GAVI, THE VACCINE ALLIANCE
2017 ANNUAL FINANCIAL REPORT

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STRUCTURE AND GOVERNANCE

STRUCTURE

Gavi, the Vaccine Alliance (the "Alliance") is a global health partnership representing stakeholders in immunisation from both private and public sectors: developing world and donor governments, private sector philanthropists such as the Bill & Melinda Gates Foundation (the "Gates Foundation"), the financial community, developed and developing country vaccine manufacturers, research and technical institutes, civil society organisations and multilateral organisations such as the World Health Organization (the "WHO"), the United Nations Children's Fund ("UNICEF") and the International Bank for Reconstruction and Development (the "World Bank").

Working together, the Alliance members achieve objectives that no single agency or group could achieve. These objectives include accelerating access to new and underused vaccines, strengthening health and immunisation systems in countries and shaping the global vaccine market to the benefit of developing countries. This prevents millions of deaths worldwide.

In June 2006, the Alliance incorporated the International Finance Facility for Immunisation ("IFFIm"), a private company in the United Kingdom. IFFIm is set up to rapidly accelerate the availability, and enhance the predictability of funds for the Gavi Group's immunisation programmes. The Alliance enters into pledge agreements with sovereign government donors and then assigns to IFFIm the right to receive cash payments under those agreements. IFFIm uses long-term pledges from sovereign government donors as collateral to sell Vaccine Bonds in the global capital markets, making large amounts of funds immediately available for the Alliance's programmes.

In November 2014 and August 2015, the IFFIm Sukuk Company Limited ("IFFImSC") and the IFFIm Sukuk Company Limited II ("IFFImSC II"), both Cayman Islands companies with limited liability, were established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations. The Alliance's use of IFFIm as an innovative finance mechanism is discussed further in the *Innovative Finance Mechanisms* section on page 13 of this report. In December 2017, IFFImSC made the final payment to the holders of its certificates and, in April 2018, IFFImSC was dissolved.

In December 2011, the governing board of the GAVI Campaign (the "Campaign") agreed to restructure the Campaign, with Gavi becoming the sole member of the Campaign. The restructuring of the Campaign resulted in closer integration of the Campaign's operations with those of Gavi. The Campaign, as a separate tax exempt organisation, helped to facilitate the Alliance's private sector outreach, fundraising and advocacy efforts. In October 2016, after due consideration, the Campaign board authorised the voluntary dissolution of the Campaign. The Campaign's dissolution was concluded on 31 December 2016.

The Alliance prepared consolidated financial statements for Gavi and IFFIm (jointly referred to as the "Gavi Group"). These Gavi Group financial statements commence on page 25 of this Annual Financial Report. In addition to the Gavi Group consolidated financial statements, the Alliance prepared consolidated financial statements for IFFIm, which include the financial information of IFFIm SC and IFFIm SC II. These financial statements commence on page 48.

The following table summarises the assets and liabilities of Gavi and IFFIm, on standalone and consolidated bases, as of 31 December 2017.

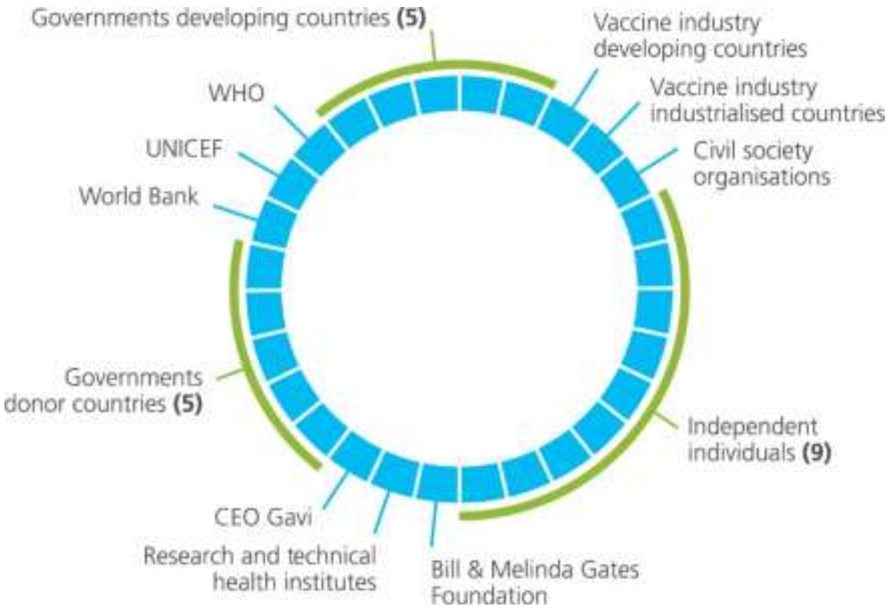
In Millions of US$	Gavi	IFFIm	Eliminations	Consolidated
Assets				
Cash and investments	2,003	912	-	2,915
Restricted cash	721	-	-	721
Contributions receivable	3,681	2,588	(507)	5,762
Net derivatives and other assets	59	-	-	59
Total assets	6,464	3,500	(507)	9,457
Liabilities				
Programme grants payable	1,132	507	(507)	1,132
Procurement accounts payable	694	-	-	694
Bonds and other borrowings	-	1,181	-	1,181
Net derivatives and other liabilities	86	768	-	854
Total liabilities	1,912	2,456	(507)	3,861
Total net assets	4,552	1,044	-	5,596
Total liabilities and net assets	6,464	3,500	(507)	9,457

The following table summarises the income and expenses of Gavi and IFFIm, on standalone and consolidated bases, for the year ended 31 December 2017.

In Millions of US$	Gavi	IFFIm	Eliminations	Consolidated
Revenue				
Contributions from donors	599	200	(51)	748
Investment and other income	112	15	-	127
Other revenue	4	-	-	4
Total revenue	715	215	(51)	879
Expenses				
Programme	1,590	50	(49)	1,591
Fair value gains	(170)	(124)	-	(294)
Financing costs	-	53	-	53
Administrative, fundraising and other	46	4	(2)	48
Total expenses	1,466	(17)	(51)	1,398
Increase (decrease) in net assets	(751)	232	-	(519)

GOVERNANCE

The Alliance's Board of Directors (the "Board") establishes the Alliance's policies, oversees the operations of the Alliance and monitors programme implementation. The Board brings together experts from both the public and private sectors. Representative Board members from multilateral development agencies, donors, developing country governments, civil society, the pharmaceutical industry, and research and technical health communities help to shape the Alliance's strategic vision and policies. Independent Board members, including those with experience in the private sector, bring an innovative perspective to Board discussions and decisions, and assist the Board in fulfilling its role as the Alliance's fiduciary.



The Board is supported by a secretariat with offices in Geneva, Switzerland and Washington, DC (the "Secretariat"). The Secretariat is responsible and accountable for the day-to-day operations of the Alliance, including mobilising resources to fund programmes, coordinating programme approvals and disbursements, developing policy and implementing strategic initiatives, monitoring and evaluation, legal and financial management, and administration for the Board and its Committees.

In November 2009, the Alliance established an independent internal audit function to evaluate and strengthen risk management, internal control and governance processes in the organisation. The work of the internal audit function extends not only to the Secretariat but also to the programmes and activities of the Alliance's grant recipients and partners. The Alliance's internal audit function is led by a managing director who reports to the Board, which is effected through routine reporting to the Audit and Finance Committee and the Chief Executive Officer.

In June 2015, the Board approved the structure for the Partners' Engagement Framework ("PEF"), which came into force in 2016. Through PEF, Gavi provides funding to partners and allows the partners to support countries' immunisation programmes. Support under PEF is divided into three areas: targeted country assistance, strategic focus areas, and foundational support. Most PEF funding is allocated to targeted country assistance. PEF gives priority to the 20 countries that face the most severe immunisation challenges and aims to meet the specific needs of each country. In 2016 and 2017, the priority countries were the Islamic Republic of Afghanistan, Republic of Chad, Federal Republic of Nigeria, Republic of Uganda, Islamic Republic of Pakistan, Republic of Indonesia, Democratic Republic of the Congo, Republic of India, Republic of Kenya, Federal Democratic Republic of Ethiopia, Republic of the Niger, Central African Republic, Republic of the Union of Myanmar, Republic of Haiti, Federal Republic of Somalia, Republic of Yemen, Republic of Mozambique, Independent State of Papua New Guinea, Republic of Madagascar, and the Republic of South Sudan.

The IFFIm board, working with the World Bank, oversees bond issuances and develops funding, liquidity and other strategies to safeguard and maximise the value of IFFIm bond proceeds. The IFFIm board is comprised of experts in finance, global health and investments.

MISSION AND STRATEGIC GOALS

The Alliance's mission is to save children's lives and protect people's health by increasing access to immunisation in poor countries. Pursuant to this mission, in June 2014, the Board approved a strategy for 2016 to 2020. This strategy defines the Alliance's mission, operating principles, strategic goals, objectives and progress indicators.

The Gavi Engagement Framework for 2016 to 2020 describes the actions to be undertaken to achieve the 2016-2020 strategy. It also lays out the context and challenges for the coming years.

The Alliance's mission is supported by four strategic goals:

- <u>Strategic Goal 1 – the Vaccine Goal: Accelerate the uptake and coverage of vaccines</u>: Accelerating the uptake of new and underused vaccines is the Alliance's core business and represents the majority of its expenditure. The Vaccines Goal is achieved through three strategic objectives: (1) increasing coverage and equity of immunisation, (2) supporting countries in introducing and scaling up new vaccines, and (3) responding flexibly to the special needs of children in fragile countries.

  The first ten years of the Alliance's work focused mainly on catalysing adoption of vaccines against yellow fever, hepatitis B and Haemophilus influenzae type b. In the next five years, the Alliance maintained momentum on these antigens but also targeted new vaccines, which held potential to achieve progress on the Millennium Development Goals ("MDG"), in particular MDG 4: Reduce Child Mortality. The Alliance aims to continue to accelerate the introduction of routine meningitis, pneumococcal and rotavirus vaccines and support campaigns against yellow fever and meningitis.

  Under the 2016-2020 strategy, the Alliance will continue to support developing countries to introduce and increase access to vaccines so that they are able to protect every child with a full package of WHO-recommended life-saving vaccines. This will include introducing new vaccines into the routine schedules of national immunisation programmes and working to protect every child, including those who are hardest to reach, such as children in poor urban areas and remote rural locations. The Alliance will also support global stockpiles and immunisation campaigns, so the world's lowest income countries can be assured of ready access to quality vaccines to protect against disease outbreaks. The Alliance will work to ensure that wealth, geography and gender are not obstacles to immunisation and that children, even in the most fragile settings, benefit from the protection that a complete schedule of vaccines provides.

- <u>Strategic Goal 2 – the Systems Goal: Increase effectiveness and efficiency of immunisation delivery as an integrated part of strengthened health systems</u>: While countries are responsible for their health systems, the Alliance's role is to help ensure that their health systems are effective in delivering vaccines. The Systems Goal is achieved through three strategic objectives: (1) contributing to improving integrated and comprehensive immunisation programmes, including fixed, outreach and supplementary components, (2) supporting improvements in supply chains, health information systems, demand generation and gender sensitive approaches, and (3) strengthening the engagement of civil society, the private sector and other partners in immunisation.

  Without the people and equipment to deliver vaccines, no immunisation programme will be sustainable over the long term. The Alliance has boosted the capacity of health and immunisation services through health system strengthening support, funding to support civil society involvement in immunisation planning and delivery, and immunisation services support, which has used reward payments to encourage developing countries to increase the number of children immunised with three doses of the diphtheria, tetanus and pertussis vaccine.

Under the 2016-2020 strategy, effective and efficient immunisation delivery systems, drawing on modern technologies and approaches, will be critical to ensure that the Alliance sustainably reaches more children, and in more places. Recognising the importance of integration, the Alliance will support developing countries to build comprehensive immunisation programmes and to do this in a way that strengthens their broader health systems. While the Alliance will develop and propose solutions in critical areas of immunisation delivery such as vaccine supply chains and data quality, the support that is delivered will be driven by national and local situations and priorities.

- Strategic Goal 3 – the Sustainability Goal: Improve sustainability of national immunisation programmes: One of the cornerstones of the Alliance's development model is that support is time-limited and catalytic, and that Alliance support for countries diminishes and ultimately ends as their economies grow. The Sustainability Goal recognises that widening the Alliance's donor base to secure long-term, predictable funding is critical to meeting increased demand for new vaccines. The Sustainability Goal is achieved through three strategic objectives: (1) enhancing national and sub-national political commitments to immunisation, (2) ensuring appropriate allocation and management of national human and financial resources to immunisation through legislative and budgetary means, and (3) preparing for sustained performance in immunisation after graduation.

  Under the 2016-2020 strategy, the Alliance will work with developing countries to ensure that they successfully transition, or "graduate", from Alliance financial support and can sustain and continue to improve the performance of their immunisation programmes. In doing so, the Alliance will focus on sustainability from the outset of each country grant to support and sustain gains in immunisation. The Alliance's approach to sustainability will be mindful of the simultaneous transitions that countries undergo from other development funding instruments.

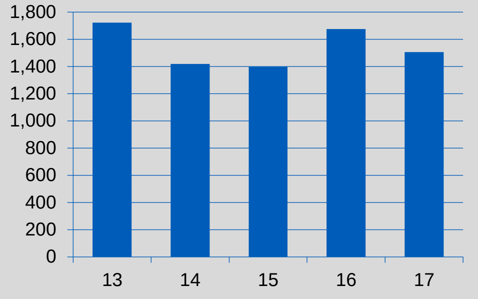
- Strategic Goal 4 – the Market Shaping Goal: Shape markets for vaccines and other immunisation products: The Alliance's success depends upon the vaccine markets providing appropriate and affordable vaccines. With plans to introduce a larger portfolio of vaccines in the world's poorest countries, it is imperative that the Alliance continues to innovate and shape a larger number of markets. The Market Shaping Goal is achieved through four strategic objectives: (1) ensuring adequate and secure supply of quality vaccines, (2) reducing prices of vaccines and other immunisation products to an appropriate and sustainable level, (3) continuing to build a healthy vaccine market, including by working to increase the number of suppliers, and (4) incentivising the development of suitable and quality vaccines and other immunisation products.

  The Alliance has already dramatically improved markets to ensure that lower income countries can access vaccines at affordable prices. Under the 2016-2020 strategy, the Alliance will continue to play an active role in promoting innovation, affordability and supply continuity in the global market for vaccines and immunisation-related products. The Alliance aims to address the needs of lower income countries for appropriate products at affordable prices. The Alliance will also work to ensure that governments have access to appropriate vaccine prices after Alliance support ends.

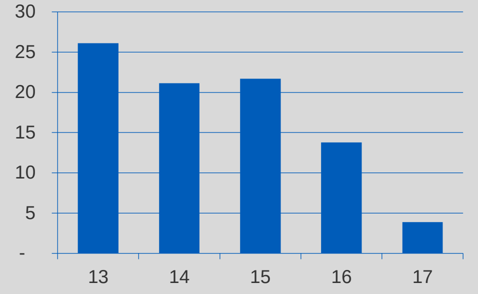
Further information on the strategic goals, including the Alliance's future plans and performance indicators related to these goal, may be found in The Vaccine Alliance Progress Report 2018 and online at http://www.gavi.org/results/gavi-progress-reports.

KEY FINANCIAL PERFORMANCE INDICATORS

This section lays out the key performance indicators that are used by the Secretariat to review, assess and manage the Gavi Group's overall financial position, activities, results and cash flows. In addition to these Key Financial Performance Indicators, the Secretariat has developed several indicators focused on specifically measuring performance against the Alliance's four Strategic Goals. These additional performance indicators are defined and described in Gavi's 2016 to 2020 Strategy Indicator Definitions, and progress against these indicators is described in The Vaccine Alliance Progress Report in 2017.

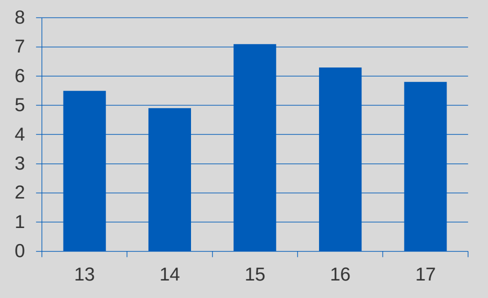
Indicator	Definition	Five-Year History
Cash proceeds from donors and IFFIm investors **2017: US$ 1.5 billion** 2016: US$ 1.7 billion 2015: US$ 1.4 billion 2014: US$ 1.4 billion 2013: US$ 1.7 billion	Cash receipts from Gavi's direct donors plus cash receipts by Gavi through IFFIm. Direct cash receipts include cash received pursuant to the AMC innovative finance mechanism.	

Continued support from donors and IFFIm investors is fundamental to the achievement of all of the Alliance's strategic goals. Cash receipts from these donors and IFFIm investors indicate that the Alliance has received a strong and consistent level of support. Cash receipts decreased from US$ 1.7 billion in 2013 to US$ 1.4 billion in each of 2014 and 2015 and decreased from US$ 1.7 billion in 2016 to US$ 1.5 billion in 2017. The decreases in 2014, 2015 and 2017 were primarily due to the deferral of IFFIm drawdowns based on Gavi's funding needs.

Indicator	Definition	Five-Year History
Percentage of funds received from innovative finance mechanisms **2017: 4 percent** 2016: 14 percent 2015: 22 percent 2014: 21 percent 2013: 26 percent	Total cash receipts by Gavi through IFFIm, the AMC and the Gavi Matching Fund as a percentage of total cash receipts in each year from all of Gavi's donors and investors.	

As described in the *Innovative Finance Mechanisms* section on page 13 of this report, the Alliance's innovative finance mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Over the past five years, innovative finance mechanisms have generated 18% of the Alliance's cash receipts. This reflects the Alliance's strong commitment to developing and maintaining mechanisms that tap new sources of capital and bring specific characteristics that advance the Alliance and its mission.

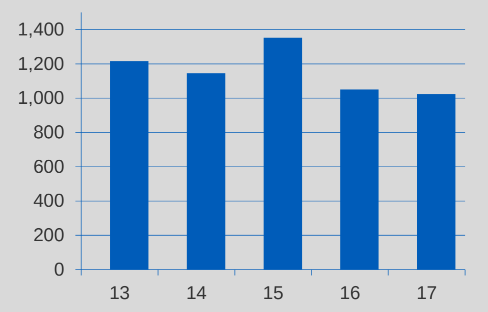
The percentage of funds received from innovative finance mechanisms decreased from a high of 26% in 2013 to 4% in 2017. This decrease was primarily due to a decrease in AMC cash proceeds and the deferral of IFFIm drawdowns to later years based on Gavi's funding needs. See the *Future Plans* section on page 22 of this report for a summary of estimated future cash inflows from innovative finance mechanisms from 2018 to 2020.

Indicator	Definition	Five-Year History
Total multi-year pledges **2017: US$ 5.8 billion** 2016: US$ 6.3 billion 2015: US$ 7.1 billion 2014: US$ 4.9 billion 2013: US$ 5.5 billion	Year-end fair value of multi-year pledges as presented on the Gavi Group's Consolidated Statements of Financial Position.	

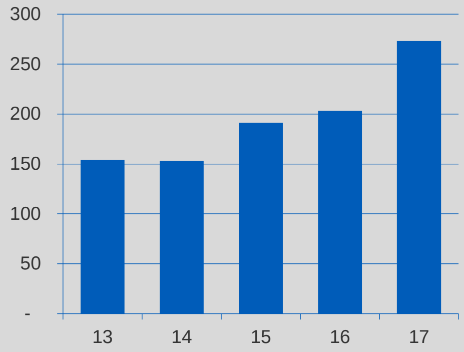
In order to achieve its Sustainability Goal, the Alliance requires sufficient long-term multi-year pledges to provide implementing countries with a predictable and stable funding environment.

The total value of multi-year commitments decreased during the period from 2013 to 2014 as direct donors paid down their pledges until new multi-year commitments were made by direct donors during the Alliance's second pledging conference in January 2015. These new multi-year commitments were made to help fund the Alliance's programmatic activities until 2020. The total value of multi-year commitments increased in 2015 as a result of these new multi-year commitments and decreased in 2016 and 2017 as direct donors paid down their pledges.

At the second pledging conference in January 2015, new multi-year commitments made by direct donors totalled US$ 7.5 billion for the period 2016 to 2020. As of 31 December 2017, 88% of these multi-year commitments had been converted into grant agreements signed by donors. See the *Gavi Foreign Currency and Hedging Activity* section on page 20 of this report for further information on the valuation of the multi-year commitments made by direct donors at the second pledging conference.

Indicator	Definition	Five-Year History
New and underused vaccines programme disbursements **2017: US$ 1.0 billion** 2016: US$ 1.1 billion 2015: US$ 1.3 billion 2014: US$ 1.1 billion 2013: US$ 1.2 billion	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	

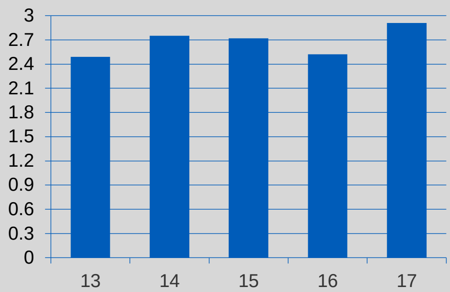
Under its Vaccine Goal, the Alliance aims to accelerate the uptake and use of underused and new vaccines ("NVS"). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of the Alliance's progress toward achieving its goal. NVS programme disbursements have decreased by 16% from 2013 to 2017. The decrease in NVS programme disbursements during the period from 2015 to 2017 was primarily due to a decrease in support to a number of implementing countries as they transition from receiving Gavi funding, a reduction in the funding of the pneumococcal conjugate vaccine under the AMC innovative finance mechanism, and a decrease in disbursements for the inactivated polio vaccine due to supply shortages of the vaccine.

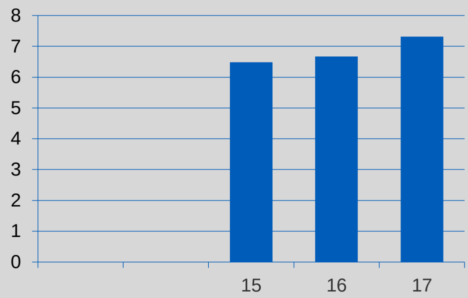
Indicator	Definition	Five-Year History
Health systems strengthening programme disbursements **2017: US$ 273 million** 2016: US$ 203 million 2015: US$ 191 million 2014: US$ 153 million 2013: US$ 154 million	Cash disbursements made to implementing countries for the purpose of strengthening their health systems. Includes disbursements to civil society organisations and cash disbursements for immunisation services support.	

