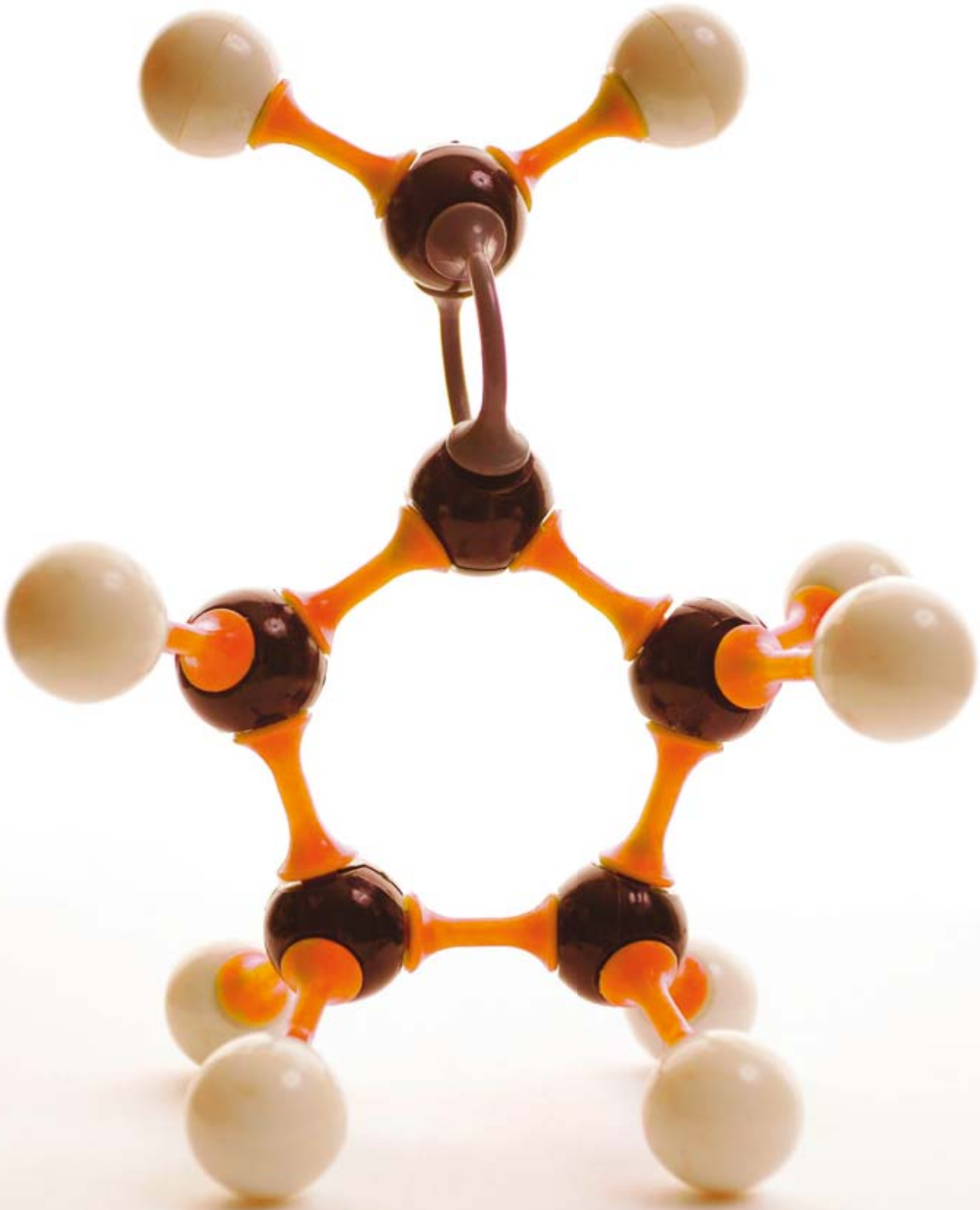
ANNUAL REPORT
2013

esperare foundation

Advancing treatments for rare diseases
Together



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Established in Switzerland in 2013, **EspeRare** is a new nonprofit foundation, with global reach, focused on accelerating the development of treatments for underserved patients affected with rare diseases.

Message from the President and the Executive Director

MISSION

In collaboration with patient organisations, academia, governmental agencies, biotech and pharmaceutical companies, EspeRare uncovers the potential of existing molecules to address severe therapeutic unmet needs in rare diseases. Through the identification and validation of these therapeutic opportunities, it addresses the translational gap in rare disease drug development. Thus, giving better chances for existing drug to reach these patients.

VISION

A world in which patient engagement, good science, pharmaceutical excellence and health authorities come together to address the medical needs of rare diseases patients, ultimately alleviating the healthcare burden of their conditions.

> **"This is no time for ease and comfort. It is time to dare and endure."**
>
> Winston Churchill

The EspeRare foundation was launched at the International Rare Diseases Research Consortium first Congress in Dublin in April 2103. Our goal is to pioneer a collaborative model that accelerates the development of treatments for underserved patients affected by rare diseases. Our Product Development Partnership model for rare diseases is a unique non-profit business model that brings together public, private, academic and philanthropic sectors to develop unexplored or abandoned drug for debilitating rare diseases.

Having just completed EspeRare's first year, we are excited about the future that our foundation will shepherd in for individuals and families suffering from rare diseases.

As a validation of our model, we have launched our first drug repositioning program. Merck Serono, transferred to EspeRare rights to develop a compound, Rimeporide, for Duchenne muscular dystrophy and is co-funding its development. In addition, we have mobilised key stakeholders and experienced firsthand the power of patients' engagement, research expertise within academia, direct dialogue with regulators, and public-private funding to develop this hidden drug opportunity. This collaborative strategy is maximising the chance of success to develop a treatment for boys living with Duchenne, so desperately in need of a drug that will preserve their muscle function and protect their hearts.

Beyond this initial drug development program, we have taken several significant steps to scale our work and impact.

We have constituted a strong foundation board with representatives from the private and public health sector. A core management team that operationalises the vision, that is supported by a broad group of consultants which brings the breath of R&D expertise needed to deliver on our objectives.

The foundation was endowed by the Swiss lottery to build an informatics platform that will support the systematic identification and evaluation of unexplored therapeutic opportunities in rare diseases; this platform will also manage research data of ongoing drug development programs.

EspeRare is preparing to launch another repositioning program that aims to treat patients affected by a deadly and neglected rare renal disease, research activities will begin by early 2014 .

Both the president and the executive director have been appointed to the executive committee of a European Commission action for Cooperation in Science and Technology. As such, we will represent Switzerland and the ethical interest of individuals with regards to Citizen Health. We are working with representatives of twenty-two other European countries to come-up with legal and scientific guidelines for genetic testing, biobanking, health ethics and public democratisation of research.

Our primary goal during the next five years is to impact public health in a substantial way. To do so, we are building a strong organisation and establishing world-class partnerships. ***This first year's successes are very encouraging, but this work requires intense and long term dedication. It is time to transform and accelerate the discovery and development of treatments for all unmet medical needs. We aim to catalise the innovative and collaborative system that will sustain access to health for all and enable personalised healthcare.***

This is a long journey, and we have just begun to take our first steps towards enabling health so that people, and in particular children, can make the most out of their lives.

We also wish to send our warm gratitude to all the wonderful people that have so generously enabled this great adventure to become a profound reality.

Together, focused on the goals, there is little we cannot do!

Sharon Terry
President

Caroline Kant
Executive Director

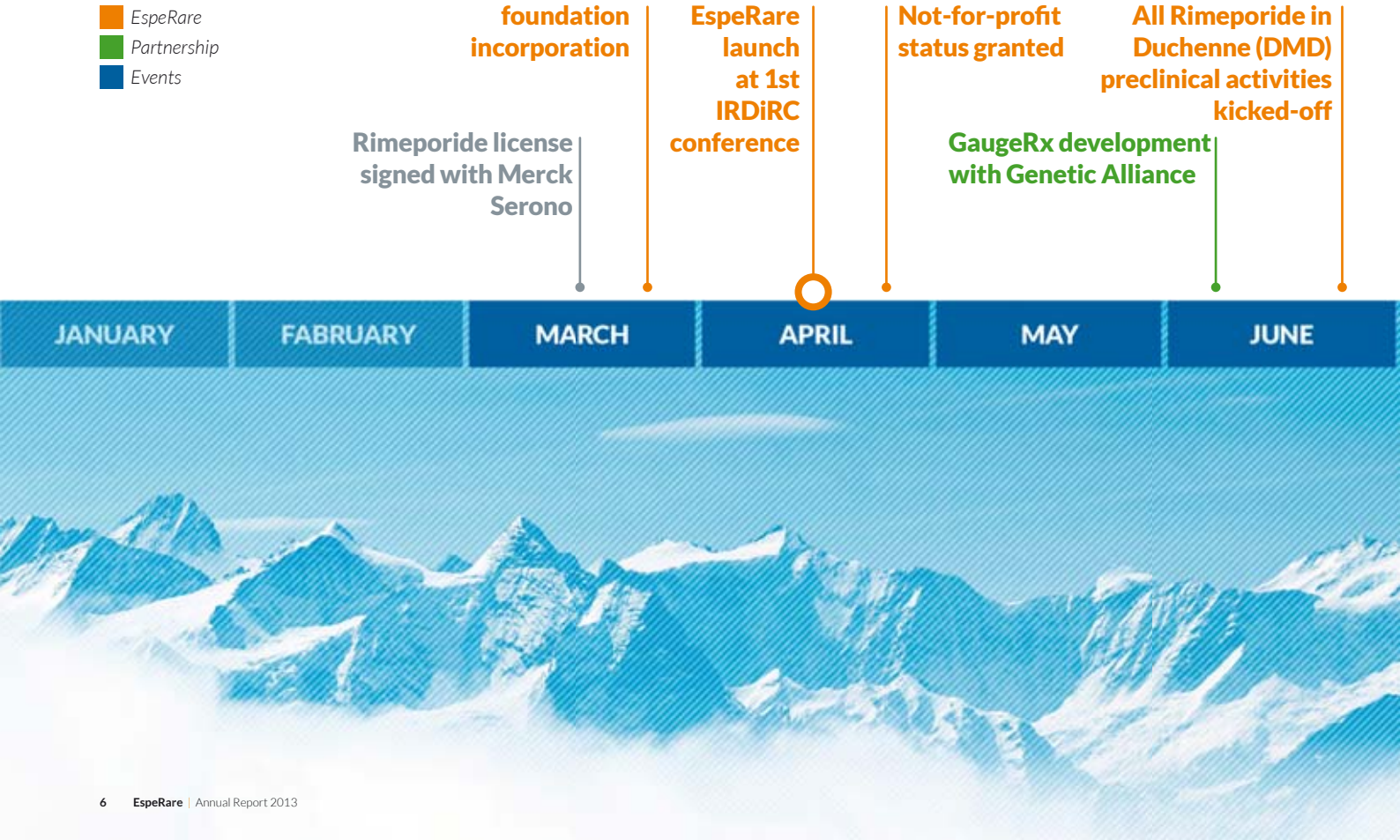
2013 highlights

The EspeRare foundation was launched in April 2013 at the International Rare Diseases Research Consortium conference (IRDiRC) in Dublin.

