. GUARANTEES

Guarantees concern office rentals only and are recoverable on vacating the premises subject to the prevailing contracts.

19. CAPITAL COMMITMENTS AND CONTINGENCIES

MMV encounters certain risks and uncertainties in conducting its work. These risks and uncertainties have financial statement implications. In all instances, these have been considered in the

consolidated financial statements, despite the fact that the outcomes of these uncertainties cannot be predicted with absolute certainty. Management has concluded that provisions for

these risks are appropriate, and any adverse resolution of these uncertainties will not have a material impact on the financial position or results of the foundation.

20. AUDITORS

KPMG SA, Geneva, have been MMV's statutory auditors since the fiscal year 2003. Following a competitive bid in 2017, KPMG were reappointed as the statutory auditors. The current lead auditor, H el ene BEGUIN, has acted in this capacity since 2017.

During the fiscal year 2020, MMV paid:

This amount can be split as follows:

→ Statutory audits: USD 81,588 (2019: USD 59,497)

→ Special audit reports to donor: USD 62,445 (2019: USD 36,033) - These audit reports to donors are not all performed by MMV statutory auditors.

→ Other services: USD 25,759 (2019: nil)

21. SUBSEQUENT EVENTS

No events have occurred between the balance sheet date and the date of this report that require

adjustment to, or disclosure in, these financial statements.