Under its Systems Goal, the Alliance aims to help strengthen the capacity of implementing countries' integrated health systems. From 2013 to 2017, the Alliance disbursed US$ 974 million to implementing countries to help bolster their health systems. Health systems strengthening support addresses health system bottlenecks, primarily in four areas: (1) supply chain; (2) data availability, quality, and use; (3) community engagement; and (4) in-country leadership, management, and coordination. Governments are encouraged to engage civil society organisations for the implementation of HSS activities.

In addition to the health systems strengthening programme disbursements above, the Alliance's cash-based programme disbursements include cash disbursements for vaccine introduction grants and operational support of investment cases. In June 2016, the Board agreed that an amount of at least US$ 1.3 billion is available for health systems strengthening disbursements, including performance payments, for grant programme years in the 2016-2020 strategic period, with additional funding being subject to future Board decision.

In June 2015, the Board approved the establishment of the Cold Chain Equipment Optimisation Platform (CCEOP) to strengthen country cold chain systems with an initial amount of US$ 50 million to launch its implementation and fund the first applications. The CCEOP was launched in 2016. In December 2016, the Board approved additional funding for an aggregate amount not exceeding US$ 250 million.

Indicator	Definition	Five-Year History
Percentage overhead expenses **2017: 2.91 percent** 2016: 2.52 percent 2015: 2.72 percent 2014: 2.75 percent 2013: 2.49 percent	Overhead expenses as a percentage of total expenses.	

Indicator	Definition	Three-Year History
Percentage operating expenses **2017: 7.31 percent** 2016: 6.67 percent 2015: 6.48 percent	Operating expenses as a percentage of total expenses.	

In order to maximise the amount of funds available for programmatic activities, the Alliance's administrative overhead must be kept as low as possible. The Alliance's percentage overhead expenses have been below 5% since 2013, and increased slightly from 2.52% in 2016 to 2.91% in 2017. This increase in the Alliance's percentage overhead expenses was driven primarily by increase in management and general expenses from 2016 to 2017 which is discussed further in the *Overview of Income and Expenses* section on page 17 of this report.

For the purposes of calculating the Alliance's percentage overhead and operating expenses amounts above, overhead expenses are the aggregate of the Alliance's fundraising, management and general expenses and operating expenses are the aggregate of the Alliance's overhead expenses, secretariat programme implementation expenses, and partners' programme implementation expenses in relation to AMC fees and evaluations and assessments. Overhead expenses exclude indirect programme expenses such as those expenses related to programme implementation and performance monitoring.

The components of the Alliance's percentage overhead and operating expenses were:

Indicator	2017	2016
Management and general expenses percentage	1.71%	1.32%
Fundraising expenses percentage	1.20%	1.20%
Total overhead expenses percentage	2.91%	2.52%

Indicator	2017	2016
Total overhead expenses	2.91%	2.52%
Secretariat programme implementation expenses	3.30%	3.19%
Partners' programme implementation expenses	1.10%	0.96%
Total operating expenses percentage	7.31%	6.67%

The Alliance's fundraising, management and general expenses were as follows:

In Millions of US$	2017	2016
Management and general expenses	28	22
Fundraising expenses	20	20
Total overhead expenses	48	42

The Alliance's operating expenses were as follows:

In Millions of US$	2017	2016
Total overhead expenses	48	42
Secretariat programme implementation expenses	54	53
Partners' programme implementation expenses[1]	18	16
Total operating expenses	120	111

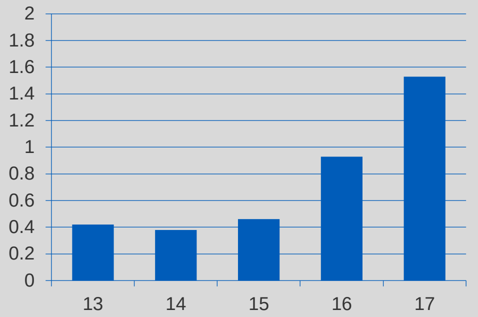
[1] This total only includes the portion of partners' programme implementation expenses that are related to AMC fees and evaluations and assessments.

Certain departments within the Secretariat conduct activities that have programmatic and fundraising, as well as management and general components. The cost of conducting these activities ("Joint Costs") were allocated as follows:

In Millions of US$	2017	2016
Joint Costs allocated to programmes	16	16
Joint Costs allocated to fundraising	4	5
Joint Costs allocated to management and general	4	4
Total joint costs	24	25

For the purposes of calculating the Alliance's percentage overhead and operating expenses amounts above, total expenses are the aggregate of the Alliance's direct and indirect programme expenses, and overhead costs. Total expenses exclude financing costs and all fair value gains and losses. Total expenses were determined as follows:

In Millions of US$	2017	2016
Direct country programme expenses	1,429	1,408
Secretariat programme implementation expenses	54	53
Partners' programme implementation expenses	108	161
Total programme expenses	1,591	1,622
Total overhead expenses	48	42
Total non-programme expenses	48	42
Total expenses, excluding financing expenses and fair value gains and losses	1,639	1,664

Indicator	Definition	Five-Year History
Percentage net finance costs **2017: 1.53 percent** 2016: 0.93 percent 2015: 0.46 percent 2014: 0.38 percent 2013: 0.42 percent	IFFIm's net interest expense as a percentage of its average bonds and other borrowings balance for the year. Net interest expense is after the effect of hedging transactions. Average bonds and other borrowings for the year is the average of the nominal monthly balances.	

The Alliance's net interest expense amounts and average bonds and other borrowings balances were as follows:

In Millions of US$, except Percentages	2017	2016	2015	2014	2013
Net interest expense on bonds and other borrowings after impact of swaps	22	13	9	7	9
Average nominal value of bonds and other borrowings for the year	1,436	1,395	1,962	1,822	2,148
Percentage net financing costs	1.53%	0.93%	0.46%	0.38%	0.42%

The Alliance incurs financing costs on Vaccine Bonds issued by IFFIm. In order to minimise these financing costs, IFFIm has done the following:

- Put in place a liquidity policy that allows it to maintain a high credit rating. As a result of this high credit rating, IFFIm's bonds and other borrowings rates to date have historically been better than if IFFIm's donors had raised their share of IFFIm's funding individually in their own markets. See the *Cash Reserve and Liquidity Policies* section on page 19 for further details.

- Entered into currency and interest rate swaps to hedge against IFFIm's exposure to currency and interest rate fluctuations impacting its Vaccine Bonds.

The Alliance's low percentage net financing costs over the last five years indicates that IFFIm's liquidity and hedging policies have been appropriately designed and effectively executed. IFFIm's cost of funding, compared to that of its donors, increased in 2017. IFFIm's current weighted average cost of its outstanding bonds is 20.0 basis points over USD LIBOR. This is 7.0 basis points higher than the weighted average cost of borrowing of its donors of 13.0 basis points over USD LIBOR as calculated in November 2017. However, since its inception, IFFIm has accessed the capital markets at a weighted average cost of borrowing that is in total lower than that of its donors. IFFIm's weighted average cost of all its bonds issued since its inception is 2.0 basis points over USD LIBOR. This is 8.0 basis points lower than the weighted average cost of borrowing of its donors, which is 10 basis points over USD LIBOR calculated over the same period.

INNOVATIVE FINANCE MECHANISMS

BENEFITS OF INNOVATIVE FINANCE MECHANISMS

Innovative finance mechanisms help the Alliance to:

- Diversify its funding portfolio: Innovative finance mechanisms attract capital from a variety of public and private sources. They aim to attract funds that are committed for longer periods of time.
- Adapt to the needs of implementing countries, donors and investors: Innovative finance mechanisms help match the capacity and preferences of donors and investors with the needs of implementing countries to rapidly scale up vaccine coverage, lower disease prevalence and accelerate introduction of new and underused vaccines.
- Provide predictable and flexible resources: Funding predictability has enabled countries to implement multi-year programmes that fundamentally improve the quality of and access to health care services. Flexible resources allow the Alliance to access alternate funding resources as funding constraints emerge, avoiding programme disruption.
- Respond to the United Nations Sustainable Development Goals: The Alliance and immunisation are critical to achieving child health goals set by the United Nations ("UN"). Gavi aided the UN in achieving the Millennium Development Goal (MDG) for child health, which aimed to reduce by two-thirds the deaths of children under five by 2015. As the MDG period came to an end, the Alliance is in full support of the UN post-2015 Sustainable Development Goals including child health: accelerate the progress made to date in reducing new born and child mortality by ending all such preventable deaths before 2030. Additional resources provided from innovative finance mechanisms help the Alliance accelerate funding for the introduction of vaccines and strengthen health systems.
- Shape markets: The Alliance's use of innovative finance helps meet country demand, grow markets, attract manufacturers and reduce prices. This makes donor resources go further and increases the ability of countries to fund vaccines in the long-term.

THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

IFFIm is an innovative finance mechanism that provides long-term, predictable and flexible funding to Gavi. IFFIm historically has converted long-term government commitments into immediately available cash resources by issuing bonds in the capital markets. IFFIm was created in 2006 to accelerate the availability and predictability of funds for the Alliance's immunisation programmes. Between 2006 and 2017, IFFIm accounted for over 20% of Gavi's funding. IFFIm is a core component of Gavi's long-term funding strategy.

IFFIm is backed by the Governments of the United Kingdom, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden and South Africa, which together have pledged to contribute approximately US$ 6.5 billion to IFFIm over 23 years[1]. These long-term government pledges are used as collateral to raise funds on the global capital markets by issuing Vaccine Bonds. Cash receipts from the donor governments are then used to repay IFFIm bonds.

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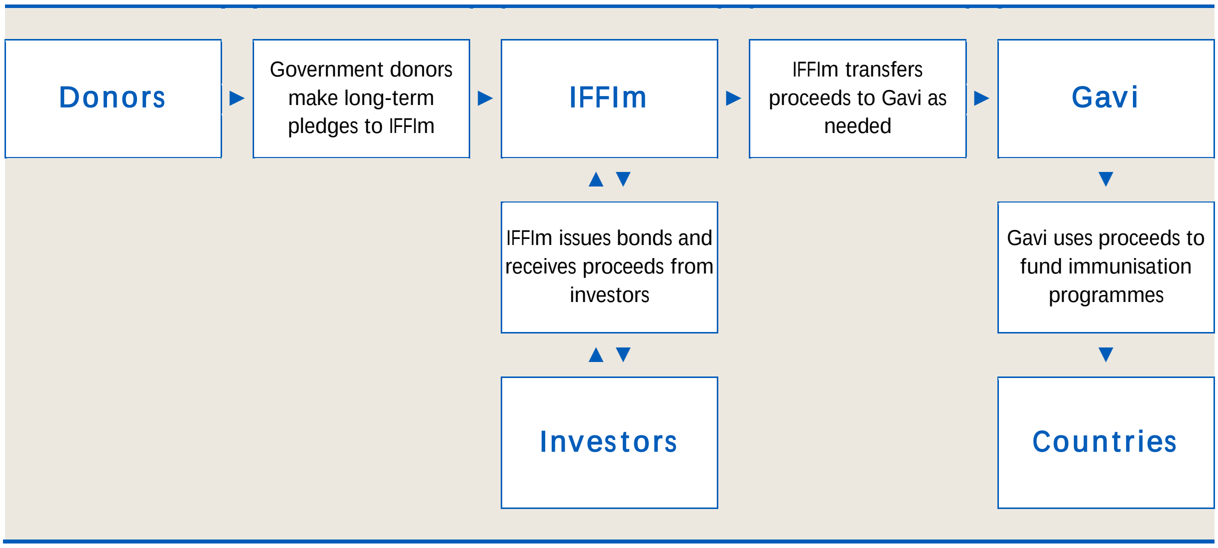
[1] Further information on donor pledges to IFFIm is on page 80 of this report.



The ability of IFFIm to convert long-term commitments into immediate cash provides Gavi with the flexibility to use funds when they are needed most. This means that Gavi can choose either to frontload IFFIm resources or to have smaller and more consistent drawdowns over a longer-term, depending on the Alliance's funding needs. Having these immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

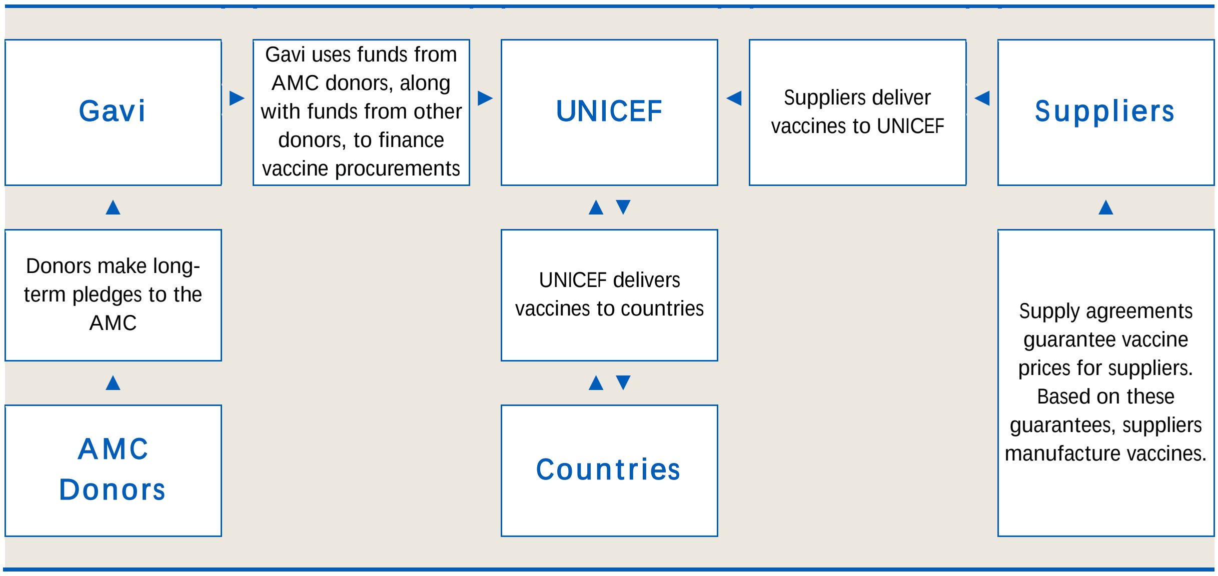
IFFIm Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. IFFIm Bonds have proved popular with both institutional and individual investors, raising over US$ 6.0 billion since IFFIm's inception in 2006 to 31 December 2017[2].

THE ADVANCE MARKET COMMITMENT FOR PNEUMOCOCCAL VACCINE

The Advance Market Commitment for Pneumococcal Vaccine (the "AMC") aims to encourage the development and production of affordable vaccines tailored to the needs of developing countries. Following the announcement of the governments of Italy, the United Kingdom, Canada, the Russian Federation, Norway and the Gates Foundation, who collectively pledged a total of US$ 1.5 billion to fund the programme, the AMC was designed to stimulate the late stage development and manufacture of affordable pneumococcal vaccines for the poorest countries.

Under the AMC arrangement, donors commit funds to guarantee the price of vaccines once they have been developed. These financial commitments provide vaccine manufacturers with an incentive to invest in late stage vaccine development, and expand manufacturing capacity. In exchange, the vaccine manufacturers sign legally-binding commitments to provide the vaccines at a pre-agreed long-term price to developing countries.

[2] Further information on IFFIm's current financing arrangement is on page 21 of this report.



The overarching goal of the AMC is to reduce morbidity and mortality from pneumococcal diseases, preventing an estimated 7 million childhood deaths by 2030. Specifically, the objectives of the pneumococcal AMC are:

To accelerate the development of pneumococcal vaccines to meet developing country needs.

- To bring forward the availability of effective pneumococcal vaccines for developing countries by guaranteeing the initial purchase price, for a limited quantity of the new vaccines, that represents value for money and incentivises manufacturers to invest in scaling-up production capacity to meet developing country vaccine demand.
- To accelerate vaccine uptake by ensuring predictable vaccine pricing for countries and manufacturers, for example through binding commitments by participating companies to supply vaccines at low, long-term and sustainable prices.
- To test the effectiveness of the AMC mechanism as an incentive for supplying much needed vaccines and to learn lessons for developing possible similar initiatives in the future.

THE GAVI MATCHING FUND

The Gavi Matching Fund is a public-private funding mechanism designed to incentivise private sector investments in immunisation.

At the Alliance's pledging conference in June 2011, the United Kingdom Department for International Development ("DFID") and the Gates Foundation pledged £ 50 million and US$ 50 million, respectively, to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners until 2015.

At the Alliance's second pledging conference in January 2015, the Gates Foundation and the State of the Netherlands pledged US$ 75 million and € 10 million, respectively, to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners until 2020.

The Gavi Matching Fund will allow the Alliance to deliver more life-saving vaccines to the lowest income countries. Healthy children lead to healthy communities and healthy societies. The Gavi Matching Fund also attracts advocates for the cause of immunisation and those who provide core business skills to help address technological and logistical challenges to immunisation.

The Gavi Matching Fund process comprises three key steps:

(1) The Alliance works with the partner to find ways to engage customers, employees, business partners or others to contribute through the Gavi Matching Fund.

(2) A private sector partner makes a cash or in-kind contribution to the Alliance.

(3) Until 2015, every contribution to the Alliance through the Gavi Matching Fund by the private sector partner, its customers, employees and business partners was matched either by DFID, in the case of United Kingdom based entities, or by the Gates Foundation. From 2016 to 2020, private sector contributions to the Alliance through the Gavi Matching Fund are matched by the Gates Foundation and the State of the Netherlands.

The Gavi Matching Fund raised US$ 19 million in 2017. Since its inception in 2011 to 31 December 2017, the Gavi Matching Fund has raised a total of US$ 274 million. This amount is the total of pledges from the private sector partners and matching pledges from DFID and the Gates Foundation.

FINANCIAL OVERVIEW

OVERVIEW OF ASSETS AND LIABILITIES

The following table summarises Gavi Group's consolidated assets and liabilities as of 31 December 2017, 2016 and 2015:

In Millions of US$, except Percentages	2017	2016	2015	Change, 2016 to 2017	Change, 2015 to 2016
Assets					
Cash and investments	3,636	3,401	3,244	7 %	5 %
Contributions receivable	5,762	6,328	7,070	(9)%	(10)%
Net derivatives and other assets	59	72	87	(18)%	(17)%
Total assets	9,457	9,801	10,401	(4)%	(6)%
Liabilities					
Programme grants and procurement accounts payable	1,826	1,705	1,628	7 %	5 %
Bonds and other borrowings	1,181	1,382	1,606	(15)%	(14)%
Net derivatives and other liabilities	854	599	861	43 %	(30)%
Total liabilities	3,861	3,686	4,095	5 %	(10)%
Total net assets	5,596	6,115	6,306	(8)%	(3)%
Total liabilities and net assets	9,457	9,801	10,401	(4)%	(6)%

The Gavi Group's financial position remained strong and stable during 2017. Its total assets decreased by 4% during 2017. The decrease in total assets was primarily due to programme disbursements of US$ 1.3 billion, bond redemptions of US$ 530 million, interest paid on bonds of US$ 22 million, and administrative and other disbursements of US$ 90 million, which were partially offset by new multi-year donor pledges and annual contributions totalling US$ 748 million, fair value gains on contributions receivable of US$ 545 million, and bond issuance proceeds of US$ 300 million.

The Gavi Group's total liabilities increased by 5% during 2017, primarily due to increases in programme grants and procurement accounts payable and IFFIm's net derivative liability, partially offset by a decrease in bonds and other borrowings. Each of these is discussed below:

- Increase in programme grants and procurement accounts payable: The increase in programme grants and procurement accounts payable, which resulted from new programme approvals totalling US$ 1.3 billion and new firm commitments to be procured by UNICEF for vaccines and other supplies totalling US$ 253 million, was partially offset by payments of outstanding programme liabilities totalling US$ 1.4 billion.

- Increase in net derivative liability: The Gavi Group's net derivative liability balance is primarily comprised of IFFIm's net liability position on its interest rate and currency swap contracts. This liability on swap contracts increased from US$ 567 million, as of 31 December 2016, to US$ 767 million, as of 31 December 2017, primarily due to interest rate and foreign currency rate fluctuations during 2017. All else being equal, IFFIm's derivative liability will reverse over time as the swap positions related to those payments are unwound in the normal course of business. These swap positions will be unwound as payments are received from IFFIm donors and bonds are redeemed. See the *IFFIm Hedging Activity* section on page 21 of this report for further information on IFFIm's currency and interest swap arrangements.

- Decrease in bonds and other borrowings: During 2017, bond redemptions exceeded proceeds from a new bond issuance. The decrease in bonds and other borrowings resulted from the redemption of two bonds totalling US$ 530 million, which was partially offset by the issuance of a new bond of US$ 300 million and fair value losses of US$ 30 million.

OVERVIEW OF INCOME AND EXPENSES

The following table summarises Gavi Group's consolidated income and expenses for the years ended 31 December 2017, 2016 and 2015:

In Millions of US$, except Percentages	2017	2016	2015	Change, 2016 to 2017	Change, 2015 to 2016
Revenue					
Contributions from government and private donors	748	1,490	4,426	(50)%	(66)%
Investment and other income (expense)	127	69	(7)	84 %	1,086 %
Other revenue	4	2	7	100 %	(71)%
Total revenue[1]	879	1,561	4,426	(44)%	(65)%
Expenses					
Programme	1,591	1,622	1,608	(2)%	1 %
Net interest expense on bonds and other borrowings after impact of swaps	22	13	9	69 %	44 %
Other fair value (gains) losses	(263)	75	42	(451)%	79 %
Administrative, fundraising and other	48	42	45	14 %	(7)%
Total expenses[2]	1,398	1,752	1,704	(20)%	3 %
(Decrease) increase in net assets	(519)	(191)	2,722	172 %	(107)%

[1] This total includes temporarily restricted contributions from government and private donors and contributed goods and does not include the release of net assets and net fair value gains on derivatives, which are included in the total revenue reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements.

[2] Other fair value (gains) losses include net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable, which are reported as total revenue and changes in temporarily restricted net assets, respectively, in the Consolidated Statements of Activities on page 27 of the consolidated financial statements.