EspeRare founders Béatrice Gréco, Caroline Kant-Mareda and Florence Porte-Thomé are former Merck Serono employees. When the pharmaceutical company announced the closure of its Swiss Headquarters in 2012, the team excelled in an Entrepreneur Partnership Program (EPP) and was awarded a compound license and an initial endowment to start the foundation's activities. Merck Serono transferred the rights of Rimeporide, a compound previously developed for heart failure by the pharmaceutical company.

The foundation is currently investigating this compound in Duchenne Muscular Dystrophy (DMD), a devastating pediatric disease (See page 18-19).

EspeRare is established in Geneva, Switzerland. It is recognised by the Swiss authorities to be operating for the public benefit. In line with its non-profit status, all revenues generated by the foundation through the development of therapeutic assets are reinvested for new rare disease programs within its portfolio.



"Duchenne is a heartbreaking disease. Children like Laurent, my cousin, affected with this disease are bright and engaged but as they grow up, they inexorably get weaker and experience the loss of the few abilities they had acquired. I have in my genes the eagerness to find treatments for Duchenne and I am committed to give them the strength to fight their disease."

Florence Porte-Thomé
Founder and R&D Director

"As a nonprofit organisation, our priorities are not determined by the size of a market, they are solely defined by the medical needs and great science. Above all, we strive to apply our patient-centric model and pharma know-how to advance new treatments for underserved patients."

Caroline Kant-Mareda
Founder & Executive Director

"Fostering access to health for patients that are the most in need is what this foundation is about, and is what I am about."

Beatrice Greco
Founder and member of the Board

French Telethon grant for DMD program — JULY

Swiss innovation grant for DMD program — AUGUST

Member of EU action for Citizen's Health — SEPTEMBER

2nd program in Rare renal disease — NOVEMBER

NIH collaboration — DECEMBER

Swiss lottery grant for Innovation platform — DECEMBER

JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER

2013

Addressing rare diseases

More than **25 million people in the US** and **30 million people in Europe** are affected by rare diseases

↓

50% are **children**

9 years on average is required for a correct diagnosis: **the Diagnostic Odyssey**

More than 7 000 rare diseases have been **identified**

80% of rare diseases have identified **genetic origins**

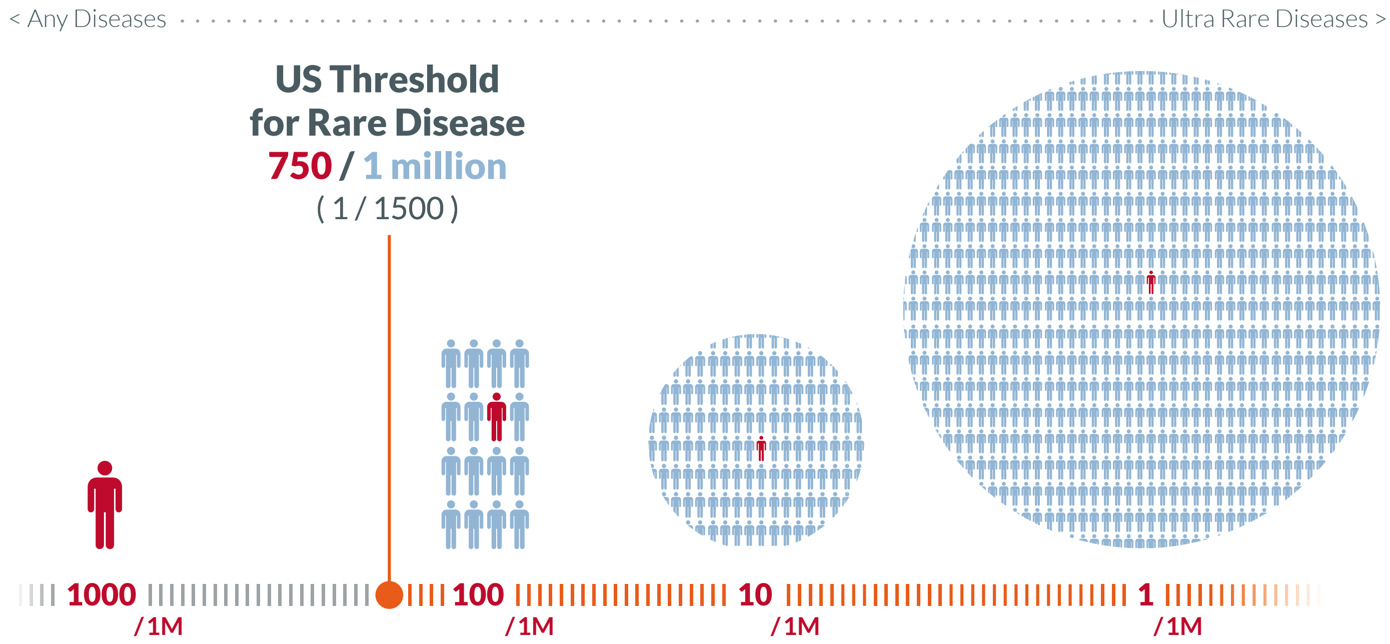
Only 5% of rare diseases have approved **therapeutic solutions**

Source: Orphanet and the US Orphan Drug Act

Frequency of Disease

Number of Patients per Million

(logarithmic Scale)



WHAT IS A RARE DISEASE?

In Europe, any disease affecting less than ***1 person in 2000*** is considered rare. In the US, a disease or disorder is defined as rare when it affects less than ***200,000*** people in the US.[1]

Rare diseases are chronic, progressive, degenerative and often life-threatening. Because of their low prevalence and their high level of complexity, they need special combined efforts for their management.

EMPOWERED ADVOCACY ORGANISATIONS IN RARE DISEASES

Particularly in rare diseases, disease advocacy organisations are key partners at each stage of drug development:

- → Given the scarcity and fragmentation of medical expertise, patients are highly knowledgeable and have a strong influence on drug development
- → Through support, research, fundraising and lobbying, they actively develop expert networks, manage disease related knowledge and engage in and support biomedical research

Although pharmaceutical companies ultimately bring therapies to market, advocacy organisations create the awareness needed to start the drug discovery process. Patients are at the core of current progress in rare disease R&D.

The foundation has an established network of 1200 patient organisations; for each program, we strive to develop trusted collaborations with patient organisations, to truly deliver patient-centered drug development

1 Source: Orphanet and the US Orphan Drug Act

FOCUS ON RARE PAEDIATRIC DISEASES

4 questions to Professor René Tabin, Head of paediatrics at Valais' hospital (CH) & Chief Editor of Paediatrica, newspaper of formation and of information from the Swiss-Paediatrics Association

What are the challenges of treating children suffering from rare diseases?

This is a complex topic. ***Making the right diagnosis*** is the first critical milestone, since some symptoms are often misleading. It may last several years to elucidate from which disease a child is suffering from. For each patient, a specific network has to be built, involving multidisciplinary expertise such as human genetic metabolism, oncology, immunology…

Finding the right therapeutic approach represents the second challenge, providing of course that a treatment exists and is approved for the given indication. ***'Financing the right treatment'*** is also a big hurdle. Due to the cost of some medicines, the role of paediatricians is to inform the insurances and their medical advisors about possible treatments. Some may not be approved in the living country of the patient, which may cause legal issues, and require external support to finance access to medicine for that particular patient. An alternative to provide medical support is to enroll a patient into a clinical study. However, the studies are limited in time and their therapeutic benefit is unsure. Therefore this cannot be considered as a long-term solution to address the patient medical needs.

Why are so few treatments approved for children?

On one hand, ***paediatric clinical drug development is very difficult to conduct***. On the other hand, financial constraints are a substantial barrier to bring medicines and appropriate formulation to children. Due to the insufficient potential return on investment, pharmaceutical companies are reluctant to invest in the field of drug development for children. In many cases, paediatricians do not have any other alternative than prescribing medicines outside their approved indications ('off label' use). The European Union, as well as Switzerland, is strongly encouraging companies to finance clinical studies in children for each new approved medicine. This implies the need to find new financial model to conduct these investigations.

Finally, the ***rarity of the diseases*** makes it difficult to recruit a sufficient number of patients and to provide evidences for the efficacy and safety of the products.

What is missing to address this gap?

Developing a legislation to incentivise and enforce paediatric drug development would be a first step. In Switzerland, the federal organisation Swiss Medics does not require any specific procedure to approve a paediatric drug on the Swiss territory. New financial mechanisms that channel funding for paediatric research are also necessary to increase the opportunities of finding new treatments.

Finally, it is key to more efficiently ***provide information to patients and medical professionals***, for example through the development of databases and up-to-date information sources.

What can be the impact of an organisation such as EspeRare in this context?

Working on existing drugs, for which evidence of safety and efficacy in humans already exist, is a very compelling approach. It can allow significantly reducing costs and accelerating access to treatments for paediatric patients.

In addition, EspeRare's close interaction with rare disease patient groups, biomedical experts and pharmaceutical industry can open new opportunities and ***forge a viable and sustainable path for R&D that will benefit children with rare diseases***. ■

Advancing rare disease treatments

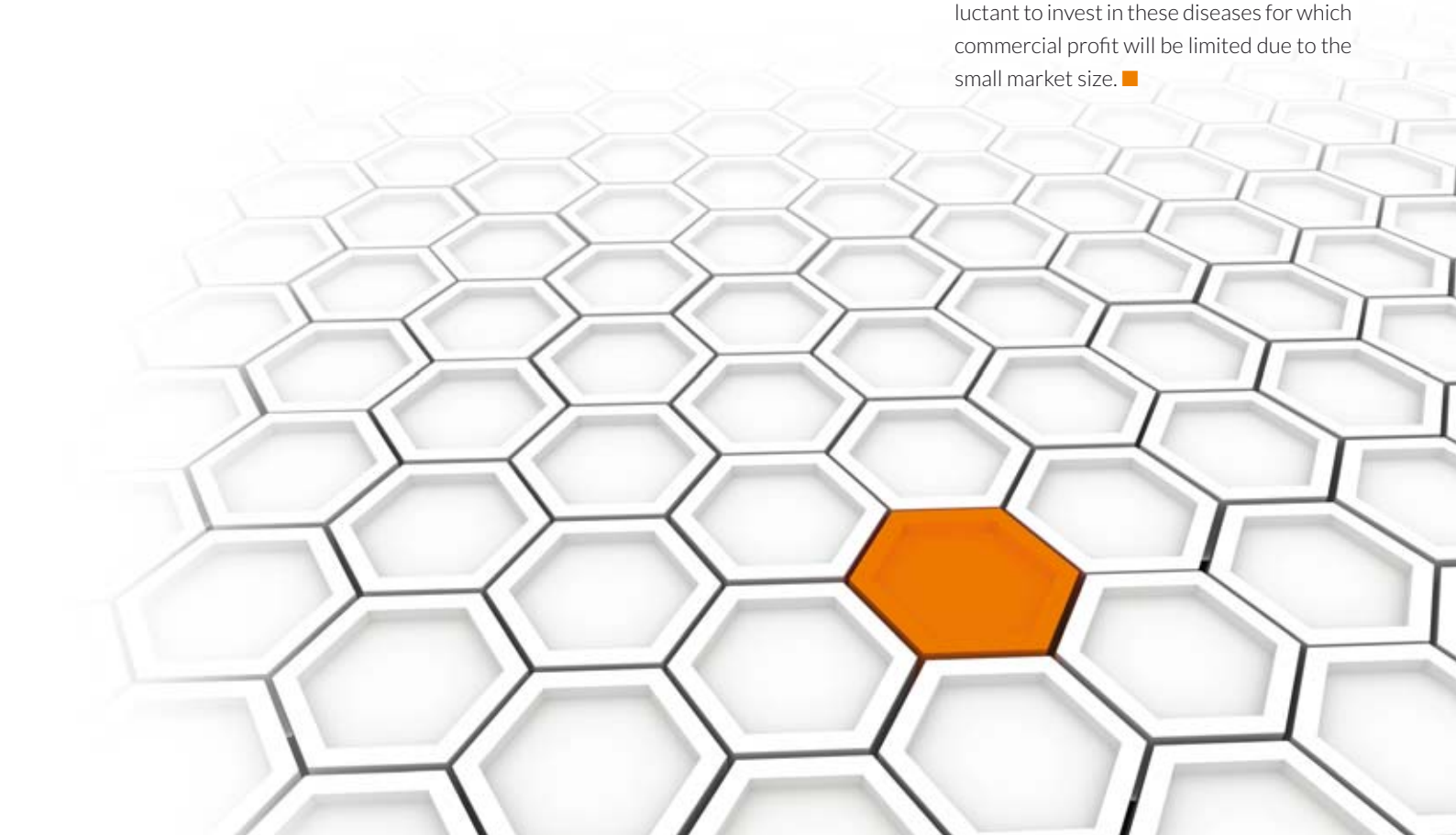
WHY DO ONLY 5% OF RARE DISEASES HAVE APPROVED TREATMENTS?

DRUG DEVELOPMENT, A LONG, COMPLEX AND COSTLY PROCESS

Developing new treatments is expensive, time-consuming and requires strong coordination between a large spectrum of research and development (R&D) activities and expertise. Recent reports estimated an average expenditure of at least one billion $ and a time frame of ten to fifteen years to bring a drug to the market. Unfortunately, increased spending on drug R&D did not lead to an increase in the number of drugs approval.

INSUFFICIENT COORDINATED EFFORTS IN DRUG DEVELOPMENT FOR RARE DISEASES

Despite significant progress in scientific research and technologies, drug development remains inadequate to address critical medical needs in rare diseases. On one hand, therapeutic development is suffering from the heterogeneity and complexity of these diseases, the limited number of patients, the fragmentation of medical expertise and the lack of pathophysiological understanding. On the other hand, pharmaceutical companies are somewhat reluctant to invest in these diseases for which commercial profit will be limited due to the small market size. ■



ESPERARE REPOSITIONS EXISTING DRUGS TO ACCELERATE THE DEVELOPMENT OF TREATMENTS FOR RARE DISEASES

Repurposed drugs in rare diseases are generally being approved in only 3-7 years and at about 60% of the cost of typical drug development.

Along the drug development process, major hurdles prevent new treatments from reaching patients in need. In this context, repositioning existing drugs offers an opportunity to efficiently develop new treatments. Drug repositioning is the discovery and development of new therapeutic applications for existing or abandoned drugs There are some inherent incentives in repurposing. These existing drugs are already known to exert a biological response in humans and this response may become beneficial for other health conditions. In addition, many steps in the drug development process such as drug bioactivity and safety profile in humans have already been validated during the initial development of the drug.

This approach is of interest to address medical needs in rare diseases as time associated with bringing repositioned drugs to patients is shortened and the chance of success is higher. While approximately 10% of new drug applications gain market approval, repurposed drugs approach approval rates is of about 30%. Additionally, the use of previous data significantly reduces the development costs of a new potential drug.

However, repositioned drugs cannot be commercialised at high prices as compared to de novo therapeutics. Therefore, so far, despite these clear therapeutic appeal of drug repositioning for patients, the approach has never become a strategic focus for biopharmaceutical companies, leaving many repositioning opportunities to treat rare disease unexplored.

Focused on these untapped opportunities, EspeRare identifies existing drugs that offer important prospects to improve treatment for patients with rare diseases.

By repositioning drugs, EspeRare accelerates, reduces costs, and increases chances of success for patients to get a treatment/or to be treated. The foundation model allows the development of drug repositioning opportunities that remains economically attractive for commercial partners and beneficial for patients and the healthcare system at large. ■

ESPERARE'S IMPACT: BRINGING TOGETHER PATIENTS AND COMMERCIAL INTEREST TO ADDRESS RARE DISEASES

Several therapeutic opportunities to treat rare disease patients exist but are too often left in "drawers" of pharmaceutical companies or universities. These opportunities are never tested nor developed because biopharmaceutical companies are rarely willing to risk investing Research and Development (R&D) budget for this small market and lower potential of financial return. Academia on the other hand often lacks the know-how to conduct robust drug development especially in late phases of clinical development.

EspeRare's non-profit drug development model has been developed to scientifically and financial enable the early exploration of these opportunities. To achieve its goals the foundation leverages its ability to:

a. Identify "dormant" repositioning opportunities with high therapeutic potential

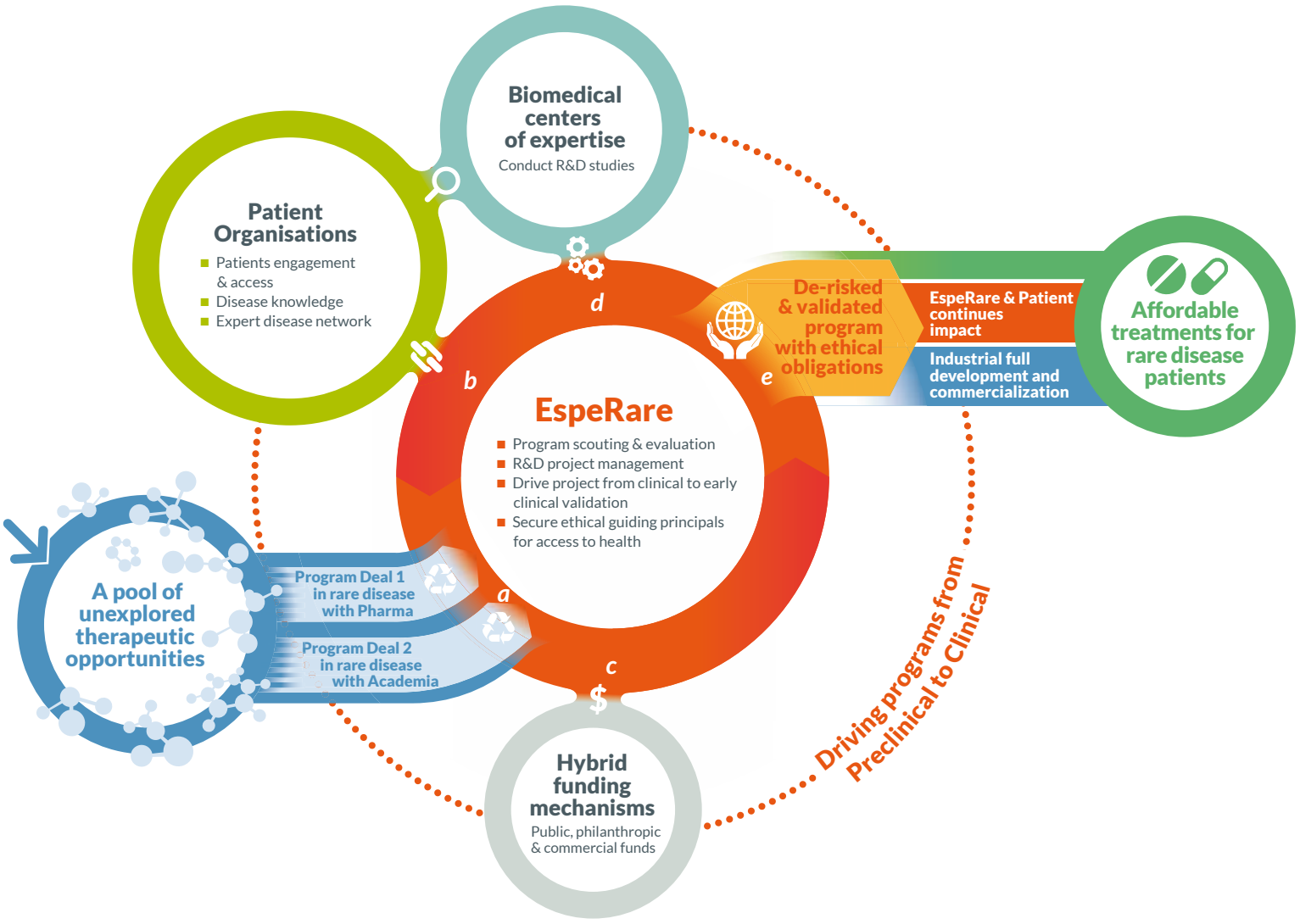
b. Collaborate with patient organisations to support patient access for clinical development and commercialisation

c. Mobilise hybrid funding sources by combining public, philanthropic and commercial funds to finance R&D activities

d. Provide R&D and project management coordination to the R&D network of partners necessary to efficiently develop those opportunities

e. Partner with commercial biopharmaceutical organisation for late stage drug development and commercialisation

Increasing financial pressure on the health-care system and on treatment pricing is calling for a new R&D model that can develop affordable drugs. At the heart of our novel model lays the development of highly networked, patient-centred, public-private partnerships that drive the development of affordable drugs for rare diseases. The advantage of EspeRare lies in its unique ability to build a viable model that allows unexplored treatment to be developed. It applies all the pieces of a comprehensive solution-R&D and project management expertise, patient centricity and hybrid financing mechanisms to reduce R&D costs and timelines. EspeRare bridges/integrates patient and commercial interests into a system that accelerate and de-risk drug development with the goal of bringing affordable new treatment to these underserved patients. ■



About the translational gap, a major roadblock for new treatments

ADDRESSING THE "VALLEY OF DEATH" IN TRANSLATIONAL RESEARCH

Therapeutic research and development requires a global and integrated approach allowing continuity and integration of academic, clinical research, drug manufacturing and industrial efforts.

The translational gap is the major roadblock for new treatments to reach rare diseases patients. This transition requires the ability to translate research efforts often conducted in academia into robust drug development activities traditionally managed by the biopharmaceutical companies.

Using its collaborative approach and solid drug development expertise, the foundation coordinates all necessary R&D activities to address this gap.

EspeRare provides scientific and operational expertise to address the "valley of death" in translational research and drive the proof of concept of unexplored treatments for rare diseases.

More specifically, EspeRare focuses on driving preclinical and early clinical development activities required to demonstrate human proof of concept of investigational drugs. For each of its drug development projects in a given rare disease the foundation develops a collaborative approach that:

- Integrates «Patient voice» through alliance with patient advocacy groups.
- Mobilises research and clinical experts and biomedical center of excellence to conduct preclinical and clinical development activities
- Engages industry partners ethically to manage transition into late clinical development and commercialisation
- Interacts directly with regulatory agencies and health authorities to best prepare path to approval and patient access to treatment

For each of its drug development programs in rare diseases, EspeRare delivers product development partnerships that drive strong coordination with patient groups, clinical centres, academia, industry and regulators, ultimately overcoming the "valley of death" that prevents new treatment from reaching these patients.