The Gavi Group's recorded contribution revenue is the aggregate of new multi-year pledges and annual contributions. The Gavi Group's revenue for 2015, 2016 and 2017 was driven primarily by the following:

- 2015 contribution revenue: Contribution revenue of US$ 4.4 billion was recorded in 2015. This high contribution revenue amount was primarily due to grant agreements signed by several public and private donors, pursuant to the commitments these donors made at the Alliance's second pledging conference in January 2015. Some grant agreements were multi-year pledges whose initial fair values were recorded as 2015 revenue in accordance with the Alliance's accounting policies. Multi-year pledges for the year included US$ 1.5 billion, US$ 1.4 billion, US$ 378 million, US$ 196 million, and US$ 172 million from DFID, BMGF, Canada, Netherlands, and Germany, respectively. Other grants took the form of annual contributions, which were recorded as revenue as the funds were received.

- 2016 contribution revenue: Contribution revenue of US$ 1.5 billion was recorded in 2016. Recorded revenue included new multi-year pledges received during the year of US$ 751 million, US$ 150 million, US$ 106 million, and US$ 61 million from the Kingdom of Norway, the Commonwealth of Australia, the Republic of Italy, and various other donors, respectively. Recorded revenue also included annual contributions of US$ 235 million from USAID and US$ 187 million from various other donors. See *Schedule 1.5: Annual Contributions from Donors* on page 81 for a complete list of annual contributions received by the Gavi Group during 2016.

- 2017 contribution revenue: Contribution revenue of US$ 748 million was recorded in 2017. Recorded revenue included new multi-year pledges received during the year of US$ 132 million, US$ 67 million, and US$ 7 million from the Republic of France, the State of the Netherlands, and various other donors, respectively. Recorded revenue also included annual contributions of US$ 275 million from USAID and US$ 267 million from various other donors. See *Schedule 1.5: Annual Contributions from Donors* on page 81 for a complete list of annual contributions received by the Gavi Group during 2017.

The Gavi Group's investment and other income is US$ 127 million in 2017 from an income of US$ 69 million in 2016 primarily as a result of better market performance on its fixed income, global equity, and real assets. Furthermore, IFFIm funds invested in high-grade fixed income instruments outperformed their benchmark.

The Gavi Group's programme expenses decreased by 2% in 2017 as it continued to experience strong and increased demand from implementing countries for vaccine and related programmes. This was offset by the decrease of programme implementation costs as a result of agreements which cover the period 2016 and 2017 being signed and programme expenses were recorded in 2016.

In 2017, net interest expense on bonds and other borrowings after impact of swaps of US$ 22 million was comprised of interest expense of US$ 23 million, which was partially offset by interest income on bond swaps of US$ 1 million. In 2016, net interest expense on bonds and other borrowings after impact of swaps of US$ 13 million was comprised of interest expense of US$ 18 million, which was partially offset by interest income on bond swaps of US$ 5 million.

Gavi Group incurred other fair value gains of US$ 263 million in 2017 and fair value losses of US$ 75 million in 2016. The composition and drivers of each of these losses is described below:

- 2015 other fair value losses: Other fair value losses of US$ 42 million were comprised of foreign currency transaction losses on contributions receivable of US$ 333 million and other foreign exchange losses of US$ 7 million. These losses were partially offset by net fair value gains on contributions receivable of US$ 17 million, net fair value gains on bonds and other borrowings of US$ 123 million, and fair value gains on derivatives of US$ 158 million. The US$ 333 million foreign currency transaction losses on contributions receivable were primarily the result of a stronger United States dollar in 2015, which lowered the fair values of foreign currency denominated contributions receivable. The US$ 17 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2016. The US$ 123 million fair value gains on bonds and other borrowings were primarily the result of a stronger United States dollar in 2015, which significantly lowered the fair values of foreign currency denominated bonds. The US$ 158 million fair value gains on derivatives were primarily the result of a stronger United States dollar in 2015, which significantly lowered the fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds.
- 2016 other fair value losses: Other fair value losses of US$ 75 million were comprised of foreign currency transaction losses on contributions receivable of US$ 519 million and net fair value losses on bonds and other borrowings of US$ 32 million. These losses were partially offset by net fair value gains on contributions receivable of US$ 210 million, fair value gains on derivatives of US$ 263 million, and other foreign exchange gains of US$ 3 million. The US$ 519 million foreign currency transaction losses on contributions receivable were primarily the result of a stronger United States dollar in 2016, which significantly lowered the fair values of foreign currency denominated contributions receivable. The US$ 32 million fair value losses on bonds and other borrowings were primarily the result of lower interest rates in 2016 and a stronger South African rand in 2016, which significantly increased the fair values on bonds that were denominated in South African rand. The US$ 210 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2016. The US$ 263 million fair value gains on derivatives were primarily the result of a stronger United States dollar in 2016, which significantly lowered the fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds.
- 2017 other fair value gains: Other fair value gains of US$ 263 million were comprised of foreign currency transaction gains on contributions receivable of US$ 479 million, net fair value gains on contributions receivable of US$ 66 million and other foreign exchange gains of US$ 6 million. These gains were partially offset by the fair value losses on derivatives of US$ 258 million and net fair value losses on bonds and other borrowings of US$ 30 million. The US$ 479 million foreign currency transaction gains on contributions receivable were primarily the result of a weaker United States dollar in 2017, which significantly increased the fair values of foreign currency denominated contributions receivable. The US$ 66 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2017. The US$ 258 million fair value losses on derivatives were primarily the result of a weaker United States dollar in 2017, which resulted in higher fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds. The US$ 30 million fair value losses on bonds and other borrowings were primarily the result of lower interest rates in 2017 and a stronger South African rand in 2017, which significantly increased the fair values on bonds that were denominated in South African rand.

Net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable are reported as total revenue and changes in temporarily restricted net assets, respectively, in the Consolidated Statements of Activities on page 27 of the consolidated financial statements. Net fair value gains or losses on bonds and other borrowings are reported as net financing income or expenses in the Consolidated Statements of Activities on page 27 of the consolidated financial statements and as other borrowing income or expenses in the Consolidated Statements of Functional Expenses on page 29 of the consolidated financial statements. See the *Gavi Foreign Currency and Hedging Activity* and *IFFIm Hedging Activity* sections on pages 20 and 21, respectively, of this report for further information on Gavi Group's use of derivatives to hedge against market risks.

OVERVIEW OF CASH FLOWS

The following table summarises Gavi Group's consolidated cash flows for the years ended 31 December 2017, 2016 and 2015:

In Millions of US$, except Percentages	2017	2016	2015	Change, 2016 to 2017	Change, 2015 to 2016
Net cash from (used in) operating activities[1]	85	451	(95)	(81)%	(575)%
Net cash from (used in) from investing activities	158	(252)	91	(163)%	(377)%
Net cash used in financing activities	(230)	(256)	(161)	(10)%	59 %
Net change in cash	13	(57)	(165)	(123)%	(66)%
Cash as of the beginning of the year	56	113	278	(50)%	(59)%
Cash as of the end of the year	69	56	113	23 %	(50)%

[1] This total includes the effect of exchange rate changes on cash, which is excluded from net cash (used in) provided by operating activities reported in the Consolidated Statements of Cash Flows on page 28 of the consolidated financial statements.

Net cash from (used in) operating activities is driven mainly by cash receipts from donors and cash payments to implementing countries, procurement agents, partners and vendors for programmatic and administrative purposes.

Net cash from (used in) investing activities mainly relates to the investment of proceeds from donors and bond issuances before those proceeds are used to fund Gavi programmes or redeem bonds.

Net cash used in financing activities reflects the cash inflows from Vaccine Bond issuances and cash outflows from Vaccine Bond redemptions.

The Gavi Group's cash receipts from donors and IFFIm investors were as follows:

In Millions of US$, except Percentages	2017	2016	2015	Change, 2016 to 2017	Change, 2015 to 2016
Sovereign governments and the European Community	1,126	1,173	1,002	(4)%	17 %
Gates Foundation and other private donors	345	296	273	17 %	8 %
IFFIm and other innovative finance mechanisms	35	207	123	(83)%	68 %
Total cash receipts from donors and IFFIm investors	1,506	1,676	1,398	(10)%	20 %

CASH RESERVE AND LIQUIDITY POLICIES

Gavi and IFFIm have put in place certain policies in order to ensure that they maintain sufficient liquidity to meet their obligations to implementing countries, IFFIm investors and all other creditors. These policies are summarised below:

- Gavi cash reserve policy: At all times, Gavi maintains a minimum unrestricted cash and investment reserve equivalent to eight months of Gavi's expected annual expenditures.
- Gavi programme funding policy: As a prerequisite to Board approval or endorsement of any new programmes, Gavi designates an amount of Qualifying Resources sufficient to fully cover all its commitments for the period from the start of the current year through the next two calendar years. Qualified Resources are defined as the aggregate of Gavi cash and investments on hand and expected future cash inflows for the next two years. Expected future cash flows are comprised of: (1) expected cash receipts from AMC donors and other direct Gavi donors, (2) expected funding from IFFIm, (3) project investment income.
- IFFIm liquidity policy: IFFIm maintains an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum balance of pooled investments equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum balance is recalculated and reset on a quarterly basis.

GAVI FOREIGN CURRENCY AND HEDGING ACTIVITY

Gavi expenditures are primarily incurred in United States dollars. Therefore, Gavi is exposed to foreign currency exchange rate fluctuations on contributions receivable in currencies other than the United States dollar. In November 2011, the Board approved a currency hedging policy that specified parameters for currency hedging through which Gavi can manage this exposure. Under its hedging policy, Gavi actively hedges its foreign currency exchange risk on a portion of contributions receivable by entering into currency forward contracts. In addition, a small portion of Gavi's currency exchange risk is naturally hedged by expenses that Gavi incurs in currencies other than the United States dollar.

At its pledging conference in January 2015, Gavi valued pledges for direct contributions from donors using Bloomberg forecast foreign currency exchange rates. Using these rates, the valuation of direct contributions pledged for the period 2016 to 2020 totalled US$ 7.6 billion[3]. The United States dollar has strengthened significantly since then, thereby reducing the United States dollar valuation[4] of the direct contributions pledged in other currencies. The Secretariat estimated that, as of April 2018, the United States dollar value of the pledges for direct contributions had reduced by US$ 0.4 billion to a value of US$ 7.2 billion, for the period 2016 to 2020. The amount of US$ 7.2 billion, as indicated in the table below, is comprised of:

- US$ 2.7 billion (37%) for amounts received or to be received in United States dollars;
- US$ 3.8 billion (54%) for amounts in other currencies already received and exchanged for United States dollars, and amounts to be received that are hedged into United States dollars; and
- US$ 0.7 billion (9%) for non-US$ amounts to be received that are not yet hedged and are valued using Bloomberg forecast rates. Gavi is exposed to exchange rate fluctuations on this amount.

As of April 2018, Gavi had hedged 83% of the non-US$ direct contributions that it expects to receive in 2018, 73% of those expected in 2019 and 71% of those expected in 2020. The following table summarises Gavi's expected cash inflows for the period 2016 to 2020, in United States dollars and other currencies. The underlying forecasted information was prepared by the Secretariat as of April 2018:

In Millions of US$, except Percentages	Cash inflows in United States dollars	Cash inflows in currencies other than the United States dollar, already received or hedged	Cash inflows in currencies other than the United States dollar, not yet received nor hedged	Total
Direct contributions	2,675	3,842	668	7,185
	37%	*54%*	*9%*	100%
Other cash inflows:				
Proceeds from IFFIm bond issuances	950	-	-	950
Proceeds from AMC contributions	530	-	-	530
Investment income	222	-	-	222
Anticipated release of funds from cash and investment reserve	480	-	-	480
Total Assured Resources[1]	4,857	3,842	668	9,367
	52%	*41%*	*7%*	*100%*

[1] See the *Future Plans* section on page 22 of this report for further discussion.

[3] Includes pledges for direct contributions that were made at the Berlin conference and subsequently, including contributions for Inactivated Polio Vaccine.
[4] The updated valuation of non-US$ contributions uses Bloomberg forecast foreign currency rates as of 12 June 2017.

The following table analyses the above expected future cash inflows from donors in currencies other than the United States dollar, by year:

In Millions of US$, except Percentages	2016	2017	2018	2019	2020	Total
Expected cash inflows in currencies other than the United States dollar, already received or hedged	955	857	665	675	690	3,842
	100%	*100%*	*83%*	*73%*	*71%*	
Expected cash inflows in currencies other than the United States dollar, not yet received nor hedged	-	-	141	250	277	668
	-	-	*17%*	*27%*	*29%*	
Total expected cash inflows in currencies other than the United States dollar	955	857	806	925	967	4,510

Gavi remains exposed to foreign currency fluctuations on a portion of its contributions receivable. The sensitivity analysis in the following table shows the impact that a 5% change in value of the United States dollar would have on the fair value of Gavi's contributions receivable as of 31 December 2017:

	Illustrative Increase or Decrease in US$ Value of Contributions Receivable for each 5% movement of exchange rate against US$	
In Millions of US$	As of 31 December 2017	As of 31 December 2016
Australian dollar	5	6
British pound	41	50
Canadian dollar	12	15
Euro	13	17
Norwegian krone	25	33

IFFIm HEDGING ACTIVITY

The majority of IFFIm's contributions receivable and some of its bonds and other borrowings are denominated in currencies other than the United States dollar. Therefore, IFFIm is exposed to the risk of financial loss or unpredictable cash flows resulting from fluctuations in foreign exchange rates. Since almost all of the Alliance's programme expenses are incurred in United States dollars and predictability of funding is essential to the Alliance's mission, IFFIm has entered into currency swap contracts with the World Bank to mitigate the aforementioned risks. Under these contracts, IFFIm has economically swapped foreign currency receipts from its donors and payments to its investors with United States dollar receipts from, and payments to, the World Bank.

In addition to the abovementioned foreign exchange risks, IFFIm is also exposed to potential changes in the value of its contributions receivable and bonds and other borrowings resulting from fluctuation in interest rates. In order to mitigate this risk, IFFIm has entered into interest rate swap contracts with the World Bank. Under these contracts, IFFIm has economically swapped its contributions receivable into floating rate receivables from the World Bank and its bonds and other borrowings into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments and interest expense, for the year ended 31 December 2017, before and after the impact of IFFIm's currency and interest rate swaps:

In Millions of US$	Pledges	Bonds
Interest and fair value adjustments before impact of swaps		
Interest expense	-	(23)
Interest rate fair value losses	(8)	(14)
Foreign currency fair value gains (losses)	280	(16)
Other fair value gains	58	-
Total interest and fair value adjustments before impact of swaps	330	(53)
Impact of currency and interest rate swaps		
Interest income	-	2
Interest rate fair value gains	39	13
Foreign currency fair value gains (losses)	(276)	15
Other fair value losses	(1)	-
Total impact of currency and interest rate swaps	(238)	30
Net interest and fair value adjustments after impact of swaps	92	(23)

RECENT EVENTS

ISSUANCE OF VACCINE BONDS

In November 2017, IFFIm issued US$ 300 million in 3-year floating rate vaccine bonds in a transaction that was jointly lead-managed by Citi, Crédit Agricole, and Goldman Sachs International. This transaction marked IFFIm's second visit to the international United States dollar benchmark market during the last two years. The issuance, maturing on 16 November 2020, had a re-offer price of 100% and carries a quarterly coupon of 13 basis points over three-month USD LIBOR. The regional distribution of investors was 57% in Europe, 17% in the Americas, 13% in the Middle East and Africa, and 13% in Asia. Central banks and other official institutions took 70%, banks took 27%, and fund managers took 3% of the transaction.

FINAL PAYMENT OF SUKUK CERTIFICATES

In December 2017, IFFIm Sukuk Company Limited made the final payment to the holders of its certificates and, in April 2018, IFFIm Sukuk Company Limited was dissolved.

FUTURE PLANS

MEETING FUTURE VACCINE DEMAND

The Secretariat regularly forecasts, reviews and manages Gavi's cash flows to ensure that Gavi has sufficient Qualifying Resources and liquidity to meet all its future vaccine demand. See the *Cash Reserve and Liquidity Policies* section on page 19 of this report for further information on Gavi's Qualifying Resources and liquidity policies.

As of December 2017, Gavi's estimated Qualifying Resources for its 2016-2020 strategic period totalled US$ 9.7 billion[5], while its total forecasted cash outflows for the same period were US$ 9.2 billion. Therefore, Gavi has approximately US$ 0.5 billion available for additional future mission-related investments. This surplus also provides increased assurance that Gavi will be able to meet future vaccine demand while still responding to significant unexpected future events. Such events may include development and approvals of new vaccines, disease outbreaks, vaccine price fluctuations, and foreign currency exchange rate fluctuations. Gavi is currently developing a framework for assessing trade-offs on potential future investments as and when they come up for Board decision.

[5] This estimated total amount of US$ 9.7 billion is comprised of total Assured Resources of US$ 9.3 billion and potential future contributions, not yet pledged, of US$ 0.4 billion.

The following table summarises Gavi's estimated future cash inflows from donors and investors, and cash outflows for programmatic and administrative activities, for the remainder of its current strategic period. This forecasted information was prepared by the Secretariat in November 2017:

In Millions of US$	2018	2019	2020	Total
Expected cash inflows from donors and investors:				
Confirmed direct contributions to Gavi	1,509	1,323	1,248	4,080
Proceeds from IFFIm bond issuances	50	400	400	850
Proceeds from AMC contributions	73	186	118	377
Estimated investment and other income	25	25	25	75
Total expected future cash inflows from donors and investors	1,657	1,934	1,791	5,382
Anticipated release of funds from cash and investment reserve				471
Potential further contributions not yet pledged				345
Total expected funding available	1,657	1,934	1,791	6,198
Expected cash outflows for programmatic and administrative activities:				
Vaccine programmes	(1,106)	(1,240)	(1,095)	(3,441)
Cash-based programmes	(530)	(502)	(465)	(1,497)
Partner programme implementation and Secretariat expenses	(340)	(346)	(361)	(1,047)
Total expected cash outflows for programmatic and administrative activities	(1,976)	(2,088)	(1,921)	(5,985)

After taking into account available resources, and assuming that the forecasted level of funding for 2018 will be maintained through 2020, the Secretariat forecasts that Gavi will have sufficient resources to fund all its programmatic commitments through 2020.

MOVE TO NEW OFFICE SPACE

A new building was constructed in Geneva to host Gavi, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and other key players in the area of global health. The Campus Santé, or Health Campus, was completed in early 2018. Gavi relocated to this new office space in July 2018.

PREPARATION OF THE ANNUAL FINANCIAL REPORT

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Secretariat is responsible for the preparation of the Alliance's financial statements and related information that is presented in this report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The IFFIm financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom. The Alliance's financial statements include amounts based on estimates and judgments made by the Secretariat. The Company engaged KPMG to audit and opine on the Alliance's financial statements.

The Alliance designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorised use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organisational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of internal audits.

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat, internal auditor, and KPMG to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting. KPMG and the internal auditor each have full and free access to the Audit and Finance Committee.

FORWARD-LOOKING INFORMATION

Certain information contained in this *Discussion and Analysis* constitutes forward-looking information. This forward-looking information relates to the future financial conditions and results of activities of the Alliance. The information represents the Secretariat's current expectations and estimates about the business environments in which the Alliance operates and the Secretariat's beliefs and assumptions regarding these environments. This forward-looking information is subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking information contained in this *Discussion and Analysis* may differ materially from actual results or events.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Thousands of US$	Note	As of 31 December 2017	As of 31 December 2016
Assets			
Cash		68,988	56,338
Receivables, prepaid expenses and other assets		41,612	30,474
Foreign currency forward contracts receivable	3	17,305	41,525
Investments	4	1,934,210	2,046,119
Pooled investments	4	911,776	863,214
Restricted cash	6	721,476	435,897
Contributions receivable	5	5,762,074	6,327,316
Total assets		9,457,441	9,800,883
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		40,146	29,328
Programme grants payable	7	1,132,371	1,269,585
Procurement accounts payable	6	693,987	435,826
Net payable for currency and interest rate swaps	3	766,872	566,691
Foreign currency forward contracts payable	3	46,937	2,307
Bonds and other borrowings	8	1,181,141	1,381,669
Total liabilities		3,861,454	3,685,406
Net assets			
Unrestricted		362,660	634,267
Temporarily restricted	9	5,233,327	5,481,210
Total net assets		5,595,987	6,115,477
Total liabilities and net assets		9,457,441	9,800,883

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

In Thousands of US$	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
Unrestricted			
Revenue			
Contributions from government and private donors		452,503	381,366
Net investment income	10	126,908	69,011
Net fair value gains on derivatives	11	-	268,244
Other revenue		4,376	2,316
Release of net assets		1,088,612	1,226,632
Total revenue		1,672,399	1,947,569
Expenses			
Programme		1,591,225	1,622,087
Management and general		28,054	21,860
Net financing expenses	14	52,735	50,165
Fundraising		19,570	20,313
Net fair value losses on derivatives	11	257,937	-
Foreign currency transaction adjustment		(5,515)	(3,317)
Total expenses		1,944,006	1,711,108
Change in unrestricted net assets		(271,607)	236,461
Temporarily restricted			
Contributions from government and private donors		295,727	1,096,432
Contributed goods		-	12,341
Net fair value gains on contributions receivable		65,958	209,556
Foreign currency transaction adjustment on contributions receivable		479,044	(518,754)
Release of net assets		(1,088,612)	(1,226,632)
Change in temporarily restricted net assets		(247,883)	(427,057)
Net assets as of the beginning of the year			
Unrestricted		634,267	397,806
Temporarily restricted		5,481,210	5,908,267
Total net assets as of the beginning of the year		6,115,477	6,306,073
Net assets as of the end of the year			
Unrestricted		362,660	634,267
Temporarily restricted	9	5,233,327	5,481,210
Net assets as of the end of the year		5,595,987	6,115,477

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of US$	Year Ended 31 December 2017	Year Ended 31 December 2016
Net cash flows from operating activities		
Change in net assets	(519,490)	(190,596)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign currency transaction adjustment	(484,559)	515,437
Increase in fair value of bonds and other borrowings	30,043	31,677
Increase in fair value of contributions receivable	(65,958)	(209,556)
Depreciation expense	2,232	1,971
Loss on disposal of fixed assets	-	18
Investment fees	3,760	-
Realised and unrealised gains on investments and pooled investments	(99,767)	(51,678)
Changes in assets and liabilities:		
(Increase) decrease in receivables, prepaid expenses and other assets	(11,767)	35,303
Decrease in receivable for currency and interest rate swaps	9,005	4,088
Decrease (increase) in receivable for foreign currency forward contracts	24,220	(19,223)
(Increase) decrease in restricted cash	(285,579)	86,105
Decrease in net contributions receivable	1,110,891	433,822
Increase in accounts payable and other liabilities	10,818	17,067
(Decrease) increase in net programme grants payable	(137,214)	172,068
Increase (decrease) in procurement accounts payable	258,161	(94,254)
Increase (decrease) in payable for currency and interest rate swaps	191,176	(282,385)
Increase (decrease) in payable for foreign currency forward contracts	44,630	(1,261)
Net cash provided by operating activities	80,602	448,603
Cash flows from investing activities		
Purchase of fixed assets	(1,603)	(2,993)
Purchase of investments and pooled investments	(3,169,425)	(3,647,747)
Sales of investments and pooled investments	3,328,779	3,398,859
Net cash provided by (used in) investing activities	157,751	(251,881)
Cash flows from financing activities		
Proceeds from new bonds and other borrowings	299,700	499,500
Redemption of bonds and other borrowings	(530,271)	(755,492)
Net cash used in financing activities	(230,571)	(255,992)
Effect of exchange rate changes on cash	4,868	2,430
Net change in cash	12,650	(56,840)
Cash as of the beginning of the year	56,338	113,178
Cash as of the end of the year	68,988	56,338
Supplemental disclosures		
Cash paid for interest	22,325	18,261

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended 31 December 2017, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	1,429,131	-	-	-	1,429,131
Programme implementation	108,010	-	-	-	108,010
Total programme expenses	1,537,141	-	-	-	1,537,141
Payroll and benefits	33,072	8,528	-	9,934	51,534
Training and recruitment	-	666	-	-	666
Professional fees	8,664	12,470	-	6,331	27,465
Media production and distribution	355	23	-	212	590
Events and meetings	1,646	362	-	498	2,506
Travel and representation	3,831	491	-	726	5,048
Facility and office costs	6,489	3,334	-	1,844	11,667
Supplies and minor equipment	27	2,180	-	25	2,232
Other borrowing expense	-	-	30,150	-	30,150
Interest expense	-	-	22,585	-	22,585
Other operating expenses	54,084	28,054	52,735	19,570	154,443
Total functional expenses	1,591,225	28,054	52,735	19,570	1,691,584

Year Ended 31 December 2016, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	1,408,201	-	-	-	1,408,201
Programme implementation	160,919	-	-	-	160,919
Total programme expenses	1,569,120	-	-	-	1,569,120
Payroll and benefits	28,685	5,675	-	10,838	45,198
Training and recruitment	-	1,082	-	-	1,082
Professional fees	11,796	9,561	-	5,782	27,139
Media production and distribution	491	11	-	198	700
Events and meetings	1,877	358	-	597	2,832
Travel and representation	3,955	486	-	847	5,288
Facility and office costs	6,159	3,222	-	2,010	11,391
Supplies and minor equipment	4	1,465	-	41	1,510
Other borrowing expense	-	-	32,311	-	32,311
Interest expense	-	-	17,854	-	17,854
Other operating expenses	52,967	21,860	50,165	20,313	145,305
Total functional expenses	1,622,087	21,860	50,165	20,313	1,714,425

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND AFFILIATIONS

These consolidated financial statements include the accounts of the following entities: (1) the GAVI Alliance ("Gavi"), (2) the International Finance Facility for Immunisation Company ("IFFIm"), and (3) the GAVI Campaign (the "Campaign") up to the date of its dissolution. For the purposes of these consolidated financial statements, Gavi, IFFIm and the Campaign are collectively referred to as the Gavi Group. IFFIm's accounts include the accounts of IFFIm Sukuk Company Limited and IFFIm Sukuk Company II Limited, both Cayman Islands companies with limited liability, which were established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations and their activities are conducted on behalf of IFFIm and according to IFFIm's business needs. Each of the entities included in these consolidated financial statements is described below:

The GAVI Alliance: Gavi was formerly known as the Global Alliance for Vaccines and Immunisation. It was created in 2000 to respond to and combat declining immunisation rates in developing countries. Gavi was initially created as a non-juridical association of public and private sector organisations, institutions and governments, including the Bill and Melinda Gates Foundation (the "Gates Foundation"), the United Nations Children's Fund ("UNICEF"), the International Bank for Reconstruction and Development (the "World Bank"), the World Health Organisation (the "WHO"), developing country governments, grantor country governments, vaccine manufacturers, civil society organisations and research and technical health institutes.

The International Finance Facility for Immunisation Company: IFFIm was incorporated in June 2006 as a private company limited by guarantee under the United Kingdom Companies Act 1985, with company registration number 5857343. It is also registered as a charity with the Charity Commission for England and Wales, with charity registration number 1115413. IFFIm is a multilateral development institution that raises funds by issuing bonds in the international capital markets. It then disburses the funds to Gavi which uses the funds for its vaccine procurement, immunisation and health systems strengthening ("HSS") programmes.

IFFIm Sukuk Company Limited ("IFFImSC"): IFFImSC is a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFIm has control over IFFImSC, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations. IFFImSC was dissolved on 30 April 2018. See Note 18 to the consolidated financial statements.

IFFIm Sukuk Company II Limited ("IFFImSC II"): IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFIm has control over IFFImSC II, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("US GAAP").

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Gavi, IFFIm, IFFImSC, and IFFImSC II. All intercompany balances and transactions have been eliminated on consolidation.

Cash and Cash Equivalents: The Gavi Group reports all demand deposits as cash. At times, the balances in bank accounts held in Switzerland, the United Kingdom and the United States may exceed the respective deposit insurance limits. The Gavi Group has, however, not experienced any losses in these accounts, and does not believe it is exposed to any significant credit risk related to the accounts.

Net Contributions Receivable: The Gavi Group's net contributions receivable comprise unconditional promises to give from donors. The Gavi Group records each unconditional promise to give at fair value on the date the donor signs the grant agreement. The techniques applied in determining the fair values of promises to give are described in the *Fair Values of Financial Instruments* section below.

Due to the nature of promises to give, changes in market and credit risk, vaccine demand and the economic environment may significantly impact the inputs used in the model and, consequently, the fair values of the contributions receivable. Although a secondary market may not exist for these transactions, it is reasonably possible that if Gavi were to sell these receivables in a secondary market a buyer may require a discount to the reported fair value, and the discount could be significant.

Changes in the fair values of contributions receivable, excluding fair value changes related to changes in currency exchange rates, are recognised in the Consolidated Statements of Activities in the period of change and included in net fair value gains (losses) on contributions receivable in the Consolidated Statements of Activities.

Contributions receivable pledged in currencies other than the United States dollar are converted to United States dollars using the spot currency exchange rates as of year-end. Fair value changes related to changes in currency exchange rates are reported in the Consolidated Statements of Activities as foreign currency transaction adjustment.

Investments: Gavi and IFFIm manage and record their investments in different ways as follows:

- Investments held by Gavi: These investments are governed by Gavi's investment policies and managed by external investment managers. The investments are recorded at fair value. Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades on individually held securities. Money market accounts managed by external advisors, with original maturities of three months or less, are reported in the Consolidated Statements of Financial Position as investments.
- Investments held by IFFIm: These investments are managed on a pooled basis by the World Bank, which maintains a single, commingled investment portfolio (the "Pool") for all of the trust funds it administers. The World Bank commingles IFFIm's assets with other trust fund assets it administers. The amounts recorded in the Gavi Group's Consolidated Statements of Financial Position represent the Gavi Group's allocated share of the Pool's fair value at year-end. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying amount of cash included in the Pool approximates its fair value.

The Gavi Group records investments at fair value. The techniques applied in determining the fair values of investments are described in the *Fair Values of Financial Instruments* section below.

Gains and losses on investments as well as interest and dividend income are reported as net investment income in the Consolidated Statements of Activities.

Bonds and Other Borrowings: Bonds and other borrowings are recognised at fair value. The techniques applied in determining the fair values of bonds and other borrowings are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of bonds and other borrowings are recognised in unrestricted net assets in the period of change and are included in net financing expenses in the Consolidated Statements of Activities. Bonds and other borrowings issuance costs, mark-to-market costs, and discounts are recognised in the period incurred and are also included in net financing expenses in the Consolidated Statements of Activities.

Derivative Financial Instruments: IFFIm uses currency and interest rate swaps and Gavi uses foreign currency forward contracts to manage its assets and liabilities. These derivatives are recognised at fair value in the Consolidated Statements of Financial Position. The currency and interest rate swaps are shown net, as they are the subject of a master netting agreement, while the foreign currency forward contracts are shown gross. The techniques applied in determining the fair values of derivative financial instruments are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of derivatives including fair value changes related to changes in currency exchange rates are recognised in the Consolidated Statements of Activities in the period of change and included in net fair value gains and losses on derivatives in the Consolidated Statements of Activities.

IFFIm and Gavi have elected not to apply hedge accounting. Therefore, fair value changes on derivative financial instruments are not offset against related fair value changes on the contributions receivable, bonds and other borrowings that are economically hedged by those derivative financial instruments.

IFFIm has both: (1) a master netting agreement with the World Bank that legally provides for net settlement of receivables and payables on IFFIm's currency and interest rate swaps, and (2) the intention to settle such receivables and payables on a net basis. As such, IFFIm offsets derivative assets against derivative liabilities and presents the net amounts in the Consolidated Statements of Financial Position.

Net Programme Grants Payable: Net programme grants payable are recognised at fair value. The techniques applied in determining the fair values of programme grants payable are described in the *Fair Values of Financial Instruments* below.

Payments to programme implementing partners or procurement agents in advance of any service delivery are accounted for as prepayments for procurement and are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position.

Procurement Accounts Payable: Procurement accounts payable are recognised at fair value. The techniques applied in determining the fair values of procurement accounts payable are described in the *Fair Values of Financial Instruments* below.

Fair Values of Financial Instruments: US GAAP establishes a framework for measuring fair value and prescribes disclosures about fair value measurements. It emphasises that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participants' assumptions in fair value measurements, US GAAP establishes a fair value hierarchy based upon the observability of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The Gavi Group has elected to report its contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings at fair value, with changes in fair value reported in the Consolidated Statements of Activities. With respect to IFFIm's contributions receivable and bonds and other borrowings, this election was made to better align the carrying values of these contributions receivable and bonds and other borrowings with the carrying values of currency and interest rate swap contracts that economically hedge them. With respect to programme grants payable, procurement accounts payable and non-IFFIm contributions receivable, this election was made to ensure consistent accounting treatment across Gavi, IFFIm and the Campaign. The Gavi Group recognises all new contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings at fair value as these assets and liabilities are acquired or incurred.

US GAAP establishes a three-level fair value hierarchy under which financial assets and financial liabilities are categorised based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, the next-highest priority to observable market-based inputs or inputs that are corroborated by market data and the lowest priority to unobservable inputs that are not corroborated by market data. US GAAP requires that the valuation techniques used to measure fair value maximise the use of observable inputs and minimise the use of unobservable inputs.

The Gavi Group's financial assets and financial liabilities recorded at fair value are categorised based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Financial assets and liabilities whose values are based on either: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in non-active markets, or (3) pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest-level input that is significant to the fair value measurement of the asset or liability in its entirety.

Effective 2015, the Gavi Group adopted the provisions of Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), which was issued in May 2015. Under the amendments in ASU 2015-07, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorised in the fair value hierarchy. Sufficient information must be provided to permit reconciliation of the fair value of assets categorised within the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position. As a result of this adoption, the Gavi Group's investments measured at net asset value per share have been removed from the fair value hierarchy and disclosed separately, as shown in Note 16 to the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016.

The techniques applied in determining the fair values of assets and liabilities are summarised below:

- Cash: The carrying amount of the Gavi Group's cash approximates its fair value.
- Investments Managed by Gavi: The fair values of investments are calculated based on either quoted market prices per share, observable data such as ongoing redemption and subscription activity, or net asset values per share provided by Gavi's investment managers.
- Pooled Investments Managed by the World Bank: Pooled Investments managed by the World Bank are included in investments in the Consolidated Statements of Financial Position. The World Bank maintains the Pool for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the

funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations were made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank.

IFFIm's share of the Pool is not traded in any market. However, the Pool is a trading portfolio that is reported at fair value. IFFIm's shares in the Pool represent its allocated share of the Pool's fair value at the end of the reporting period. If an active market exists, the market or quoted price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data as of the reporting date, are used instead. The carrying amount of cash included in the Pool approximates its fair value.

Under an investment strategy approved by the IFFIm boards, IFFIm is invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding its investment portfolio. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, including the standard discounted cash flow method using market observable inputs, such as yield curves, credit spreads and prepayment speeds. Unless quoted prices are available, money market instruments are reported at face value, which approximates fair value.

- Contributions Receivable from IFFIm Donors: The Gavi Group's contributions receivable include pledges to IFFIm from the following nine sovereign government donors: (1) the Commonwealth of Australia, (2) the Republic of France, (3) the Republic of Italy, (4) the Kingdom of Norway, (5) the State of the Netherlands, (6) the Republic of South Africa, (7) the Kingdom of Spain, (8) the Kingdom of Sweden, and (9) the United Kingdom (together the "IFFIm Donors"). These pledges are legally binding payment obligations to IFFIm. The pledges are irrevocable and are payable by the IFFIm Donors in several instalments in accordance with predetermined fixed payment schedules over time.

The total amount paid by the IFFIm Donors is impacted by a grant payment condition ("GPC") that allows the donors to reduce their payment amounts. The GPC allows the IFFIm Donors to reduce their payments in the event that one or more eligible recipient countries, as defined by the transactional documents, enter into protracted arrears on their obligations to the International Monetary Fund ("IMF"). Each recipient country has been ascribed a weight within a reference portfolio, which represents the IMF's estimate of how likely the country will be to enter into protracted arrears. These weights remain static for the life of IFFIm, and are 0.5%, 1%, 3%, or 5%. The amounts are aggregated, and the IFFIm Donors reduce the amounts they pay by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by the IFFIm Donors are increased by the respective weights of those clearing countries. The final determination of each IFFIm Donor payment amount, as measured by the World Bank, is made 25 business days prior to the due date of the payment.

The reference portfolio as of 31 December 2017 and 2016 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable from the IFFIm Donors are estimated using a discounted cash flow method. Each expected future cash flow is reduced by an estimated reduction amount due to the GPC. The GPC reduction amounts are calculated using a probabilistic model that estimates the likelihood and duration that any recipient member country might fall into arrears with the IMF. The probabilistic model uses inputs that are both unobservable and significant to the overall fair value of the contributions receivable. This model yielded reductions in expected future cash flows of 11.7% and 12.5% as of 31 December 2017 and 2016, respectively.

The reduced expected future cash flows are then discounted to present value using observable donor-specific risk-adjusted interest rates. Each IFFIm Donor's promise to give is discounted using the donor's sovereign government borrowing rate, which considers both market risk and the donor's credit risk.

The fair values of future cash flows from IFFIm Donors were US$ 2.6 billion and US$ 2.4 billion as of 31 December 2017 and 2016, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.0% to 4.5% for 2017, and from 0.0% to 5.0% for 2016.

- Contributions Receivable from AMC Donors: Advance Market Commitments (each an "AMC") are designed to stimulate the development and manufacture of vaccines specifically for developing countries. Under AMC arrangements, donors pledge funds to guarantee the price of vaccines once they have been developed, thus creating the potential for a viable future market.

  In June 2009, the following sovereign government donors, government agencies and private donors: (1) the Canadian International Development Agency ("CIDA"), (2) the Republic of Italy, (3) the Kingdom of Norway, (4) the Russian Federation, (5) the United Kingdom, and (6) the Gates Foundation (together the "AMC Donors"), along with the World Bank, UNICEF and the WHO, launched the AMC pilot project against pneumococcal disease. Pursuant to the launch of this AMC, the AMC Donors entered into grant agreements of which Gavi is the beneficiary. The AMC Donor pledges made in these grant agreements are legally binding and guaranteed by the World Bank. They are irrevocable and are payable by the AMC Donors over the expected life of the AMC.

  The fair values of contributions receivable from AMC Donors are estimated using a discounted cash flow method. The timing and amounts of payment by AMC Donors are dictated by terms included in the various agreements entered into among Gavi, the World Bank and the AMC Donors that govern the operation of the pneumococcal AMC (the "AMC Governing Documents"). Therefore, these terms are taken into account when estimating future cash flows.

  The AMC Governing Documents terms that most significantly impact the timing and amounts of future cash flows are summarised below:

  - Gavi and the AMC Donors both contribute to the purchase of each pneumococcal vaccine dose. AMC Donor funds are not available to Gavi if it does not, or cannot, fund its portion of the purchases at the time that the funding is required.
  - The aggregate amount funded by AMC Donors is limited to the total vaccine demand over the expected life of the AMC. This vaccine demand is estimated through strategic demand forecasts that are compiled and published semi-annually by Gavi.
  - Payments by the Gates Foundation, the Republic of Italy and the Russian Federation are made in accordance with fixed payment schedules included in the AMC Governing Documents. Payments by CIDA, the Kingdom of Norway and the United Kingdom are made only when Gavi submits funding requests. These funding requests are based on projected future vaccine demand.

  Each AMC Donor's promise to give is discounted using rates determined by either adjusting the supranational yield curve to reflect increased risk, if any, or identifying securities with similar risk profiles and using the yield curves for those securities.

  The fair values of future cash flows from AMC Donors were US$ 371 million and US$ 405 million as of 31 December 2017 and 2016, respectively. This fair value was estimated using observable annual discount rates ranging from 2.1% to 3.0% for 2017, and from 1.4% to 2.5% for 2016.

- Other Contributions Receivable: Contributions receivable other than those from IFFIm Donors or AMC Donors are estimated using a discounted cash flow method. The fair values of future cash flows as of 31 December 2017 and 2016 were US$ 2.8 billion and US$ 3.6 billion, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.0% to 3.8% for 2017, and from 0.0% to 2.6% for 2016.

- Programme Grants Payable: The fair value of each country programme grant payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.

  The fair values of grants payable to programme implementing partners are estimated using a discounted cash flow method. Future cash flows are discounted using inputs from the United States treasury bonds and notes Bloomberg Fair Values ("BFV") yield curve.

- Procurement Accounts Payable: The fair value of each procurement accounts payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.

- Bonds and Other Borrowings: The fair value of IFFIm's bonds and other borrowings is determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.
- Derivatives: The fair values of derivatives are estimated using a discounted cash flow method. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and credit spreads. A credit valuation adjustment and a debit valuation adjustment are included in the valuation of derivatives to account for counterparty credit risk and IFFIm's own credit risk, respectively.

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Gavi Group are stated at cost. Depreciation for furniture and equipment is calculated using the straight-line method over their estimated useful lives of three to five years. Depreciation for leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or the term of the lease. Fixed assets, net of accumulated depreciation of US$ 6.0 million and US$ 8.4 million in 2017 and 2016, respectively, of US$ 3.7 million and US$ 4.4 million are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position as of 31 December 2017 and 2016, respectively.

Income Taxes: The Gavi Group is exempt from income taxes in each of the jurisdictions in which it has operations. US GAAP requires that financial statements reflect the expected future tax consequences of uncertain tax positions that an entity has taken or expects to take on a tax return, presuming the tax authorities' full knowledge of the position and all relevant facts. US GAAP also requires that an entity recognise the benefit of tax positions when it is more likely than not that the provision will be sustainable based on the merits of the position. The Gavi Group performed an evaluation of uncertain tax positions for the years ended 31 December 2017 and 2016 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of 31 December 2017, the statutes of limitations for tax years 2014 through 2016 remain open with the United States Federal jurisdiction or the various states and local jurisdictions in which the Gavi Group files tax returns. It is the Gavi Group's policy to recognise interest or penalties related to uncertain tax positions, if any, in income tax expense. As of 31 December 2017 and 2016, the Gavi Group had no accrued interest or penalties.

Contingencies: The Gavi Group's programmes include investment cases. An investment case is a proposal that is prepared jointly by Gavi and one or more partners to fund a special vaccine related programme, such as rapid response to outbreaks through stockpiling vaccines or prevention campaigns. Due to uncertainty around when or where outbreaks will occur and how much Gavi will be required to fund, it is difficult to estimate the costs involved with such programmes. Therefore, such costs are recorded at the time they are incurred, and there will be future costs associated with investment case programmes.

Foreign Currency Transactions: These consolidated financial statements are presented in United States dollars, which is the reporting currency of the Gavi Group. The assets and liabilities held in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2017 and 2016. Foreign currency transactions are translated at the prevailing average interbank exchange rates on the date of the transaction. The resulting foreign exchange gains and losses are recognised in the Consolidated Statements of Activities.

Classification of Net Assets: Net assets are reported as follows:

- Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that are expected to be met by actions of the Gavi Group, the passage of time, or both.
- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Gavi Group. As of 31 December 2017 and 2016, the Gavi Group did not have any permanently restricted net assets.

Revenue Recognition: Contributions are reported as revenue in the year in which payments are received or unconditional promises are made. Gavi reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the contributed assets for specific purposes or use in future years. When a donor restriction expires, that is when the time or purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions expire within the same year are reported as unrestricted net assets.

Revenue from cost-reimbursable contracts and grants is recognised as the related costs are incurred, or as the related activities occur and any conditions stipulated in the grant agreements are met, on the basis of direct costs, plus allowable indirect costs.

Contributed goods and services are included in contributions in the Consolidated Statements of Activities at their estimated fair value at the date of their receipt. Gavi received US$ 1.0 million and US$ 1.5 million in contributed services for the year ended 31 December 2017 and 2016, respectively. In 2016, Gavi received US$ 12.3 million in contributed goods, which represented approximately 20 million doses of Measles Rubella vaccines from Serum Institute of India.

Expenses: The Gavi Group records expenses in the periods to which the transactions, events and circumstances relate.

The Gavi Group's major classes of programmes are New and Underused Vaccine Support ("NVS") programmes, Health Systems Strengthening ("HSS") programmes and Investment Cases. NVS programmes provide funding to Gavi supported developing countries for the introduction of vaccines and associated vaccine technology. HSS programme funding is used to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. Investment Cases are one-time tactical investments in disease prevention and control. These investments are made through Gavi Group partners such as the UNICEF and WHO.

Allocation of Functional Expenses: The cost of programmes and supporting activities is summarised by their functional classification in the Consolidated Statements of Activities and by their natural classification in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among programme activities and supporting services, as shown in the Consolidated Statements of Functional Expenses.

Use of Estimates: The preparation of the consolidated financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DERIVATIVE FINANCIAL INSTRUMENTS

The Gavi Group is exposed to the market risk that its net assets or its ability to meet its objectives may be adversely affected by changes in the level of, or volatility in, market rates or prices. IFFIm's market risk is comprised primarily of foreign exchange rate risk and interest rate risk, while Gavi is exposed to foreign exchange risk only. Each of these is described further below.