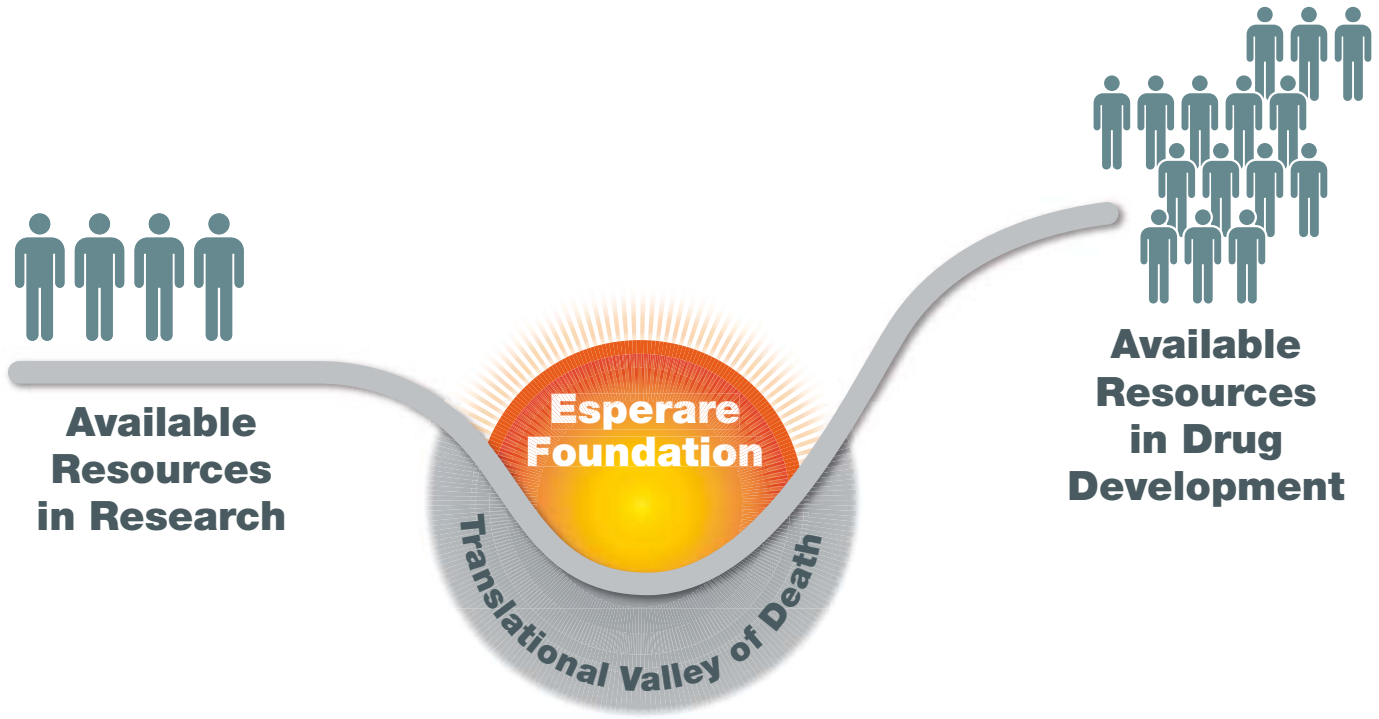
Once proof of concept in humans is validated and a conclusive data package generated, the program can go back to the originator or be transferred to industry partners for later stage clinical trials, registration and commercialisation.

At this point to secure the integrity of programs, EspeRare agrees with commercial partners on 'guiding principles' for drug development, marketing and access to health; thus safeguarding the ethical principles of a drug initially developed within a philanthropic structure.

"Bridging the gap between basic science and clinical development is critical for the successful development of more products for rare diseases.

We here in the Office of Orphan Products Development at FDA were very interested to learn about EspeRare."

Gayatri R. Rao, M.D., J.D.
Director for the FDA's Office
of Orphan Products Development



ABOUT TRANSLATIONAL RESEARCH

...a scientific discipline that drives the translation of knowledge from basic sciences into the development of new treatments, ultimately helping to make findings from research useful for medical applications that enhance human health. In drug development these activities are conducted during preclinical validation until human proof of concept in early clinical development (until phase II).

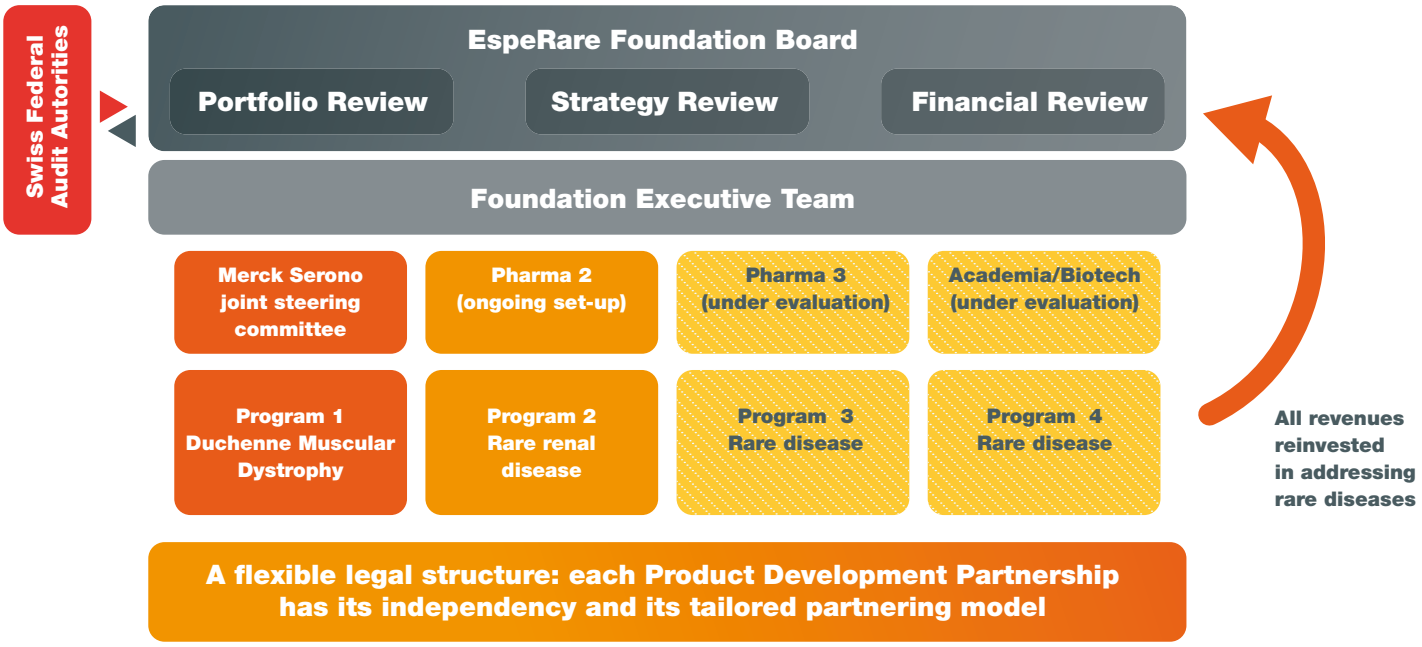
Building our portfolio

Our first program in Duchenne muscular dystrophy is a prime example of a hidden opportunity that has now a potential to treat children burden by debilitating muscular degeneration. This first program is also a demonstration of the strength of EspeRare's philanthropic model to foster drug development in rare diseases (see page 18-19).

Beyond this first program, the foundation goal is to build a robust and diversified portfolio of programs that have the potential to address critical unmet medical needs in rare disease. Towards this goal, EspeRare is currently initiating a new program in a rare renal disease and evaluating two other programs with new partners.

EspeRare is looking to diversify its partners and develop its program in rare diseases by:

- Working with pharmaceutical companies, academia and patient organisations to identify opportunities that fit EspeRare's development model
- Evaluating proposals from academic and biopharmaceutical companies to develop their existing therapeutic assets
- Developing the Translational platform, an engine that systematically identifies and evaluates repositioning opportunities



THE TRANSLATIONAL (Tx) PLATFORM, PROMOTING PROJECTS DEVELOPMENT IN RARE DISEASES

Currently under development, this Tx platform will allow data management according to quality standards of the pharmaceutical industry and regulatory authorities and will facilitate:

- The systematic identification and evaluation of new therapeutic opportunities for rare diseases
- The standardised management of biomedical data generated during the development of its programs
- Data sharing with external partners (patient organisations, universities and pharmaceutical partners)

A first version of Tx Platform will be launch mid 2014. Subsequently, the performance of the platform will be optimised and other data sources such as libraries of pharmaceutical compounds from the National Institute of Health (NIH) will be integrated.

EspeRare is grateful to the Loterie Suisse Romande that has awarded the foundation a grant to finance the IT infrastructure of the Tx platform. Through its endowment this public institution contributes to the development of the foundation sustainability and impact in rare diseases. ■

GAUGERX, A COLLABORATIVE PROJECT WITH GENETIC ALLIANCE

This open access, interactive, web-based tool will integrate and translate available scientific knowledge to support drug development. GaugeRx aims to assist advocacy organisations in strengthening the drug development ecosystem of their disease. GaugeRx will enrich the EspeRare's translational platform by integrating relevant information for drug development to better assess potential in different rare diseases.

First program: Rimeporide in Duchenne Muscular Dystrophy (DMD)

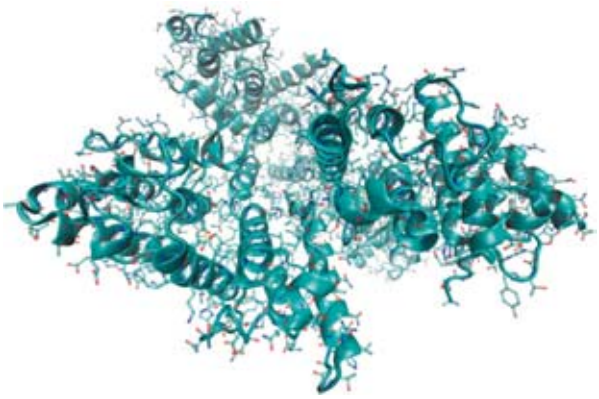
ABOUT DUCHENNE MUSCULAR DYSTROPHY (DMD)

Duchenne muscular dystrophy (DMD) affects approximately 1 in 3500 male births worldwide. It is a rapidly progressive form of muscular dystrophy caused by a mutation in a gene which encodes the dystrophin protein. Its absence causes progressive skeletal muscle degeneration leading to a loss of ambulation of patients around the age of 10. Then progressive respiratory muscle weakness and cardiac failure both represent major life-threatening complications.

Today there is no cure for DMD boys. Several therapeutic attempts including gene therapy, transplantation of stem cells, exon skipping treatments as well as classical pharmacological approaches (anti-inflammatory and anti-fibrotic) are currently being investigated. The use of corticosteroid is the unique pharmacological intervention, but it has limited efficacy and carries severe side effects such as diabetes and respiratory infections. There is a need for new therapies to halt the progression of the disease. ■

RIMEPORIDE IDENTITY CARD:

Name:	Rimeporide
Target:	Sodium-Proton (Na+/H+) Exchanger (NHE-1) inhibitor
Originator:	Merck Serono
Indications:	Duchenne Muscular Dystrophy (DMD, active development by EspeRare) and Chronic Heart Failure (CHF, inactive development)
Drug development phase:	administered to more than 150 adults (7 phase I trials) for CHF, being evaluated in animals for DMD
Opportunity:	Robust and remarkable beneficial effect on cardiac outcomes in animals with heart failure; good safety profile in human



The Dystrophin protein
by Dr. Jiri Mareda

RIMEPORIDE, A COMPOUND TO INNOVATIVELY TACKLE DUCHENNE PATHOGENESIS

The Na^+/H^+ exchanger-1 (NHE-1) is a membrane transporter regulating the intracellular pH, Na^+ concentration, cell volume and catalysing the electroneutral counter transport of Na^+ and H^+ through the plasma membrane.
In Duchenne muscular dystrophy, NHE-1 dysregulation is among the mechanisms involved in the pathogenic $Ca2^+$ and Na^+ overload. Furthermore, in a preclinical model of Duchenne, NHE-1 inhibition was shown to be protective against muscle damage.

Rimeporide is a safe, potent and selective NHE- 1 inhibitor which has been developed until phase 1 for treatment of chronic heart failure and which showed remarkable beneficial effects on cardiac outcomes (including survival) in 2 animal models of chronic heart failure as well as a good safety in human.

As an NHE-1 inhibitor, Rimeporide represents an innovative way to address muscle degeneration and cardiomyopathy in Duchenne muscular dystrophy. In line with its model, EspeRare aims to accelerate the development of this new therapeutic opportunity for these patients by leveraging on the extensive data package that includes pharmacology, toxicology, and manufacturing and human safety data.

CURRENT STUDIES TO VALIDATE THE THERAPEUTIC OPPORTUNITY

EspeRare is currently conducting the preclinical development in Duchenne animal models with the goal to assess the therapeutic utility of Rimeporide in this myopathy.

→ ***A first study in collaboration with the Children National Medical Centre (USA)***
Rimeporide preclinical efficacy is currently being tested in animal models. The assessment is conducted under the leadership of Dr. Kanneboyina Nagaraju specialised in DMD at Prof. Eric Hoffman's research center for genetic medicine, Children National Medical Center, Washington DC.

→ ***A second study with the University of Geneva (Switzerland)***
Dr Olivier Dorchies, a recognised DMD preclinical expert at the Pharmaceutical biochemistry lab of Prof. Leonardo Scappozza, University of Geneva, is investigating the dose / efficacy relationship of Rimeporide in an animal model and evaluating the efficacy of the compound in various cell lines.

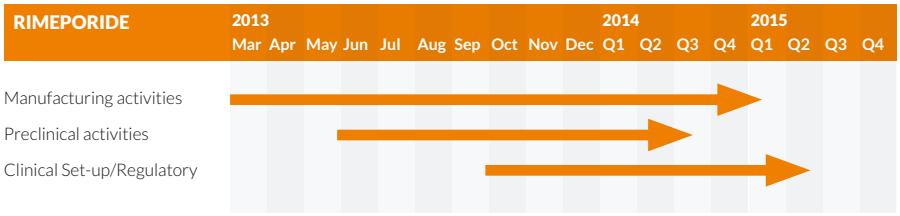
Data from both collaborations are expected by the end of 2014. Based on the results of these studies and the already available data in cardiac failure, the foundation aims to initiate the clinical development of Rimeporide in Duchenne patients early in 2015. The clinical development will seek to demonstrate that Rimeporide prevents the devastating consequences of muscle damage in children afflicted by this terrible disease.

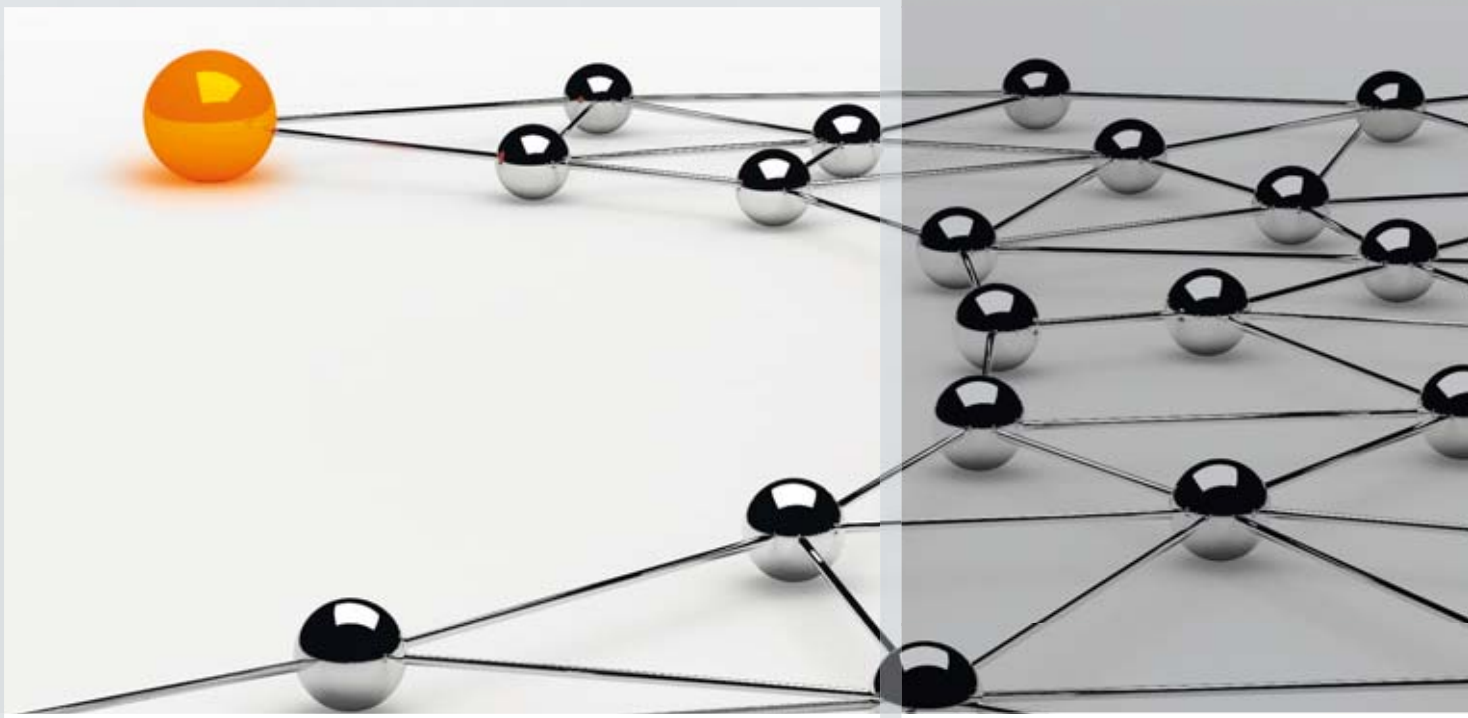
RESEARCH FUNDING, PATIENTS' GROUPS AND EXPERTS' ALLIANCES TO STRENGTHEN RIMEPORIDE DEVELO PMENT STRATEGY

→ ***Funds granted by French Telethon (AFM) & Swiss Technology & Innovation (CTI) to support ongoing research in animals and cells.***

→ ***Key alliances established with neuromuscular/DMD patient associations: PPMD (US) & AFM (France).***

→ ***Strategic partnership with clinical centres of Excellence: Institut de Myologie and Genethon (Paris, France), CHUV (Lausanne, Suisse), CTCC (Freiburg, Germany).***





Organisation

The Board and the Executive Committee, constitute EspeRare's statutory structure. The Board is the supreme body that ratifies all decisions. In-line with its nonprofit status, board members act on a voluntary basis and are key opinion leaders in the healthcare and rare disease space. The President is Sharon Terry, a pioneer of patient empowerment and citizen health and the CEO of Genetic Alliance, located in Washington DC, USA.

The strategic and day-to-day activities are managed by the Head office appointed by the Board. Ad-hoc committees such as scientific advisory boards are also constituted to support the strategic development. In the start-up phase, the Executive Director and the R&D Director manage a number of part-time employees, consultants and volunteers to deliver on EspeRare's objectives. ■

THE FOUNDATION BOARD

MONIQUE A. CAILLAT

Monique A. Caillat is an Attorney at Law based in Geneva, Switzerland, specialised in the healthcare sector. As Board Member, she is the General Counsel of the foundation.
With over 20 years of experience in the regulated industries in Europe and the US, she has represented the private sector's interest in its relations with the Authorities, International Organisations, Academia and NGOs. While specialised in the counsel to pharmaceutical companies, start-ups and nonprofit organisations in the healthcare sector, Monique is also engaged in supporting patient and healthcare provider interactions through medical mediations and her membership on the Geneva health ethics committee.

EWEN SEDMAN

Ewen Sedman is Head of Strategy and Business Operations in Global Discovery and Early Development at Merck Serono. He brings wide-ranging leadership expertise across the whole pharmaceutical R&D value chain.
Ewen has led key projects and functions from early Discovery research to late-stage clinical development in a variety of different therapeutic areas. Most recently he was responsible for the successful build up of the Neurodegenerative Disease Research unit at Merck Serono.
Ewen holds a combined honours degree in Physiology and Pharmacology.

Monique A. Caillat

Béatrice Greco

BÉATRICE GRECO

Béatrice Greco is a Founder of EspeRare. She is a Board member and plays an active role in the Executive Committee.
Béatrice has a strong background in neurosciences. In the Serono pharmacology department, she led a number of drug discovery projects in neurology while heading the in-vivo translational testing of preclinical molecules. Since 2009, within the Innovation and Partnership team at Merck Serono, she fosters and elaborates innovative pharma concepts addressing translational research needs.
Beatrice's passion for innovation and her particular interest in applying science to address neglected diseases naturally drove her to co-develop this foundation.

SHARON F. TERRY

Sharon is President and CEO of Genetic Alliance, a network of more than 10,000 organisations, including 1,200 disease advocacy organisations. Genetic Alliance enables individuals, families and communities to become full participants in the medical research process. In this context, she has also developed "Registry for All "and biobanking capabilities.
She is the founding CEO of PXE International, a research advocacy organisation for the rare genetic condition pseudoxanthoma elasticum. She is also the author of numerous peer-reviewed articles and among others, she is a member of the steering committee of the International Rare Disease Research Consortium and an Ashoka Fellow.

Ewen Sedman

Sharon F. Terry - President

HEAD OFFICE & TEAM

Caroline Kant-Mareda

Florence Porte-Thomé

CAROLINE KANT-MAREDA

Founder & Executive Director

Caroline leads the operations as well as develops and implements the foundation's strategic plans in concert with the Board and the R&D Director. She is also a founder and represents the executive committee on EspeRare's board.