Foreign Exchange Rate Risk: During the years ended 31 December 2017 and 2016, IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of donor payments, payment of bonds and other borrowings obligations, disbursements to Gavi and issuance of IFFIm bonds. To mitigate these risks, donor pledges were economically swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds and other borrowings was economically swapped into United States dollar floating rate liabilities.

The Gavi Group hedges its exposure to currency fluctuations by taking out foreign currency forward contracts. This was done primarily to improve predictability of contribution cash flows which are denominated in foreign currencies, and cash balances which are required in Swiss Francs to pay operating expenses for the Secretariat.

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds and other borrowings and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure.

The notional amounts and fair values of currency and interest rate swaps held by IFFIm were:

	31 December 2017		31 December 2016	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to contributions receivable	39,442	1,822	137,590	10,827
Total currency and interest rate swaps receivable		1,822		10,827
Currency and interest rate swaps payable related to contributions receivable	2,634,958	(652,703)	2,527,857	(432,987)
Currency and interest rate swaps payable related to bonds and other borrowings	633,952	(115,991)	1,203,068	(144,531)
Total currency and interest rate swaps payable		(768,694)		(577,518)
Net fair value of interest rate and currency swaps		(766,872)		(566,691)

IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of December 2017, IFFIm's calculated minimum liquidity was US$ 366.5 million and the value of IFFIm's cash and pooled investments was US$ 912 million. As of December 2016, IFFIm's calculated minimum liquidity level was US$ 568.6 million and the value of IFFIm's cash and pooled investments was US$ 863 million.

Under the terms of the Credit Support Annex ("CSA") to the International Swaps and Derivatives Association ("ISDA") Agreement between IFFIm and the World Bank, the World Bank as IFFIm's counterparty on all currency and interest rate swap contracts has the right to call for collateral to protect against its exposure under these contracts. The World Bank has not exercised this right. Instead, in order to mitigate the risk that the World Bank may call collateral, an agreement has been reached between the World Bank and IFFIm to apply an additional buffer (the "Risk Management Buffer") to an existing gearing ratio limit that IFFIm uses to manage its liquidity risk. The Risk Management Buffer was applied to manage the World Bank's exposure under the swap contracts and may be adjusted by the World Bank in its sole discretion. In addition, the World Bank as IFFIm's Treasury Manager, shall continue to monitor IFFIm's funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the abovementioned CSA and ISDA Agreement. Following the discussions and agreement with the World Bank described above, the IFFIm board does not foresee the World Bank calling collateral that would cause IFFIm to be unable to meet its required financial obligations.

The notional amounts and fair values of foreign currency forward contracts held by Gavi were:

	31 December 2017		31 December 2016	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts receivable	454,376	17,305	460,961	41,525
Foreign currency forward contracts payable	1,199,064	(46,937)	10,864	(2,307)

Gavi uses foreign exchange contracts to reduce the level of foreign exchange risk associated with its contributions receivable. Under its hedging policy, Gavi enters into foreign exchange contracts to economically hedge a portion of the foreign currency exposure on its contributions receivable. These foreign exchange contracts, which include option and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Gavi minimises counterparty credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is not lower than A or A2 as measured by at least two major credit agencies. The maximum exposure with any single bank is limited to 10% of the short-term portfolio or $100 million (or equivalent in other currencies), whichever is higher. Due to the policy in place and assessment performed, there are no significant concentrations of risk.

4. INVESTMENTS

The fair values of the Gavi Group's investments were:

In Thousands of US$	2017	2016
Money market funds	594,128	658,075
Registered investment companies	454,987	714,987
Limited liability companies and limited partnerships[1]	885,095	673,057
Pooled investments	911,776	863,214
Total investments	2,845,986	2,909,333

[1] The Gavi Group invests a portion of its assets in collective equity fund and limited liability companies and limited partnerships, which do not have readily determinable fair values. The fair value of these investments is estimated using their calculated net asset value per share ("NAVPS") as a practical expedient, and they are redeemable at their current net asset value upon written notice by the Gavi Group.

The following table summarises the redemption frequencies, redemption notice periods and fair values of the Gavi Group's investments in funds which are valued based on NAVPS as a practical expedient:

As of 31 December 2017, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Limited liability companies and limited partnerships[1]	Daily	1 day notice	66,527
Limited liability companies and limited partnerships[2]	Daily	5 day notice	96,913
Limited liability companies and limited partnerships[3]	Monthly	3 day notice	127,863
Limited liability companies and limited partnerships[4]	Monthly	5 day notice	163,045
Limited liability companies and limited partnerships[5]	Monthly	7 day notice	39,910
Limited liability companies and limited partnerships[6]	Monthly	15 day notice	38,275
Limited liability companies and limited partnerships[7]	Monthly	30 day notice	118,290
Limited liability companies and limited partnerships[8]	Monthly	90 day notice	26,321
Limited liability companies and limited partnerships[9]	Quarterly	60 day notice	72,213
Limited liability companies and limited partnerships[10]	Quarterly	65 day notice	48,246
Limited liability companies and limited partnerships[11]	Quarterly	90 day notice	87,492
Total			885,095

As of 31 December 2016, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Limited liability companies and limited partnerships[1]	Daily	1 day notice	72,762
Limited liability companies and limited partnerships[2]	Daily	5 day notice	83,725
Limited liability companies and limited partnerships[4]	Monthly	5 day notice	167,835
Limited liability companies and limited partnerships[6]	Monthly	15 day notice	29,922
Limited liability companies and limited partnerships[7]	Monthly	30 day notice	61,629
Limited liability companies and limited partnerships[8]	Monthly	90 day notice	25,367
Limited liability companies and limited partnerships[9]	Quarterly	60 day notice	44,219
Limited liability companies and limited partnerships[10]	Quarterly	65 day notice	26,887
Limited liability companies and limited partnerships[11]	Quarterly	90 day notice	160,711
Total			673,057

[1] This category is comprised of one underlying fund that invests primarily in other multi-sector total return fixed income mandates. The underlying fund is measured against the Barclays Global Aggregate Bond Index.

[2] This category is comprised of one underlying fund that invests primarily in fixed income debt securities. The investment objective of the fund is to maximise long-term total return by investing up to 50% of its total net assets in securities rated at or above Baa1 or BBB- at the time of purchase by a rating agency recognised nationally in the United States.

[3] This category is comprised of three new underlying funds in 2017. One fund's investment objective is to realise long-term appreciation in the value of its assets. This fund seeks exposure to risks that are systematic in nature, i.e., the risks that are intrinsic to the operation of the global markets and economies. The other fund seeks to generate an attractive risk-adjusted return while preserving capital, with a focus on ultra short duration fixed income securities. This fund seeks to provide additional yield relative to a money market strategy via higher spread premiums and interest rate sensitivity. Another fund seeks to invest in transferable securities and/or in other liquid financial assets in accordance with the fund regulations with the aim of spreading investment risk.

[4] This category is comprised of two underlying funds. One fund seeks to outperform the Barclays Capital 1-3 Year U.S. Treasury index by investing in fixed rate, floating rate or variable interest fixed income securities. The other fund seeks to maintain a diversified portfolio consisting of listed equity, equity-related and debt securities, including exchange traded funds, other securities and other pooled investment vehicles.

[5] This category is comprised of one new underlying fund in 2017. The fund seeks to maximise its total return on a risk-adjusted basis by investing in relative value opportunities within sectors of the U.S. fixed income market that are considered to be liquid.

[6] This category is comprised of one underlying fund. The investment objective of the fund is to achieve risk-adjusted returns in excess of the MSCI All Country World Investable Index, Net (unhedged), in U.S. dollars on its assets by investing in long and short global equity instruments, futures and currency derivatives.

[7] This category is comprised of four underlying funds. One fund seeks long-term capital appreciation by investing primarily in common stocks of emerging markets small capitalisation issuers. The other fund seeks to generate absolute return on a period-by-period basis by investing in liquid derivative markets for commodities. Two new funds were added in 2017. One new fund seeks to invest all of its assets in ordinary shares to achieve long-term appreciation in the value of its assets. The other new fund seeks to outperform the MSCI World ex USA Micro Cap Index over full market cycles. This fund will principally invest in equity securities issued by micro capitalisation non-U.S. corporations.

[8] This category is comprised of one underlying fund. The investment objective of the fund is to generate a consistent, long-term appreciation of assets through the active management of a comprehensive, equity-focused portfolio which includes sector-specific, market-neutral sub-portfolios, together with various complementary equity-focused investment strategies.

[9] This category is comprised of two underlying funds. One fund seeks to achieve superior total return through a portfolio of high yield securities, including bonds and bank debt, stressed and distressed securities, undervalued equities, short selling of debt and equity securities, and to a lesser extent "special situation" investing. Due to a one year lock-up period, redemptions of shares in this fund are restricted until the first anniversary of the subscription payment. One new fund was added in 2017. The investment objective of the new fund is to invest opportunistically mainly in stressed, distressed and special situations debt obligations with varying terms as to collateralisation, relative seniority or subordination, interest requirements and maturity and occasionally in post-reorganisation equity products of corporate issuers incorporated or significantly carrying out business in Europe.

[10] This category is comprised of one underlying fund. This fund will seek to achieve its investment objective by investing primarily in U.S. residential mortgage-backed securities to generate returns in excess of any financing costs. It will also seek to exploit structural market inefficiencies and make short-term relative value trades in such markets. It will invest predominantly in all forms of U.S. residential mortgage-backed securities, government securities and related derivative instruments, including, without limitation, U.S. Treasury debt, government sponsored enterprise ("Agency") backed securities and fixed or adjustable rate collateralised mortgage obligations and Real Estate Mortgage Investment Conduits. It may also enter into repurchase and reverse repurchase agreements and invest and trade in future contracts, forward contracts, options, swaps, swaptions and other derivative transactions. It will primarily invest in Agency backed mortgage securities which carry the Agency guarantee of timely payment of principal and interest.

[11] This category is comprised of three underlying funds. One underlying fund invests primarily in other offshore hedge fund vehicles. The other fund invests in securities and financial instruments and products of any kind that it believes may be appropriate to earn a return comparable to various market indices plus an additional return based on the success of long/short and other relative value strategies executed principally in the fixed income and related markets. Another fund seeks to consistently generate attractive risk-adjusted returns over a market cycle by investing primarily in emerging markets across a range of asset classes, including but not limited to foreign exchange, credit, interest rates, commodities and equities. In 2016, this category was comprised of four underlying funds, which included a fund that seeks to achieve attractive risk-adjusted returns whilst limiting loans and other direct lending opportunities whilst also overlaying a hedging strategy. Due to a one year lock-up period, redemptions of shares in these funds are restricted until the first anniversary of the subscription payment.

5. NET CONTRIBUTIONS RECEIVABLE

The Gavi Group's net contributions receivable consisted of the following unconditional promises to give:

In Thousands of US$	2017	2016
Unconditional promises due in less than one year	1,330,606	1,230,358
Unconditional promises due in two to five years	3,657,156	4,305,562
Unconditional promises due thereafter	1,260,944	1,291,375
Contributions receivable before unamortised discount and grant payment condition	6,248,706	6,827,295
Unamortised discount	(133,166)	(151,683)
Reduction due to grant payment condition[1]	(353,466)	(348,296)
Total net contributions receivable	5,762,074	6,327,316

[1] The grant payment condition is described in Note 2 to the consolidated financial statements.

6. RESTRICTED CASH AND PROCUREMENT ACCOUNTS PAYABLE

The Gavi Group established separate bank accounts into which it transfers cash as needed for the benefit of UNICEF to procure vaccines and other supplies on the Gavi Group's behalf (the "Procurement Accounts"). All cash deposited into the Procurement Accounts is irrevocable and may only be withdrawn by UNICEF, with the exception of investment income, which may be remitted to the Gavi Group. As collateral security for the prompt payment and performance when due of Gavi Group's obligations, the Gavi Group has granted to UNICEF a security interest in all of Gavi Group's rights, titles, interests in, and proceeds from, the Procurement Accounts and all financial assets credited thereto. As of 31 December 2017 and 2016, US$ 721 million and US$ 436 million, respectively, were available to UNICEF in the Procurement Accounts.

Amounts committed to UNICEF for the procurement of vaccines were US$ 694 million and US$ 436 million as of 31 December 2017 and 2016, respectively. These amounts are presented as procurement accounts payable in the Consolidated Statements of Financial Position.

7. NET PROGRAMME GRANTS PAYABLE

The Gavi Group's committed but unpaid grants were:

In Thousands of US$	2017	2016
Grants payable due in less than one year	1,114,913	1,266,263
Grants payable due in two to five years	18,093	3,324
Grants payable before unamortised discount	1,133,006	1,269,587
Less unamortised discount	(635)	(2)
Total net programme grants payable	1,132,371	1,269,585

8. BONDS AND OTHER BORROWINGS

IFFIm borrows in the worldwide capital markets by offering its bonds to fund the Gavi Group's programmes. IFFIm's outstanding bonds and other borrowings were all bonds except for IFFIm Sukuk certificates with a fair value of US$ 200 million and US$ 702 million as of 31 December 2017 and 2016, respectively.

Bonds and other borrowings summarised by year of maturity were:

	31 December 2017		31 December 2016	
Year of Maturity, In Thousands of US$	Nominal Amount	Fair Value	Nominal Amount	Fair value
2017	-	-	527,373	529,719
2018	288,626	289,898	283,650	281,828
2019	500,000	502,586	500,000	500,726
2020	334,804	329,749	31,342	23,716
Thereafter	106,841	58,908	96,213	45,680
Total bonds and other borrowings	1,230,271	1,181,141	1,438,578	1,381,669

Bonds and other borrowings as of 31 December 2017, include both United States dollar and foreign currency denominated fixed and variable rate debt as presented below:

Currency	Coupon Rate	Fair Value as of 31 December 2017, in Thousands of US$	Fair Value as of 31 December 2016, in Thousands of US$
United States Dollars	Variable	1,003,240	1,202,414
Australian Dollars	Fixed	-	28,026
South African Rand	Fixed	154,118	126,798
Turkish Lira	Fixed	23,783	24,431
Total bonds and other borrowings		1,181,141	1,381,669

In order to diversify its investors and raise its profile in the Middle East capital markets, IFFIm issued US$ 500 million in Sukuk certificates through IFFImSC on 27 November 2014 and US$ 200 million in Sukuk certificates through IFFImSC II on 17 September 2015. The Sukuk certificates entitle the holders to pro rata interests in commodity transactions with IFFIm under which IFFIm purchases and immediately on-sells commodities on a recognised commodities exchange as part of the Sukuk issuance. The purchase and on-sale of the commodity transactions offset each other and are recorded on a net basis.

As of 31 December 2017, the weighted average coupon interest rate for fixed rate bonds was 2.5%, with actual rates ranging from 0.5% to 5.3%, and the coupon rate for variable rate bonds was ranging from 13 to 26 basis points over three-month USD LIBOR. As of 31 December 2017 the coupon interest rates for the Sukuk certificates issued through IFFImSC and IFFImSC II were 15 basis points over three-month USD LIBOR and 14 basis points over three-month USD LIBOR, respectively.

As of 31 December 2016, the weighted average coupon interest rate for fixed rate bonds was 3.1%, with actual rates ranging from 0.5% to 6.1%, and the coupon rate for variable rate bonds was 19 basis points over three-month USD LIBOR. As of 31 December 2016 the coupon interest rates for the Sukuk certificates issued through IFFImSC and IFFImSC II were 15 basis points over three-month USD LIBOR and 14 basis points over three-month USD LIBOR, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

The Gavi Group's temporarily restricted net assets consisted of the following:

In Thousands of US$	2017	2016
Due to time restriction	5,197,941	5,467,564
Due to programme restriction	35,386	13,646
Total temporarily restricted net assets	5,233,327	5,481,210

10. NET INVESTMENT INCOME

Net investment income was as follows:

In Thousands of US$	2017	2016
Investment income on investments held by Gavi	117,535	62,924
Investment fees on investments held by Gavi	(5,670)	(2,137)
Net investment income on investments held by Gavi	111,865	60,787
Investment income on pooled investments held by IFFIm	15,043	8,224
Total net investment income	126,908	69,011

Investment income on investments held by Gavi included realised and unrealised net gains of US$ 107 million and US$ 51 million for the years ended 31 December 2017 and 2016, respectively. US$ 62 million and US$ 28 million of net gains were unrealised as of 31 December 2017 and 2016, respectively.

11. NET FAIR VALUE (LOSSES) GAINS ON DERIVATIVES

Net (losses) gains on the fair values of derivatives, which have been recognised in the Consolidated Statements of Activities, include the following:

In Thousands of US$	2017	2016
Net (losses) gains from swaps related to contributions receivable	(237,554)	206,507
Net gains from swaps related to bonds and other borrowings	30,033	33,297
Net (losses) gains from other derivatives	(50,416)	28,440
Net fair value (losses) gains on derivatives	(257,937)	268,244

12. LEASES

Geneva, Switzerland leases: Gavi had a lease agreement for office space in Geneva, Switzerland, which commenced in January 2012 and ended in July 2018. Gavi also had a lease agreement for additional office space in Geneva, Switzerland, which commenced in July 2014 and ended in July 2018.

Washington, DC leases: Gavi had a ten-year lease agreement for office space in Washington, DC, which commenced in June 2007 and ended in July 2017. In September 2016, Gavi entered into a fifteen-year lease agreement for new office space in Washington, DC, commencing in August 2017 and ending in July 2032. The lease agreement provided Gavi with a Tenant Improvement Allowance of up to US$ 2.3 million towards certain costs incurred by Gavi incidental to its occupancy of the new office space. Gavi utilised US$ 1.9 million of the Tenant Improvement Allowance, which will be recognised as a reduction of rent expense over the term of the lease on a straight-line basis.

Gavi's future minimum lease payments are as follows:

In Thousands of US$	Expenses
Year Ending 31 December 2018	2,121
Year Ending 31 December 2019	789
Year Ending 31 December 2020	808
Year Ending 31 December 2021	829
Year Ending 31 December 2022	849
Thereafter	9,292
Total	14,688

Rent expense for these leases is recognised on a straight-line basis over the term of the leases. Rental expense was US$ 3.7 million and US$ 3.8 million for the years ended 31 December 2017 and 2016, respectively.

13. RETIREMENT PLANS

The Gavi Group sponsors the following retirement plans:

Employees Based in Geneva, Switzerland: Gavi sponsors a defined contribution term savings plan with Zurich International Life Limited ("the Geneva Plan"). Membership in the Geneva Plan is for all employees with Gavi employment contracts of four or more months. The Geneva Plan is funded by both Gavi and employees' contributions that are based on the employees' gross annual salaries. Gavi makes monthly employer contributions to the Geneva Plan at 16% of the employee gross salary. Each employee has a compulsory 5% contribution. The total amount expensed for Gavi's contributions was US$ 6.9 million and US$ 5.9 million for the years ended 31 December 2017 and 2016, respectively.

Employees Based in Washington, DC: Gavi sponsors a 401(k) defined contribution plan (the "Washington Plan"), which is a United States retirement savings plan under the United States Internal Revenue Code, for all eligible employees. Employees become eligible upon being hired and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the Washington Plan, subject to United States Internal Revenue Service limitations. Gavi's annual matching contributions equal 1% of each vested participant's compensation and a 3% contribution due to a safe harbour provision. Participants are fully vested upon employment. In addition, Gavi's board approved discretionary spending equalling 12% of each participant's compensation in order to better align the Washington Plan with the Geneva Plan. The amounts expensed for Gavi's contributions were US$ 425 thousand and US$ 472 thousand for the years ended 31 December 2017 and 2016, respectively.

14. NET FINANCING EXPENSES

Financing expenses were as follows:

In Thousands of US$	2017	2016
Interest expense on bonds and other borrowings	22,585	17,854
Net fair value losses on bonds and other borrowings	29,783	32,084
Other financing charges	367	227
Net financing expenses	52,735	50,165

15. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Gavi Group to concentrations of credit risk consist of deposits in banks in excess of deposit insurance limits in Switzerland, the United Kingdom and the United States. Bank deposits in these countries are insured up to limits guaranteed by the Swiss Banks' and Securities Dealers' Depositor Protection Association, the United Kingdom's Financial Services Compensation Scheme ("FSCS") and the United States Federal Deposit Insurance Corporation ("FDIC") respectively. The Gavi Group also invests its excess cash in money market and debt instruments and has established guidelines relative to diversification and maturities aimed at maintaining safety and liquidity.

The deposit insurance limits in Switzerland and the United Kingdom are SFr 100 thousand and £ 85 thousand respectively, per depositor, per insured depository institution. In the US, the standard maximum FDIC deposit insurance amount per depositor, per insured depository institution for each account ownership category is US$ 250 thousand. While amounts in the Gavi Group's demand deposit accounts at times exceed the amounts guaranteed in the respective jurisdictions and therefore bear some risk, the Gavi Group has not experienced, nor does it anticipate, any credit losses on these financial instruments.

The World Bank manages IFFIm's credit risk related to its derivative contracts by serving as the counterparty for all IFFIm's swaps. No collateral or other security is held in support of IFFIm's financial assets or liabilities. To manage credit risk related to investments, the World Bank invests the pooled assets in liquid instruments such as money market deposits, government and agency obligations. The World Bank is limited to investments with minimum credit ratings at the time of purchase as follows:

- Money market deposits issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- Government and agency obligations issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity require a minimum credit rating of AA-.
- Mortgage-backed securities, asset-backed securities and corporate securities whose minimum rating is AAA.

As of 31 December 2017, the Gavi Group had the following concentrations of credit risk with respect to contributions receivable:

- The Gavi Group's contributions receivable as of 31 December 2017 included US$ 816 million and US$ 264 million of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 14% and 5%, respectively, of the Gavi Group's total contributions receivable as of 31 December 2017.
- The Gavi Group's contributions receivable as of 31 December 2017 included US$ 371 million of pledges from AMC Donors and guaranteed by the World Bank. This represented 6% of the Gavi Group's total contributions receivable as of 31 December 2017.