She brings broad know-how and international expertise in translational research, public-private partnerships, and product development within the pharmaceutical and information technology industries. Before founding EspeRare, Caroline built and managed a R&D department at Merck Serono. Prior to that, in the United States, she helped launch 3C Interactive, a software a Silicon Valley company. Caroline holds degrees in molecular neurobiology and product development.

By establishing the EspeRare foundation, Caroline realises her dream of dedicating herself to address rare diseases in honour of her daughter, and for all children suffering with orphan diseases.

FLORENCE PORTE-THOMÉ

Founder & R&D Director

Florence is in charge of developing the foundation's R&D portfolio, driving the programmers from preclinical validation to proof of concept in human. As a founder, she also sits on the EspeRare's board.

Florence brings 15 years' experience in drug development. She joined the pharmaceutical industry in 1997 in the field of clinical pharmacology, leading translational research and managing early clinical studies. Within Merck, she became a program leader and successfully led several R&D programs in various therapeutic areas. Recently returning to academia, she led paediatric studies in a Cancer Research Centre in Lyon. Florence holds degrees in clinical pharmacology and immunology.

Growing up with a cousin affected with Duchenne muscular dystrophy and seeing him gradually decline, Florence has an unconditional motivation to drive this foundation forward.

DIANE MELLETT

Diane is a dually qualified US and UK lawyer with over 20 years experience in the Biotech and Pharma area. With her seasoned expertise in establishing drug development partnerships, she has supported EspeRare with collaborative and licensing agreements. Before working as an independent advisor to clients, she was General Counsel at Cambridge Antibody Technology plc.

CÉDRIC MERLOT

Cédric is the CEO of Drugdesigntech which he founded in 2007. After a few years at Sanofi-Aventis in the molecular modelling group, he joined Serono and had increasing responsibilities in the Scientific Computing department, with a focus on data management for small molecules and biologics and computer-assisted drug design for small molecules.

He applies bioinformatics and data management expertise to support the development of the foundation Translational Platform.

SANDRA MILLET

Sandra has 15 years' experience in communication, marketing and international business event management in multicultural environment. Within the Research & Development function at Merck Serono headquarters, she supported the implementation of global internal communication and organisational development projects. Sandra brings to the foundation her solid marketing and communication expertise.

PETER POTTER-LESAGE

Peter is a member of the Board of Trustees of the Malaria Consortium (UK) and Senior Advisor for fundraising, donor relations and strategy at Medicines for Malaria Venture (MMV) in Geneva, where he previously held the position of founding Chief Financial Officer for 12 years.

Peter is providing to Esperare his expertise in economic and business planning strategy, financial and fundraising analysis, risk identification and management.

SYLVIE RYCKEBUSCH

Sylvie has 12 years of business development experience within Serono International and Merck Serono where she occupied various senior roles within Business Development and Alliance Management. Prior to establishing her consulting practice, Sylvie worked within the Index Ventures Life Sciences team. She also spent 4 years as a strategy consultant with Mckinsey and Company. She provides business development and licensing support to EspeRare.

ACHIM SCHAEFFLER

Achim has more than 20 years' experience in the field of Chemistry, Manufacturing and Controls with the Pharmaceutical Industry. His expertise includes the manufacturing of small molecules, biologics and Life Cycle Management in large pharmaceutical companies and biotech. He brings this solid expertise of drug manufacturing processes to support EspeRare's drug development programs.

SCIENTIFIC ADVISORS

PROF. CONRAD HAUSER

Conrad Hauser is a physician specialised in Dermatology, Venereology, Allergy and Clinical Immunology. From 1993 to 2008, he was chief of the Department of Dermatology of Western Switzerland (Bern) and chief of the Allergy Unit, division of Immunology and Allergology, within the Geneva state hospital and medical school. In 2008, he joined the Merck Serono pharma company as a Senior Medical Director, and held the position of head of early development & head of biomarker strategy, global clinical development Unit Rheumatology.

PROF. ANTOINE HADENGUE

Antoine Hadengue is a Professor of Gastroenterology and Hepatology, at the University Hospital of Geneva, Switzerland. Graduated from Paris Descartes Faculty of Medicine and specialised in Gastroenterology and Liver cellular Biology, he first focused on hepatic pathophysiology research. Since 1994, he managed clinical activities, research works and medical practice. In 2001, he was nominated Head of the Division of Gastroenterology and Hepatology, Department of Internal Medicine, at the University Hospitals of Geneva, Switzerland.

DR JULIAN GRAY

Julian Gray has 25 years of clinical development in the CNS area within the pharmaceutical industry including experience in drug development in Duchenne muscular dystrophy and other rare CNS indications. Dr Gray was the Medical Director at Santhera where he ran part of the clinical development for Idebenone. He combines qualifications and experience in neurology and pharmaceutical development with relevant experience in rare diseases. Julian also provides drug development training though is proprietary web-based drug development academy program. Julian is an advisor to EspeRare for the program in Duchenne and subsequent programs in neuromuscular diseases.

PROF. JIRI MAREDA

After obtaining PhD in physical organic chemistry at the University of Geneva, Jiri Mareda worked as the research associate at the University of Pittsburgh, where he fully specialised in computational and theoretical chemistry. He was then teaching for more than 28 years organic chemistry to chemistry, pharmacy, and biology students at the University of Geneva. He was also giving advanced physical-organic courses for master and doctoral students at the Chemistry department.
Jiri now provides an insight at the molecular and chemical levels to help tackle challenges that EspeRare undertakes.

DR KANNEBOYINA NAGARAJU

Kanneboyina Nagaraju, PhD, DVM, an immunologist with an expertise in molecular mechanisms of target tissue injury in muscle disease, is a principal investigator at Children's Research Institute Center for Genetic Medicine Research at Children's National Medical Center and a tenured Professor of Integrative Systems Biology and Paediatrics. One of the main focuses of Dr. Nagaraju's laboratory is to develop, validate animal models for neuromuscular diseases. With his team, he runs routinely preclinical drug testing on neuromuscular disease models especially in the mdx mouse model of Duchenne muscular dystrophy.

DR. LAURENT SERVAIS

Laurent Servais is a paediatrician and is the director of the clinical research department at the Institute of Myology in Paris. He is graduated from Louvain Medical School (Brussels, Belgium) and obtained his PhD in Neuroscience in 2005. With 15 years of experience in rare diseases clinical research, he currently leads the department of Clinical Research within the national centre of expertise in clinical myology in Paris. In addition of caring for patients with neuromuscular diseases within his medical practice, Laurent focuses on the development of clinical outcome measures and clinical trials in muscular dystrophies. Laurent and his team bring medical expertise to the clinical strategy of EspeRare's program in Duchenne muscular dystrophy.

PROF. MOIN A SALEEM

Moin A Saleem, FRCP, Ph.D. is Professor of Paediatric Renal Medicine at the Academic Renal Unit, Southmead Hospital, Bristol and Children's Renal Unit, Bristol Children's Hospital. He has more than 20 years' experience in fundamental research, especially focusing on understanding the fundamental mechanisms of kidney filtration, in order to understand the basis of glomerular diseases.

Financial view

EspeRare receives funding from project partners, patient associations and international governmental and public bodies. These funds are used to finance the EspeRare portfolio to accelerate the cost-effective development of unexplored therapeutic opportunities for rare neurological and immunological diseases. In partnership with patient organisations, EspeRare addresses the key translational gaps and clinical development challenges, acting as a trusted partner for pharmaceutical companies, academic centres and regulatory agencies to drive effective development and foster affordable access to new treatments for rare disease patients. Established as a not for profit Swiss foundation under statutes dated 28 March 2013, EspeRare began its operations in April 2013 with a CEO and 2 senior managers. EspeRare as an organisation is exempt from cantonal and federal taxes and is the equivalent of an exempt organisation within the meaning of Section 501(c)(3) of the United States Internal Revenue Code.

Given the 'start-up' nature of the organisation, accounting is entrusted to 'Eclosion', the Geneva Life Science incubator facility within which EspeRare is located. The selection of SFG Société Fiduciaire et de Gérance SA as external auditors completed the necessary compliance arrangements.

A global banking relationship was created with a major Swiss bank for current accounts and cash-management facilities in multiple currencies. ■

THE FIRST FINANCIAL YEAR TO 31 DECEMBER 2013

The year was characterised by a number of exceptional factors. The initial capital was committed, considerable donations were received or confirmed for the future, staff were recruited, planning was activated and, most important of all in this first year, ***Research & Development Projects were funded to the tune of CHF 432,595*** (note 8 a-e).

Founding Capital

The stipulated founding capital of CHF 50,000 was contributed by the three founders, Béatrice Greco, Caroline Kant-Mareda and Florence Porte-Thomé. At 31 December 2013 the Capital Fund was thus fully subscribed.

Donations

Donations received at bank amounted to CHF 2,391,000, including one from the Loterie Suisse Romande in the final quarter of CHF 150,000 for activities the following year and thus deferred to 2014. A total of CHF 2,241,000 from Merck Serono was recognised in 2013. In addition, the French AFM-Téléthon and the Swiss Commission for Technology and Innovation (CTI) confirmed their future intent to grant EspeRare EUR 68,000 and CHF 235,000 respectively to finance the research of Rimeporide in Duchenne Muscular Dystrophy (note 7a/b).

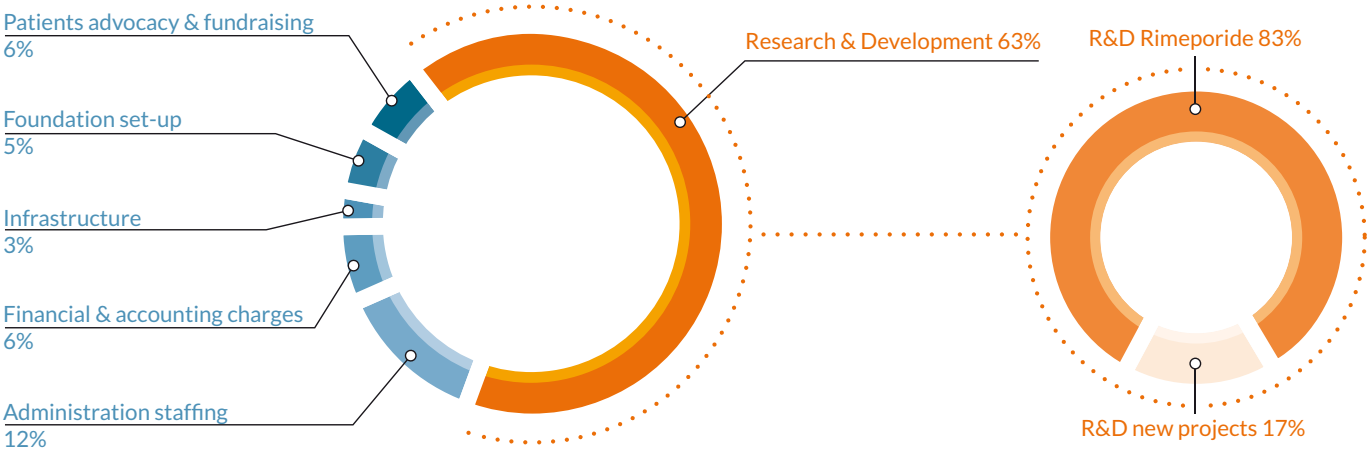
Staff

By year-end the senior management team had been recruited, consisting of a Chief Executive Officer, Chief Scientific Officer, an executive committee member along with and one communication/administrative expert. Overall, EspeRare has a team of 19 people including board members, various consultants and volunteers.

General Administration

a) Expenses here reflect General foundation expenses in overall support of R&D activities (note 8d). ■

SNAPSHOT OF ESPERARE EXPENDITURE 2013



THE FINANCIAL YEAR AHEAD TO DECEMBER 2014

EspeRare operates in a complex multi-currency environment in Geneva, Switzerland. The bulk of donations are currently received in Euros, although other currencies such as Swiss Francs or US dollars are also involved. Outflows for projects are mainly in CHF and USD as per the various agreements signed with our collaborating organisations. Other general expenses will normally be in Swiss Francs. The resulting exposure or exchange risk is evaluated at budget time to provide a realistic fixed EUR/CHF budget rate for the year. The accounts are kept in CHF.

This implies a well-developed treasury management and accounting approach, matching inflows to outflows by currency and taking timely multi-currency investment and foreign exchange decisions.

The philosophy underlining EspeRare financial management is that of prudent, conservative control, including appropriate return on interim treasury investments, coupled with the use of the latest IT solutions for bank information, transfers and accounting requirements. Current forecasts, given certain fundraising assumptions, for future EspeRare rare disease Research and Development project funding are CHF 1 million in 2014, rising to around CHF 3 million for 2015.

Conclusion

The detailed financial tables that follow – Balance Sheet, Statement of Income & Expenditure – represent EspeRare in its first year of operation where all the various basic financial components of the organisation have been established step by step to create a prudent, transparent financial management framework at the service of its major goal: the discovery and development of new medicines for the treatment of rare diseases. ■

ESPERARE BALANCE SHEET TO 31 DECEMBER 2013

ASSETS	NOTES	2013 CHF	2013 EUR
CURRENT ASSETS			
Cash & Cash Equivalents	2i		
BCGE Current Accounts		1 862 480,76	1 519 772,14
Prepaid & Receivables			
Accounts Receivable		27 000,00	22 031,82
Withholding Tax & VAT Receivable		381,27	311,11
TOTAL CURRENT ASSETS		**1 889 862,03**	**1 542 115,08**
FIXED ASSETS			
Tangible Assets			
Computers & Equipment	2d	5 541,85	4 522,11
(less depreciation)		(1 847,28)	(1 507,37)
TOTAL FIXED ASSETS		**3 694,57**	**3 014,75**
TOTAL ASSETS		**1 893 556,60**	**1 545 129,82**
LIABILITIES			
CURRENT LIABILITIES			
Short Term Liabilities			
Suppliers		22 769,80	18 580,01
Employees Accounts		853,34	696,32
Social Charges		12 578,75	10 264,18
Total Short Term Liabilities		**36 201,89**	**29 540,51**
Provisions	2f	**17 080,00**	**13 937,17**
Deferred Income	7a	**150 000,00**	**122 399,02**
TOTAL CURRENT LIABILITIES		**203 281,89**	**165 876,70**
CAPITAL & RESERVES			
foundation Capital	9	50 000,00	40 799,67
Operations Reserve	3	1 640 274,71	1 338 453,46
TOTAL CAPITAL & RESERVES		**1 690 274,71**	**1 379 253,13**
TOTAL LIABILITIES		**1 893 556,60**	**1 545 129,82**

For the ease of reference of our stakeholders, equivalent Euro figures have been provided at the official end-of-year rate of 1.2255

ESPERARE STATEMENT OF INCOME & EXPENDITURE FOR THE PERIOD FROM MARCH 27 TO DECEMBER 31, 2013

	NOTES	2013 CHF	2013 EUR
INCOME			
Donations Received for R&D	2b/7a	2 241 000,00	1 828 641,37
R&D Services	7b	25 000,00	20 399,84
Financial Income	2k	1 088,76	888,42
Other Income		202,47	
TOTAL INCOME		**2 267 291,23**	**1 850 094,84**
EXPENDITURE			
Research & Development Expenditure	2e		
R &D Projects	8a		
Rimeporide	8b		
Research & Development		169 869,51	138 612,41
Support Costs	8e	166 649,05	135 984,54
Legal Fees	8f	22 638,65	18 472,99
TOTAL R&D PROJECTS, RIMEPORIDE		**359 157,21**	**293 069,94**
NEW PROJECTS	8c		
Repositioning Platform		3 000,00	2 447,98
Support Costs	8e	67 002,05	54 673,24
Total New Projects		**70 002,05**	**57 121,22**
TOTAL RESEARCH & DEVELOPMENT EXPENDITURE		**429 159,26**	**350 191,15**
General foundation Administration	8d		
Administration staffing & volunteers	8e	72 265,43	58 968,12
Patient Association Consultancy		39 584,80	32 300,94
Office Rental & Costs		10 205,99	8 328,02
Accounting & Audit Expenses		7 759,00	6 331,29
Other Expenses		18 732,18	15 285,34
General Legal Fees		11 459,28	9 350,70
Fundraising		752,50	614,04
Financial Charges		593,96	484,67
Exchange Differences	2c	29 207,23	23 832,91
Board meeting		5 449,61	4 446,85
Depreciation		1 847,28	1 507,37
TOTAL GENERAL ADMINISTRATION EXPENDITURE		**197 857,26**	**161 450,23**
TOTAL EXPENDITURE		**627 016,52**	**511 641,39**
RESULTS FROM OPERATING ACTIVITIES	3	**1 640 274,71**	**1 338 453,46**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ORGANISATION

The EspeRare foundation ("EspeRare") is a Swiss foundation, established as a not-for-profit legal entity, registered in Geneva under statutes dated 27 March 2013. It is managed by a foundation board, an executive director and 2 senior managers.

With its head-office in Geneva, the aim of EspeRare is to bring public and private sector partners together to both fund and provide managerial and logistical support to drive the identification and development of treatments for rare diseases. The foundation focuses on accelerating the cost-effective development of unexplored (re)positioning opportunities for rare neurological and immunological diseases. In partnership with patient organisations, EspeRare addresses the key translational gaps and clinical development challenges, acting as a trusted partner for pharmaceutical companies, academic centres and regulatory agencies to drive effective development and foster affordable access to new treatments for rare disease patients.

As with all Swiss foundations recognised for international public good, EspeRare is monitored by the Swiss Federal Supervisory Board for foundations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by EspeRare in the preparation of the financial statements are set out below.

a) Accounting Standards
The accounting standards followed are those of the Swiss Code of Obligations, articles 957 to 964.

b) Recognition of donations
Contributions from donors (both public, private and philanthropic sources) are recognised in the financial statements on an accruals basis when they have been received or confirmed in writing by pledges. A reconciliation between donations received in cash and income recognised in the income and expenditure account is shown in note 7.

c) Foreign Currency Transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to CHF at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income and expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The following exchange rates were used at year-end:

1 EUR = CHF 1.2255
1 USD = CHF 0.8894

d) Fixed assets
Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the statement of income and expenditure on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of assets are as follows:

- office furniture 5 years
- fixtures and installations 3 years
- computers and equipment 3 years

e) Research and Development
Expenditure and grants allocated for research activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding for the development of therapeutic assets in rare diseases. They are recorded on a contract or letter of understanding basis, the expense being accounted for by EspeRare at the moment of allocation and initial payment. In the case of any portion remaining unpaid at the year-end, it is included under current provisions.

Regulatory and other uncertainties inherent in the development of new products in this sector preclude EspeRare from capitalising development costs.

f) Provisions
A provision is recognised in the balance sheet when EsperRare 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.

g) Employee Benefits
Pension Plan
EspeRare's pension plan is classified as a defined contribution plan. Contributions to the defined contribution pension plan are recognised as an expense in the statement of income and expenditure as incurred.

h) Fair Value
The fair value of cash, other assets, deferred income and accounts payable are not materially different from the carrying amounts.

i) Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances of current accounts.

j) Impairment
The carrying amounts of the EspeRare's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

k) Financial Income
Intrest income is recognised in the income statement as earned.

l) Income Tax
EspeRare has received exoneration from income tax from the Geneva cantonal and Swiss federal authorities from the year 2013 for 10 years.

3. RESERVES

Operations reserve

The accumulated Operations Reserve represents excess of donations over expenditure since the inception of EspeRare and is available to be utilised for future operation and project funding costs as the evolving research and development project pipeline dictates.

4. FINANCIAL INSTRUMENTS

a) Foreign currency risk
EspeRare incurs foreign currency risk on pledged or effective contributions that are denominated in a currency other than Swiss Francs, and on cash and deposits that are denominated in other currencies. The currencies giving rise to this risk are principally the Euro and the US Dollar.

b) Interest rate risk

EspeRare does not have any significant exposure to interest rate risks.

c) Credit risk

In accordance with credit policy, exposure to credit risk, principally as regards contributions, is monitored on an ongoing basis.

EspeRare's liquid assets are kept in cash or low-risk short-term deposits.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, principally accounts receivable, short-term deposits and cash.

d) Fair value

The fair value of financial instruments held at 31 December 2013 does not differ from their carrying amounts shown in the balance sheet.

5. COMMITMENTS

As at 31 December 2013, there were no significant capital expenditure commitments.

6. SUBSEQUENT EVENTS

No events occurred subsequent to 31 December 2013 and prior to the approval of the financial statements that would require modification of or disclosure in the financial statements.

7. INCOME

a) Donations received at bank:

During 2013 the following donations were granted:

Donor	Currency	Total Grant	Recognised	Notes
			2013 CHF	
EspeRare Founders (foundation Capital)	CHF	50,000	–	Capital & Reserves
ARES Trading SA (Merck Serono Affiliate)	EUR	2,800,000	2,241,000	I&E Statement
Loterie Suisse Romande *	CHF	150,000	–	Deferred Income

* To fund the Repositioning Platform

In addition, in 2013, the French AFM-Téléthon and the Swiss Commission for Technology and Innovation (CTI) confirmed their future intent to grant EspeRare EUR 68,000 and CHF 235,000 respectively to finance the research of Rimeporide in Duchenne Muscular Dystrophy.

b) R&D services represents contract research activities provided by the foundation to external entities

8. EXPENSES

a) Principal current R&D projects in rare diseases

b) Development of Rimeporide in Duchenne muscular dystrophy in partnership with Merck KGaA

c) Prospection & generation of new drug development opportunities for rare diseases

d) General foundation expenses in overall support of R&D activities

e) Relates to staff and travel costs that are recorded and allocated to the specific activities. The staff headcount represented 2 senior managers and one communication/administrative expert. In addition, Esperare benefits from a number of consultants and volunteers. Total staff benefits for 2013 amount to CHF 305'916.53 (Salaries & Social charges amount to CHF 290'490.15, Travel Expenses amount to CHF 14'148.03 and Volunteers reimbursements amount to CHF 1'273.35).