As of 31 December 2017, Gavi had entered into foreign currency forward contracts with a single counterparty with an aggregate fair value (receivable) of US$ 7 million. This represented 41% of Gavi's foreign currency forward contracts as of 31 December 2017.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table summarises the Gavi Group's assets measured at fair value along with their valuation hierarchy:

As of 31 December 2017, in Thousands of US$	Investments measured at Net Asset Value	Level 1	Level 2	Level 3	Total
Pooled investments:					
Government and agency securities	-	315,336	468,536	-	783,872
Mortgage and asset-backed securities	-	27,424	42,264	-	69,688
Derivatives	-	(6,644)	(13,491)	-	(20,135)
Money market securities	-	24,510	54,677	-	79,187
Net securities purchased/(sold) under resale/repurchase agreements	-	(362)	(474)	-	(836)
Other investments:					
Money market funds	-	594,128	-	-	594,128
Registered investment companies	-	454,987	-	-	454,987
Limited partnerships and limited liability companies	885,095	-	-	-	885,095
Net contributions receivable	-	-	2,992,205	2,769,869	5,762,074
Foreign currency forward contracts	-	-	17,305	-	17,305
Total assets at fair value	885,095	1,409,379	3,561,022	2,769,869	8,625,365

As of 31 December 2016, in Thousands of US$	Investments measured at Net Asset Value	Level 1	Level 2	Level 3	Total
Pooled investments:					
Government and agency securities	-	206,409	422,443	-	628,852
Mortgage and asset-backed securities	-	61,667	105,923	-	167,590
Derivatives	-	12,118	22,672	-	34,790
Money market securities	-	16,662	26,854	-	43,516
Net securities purchased/(sold) under resale/repurchase agreements	-	(4,547)	(6,987)	-	(11,534)
Other investments:					
Money market funds	-	658,075	-	-	658,075
Registered investment companies		714,987	-	-	714,987
Limited partnerships and limited liability companies	673,057	-	-	-	673,057
Net contributions receivable	-	-	3,773,993	2,553,323	6,327,316
Foreign currency forward contracts	-	-	41,525	-	41,525
Total assets at fair value	673,057	1,665,371	4,386,423	2,553,323	9,278,174

The following table summarises the Gavi Group's liabilities measured at fair value along with their valuation hierarchy:

As of 31 December 2017, in Thousands of US$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,132,371	-	1,132,371
Bonds and other borrowings	-	1,181,141	-	1,181,141
Foreign currency forward contracts payable	-	46,937	-	46,937
Net payable for currency and interest rate swaps	-	766,871	-	766,871
Total liabilities at fair value	-	3,127,320	-	3,127,320

As of 31 December 2016, in Thousands of US$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,269,585	-	1,269,585
Bonds and other borrowings	-	1,381,669	-	1,381,669
Foreign currency forward contracts payable	-	2,307	-	2,307
Net payable for currency and interest rate swaps	-	566,691	-	566,691
Total liabilities at fair value	-	3,220,252	-	3,220,252

The following table provides a summary of changes in the fair value of Level 3 financial assets:

In Thousands of US$	Contributions Receivable as of 31 December 2017
Fair value as of 1 January 2017	2,553,323
Net realised fair value gains	68,659
Net unrealised fair value gains	261,901
New pledges	198,817
Contributions received/redemptions	(312,831)
Total level 3 assets at fair value	2,769,869

In Thousands of US$	Contributions Receivable as of 31 December 2016
Fair value as of 1 January 2016	2,976,850
Net realised fair value gains	61,795
Net unrealised fair value losses	(171,872)
New pledges	22,701
Contributions received/redemptions	(336,151)
Total level 3 assets at fair value	2,553,323

The techniques applied in determining the fair values of financial instruments are described in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements.

17. RECENTLY ISSUED BUT NOT YET ADOPTED ACCOUNTING GUIDANCE

The following are recently issued accounting standards updates with possible financial reporting implications for the Gavi Group. These accounting standards updates are effective in future accounting periods and have not yet been adopted by the Gavi Group.

- In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. This update clarifies the principles of recognising revenue and develops a common revenue standard for US GAAP and International Financial Reporting Standards. ASU No. 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* defers the effective date of ASU 2014-09 by one year. This update will be effective for Gavi's financial year ending 31 December 2019.
- In January 2016, the FASB issued ASU No. 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The main objective of this update is to enhance the reporting model for financial instruments, in certain targeted areas, to provide users of financial statements with more decision-useful information. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and may have implications for the way the Gavi Group accounts for its financial instruments. This update will be effective for Gavi's financial year ending 31 December 2019.
- In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. This update seeks to increase transparency and comparability among organisations by recognising lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Gavi's most significant lease arrangements are the leases for its Geneva, Switzerland and Washington, DC offices. Under this update, Gavi may need to record these leases as assets and liabilities on its balance sheet, rather than simply expensing the rents due to the landlords as they are incurred. This update will be effective for Gavi's financial year ending 31 December 2020.
- In March 2016, the FASB issued ASU No. 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This update clarifies the criteria for recognising revenue for the provision of goods and services. It states that, when a third party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). When (or as) an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. The Gavi Group has historically not earned any revenue through the provision of goods and services, either as a principal or an agent. However, with the expansion of its operational partnerships activity, there is potential that it may enter into such arrangements going forward, which would make this update applicable. The Gavi Group will review new operational partnerships to determine any impact of this update to the Gavi Group's consolidated financial statements. The effective date of this update is the same as the effective date of ASU No. 2014-09.
- In May 2016, the FASB issued ASU No. 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. This update clarifies certain aspects and does not

change the core principle of the guidance in Topic 606. The effective date of this update is the same as the effective date of ASU No. 2016-08.

- In August 2016, the FASB issued ASU No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. This update improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. This update improves the existing standards for financial statements of not-for-profit entities to provide more useful information to donors, grantors, creditors, and other users of financial statements. This update will impact the presentation of the Gavi Group's consolidated financial statements. This update will be effective for Gavi's financial year ending 31 December 2018.
- In August 2016, the FASB issued ASU No. 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides clarifying guidance on, among other things, the following specific cash flow issues: (a) the treatment in the statement of cash flows of debt prepayment or debt extinguishment cost and (b) the treatment in the statement of cash flows of the settlement of zero-coupon debt instruments or other debt Instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing. This update may be applicable to certain IFFIm transactions that are consolidated into the Gavi Group's consolidated financial statements. This update will be effective for Gavi's financial year ending 31 December 2019.
- In November 2016, the FASB issued ASU No. 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Gavi Group will make the required presentation changes in its consolidated statements of cash flows in accordance with this update. This update will be effective for Gavi's financial year ending 31 December 2019.
- In February 2018, the FASB issued ASU No. 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10)*. This update clarifies certain aspects of the guidance issued in ASU No. 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The effective date of this update is the same as the effective date of ASU No. 2016-01.
- In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 *Not-for-Profit Entities* or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Gavi Group will review this update to determine its impact on the Gavi Group's consolidated financial statements. This update will be effective for Gavi's financial year ending 31 December 2020.

18. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Gavi Group evaluated subsequent events through 31 August 2018, which represents the date that the consolidated financial statements were issued. The Alliance identified the following significant subsequent events requiring disclosure:

- On 30 April 2018, IFFImSC was dissolved following the final payment to the holders of its certificates in December 2017.
- Gavi entered into a ten-year lease agreement, with a five-year option to renew, for new office space in Geneva, Switzerland, commencing in February 2018 and ending in February 2028.

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Independent Auditors' Report

The Board of Directors

The GAVI Alliance, Geneva

We have audited the accompanying consolidated financial statements of the GAVI Alliance, which comprise the consolidated statements of financial position as of 31 December 2017 and 2016, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the GAVI Alliance as of 31 December 2017 and 2016, and the change in their net assets, their cash flows and functional expenses for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert

Evgenia Lopushanskaya

Geneva, Switzerland, 31 August 2018

THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

CONSOLIDATED FINANCIAL STATEMENTS

The summary financial statements of IFFIm for the year ended 31 December 2017 set out on pages 48 to 75 do not constitute the charitable company's statutory accounts for the years ended 31 December 2017 or 2016 but are derived from those accounts. Statutory accounts for 2017 and 2016 have been delivered to the registrar of companies. The auditor has reported on those accounts; their reports were unqualified, did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Although the full text of the financial statements has been included in the summary financial statements, the trustees' report has not been included. The summary financial statements do not contain sufficient information to allow as full an understanding of the results and state of affairs of the company as would be provided by the full annual accounts and reports. The full annual report can be obtained free of charge from http://www.iffim.org/finance/trustees-reports-and-financial-statements/.

The Companies Act 2006 requires this auditor's report, accompanying the accounts of The International Finance Facility for Immunisation in The GAVI Alliance Annual Financial Report, to be a copy of our report to the trustees on the full annual accounts and trustees' report. To make readers aware, the trustees' report, referred to in the copy of our auditors' report, has not been included in The GAVI Alliance Annual Financial Report.

CONSOLIDATED STATEMENTS OF FINANCIAL ACTIVITIES

In Thousands of US$	Note	Year Ended 31 December 2017 Restricted Funds	Year Ended 31 December 2016 Restricted Funds
Income from:			
Contribution revenue	19	198,817	22,701
Donated services	19	892	1,048
Investments	20	15,043	8,224
Total income		214,752	31,973
Expenditure on:			
Raising funds	21	24,913	20,099
Charitable activities	21	51,785	52,008
Total expenditure		76,698	72,107
Net income (expenditure)		138,054	(40,134)
Net fair value gains on pledges, bonds, and swaps	22	94,044	88,850
Net movement in funds		232,098	48,716
Reconciliation of funds:			
Total funds as of the beginning of the year		811,970	763,254
Total funds as of the end of the year		1,044,068	811,970

The accompanying notes are an integral part of these financial statements.

All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURES

In Thousands of US$	Note	Year Ended 31 December 2017 Restricted Funds	Year Ended 31 December 2016 Restricted Funds
Turnover			
Contribution revenue	19	198,817	22,701
Operating expenses			
Programme grants	21	50,000	50,000
Treasury manager's fees	21	1,961	2,018
Governance costs	21	1,785	2,008
Total operating expenses		53,746	54,026
Other operating income			
Donated services	19	892	1,048
Total operating income		892	1,048
Operating income (loss)		145,963	(30,277)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	22	250	1,213
Interest expense on bonds	21	(22,585)	(17,854)
Net financing expenses on bonds and bond swaps		(22,335)	(16,641)
Other financing income (expenses):			
Net fair value gains on pledges and pledge swaps	22	92,750	86,579
Other foreign exchange gains	22	1,044	1,058
Other financing charges		(367)	(227)
Net other financing income		93,427	87,410
Investment income:			
Investment and interest income	20	15,043	8,224
Total financing and investment income		86,135	78,993
Surplus for the year		232,098	48,716

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

Group and Parent Company In Thousands of US$	Note	As of 31 December 2017	As of 31 December 2016
Current assets			
Sovereign pledges due after more than one year	23	2,290,090	2,115,000
Derivative financial instruments due after more than one year	25	1,255	6,310
Sovereign pledges due within one year	23	297,994	239,783
Derivative financial instruments due within one year	25	562	4,517
Prepayments		239	353
Funds held in trust	24	911,776	863,214
Cash		14	81
Total current assets		3,501,930	3,229,258
Liabilities			
Creditors falling due within one year	26	342,780	632,981
Derivative financial instruments due within one year	25	61,152	11,101
Creditors falling due after more than one year	27	1,346,393	1,206,789
Derivative financial instruments due after more than one year	25	707,537	566,417
Total liabilities		2,457,862	2,417,288
Net assets		1,044,068	811,970
Restricted funds		1,044,068	811,970

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of US$	Note	Year Ended 31 December 2017 Restricted Funds	Year Ended 31 December 2016 Restricted Funds
Cash flows from operating activities			
Cash provided by operating activities		286,348	143,019
Net cash provided by operating activities		286,348	143,019
Cash flows from investing activities			
Investment and interest income received	20	15,043	8,224
(Increase) decrease in funds held in trust	33	(48,562)	121,894
Net cash (used in) provided by investing activities		(33,519)	130,118
Cash flows from financing activities			
Proceeds from bond issuances	33	299,700	499,500
Redemption of bonds	33	(530,271)	(755,492)
Interest paid on bonds		(22,325)	(18,261)
Net cash used in financing activities		(252,896)	(274,253)
Net change in cash		(67)	(1,116)
Cash as of the beginning of the year		81	1,197
Cash as of the end of the year		14	81

Reconciliation of net change in funds to net cash flows from operating activities:

In Thousands of US$	2017	2016
Net change in funds	232,098	48,716
Investment and interest income	(15,043)	(8,224)
Bond interest expense	22,585	17,854
Fair value (gains) losses on sovereign pledges	(330,304)	119,928
Fair value losses on bonds	29,783	32,084
Initial fair value of pledges	(198,817)	(22,701)
Payments received from donors	295,820	283,652
Decrease (increase) in prepayments	114	(318)
Increase (decrease) in amounts due under derivative financial instruments	200,181	(278,297)
(Increase) decrease in trade creditors and amounts due to related parties	(69)	325
Increase (decrease) in grants payable	50,000	(50,000)
Net cash provided by operating activities	286,348	143,019

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. SIGNIFICANT ACCOUNTING POLICIES

The International Finance Facility for Immunisation Company ("IFFIm") is a private company limited by guarantee and incorporated and domiciled in the United Kingdom. The GAVI Alliance ("Gavi") is the sole member of IFFIm. Gavi is domiciled in Switzerland and its principal address is 2 Chemin des Mines 1202, Geneva, Switzerland. Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries.

The principal accounting policies of IFFIm are summarised below. These accounting policies were consistently applied from prior years. IFFIm's consolidated financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards. As IFFIm's credit rating is AA, the World Bank has the right to call collateral and protect its derivative exposure to IFFIm. However, following discussions and agreement with the World Bank, the trustees do not foresee the World Bank calling collateral that would cause IFFIm to be unable to meet its required financial obligations and, therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

<u>Basis of Accounting</u>: The consolidated financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable, which are included at fair value;
- in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and United Kingdom Generally Accepted Accounting Practice as it applies from 1 January 2015. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as of 31 December 2017, and of IFFIm's incoming resources and application of resources for the year then ended; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 33.

<u>Basis of Consolidation</u>: A subsidiary is an entity controlled by a group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm had control over IFFIm Sukuk Company Limited ("IFFImSC"), a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFImSC was dissolved on 30 April 2018. IFFIm has control over IFFIm Sukuk Company II Limited ("IFFImSC II"), a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC and IFFImSC II were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations and their activities are conducted on behalf of IFFIm and according to IFFIm's business needs. IFFIm is the primary beneficiary of both entities, bears a significant level of risk incidental to their activities, and retains residual or ownership risks related to both entities or their assets. Therefore, these consolidated financial statements include the accounts of IFFImSC and IFFImSC II. As of 31 December 2017, IFFImSC had cash of US$ 440, share capital of US$ 250, and retained earnings of US$ 250, which are included in the group balance sheet but not included in the parent company balance sheet; IFFImSC II had cash of US$ 470, share capital of US$ 250, and retained earnings of US$ 250, which are included in the group balance sheet but not included in the parent company balance sheet. The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present separate parent company statements of income and expenditures. The parent company's surplus for the year ended 31 December 2017 was US$ 232 million.

<u>Contribution Revenue</u>: Voluntary income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is evidence of entitlement, it can be measured reliably, and receipt is

probable. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 20 and 24 for more details on revenue calculation and recognition of pledges.

Donated Services: Donated services are included at the value to IFFIm of the service provided.

Charitable Activities: Charitable expenses comprise the direct costs of immunisation, vaccine procurement and health systems strengthening ("HSS") grants by IFFIm. They are recognised as expenses in the Statements of Financial Activities when indicative funding confirmations to the GAVI Alliance ("Gavi") have been signed by any trustee on behalf of the IFFIm board.

Governance Costs: Governance costs include the expenditure associated with meeting the constitutional and statutory requirements of IFFIm and include audit fees, legal fees as well as the costs of providing strategic direction to IFFIm.

Costs of Generating Funds: Any costs of securing the sovereign pledges that are borne by IFFIm are expensed through its Statements of Financial Activities in the periods in which they are incurred. IFFIm is allocated a percentage of the fundraising costs with the assignment of the pledges from Gavi to IFFIm. Consequently, IFFIm's costs of generating funds comprise the treasury manager's fees for managing IFFIm's funds held in trust that generate its investment income and for managing IFFIm's borrowings that generate the funds that IFFIm grants to Gavi for immunisation, vaccine procurement and HSS programmes.

The bond issuance costs are presented as finance charges in the Statements of Financial Activities.

Interest Income and Expense: Investment and interest income is recognised during the period in which it is earned. Interest expense is recognised during the period in which it is incurred.

Sovereign Pledges: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. Contribution amounts received from donors depend on a Grant Payment Condition (the "GPC") which allows the donors to reduce such amounts. See Note 33 for details of the GPC.

Funds Held in Trust: IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with IAS 39, as permitted by FRS 102. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 25 and 33 for further details.

Cash: Cash consists of cash at depository bank accounts. Cash does not include IFFIm's pooled investment portfolio, which is presented separately as funds held in trust in the Balance Sheets.

Derivative Financial Instruments: IFFIm uses derivatives to manage its assets and liabilities. Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivatives are recognised as changes in restricted net assets in the periods of the changes and reported in fair value gains (losses) in the Statements of Financial Activities.

In applying IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting.

Bonds Payable: Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. Bonds payable have been elected to be fair valued as IFFIm manages all its assets and liabilities on a fair value basis. The bond issuance costs are written off in the year of issue and are reported in other resources expended as finance charges in the Statements of Financial Activities. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

As IFFIm's bonds payable are measured at fair value with changes in fair value recognised in the income statement, bond issuance costs are expensed as incurred.

Grants Payable: Grants payable are recognised at fair value when an indicative funding confirmation to Gavi has been signed by one of IFFIm's trustees on behalf of the IFFIm board. They are subsequently remeasured at fair value at each reporting date. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

Funds: Funds, revenues, gains and losses are classified based on the existence of grantor-imposed restrictions. IFFIm receives its funding from grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund programmes for a defined portfolio of eligible countries or specified purposes. Therefore all funds are treated as restricted funds. See Note 33 for IFFIm's defined portfolio of eligible countries.

Foreign Currency Remeasurement: The consolidated financial statements are presented in United States dollars which is IFFIm's functional and reporting currency. All financial assets are monetary assets. As such, foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Exchange gains and losses arising on settled transactions are included in other incoming funds in the Statements of Financial Activities. Gains and losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are included in fair value gains (losses) in the Statements of Financial Activities.

Use of Estimates: The preparation of the consolidated financial statements in conformity with United Kingdom accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates.

Significant estimates are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable and derivative financial instruments. The natures of these significant estimates are described in Note 33.

20. CONTRIBUTION REVENUE

Contribution Revenue: Several governments (the "Grantors") have entered into legally binding obligations to make scheduled grant payments to Gavi over periods of up to 20 years. Gavi has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm's agreement to assess for approval immunisation, vaccine procurement, and HSS programmes presented to IFFIm by Gavi, and to use its reasonable endeavours to raise funds for such programmes if approved.

The details of the grant obligations entered into by the Grantors are as follows:

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands			Grant Amount, in Thousands of US$[5]
Commonwealth of Australia[3]	28 March 2011	19 years	A$	(AUD)	250,000	195,500
Commonwealth of Australia[4]	3 June 2016	5 years	A$	(AUD)	37,500	29,325
Republic of France[1]	2 October 2006	15 years	€	(EUR)	372,800	446,875
Republic of France[2]	7 December 2007	19 years	€	(EUR)	867,160	1,039,465
Republic of France[1]	4 May 2017	5 years	€	(EUR)	150,000	179,805
Republic of Italy	2 October 2006	20 years	€	(EUR)	473,450	567,525
Republic of Italy	14 November 2011	14 years	€	(EUR)	25,500	30,567
State of the Netherlands	18 December 2009	7 years	€	(EUR)	80,000	95,896
State of the Netherlands	2 May 2017	4 years	US$	(USD)	66,667	66,667
Kingdom of Norway	2 October 2006	5 years	US$	(USD)	27,000	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr	(NOK)	1,500,000	182,931
Republic of South Africa	13 March 2007	20 years	US$	(USD)	20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€	(EUR)	189,500	227,154
Kingdom of Sweden	2 October 2006	15 years	Skr	(SEK)	276,150	33,671
United Kingdom	2 October 2006	20 years	£	(GBP)	1,380,000	1,864,380
United Kingdom	5 August 2010	19 years	£	(GBP)	250,000	337,750
Cumulative contribution revenue since inception						5,344,511

[1] Acting through Agence Française de Développement.

[2] Acting through the Ministry of Economy, Industry and Employment.

[3] Acting through the Australian Agency for International Development.

[4] Acting through the Department of Foreign Affairs and Trade.

[5] These amounts represent the United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2017.

[6] Corresponds to a payment period from 31 March 2022 to 31 March 2026.

Contribution revenue recognized was comprised of:

In Thousands of US$	2017	2016
Initial fair value of pledge received from the Commonwealth of Australia	-	22,701
Initial fair value of pledge received from the Republic of France	140,350	-
Initial fair value of pledge received from the State of the Netherlands	58,467	-
Total contribution revenue	198,817	22,701

Donated Services: IFFIm received donated administrative services from Gavi in 2017 and 2016. The services donated by Gavi were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by Gavi:

In Thousands of US$	2017	2016
Administrative support	892	1,048
Total donated services	892	1,048

21. INVESTMENT AND INTEREST INCOME

In Thousands of US$	2017	2016
Income from funds held in trust	15,045	8,232
Bank account interest	(2)	(8)
Total investment and interest income	15,043	8,224

22. TOTAL EXPENDITURE

In Thousands of US$	2017	2016
Expenditure on raising funds		
Treasury manager's fees:		
Financial operations management	1,961	2,018
Finance charges:		
Bond interest expense	22,585	17,854
Other financing charges	367	227
Total finance charges	22,952	18,081
Total expenditure on raising funds	24,913	20,099
Expenditure on charitable activities		
Country-specific programmes:		
New and underused vaccines	45,000	-
Health systems strengthening and immunisation services	5,000	50,000
Professional services:		
Consultancy fees	190	194
Gavi administrative support fee	892	1,048
Legal fees	170	206
Tax compliance services	15	19
Auditor's remuneration:		
Statutory audit	209	193
Audit related assurance services	181	204
Other governance costs:		
Trustees' indemnity insurance premiums	9	14
Trustees' meeting and travel expenses	119	87
Other administrative expenses	-	43
Total expenditure on charitable activities	51,785	52,008

Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Auditor's Remuneration: Statutory audit fees were US$ 16 thousand higher in 2017 than 2016 primarily as a result of incremental fees for additional audit procedures following audit reforms on European Public Interest Entities that were effected by the Financial Reporting Council's revised Ethical Standard. Audit related assurance services were US$ 13 thousand lower in 2017 than 2016 primarily as a result of incremental valuation work incurred in 2016. Other financing charges include fees of US$ 20 thousand and US$ 15 thousand that were paid to IFFIm's auditor in 2017 and 2016, respectively, for services related to IFFIm's bond issuances.

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had six trustees as of 31 December 2017.

23. FAIR VALUE GAINS AND LOSSES

In Thousands of US$	2017	2016
Fair value gains (losses) on bonds and bond swaps		
Fair value losses on bonds	(29,783)	(32,084)
Net fair value gains on bond swaps	30,033	33,297
Net fair value gains on bonds and bond swaps	250	1,213
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains (losses) on sovereign pledges	330,304	(119,928)
Net fair value (losses) gains on pledge swaps	(237,554)	206,507
Net fair value gains on pledges and pledge swaps	92,750	86,579
Other foreign exchange gains	1,044	1,058
Net fair value gains on pledges, bonds, and swaps	94,044	88,850

24. SOVEREIGN PLEDGES

IFFIm's sovereign pledges represent grants from the Grantors. These legally binding payment obligations are irrevocable by the Grantors and are paid in several instalments according to predetermined fixed payment schedules.

The total amounts paid by the Grantors to IFFIm are impacted by the GPC. See Note 33 for further details.

Sovereign pledges, like contribution revenue, are recognised upon assignment of the Grantor contributions to IFFIm by Gavi. Fair value adjustments due to changes in interest rates, the GPC, discounting and exchange rates are recognised from inception until year end.

Sovereign pledges were comprised of:

Group and Parent Company In Thousands of US$	2017	2016
Balance as of the beginning of the year	2,354,783	2,735,662
Initial fair value of pledges	198,817	22,701
Payments received from donors	(295,820)	(283,652)
Fair value gains (losses)	330,304	(119,928)
Balance as of the end of the year	2,588,084	2,354,783
Sovereign pledges due within one year	297,994	239,783
Sovereign pledges due after more than one year	2,290,090	2,115,000
Total sovereign pledges	2,588,084	2,354,783

Note 26 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

25. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group. Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank.

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

Group and Parent Company In Thousands of US$	2017	2016
IFFIm's share in the Pool's fair value	911,776	863,214

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US$ 15 million and US$ 8 million for the years ended 31 December 2017 and 2016, respectively, and were reported as investment income in the Consolidated Statements of Financial Activities.

26. DERIVATIVE FINANCIAL INSTRUMENTS

IFFIm entered into interest rate and currency swaps that economically hedged certain risks as discussed below.

For financial reporting purposes, IFFIm elected not to define any qualifying hedge relationships as defined by IAS 39, as permitted by FRS 102. All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statements of Financial Activities during the period in which they occur. Net gains on derivatives were recognised as changes in restricted net assets. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as counterparty on all of IFFIm's interest rate and currency swap contracts, has a right to call for collateral.

The World Bank, as IFFIm's treasury manager, executed a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies and, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, (4) assuming no Grantor defaults.

At issuance, IFFIm's fixed rate bond obligations have been swapped simultaneously on a back-to-back basis into United States dollar 3-month LIBOR, floating-rate liabilities.

As described in Note 31, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months.

The notional amounts and fair values of the interest rate and currency swaps were:

	31 December 2017		31 December 2016	
Group and Parent Company In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	39,442	1,822	137,590	10,827
Total currency and interest rate swaps receivable		1,822		10,827
Currency and interest rate swaps payable related to sovereign pledges	2,634,958	(652,703)	2,527,857	(432,987)
Currency and interest rate swaps payable related to bonds payable	633,952	(115,991)	1,203,068	(144,531)
Total currency and interest rate swaps payable		(768,694)		(577,518)
Total fair value of interest rate and currency swaps		(766,872)		(566,691)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US$ 767 million net liability on swaps is due to the World Bank. The World Bank has the right to call for collateral to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. Note 31 describes measures in place to mitigate the risk that the World Bank may call collateral.

27. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US$	2017	2016
Bonds payable falling due within one year	291,812	531,944
Grants payable within one year	50,000	100,000
Trade creditors	648	705
Amounts due to Gavi	320	332
Total creditors falling due within one year	342,780	632,981

28. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors falling due after more than one year are comprised of bonds payable and grants payable. IFFIm issues bonds on worldwide capital markets to meet IFFIm's primary objective of funding Gavi's immunisation, vaccine procurement and HSS programmes. IFFIm's outstanding bonds payable and grants payable were:

					Group and Parent Company	
Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 31 December 2017, in Thousands of US$	Fair Value as of 31 December 2016, in Thousands of US$
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	39,548	30,691
28 June 2010	29 June 2020	0.50%	R (ZAR)	430,000	29,426	23,716
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	19,360	14,989
30 July 2012	24 July 2017	3.10%	A$ (AUD)	38,000	-	28,026
27 March 2013	19 March 2018	5.31%	R (ZAR)	801,000	65,784	57,402
27 March 2013	19 March 2018	5.34%	₺ (TRY)	90,000	23,783	24,431
4 December 2014	4 December 2017	Libor+15bps	US$ (USD)	500,000	-	501,693
29 September 2015	29 September 2018	Libor+14bps	US$ (USD)	200,000	200,331	199,995
26 October 2016	1 November 2019	Libor+26bps	US$ (USD)	500,000	502,586	500,726
16 November 2017	16 November 2020	Libor+13bps	US$ (USD)	300,000	300,323	-
Total bonds payable					1,181,141	1,381,669
Bonds payable falling due within one year					(291,812)	(531,944)
Bonds payable falling due after more than one year					889,329	849,725
Grants payable after more than one year					457,064	357,064
Total creditors falling due after more than one year					1,346,393	1,206,789

As of 31 December 2017 and 2016, the fair values of creditors falling due after more than five years totalled US$ 59 million and US$ 46 million, respectively.

As of 31 December 2017 and 2016, the undiscounted maturities of IFFIm's bonds payable totalled US$ 1.2 billion and US$ 1.5 billion, respectively, as shown in Note 31. This was US$ 64 million and US$ 110 million higher than the fair value of IFFIm's bonds payable as of 31 December 2017 and 2016, respectively.

Total bonds payable by the parent company included amounts due to IFFImSC of US$ 0 and US$ 502 million as of 31 December 2017 and 31 December 2016, respectively, and amounts due to IFFImSC II of US$ 200 million as of 31 December 2017 and 2016.

29. MOVEMENT OF FUNDS

In Thousands of US$	As of 31 December 2016	Incoming Resources	Resources Expended	As of 31 December 2017
Sovereign pledges assigned from Gavi	3,455,013	198,817	(893)	3,652,937
Investment and interest income	83,938	15,043	-	98,981
Other gains (losses) and other income (expenses)	305,767	94,044	(24,913)	374,898
Donated services:				
Administrative support	-	892	(892)	-
Programme funding to Gavi:				
Country-specific programmes	(2,291,058)	-	(50,000)	(2,341,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	811,970	308,796	(76,698)	1,044,068

In Thousands of US$	As of 31 December 2015	Incoming Resources	Resources Expended	As of 31 December 2016
Sovereign pledges assigned from Gavi	3,433,272	22,701	(960)	3,455,013
Investment and interest income	75,714	8,224	-	83,938
Other gains (losses) and other income (expenses)	237,016	88,850	(20,099)	305,767
Donated services:				
Administrative support	-	1,048	(1,048)	-
Programme funding to Gavi:				
Country-specific programmes	(2,241,058)	-	(50,000)	(2,291,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	763,254	120,823	(72,107)	811,970

30. CREDIT RISK

Credit risk is the risk that IFFIm may suffer financial loss should the Grantors, market counterparties or implementing countries fail to fulfil their contractual obligations. The carrying amounts of financial assets represent IFFIm's maximum credit exposures. These maximum exposures were:

In Thousands of US$	2017	2016
Sovereign pledges	2,588,084	2,354,783
Cash and investments	911,790	863,295
Total credit exposure	3,499,874	3,218,078

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2017 and 2016, IFFIm had a net liability balance on its interest rate and currency swap contracts of US$ 767 million and US$ 567 million, respectively. The World Bank, an AAA-credit rated institution, serves as the counterparty for all IFFIm's swaps.

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from highly rated governments. This exposure is detailed by Grantor in Note 20 above. The Grantors were rated between

BBB- and AAA as of 31 December 2017.

The Grantors' credit ratings as of 31 December 2017 and 2016, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2017	2016
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA
Republic of Italy	BBB	BBB-
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BB	BBB-
Kingdom of Spain	BBB+	BBB+
Kingdom of Sweden	AAA	AAA
United Kingdom	AA	AA

IFFIm was also indirectly exposed to implementing country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 33 for details.

Credit Risk Related to Cash and Investments: To manage credit risk related to investments, the World Bank invests in highly rated Liquid Assets. The World Bank was limited to investments with the following minimum credit ratings at the time of purchase:

- Investments in money market instruments were limited to instruments issued or guaranteed by financial institutions whose senior debt securities were rated at least A- by the major rating agencies.
- Investments in government and agency obligations were limited to obligations issued or unconditionally guaranteed by government agencies rated at least AA- by the major rating agencies if denominated in a currency other than the issuers' home currencies. Obligations denominated in issuers' home currencies required no rating. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity required a minimum credit rating of AA-.
- Investments in asset-backed securities and corporate securities were limited to securities with a minimum rating of AAA.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

IFFIm's investments in money market instruments, government and agency obligations, asset-backed securities and corporate securities had the following credit ratings:

In Thousands of US$	2017	2016
Instruments and securities rated AAA	375,510	408,645
Instruments and securities rated AA+	24,002	23,704
Instruments and securities rated AA	91,355	100,616
Instruments and securities rated AA-	84,779	122,812
Instruments and securities rated A+	293,314	195,139
Instruments and securities rated A	38,470	(9,192)
Instruments and securities rated A-	4,346	21,490
Total funds held in trust	911,776	863,214

Cash, receivables and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2017. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

31. LIQUIDITY RISK

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2017, the calculated minimum liquidity was US$ 366.5 million and the value of IFFIm's Liquid Assets was US$ 912 million. As of 31 December 2016, the calculated minimum liquidity was US$ 568.6 million and the value of IFFIm's Liquid Assets was US$ 863 million.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by S&P, AA by Fitch Ratings, and Aa1 by Moody's Investor Service.

In order to help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 33.

In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2017, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

The following were the contractual undiscounted maturities of IFFIm's financial liabilities, including estimated interest payments:

As of 31 December 2017, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2019	Due in 2020	Due from 2021 through 2030
Bonds payable	(1,244,646)	(298,561)	(500,798)	(335,553)	(109,734)
Grants payable to Gavi	(507,064)	(50,000)	(400,000)	(57,064)	-
Derivative financial liabilities	(1,024,303)	(97,022)	(82,885)	(117,723)	(726,673)
Total undiscounted maturities	(2,776,013)	(445,583)	(983,683)	(510,340)	(836,407)

As of 31 December 2016, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2018	Due in 2019	Due from 2020 through 2030
Bonds payable	(1,492,221)	(549,362)	(299,420)	(513,076)	(130,363)
Grants payable to Gavi	(457,064)	(100,000)	(350,000)	(7,064)	-
Derivative financial liabilities	(430,304)	(19,239)	(65,461)	(17,445)	(328,159)
Total undiscounted maturities	(2,379,589)	(668,601)	(714,881)	(537,585)	(458,522)

The trustees expect that IFFIm will receive cash inflows over the lives of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted cash outflows from derivative financial liabilities:

As of 31 December 2017, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2019	Due in 2020	Due from 2021 through 2030
Derivative financial assets	62,266	10,808	11,890	7,023	32,545
Derivative financial liabilities	(1,024,303)	(97,022)	(82,885)	(117,723)	(726,673)
Net cash outflows	(962,037)	(86,214)	(70,995)	(110,700)	(694,128)

As of 31 December 2016, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2018	Due in 2019	Due from 2020 through 2030
Derivative financial assets	63,456	18,663	10,440	10,679	23,674
Derivative financial liabilities	(430,304)	(19,239)	(65,461)	(17,445)	(328,159)
Net cash outflows	(366,848)	(576)	(55,021)	(6,766)	(304,485)

32. MARKET RISK

Market risk is the risk that IFFIm's net assets or deficit for the year, or its ability to meet its objectives, may be adversely affected by changes in foreign exchange rates and interest rates. IFFIm's market risk objectives are: (1) understanding the components of IFFIm's market risk, (2) controlling IFFIm's market risk through the use of currency and interest swaps, and (3) facilitating predictable funding of Gavi programmes within a controlled and transparent risk management framework.

IFFIm's market risk is comprised of foreign exchange rate risk and interest rate risk. Each of these is described further below.

Foreign Exchange Rate Risk: IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of Grantor payments, payment of bond obligations, disbursements to Gavi and issuance of IFFIm bonds. To mitigate these risks, Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

The carrying amounts of IFFIm's foreign currency assets and liabilities, including derivatives, were:

As of 31 December 2017, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	126,682	(122,519)	4,163
Swiss franc	66	-	66
Euro	1,182,161	(1,153,857)	28,304
British pound	1,174,072	(1,285,094)	(111,023)
Japanese yen	1	-	1
Norwegian krone	48,185	(52,754)	(4,569)
New Zealand dollar	1	-	1
Swedish krona	7,930	(8,656)	(726)
Turkish lira	23,772	(23,783)	(12)
South African rand	156,582	(154,117)	2,465

As of 31 December 2016, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	153,840	(147,537)	6,303
Swiss franc	-	(49)	(49)
Euro	988,826	(1,146,416)	(157,590)
British pound	1,164,803	(1,298,473)	(133,670)
Japanese yen	1	(24)	(23)
Norwegian krone	60,282	(66,598)	(6,316)
New Zealand dollar	1	-	1
Swedish krona	8,892	(9,839)	(947)
Turkish lira	24,439	(24,431)	8
South African rand	130,321	(126,798)	3,523

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2017	Spot Rate as of 31 December 2017	Average Rate for the Year Ended 31 December 2016	Spot Rate as of 31 December 2016
Australian dollar	0.7820	0.7666	0.7441	0.7225
Brazilian real	0.3019	0.3131	-	-
Swiss franc	1.0251	1.0154	1.0149	0.9825
Euro	1.1987	1.1297	1.1068	1.0560
British pound	1.3510	1.2884	1.3557	1.2303
Japanese yen	0.0089	0.0089	0.0092	0.0086
Norwegian krone	0.1220	0.1209	0.1190	0.1162
New Zealand dollar	0.7122	0.7106	0.6974	0.6963
Swedish krona	0.1219	0.1170	0.1168	0.1104
Turkish lira	0.2644	0.2740	0.3307	0.2834
South African rand	0.0812	0.0751	0.0680	0.0729

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2017 and 2016 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

In Thousands of US$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2017		Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2016	
	10% Strengthening against US$	10% Weakening against US$	10% Strengthening against US$	10% Weakening against US$
Australian dollar	(387)	473	(583)	713
Euro	(2,608)	3,187	14,268	(17,439)
British pound	10,155	(12,412)	12,123	(14,817)
Norwegian krone	(3,594)	4,392	(4,586)	5,605
Swedish krona	4,074	(4,979)	5,244	(6,409)
Turkish lira	1	(1)	(1)	1
South African rand	(224)	274	(320)	391

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure. The interest rate profiles of IFFIm's interest-bearing financial instruments, including derivatives, with the exception of funds held in trust, were:

In Thousands of US$	2017 Carrying Amount	2016 Carrying Amount
Fixed rate instruments		
Financial assets	180,354	182,812
Financial liabilities	(2,808,648)	(2,828,796)
Net fixed rate instruments	(2,628,294)	(2,645,984)
Variable rate instruments		
Financial assets	1,982,621	2,240,626
Financial liabilities	(1,303,276)	(1,544,775)
Net variable rate instruments	679,345	695,851

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2017 and 2016 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2017	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2016
25 basis point increase	(1,181)	4,174
25 basis point decrease	1,171	(4,264)

Value at Risk ("VaR") for Funds Held in Trust: VaR measures, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VaR is conceptually applicable to all financial risk types with valid regular price histories. The annual VaR at 95% confidence level for IFFIm's funds held in trust was US$ 0.6 million and US$ 1.7 million for the years ended 31 December 2017 and 2016, respectively. IFFIm uses a three-year historical dataset to compute VaR.

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of IFFIm's financial assets and liabilities are equal to their carrying amounts shown in IFFIm's statements of financial position.

Fair Value Hierarchy: The table below analyses IFFIm's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- Level 2: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- Level 3: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

As of 31 December 2017, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,588,084	2,588,084
Funds held in trust	360,265	551,511	-	911,776
Derivative financial instruments	-	1,817	-	1,817
Total financial assets	360,265	553,328	2,588,084	3,501,677
Financial liabilities				
Bonds payable	-	1,181,141	-	1,181,141
Grants payable to Gavi	-	507,064	-	507,064
Derivative financial instruments	-	768,689	-	768,689
Total financial liabilities	-	2,456,894	-	2,456,894

As of 31 December 2016, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,354,783	2,354,783
Funds held in trust	292,309	570,905	-	863,214
Derivative financial instruments	-	10,827	-	10,827
Total financial assets	292,309	581,732	2,354,783	3,228,824
Financial liabilities				
Bonds payable	-	1,381,669	-	1,381,669
Grants payable to Gavi	-	457,064	-	457,064
Derivative financial instruments	-	577,518	-	577,518
Total financial liabilities	-	2,416,251	-	2,416,251

The changes in the aggregate fair value of IFFIm's Level 3 financial assets and liabilities were:

In Thousands of US$	2017	2016
Balance as of the beginning of the year	2,354,783	2,735,662
Initial fair value of pledges	198,817	22,701
Donor payments	(295,820)	(283,652)
Fair value losses	330,304	(119,928)
Balance as of the end of the year	2,588,084	2,354,783

The bases for techniques that IFFIm applied in determining the fair values of financial assets and liabilities are summarised below.

Funds Held in Trust: The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

Sovereign Pledges Receivable: Fair values are estimated using a discounted cash flow method. Each cash flow is reduced by an estimated reduction amount due to the GPC and the reduced cash flows are discounted to present value using observable Grantor-specific interest rates.

The GPC allows the Grantors to reduce their payments in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Donors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by donors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio as of 31 December 2017 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
Afghanistan, Angola, Armenia, Aserbaijan, Benin, Bhutan, Bolivia, Burkina, Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable are estimated using the discounted cash flow method. Each cash flow is reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment") and the reduced cash flows are discounted to present value at donor-specific interest rates. The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. This probabilistic model is based on the assumption that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 11.7% and 12.5% as of 31 December 2017 and 2016 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2017 and 2016 would have resulted in increases in the fair values of sovereign pledges of US$ 29 million and US$ 27 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2017, two reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia and Sudan.

For the above sovereign pledges as of 31 December 2017, market based discount rates ranging from 0% to 4.5% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

Bonds Payable: The fair values of IFFIm's bonds payable are determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

As of 31 December 2017 and 2016, the portions of the fair values of bonds payable that were attributable to IFFIm's own credit spreads were an increase of US$ 5 million and a decrease of US$ 8 million, respectively.

Grants Payable to Gavi: These liabilities are short-term in nature and, therefore, their carrying values are deemed to be reasonable estimates of their fair values.

Derivative Financial Instruments: The fair values of derivatives are estimated using a discounted cash flow method representing the estimated cost of replacing these contracts on that date. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

34. NOTES TO THE STATEMENTS OF CASH FLOWS

The following table analyses changes in net debt:

In Thousands of US$	Fair Value as of 31 December 2016	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2017
Cash	81	(67)	14
Bonds payable	(1,378,679)	200,788	(1,177,891)
Funds held in trust	863,214	48,562	911,776
Total	(515,384)	249,283	(266,101)

In Thousands of US$	Fair Value as of 31 December 2015	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2016
Cash	1,197	(1,116)	81
Bonds payable	(1,602,587)	223,908	(1,378,679)
Funds held in trust	985,108	(121,894)	863,214
Total	(616,282)	100,898	(515,384)

The following table reconciles net cash flows to movement in net debt:

In Thousands of US$	2017	2016
Decrease in cash	(67)	(1,116)
Decrease in funds held in trust	48,562	(121,894)
Proceeds from bond issuances	(299,700)	(499,500)
Redemption of bonds	530,271	755,492
Fair value (losses) gains on bonds	(29,783)	(32,084)
Movement in net debt in the period	249,283	100,898
Net debt as of the beginning of the year	(515,384)	(616,282)
Net debt as of the end of the year	(266,101)	(515,384)

35. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

- Gavi: Gavi is a not-for-profit organisation based in Switzerland. Gavi is IFFIm's sole member.
- IFFImSC: IFFImSC was a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFImSC was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 27 November 2014, IFFImSC issued sukuk certificates for a total amount of US$ 500 million. On 4 December 2017, IFFImSC made the final payment in relation to its certificates and, on 30 April 2018, IFFImSC was dissolved. These consolidated financial statements include the accounts of IFFImSC.
- IFFImSC II: IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC II was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 29 September 2015, IFFImSC II issued sukuk certificates for a total amount of US$ 200 million. These consolidated financial statements include the accounts of IFFImSC II.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

IFFIm's related party balances and transactions were:

In Thousands of US$	2017	2016
Gavi		
Accounts payable to Gavi	320	332
Programme grants payable to Gavi	507,064	457,064
In-kind contributions received from Gavi	892	1,048

36. COMMITMENT AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2017 or 2016.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

Since the IFFIm board manages IFFIm's sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable on a fair value basis, these assets and liabilities are measured at fair value on the balance sheets. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

In preparing these financial statements, judgements were made in determining when to recognise revenue from Grantors. Factors considered, in line with IFFIm's accounting policy on revenue recognition, were whether there was evidence of entitlement and whether receipt was probable.

38. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2017 or 2016. IFFImSC II is a Cayman Islands company with limited liability, incorporated under the Companies Law (2013 Revision) of the Cayman Islands. There are no taxes on income or gains in the Cayman Islands.

39. SUBSEQUENT EVENTS

On 30 April 2018, IFFIm Sukuk Company Limited was dissolved.