The allocation of salaries & social charges to the two projects and to the foundation General Administration is according to the percentage of the time spent by employee on the three activities.

f) All legal fees/advice for contract negotiation and finalisation related to the Rimeporide project

9. FOUNDATION CAPITAL

The Capital Fund is now fully subscribed at CHF 50,000.-- as stipulated under the original legal statutes of EspeRare dated 27 March 2013. This founding capital was donated by the three initial individual founders.

10. GOVERNANCE

The foundation Board is the foundation's supreme body. It takes all decisions necessary or effective for the achievement of the foundation's aims. It has general responsibility for the affairs of the foundation and supervises all activities carried out under its authority by the foundation's other bodies to which power and authority have been delegated.

Members of the Board act on a voluntary basis and may not claim any financial compensation other than expenses incurred such as travel and accommodation. For activities over and above the normal requirements of the position, each Member may receive appropriate reimbursement. Payment of any such reimbursement is only permissible where it corresponds to a service carried out for the benefit of the foundation.

Employees paid by the foundation such as the Executive Director and the R&D Director serve on the Board only in an advisory capacity and have no voting rights.

11. RISKS AND UNCERTAINTIES

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

SFG

Report of the statutory auditor on the limited statutory examination to the Foundation Board of Fondation EspeRare, Plan-Les-Ouates

As statutory auditor, we have examined the financial statements (Balance Sheet, Statement of Income & Expenditure, and Notes to financial statements) of Fondation EspeRare, for the first financial year, from March 27 to December 31, 2013.

These financial statements are the responsibility of the Foundation Board. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

Geneva, February 25, 2014

SFG Société Fiduciaire et de Gérance SA

Ph. Schmuz
Licensed audit expert
(Auditor in charge)

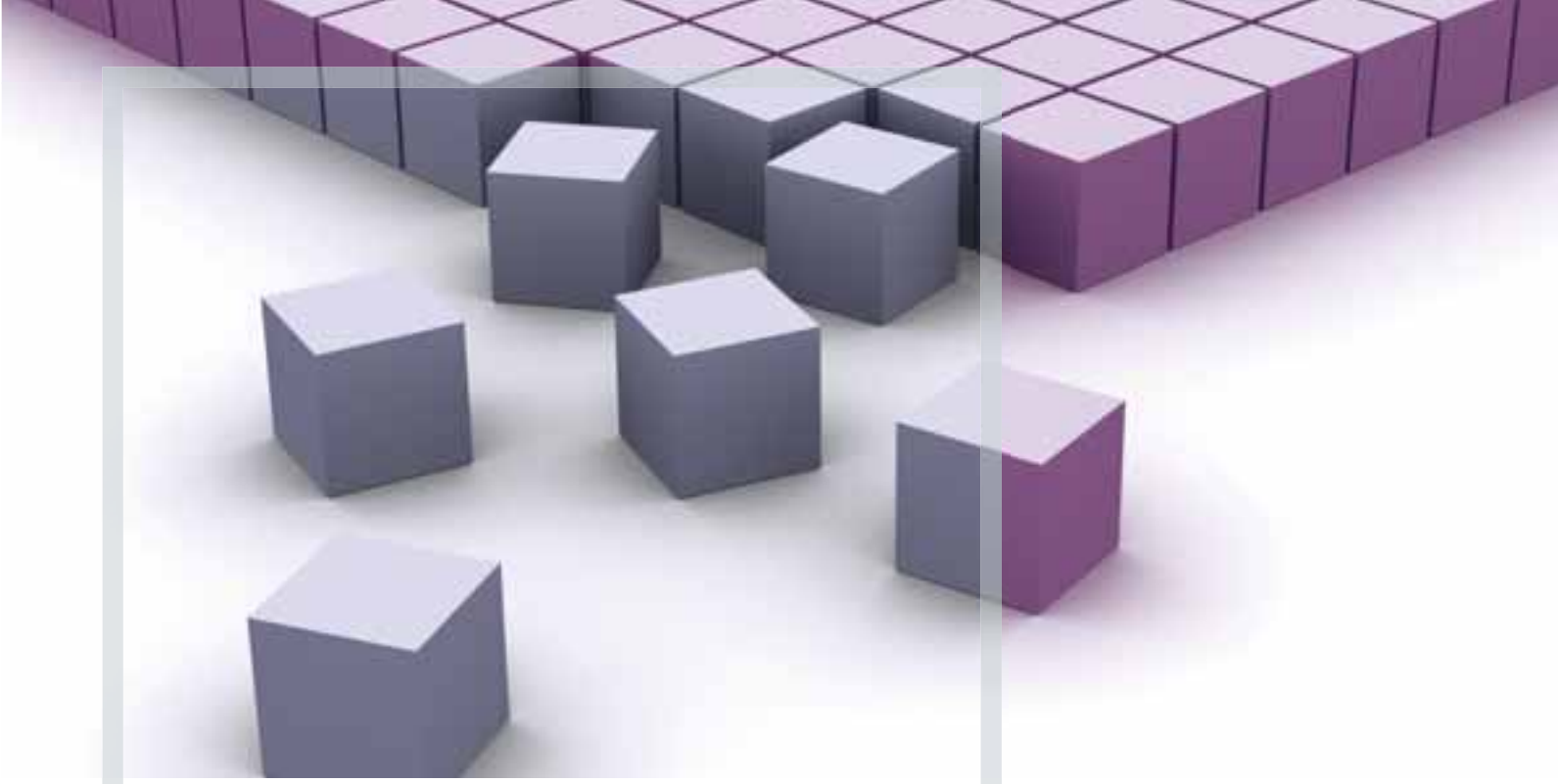
E. Carmine
Licensed auditor

Encl. :

Financial statements including :

- Balance Sheet
- Statement of Income & Expenditure
- Notes to financial statements

S34/C76/B84-4620-rapport restreint 2013 - n°4121



How you can support EspeRare

FUNDING

Throughout our activities we are committed to raise and use public and private funding, in a socially responsible and nonprofit manner.

DONORS

EspeRare is a foundation recognised by the Swiss authorities to be operating for the public benefit, as such, it is fully tax exempt and eligible for Swiss and International subventions as well as non-financial support.

Its capital is built through institutional and private donations, bequests, grants and also by the product of its R&D activities. In line with its nonprofit status, all revenues generated by the foundation through the development of therapeutic assets are reinvested for new rare disease programs in its portfolio. Neither endowment nor share in net profits of the foundation shall be given or distributed to a director, employee or any other individual.

The foundation has joined the Transnational Giving Europe (TGE) network, a partnership of leading European foundations and associations that facilitates tax-efficient cross-border giving within Europe. The TGE network enables donors, both corporations and individuals, resident in one of the participating countries, to financially support non-profit organisations in other member countries, while benefiting directly from the tax advantages provided for in the legislation of their country of residence.

Please do not hesitate to contact us for further detailed information. ■

espeRare foundation

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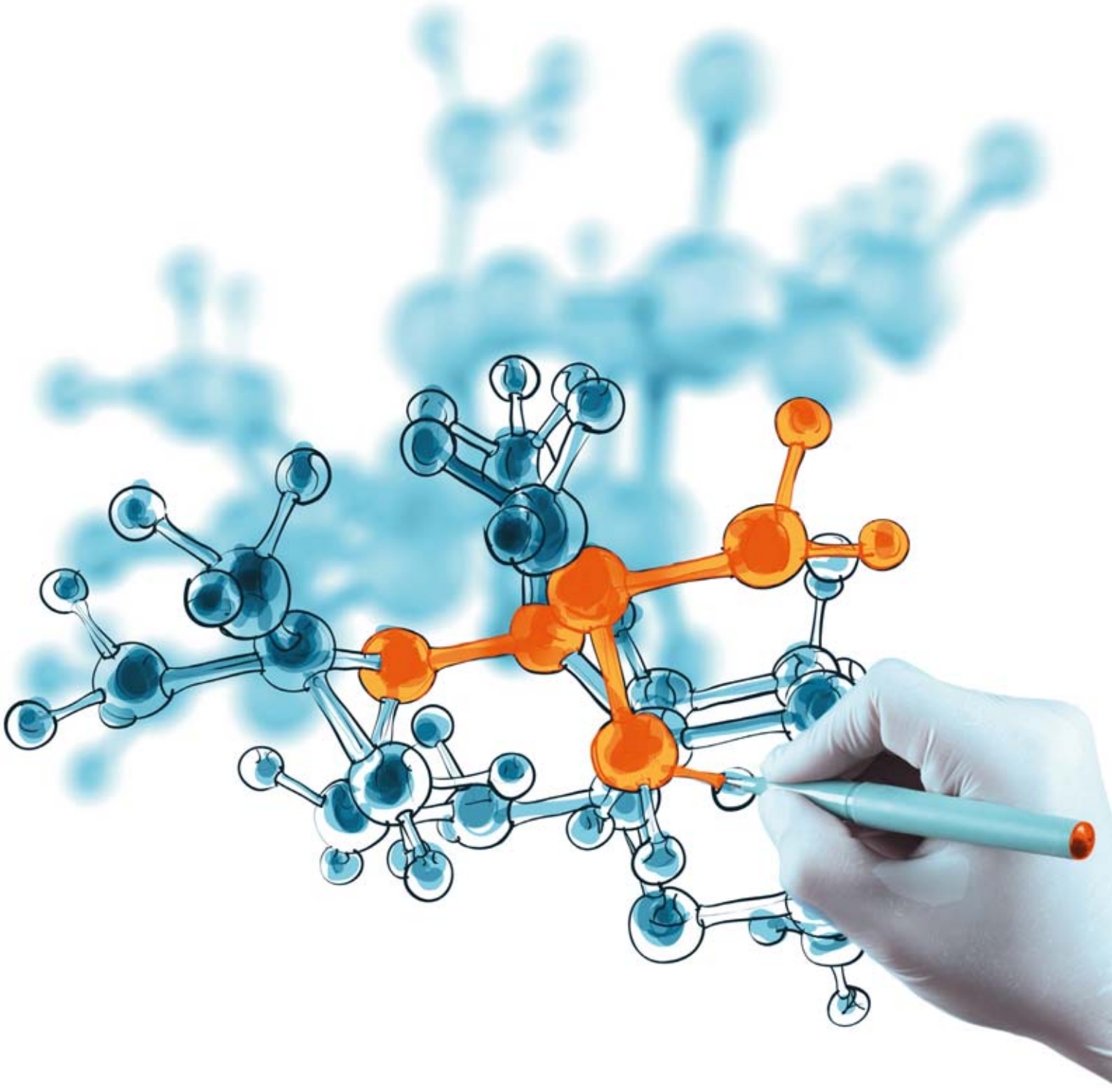

Genetic Alliance

MERCK

AFMTÉLÉTHON INNOVER POUR GUÉRIR

Fondation Eclosion Sciences de la Vie

cost EUROPEAN COOPERATION IN SCIENCE AND TECHNOLOGY

UNIVERSITÉ DE GENÈVE

Avec le soutien de la Loterie Romande

Microsoft

CTI – Start-up et entrepreneuriat, Promotion R&D, Soutien TST