Independent auditor's report

to the members of The International Finance Facility For Immunisation Company

1. Our opinion is unmodified

We have audited the financial statements of The International Finance Facility For Immunisation Company ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated Statement of Income and Expenditure, the Consolidated and Company Balance Sheets, the Consolidated Statements of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the charitable Company's affairs as at 31 December 2017 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Trustees in July 2008. The period of total uninterrupted engagement is for the 10 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	$18.0m (2016:$15.0m) 0.5% (2016: 0.5%) of total assets	
Risks of material misstatement		**vs 2016**
Recurring risks (applicable to both the group and parent charitable company)	- Valuation of pledges and contribution revenue	◄►
	- Fair value of bonds and derivatives	◄►

◄► - *no change*

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key Audit Matter	The risk	Our response
Valuation of pledges and contribution revenue Valuation of pledges ($2,588.1m 2016: $2,354.8m) Contribution revenue ($198.8m; 2016; $22.7m) *Refer to page 34 (accounting policy) and page 38 (financial disclosures).*	**Subjective estimate** Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by GAVI. They are recognised at fair value at inception and are subsequently re-measured at fair value at each reporting date. The fair value of the pledges and contribution revenue is calculated by calculating the expected future cash flows and discounting for restrictions on payment conditions as well as for the time value of money. As described in Note 15, the discount factor relating to the restrictions on payment condition involves the use of a complex model and expert judgement. The discount factor is a significant unobservable input used in the valuation of the Sovereign pledges, which are therefore classified as Level 3.	Our procedures included: — **Accounting Analysis:** We have considered IFFIm's basis for the determination of expected future cash flows and the discount calculation. — **Methodology assessment:** We assessed the reasonableness of IFFIm's valuation methodology, model calculation, inputs and assumptions used for a sample of the Sovereign pledges. — **Tests of Detail:** We have engaged valuation specialists and independently calculated the fair value of the pledges and contribution revenue and we have compared this value to IFFIm's carrying value. — **Disclosure:** We assessed the transparency of IFFIm's financial statement disclosures, including whether sensitivity to key inputs reflects IFFIm's exposure to valuation risk. Certain of the procedures in relation to testing the fair value of pledges and contribution revenue were undertaken by the KPMG member firm in Washington DC ("KPMG Washington DC") who are the external auditors of the World Bank. This involved both the general audit team and valuation specialists. **Our results** — As a result of the work performed, we considered the fair value of pledges and contribution revenue to be acceptable (2016: acceptable).

Key Audit Matter	The risk	Our response
Fair value of bonds and derivatives Bonds ($1,181.1m 2016: $1,381.7m) Derivatives ($761.0m; 2016; $566.7m) *Refer to page 35 (accounting policy) and page 39 (financial disclosures).*	**Subjective estimate** Bonds and derivatives are accounted for in accordance with IAS39, as permitted by FRS 102. They are recognised at fair value at inception / date of issuance and are subsequently re-measured at fair value at each reporting date. The fair value of the bonds and the derivatives is driven by underlying components linked to both market conditions as well as IFFIm's own credit rating, and that of its counterparty. Except for where there is an active, observable market for a financial instrument, management is required to exercise judgement in determining fair value. For both the bonds and the derivatives, management has had to exercise judgement in calculating the fair value.	Our procedures included: — **Accounting Analysis:** We have assessed management's judgements made in respect of the fair value of the bonds and derivatives. — **Methodology assessment:** We assessed the reasonableness of IFFIm's valuation methodology, inputs and assumptions used for a sample of the bonds and derivatives. For derivatives this included the consideration of the core valuation basis of OIS (Overnight Indexed Swap) discounting and the application of Credit and Debit Valuation adjustments (CVA & DVA). — **Tests of Details:** We have engaged valuation specialists and independently calculated the fair value of the bonds and derivatives and we have compared this value to IFFIm's carrying value. — **Disclosure:** We challenged management's classification of bonds and derivatives as Level 2 assets, this included determining whether these instruments met the pre-requisite criteria to be classified as Level 2, rather than Level 3. Certain of the procedures in relation to testing the fair value of bonds and derivatives were undertaken by KPMG Washington DC who are the external auditors of the World Bank. This involved both the general audit team and valuation specialists. **Our results** — As a result of the work performed, we considered the fair value of bonds and derivatives to be acceptable (2016: acceptable).

3. Our application of materiality and an overview of the scope of our audit

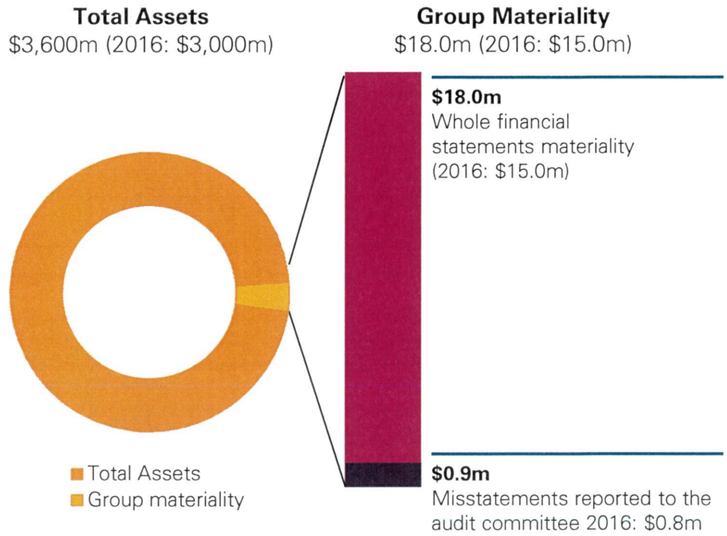
Materiality for the Consolidated financial statements as a whole was set at $18.0m (2016: $15.0m), determined with reference to a benchmark of Total Assets (of which it represents 0.5% (2016 0.5%)). Materiality for the parent charitable company financial statements as a whole was set at £18.0m (2016: £15.0m), determined with reference to company total assets, of which it represents 0.5% (2016: 0.5%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding $0.9m (2016: $0.8m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all of the group's 3 (2016: 3) components to full scope audits for group purposes. We performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above.

As set out on page 10, in the Structure, Governance and management section, IFFIm is reliant upon treasury management, risk management and accounting services provided by the World Bank. As such we instructed KPMG Washington DC (being the auditor of the World Bank) to perform procedures on our behalf. These procedures involved tests of control and tests of detail and, where relevant, the engagement of KPMG valuation specialists. As part of this work KPMG Washington DC performed procedures over certain aspects of the Key Audit Matters set out in Section 2 of this auditor's report.

We were involved in setting the direction of their audit work, and we considered their reporting to us and their working papers on site in Washington DC. We frequently communicated with them throughout the audit to monitor their progress and deal with any issues arising.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report of the Trustees

The directors are responsible for the other information, which comprises the Annual Report of the Trustees. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in the other information;

— in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the charitable Company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of trustees' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

KPMG

7. Respective responsibilities

Trustees' responsibilities

As explained more fully in their statement set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company and charity legislation and regulations) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations recognising the charitable and financial nature of the group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to the KPMG Washington DC audit team of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable Company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Peck

Michael Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

4 June 2018

SUPPLEMENTARY INFORMATION

PLEDGES AND CONTRIBUTIONS SCHEDULES

Schedules 1.1 to 1.6 provide details of the Gavi Group's pledges and contributions from the following sources:

- Multi-Year Pledges: The Gavi Group receives upfront written commitments from donors that do not include any conditions and are payable over multiple years ("Multi-Year Pledges"). In accordance with its accounting policy, the Gavi Group records each Multi-Year Pledge as contribution revenue and contributions receivable at fair value on the date the donor signs the grant agreement. The recorded contributions receivable balances are then reduced over time as cash payments are received from the donors, and are adjusted for changes in fair value.

  The Gavi Group's methodology for valuing its contributions receivable, including details of IFFIm's grant payment condition and the Advance Market Commitment, is described in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements. Multi-Year Pledges in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2017. See *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements for further information.

  Multi-Year Pledges balances presented in the currencies of the pledges, in Schedules 1.3 and 1.4, are not adjusted for reductions due to discounting. Discounting the Gavi Group's contributions receivable is described in Note 2 to the consolidated financial statements.

  Multi-Year Pledges to IFFIm presented in the currencies of the pledge, in Schedule 1.4, are not adjusted for reductions due to the grant payment condition ("GPC"). The GPC is described in Note 2 to the consolidated financial statements.

- Annual Contributions: The Gavi Group receives contributions from donors that are committed and paid annually ("Annual Contributions"). In accordance with its accounting policy, the Gavi Group records Annual Contributions as contribution revenue when payments are received from the donors.

Schedules 1.7 to 1.8 provide details of cash receipts from donors, in United States dollar and in currencies of receipts. Cash receipts in foreign currencies are converted to United States dollar at the prevailing interbank exchange rate at the date cash is received.

SCHEDULE 1.1: MULTI-YEAR PLEDGES FROM DONORS, IN UNITED STATES DOLLARS

The following table presents the nominal amounts of Multi-Year Pledges from all Gavi Group's donors, in United States dollars:

In Thousands of US$	Balance as of 31 December 2017	Balance as of 31 December 2016
Multi-Year Pledges to Gavi from sovereign governments:		
Australia, Commonwealth of	109,295	115,256
Canada	239,031	295,714
Germany, Federal Republic of	47,922	83,638
Italy, Republic of	100,635	100,366
Korea, Republic of	4,000	4,000
Luxembourg, Grand Duchy of	2,947	3,429
Monaco, Principality of	539	575
Netherlands, State of the	111,058	150,131
Norway, Kingdom of	505,962	652,143
Qatar, State of	6,000	8,000
Saudi Arabia, Kingdom of	17,500	22,500
Swiss Confederation	410	390
United Kingdom	814,573	995,454
Total Multi-Year Pledges to Gavi from sovereign governments	1,959,872	2,431,596
Multi-Year Pledges to Gavi from corporations, foundations and private individuals:		
Alwaleed Bin Talal Foundation	604	805
Bill & Melinda Gates Foundation	865,000	1,165,000
Children's Investment Fund Foundation	-	31
China Merchants Group	1,000	-
Comic Relief	2,699	1,224
IFPW Foundation	497	715
Reckitt Benckiser	1,349	-
Serum Institute of India	5,802	15,671
Sultanate of Oman	1,800	2,400
UPS Foundation	500	267
Total Multi-Year Pledges to Gavi from corporations, foundations and private individuals	879,251	1,186,113
Multi-Year Pledges to IFFIm:		
Australia, Commonwealth of[1]	147,407	146,668
Australia, Commonwealth of[2]	17,595	21,675
France, Republic of[3]	139,169	151,001
France, Republic of[4]	684,937	647,128
France, Republic of[3]	179,805	-
Italy, Republic of	263,714	261,348
Norway, Kingdom of	54,879	69,720
Netherlands, State of the	50,000	-
South Africa, Republic of	9,000	10,000
Spain, Kingdom of	90,861	90,046
Sweden, Kingdom of	8,979	10,162
United Kingdom	1,374,737	1,378,621
Total Multi-Year Pledges to IFFIm	3,021,083	2,786,369
Multi-Year Pledges from AMC donors	388,500	423,217
Total Multi-Year Pledges from donors	6,248,706	6,827,295

[1] Acting through the Australian Agency for International Development.
[2] Acting through the Department of Foreign Affairs and Trade.
[3] Acting through Agence Française de Développement.
[4] Acting through the Ministry of Economy, Industry and Employment.

SCHEDULE 1.2: RECONCILIATION OF MULTI-YEAR PLEDGES TO CONTRIBUTIONS RECEIVABLE

The following table reconciles Multi-Year Pledges from donors, per Schedule 1.1 above, to the contributions receivable balances reported in the Consolidated Statements of Financial Position on page 26:

In Thousands of US$	2017	2016
Total Multi-Year Pledges from donors	6,248,706	6,827,295
Grant Payment reduction on Multi-Year Pledges to IFFIm	(353,466)	(348,296)
Unamortised discount on Multi-Year Pledges to Gavi	(36,122)	(50,362)
Unamortised discount on Multi-Year Pledges to IFFIm	(79,532)	(83,288)
Unamortised discount on Multi-Year Pledges from AMC donors	(17,512)	(18,033)
Total recorded contributions receivable	5,762,074	6,327,316

SCHEDULE 1.3: MULTI-YEAR PLEDGES TO GAVI, IN CURRENCIES OF PLEDGES

The following table presents the activity of Multi-Year Pledges to Gavi, for the year ended 31 December 2017, in the currencies of the pledges:

In Thousands, in Currencies of Pledges	Currency of Pledge		Balance as of 31 December 2016	New Pledges	Payments Received	Balance as of 31 December 2017
Multi-Year Pledges to Gavi from sovereign governments:						
Australia, Commonwealth of	A$	(AUD)	160,000	-	(20,000)	140,000
Canada	C$	(CAD)	400,000	-	(100,000)	300,000
Germany, Federal Republic of	€	(EUR)	80,000	-	(40,000)	40,000
Italy, Republic of	€	(EUR)	96,000	-	(12,000)	84,000
Korea, Republic of	US$	(USD)	4,000	-	-	4,000
Luxembourg, Grand Duchy of	€	(EUR)	3,280	-	(820)	2,460
Monaco, Principality of	€	(EUR)	550	-	(100)	450
Netherlands, State of the	€	(EUR)	143,600	-	(50,900)	92,700
Norway, Kingdom of	Nkr	(NOK)	5,662,000	-	(1,507,275)	4,154,725
Qatar, State of	US$	(USD)	8,000	-	(2,000)	6,000
Saudi Arabia, Kingdom of	US$	(USD)	22,500	-	(5,000)	17,500
Swiss Confederation	SFr	(CHF)	400	-	-	400
United Kingdom	£	(GBP)	813,000	-	(209,340)	603,660
Multi-Year Pledges to Gavi from corporations, foundations and private individuals:						
Alwaleed Bin Talal Foundation	US$	(USD)	805	-	(201)	604
Bill & Melinda Gates Foundation	US$	(USD)	1,165,000	-	(300,000)	865,000
Children's Investment Fund Foundation	US$	(USD)	31	-	(31)	-
China Merchants Group	US$	(USD)	-	1,500	(500)	1,000
Comic Relief	£	(GBP)	1,000	3,000	(2,000)	2,000
IFPW Foundation	US$	(USD)	715	-	(218)	497
Reckitt Benckiser Group	£	(GBP)	-	1,000	-	1,000
Serum Institute of India	US$	(USD)	15,533	-	(9,761)	5,772
Serum Institute of India	₹	(INR)	9,400	-	(7,520)	1,880
Sultanate of Oman	US$	(USD)	2,400	-	(600)	1,800
UPS Foundation	US$	(USD)	267	1,000	(767)	500

SCHEDULE 1.4: MULTI-YEAR PLEDGES TO IFFIm, IN CURRENCIES OF PLEDGES

The following table presents the activity of Multi-Year Pledges to IFFIm, for the year ended 31 December 2017, in the currencies of the pledges:

In Thousands, In Currencies of Pledges	Currency of Pledge		Balance as of 31 December 2016	GPC Adjustments	New Pledges	Payments Received	Balance as of 31 December 2017
Multi-Year Pledges to IFFIm:							
Australia, Commonwealth of	A$	(AUD)	233,000	(330)	-	(21,670)	211,000
France, Republic of	€	(EUR)	143,000	(404)	-	(26,496)	116,100
France, Republic of	€	(EUR)	612,840	(622)		(40,818)	571,400
France, Republic of	€	(EUR)	-	-	150,000	-	150,000
Italy, Republic of	€	(EUR)	247,500	(413)	-	(27,087)	220,000
Netherlands, State of the	US$	(USD)	-	-	66,417	(16,417)	50,000
Norway, Kingdom of	Nkr	(NOK)	600,000	(2,250)	-	(147,750)	450,000
South Africa, Republic of	US$	(USD)	10,000	(15)	-	(985)	9,000
Spain, Kingdom of	€	(EUR)	85,275	(142)	-	(9,333)	75,800
Sweden, Kingdom of	Skr	(SEK)	92,050	(276)	-	(18,134)	73,640
United Kingdom	£	(GBP)	1,120,556	(1,545)	-	(101,443)	1,017,568

SCHEDULE 1.5: ANNUAL CONTRIBUTIONS FROM DONORS

The following schedule details Annual Contributions received from donors during the year ended 31 December 2017, in both the currencies of the contributions and United States dollars:

In Thousands	Currency of Contri-bution		2017	2016	2017, in US$	2016, in US$
Annual Contributions from sovereign governments						
Canada	C$	(CAD)	20,000	-	16,122	-
China, People's Republic of	US$	(USD)	1,000	-	1,000	-
European Union	€	(EUR)	10,000	-	10,573	-
Germany, Federal Republic of	€	(EUR)	90,205	64,998	103,857	70,319
Ireland, Republic of	€	(EUR)	3,000	3,000	3,479	3,201
Japan	US$	(USD)	19,167	18,759	19,166	18,760
Korea, Republic of	US$	(USD)	4,000	-	4,000	-
Netherlands, State of the	€	(EUR)	1,580	-	1,857	-
Sweden, Kingdom of	Skr	(SEK)	300,000	300,000	33,187	36,931
United States of America	US$	(USD)	275,000	235,000	275,000	235,000
Total Annual Contributions from sovereign governments					468,241	364,211
Annual Contributions from corporations, foundations and private individuals						
Bill & Melinda Gates Foundation	US$	(USD)	50,990	7,013	50,990	7,013
Lions Club International Foundation	US$	(USD)	9,500	5,500	9,500	5,500
Red Nose Day Foundation	US$	(USD)	4,500	2,100	4,500	2,100
The Church of Jesus Christ of Latter-day Saints	US$	(USD)	1,000	1,200	1,000	1,200
The "la Caixa" Foundation	€	(EUR)	2,435	2,205	2,588	2,368
Other contributions	US$	(USD)	5,807	1,621	5,807	1,621
Total Annual Contributions from corporations, foundations and private individuals					74,385	19,802
Total Annual Contributions					542,626	384,013

SCHEDULE 1.6: RECONCILIATION OF ANNUAL CONTRIBUTIONS TO CONTRIBUTION REVENUE

The following table reconciles Annual Contributions per Schedule 1.5 above to contribution revenue reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements:

In Thousands of US$	2017	2016
Total Annual Contributions	542,626	384,013
Initial fair value of new Multi-Year Pledges received during the year[1]	205,604	1,106,126
Total recorded contribution revenue[2]	748,230	1,490,139

[1] In accordance with its accounting policy, the Gavi Group recorded the fair value of each new Multi-Year Pledge as contribution revenue on the date the donor signed the grant agreement. Therefore, this amount is included in the contribution revenue amount in the Gavi Group's Consolidated Statement of Activities.

[2] This amount represents the aggregate of unrestricted and temporarily restricted contribution revenue, including contributed goods, as presented in the Gavi Group's Consolidated Statement of Activities. Annual Contributions in foreign currency are translated to United States dollars in accordance with the Gavi Group's methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

Total recorded contribution revenue is comprised of:

In Thousands of US$	2017	2016
Unrestricted contributions from governments and private donors	452,503	381,366
Restricted contributions from governments and private donors	295,727	1,096,432
Restricted contributed goods	-	12,341
Total recorded contribution revenue	748,230	1,490,139

SCHEDULE 1.7: CASH RECEIPTS FROM DONORS, IN UNITED STATES DOLLAR

The following schedule details Gavi's cash received from donors during the year ended 31 December 2017, in United States dollar:

	Contribution Payments Received in 2017		
In Thousands of US$	For 2017 Pledges[1]	For Multi-Year Pledges[2]	Total Received
Sovereign governments:			
Australia, Commonwealth of	-	15,286	15,286
Canada	16,122	76,798	92,920
China, People's Republic of	1,000	-	1,000
European Union	10,573	-	10,573
Germany, Federal Republic of	103,857	45,924	149,781
Ireland, Republic of	3,479	-	3,479
Italy, Republic of	-	14,329	14,329
Japan	19,166	-	19,166
Korea, Republic of	4,000	-	4,000
Luxembourg, Grand Duchy of	-	872	872
Monaco, Principality of	-	108	108
Netherlands, State of the	1,857	60,364	62,221
Norway, Kingdom of	-	179,042	179,042
Qatar, State of	-	2,000	2,000
Saudi Arabia, Kingdom of	-	5,000	5,000
Sweden, Kingdom of	33,187	-	33,187
United Kingdom	-	270,304	270,304
United States of America	275,000	-	275,000
Total cash receipts from sovereign governments	468,241	670,027	1,138,268
Corporations, foundations and private individuals:			
Alwaleed Bin Talal Foundation	-	201	201
Bill & Melinda Gates Foundation	50,990	300,000	350,990
Children's Investment Fund Foundation	-	31	31
China Merchants Group	-	500	500
Comic Relief	-	2,688	2,688
IFPW Foundation	-	218	218
Lions Club International Foundation	9,500	-	9,500
Red Nose Day Foundation	4,500	-	4,500
Serum Institute of India	-	9,877	9,877
Sultanate of Oman	-	600	600
The Church of Jesus Christ of Latter-day Saints	1,000	-	1,000
The "la Caixa" Foundation	2,588	-	2,588
UPS Foundation	-	767	767
Other contributions	5,807	-	5,807
Total cash receipts from corporations, foundations and private individuals	74,385	314,882	389,267
Total cash receipts	542,626	984,909	1,527,535

[1] Amounts received in 2017 to fulfil pledges for 2017.
[2] Amounts received in 2017 to fulfil pledges for multi years.

SCHEDULE 1.8: CASH RECEIPTS FROM DONORS, IN CURRENCIES OF RECEIPTS

The following schedule details Gavi's cash received from donors during the year ended 31 December 2017, in currencies of receipts:

In Thousands, in Currencies of Receipts	Currency of Receipt		Contribution Payments Received in 2017: For 2017 Pledges[1]	For Multi-Year Pledges[2]	Total Received
Sovereign governments:					
Australia, Commonwealth of	A$	(AUD)	-	20,000	20,000
Canada	C$	(CAD)	20,000	100,000	120,000
China, People's Republic of	US$	(USD)	1,000	-	1,000
European Union	€	(EUR)	10,000	-	10,000
Germany, Federal Republic of	€	(EUR)	90,205	40,000	130,205
Ireland, Republic of	€	(EUR)	3,000	-	3,000
Italy, Republic of	€	(EUR)	-	12,000	12,000
Japan	US$	(USD)	19,167	-	19,167
Korea, Republic of	US$	(USD)	4,000	-	4,000
Luxembourg, Grand Duchy of	€	(EUR)	-	820	820
Monaco, Principality of	€	(EUR)	-	100	100
Netherlands, State of the	€	(EUR)	1,580	50,900	52,480
Norway, Kingdom of	Nkr	(NOK)	-	1,507,275	1,507,275
Qatar, State of	US$	(USD)	-	2,000	2,000
Saudi Arabia, Kingdom of	US$	(USD)	-	5,000	5,000
Sweden, Kingdom of	Skr	(SEK)	300,000	-	300,000
United Kingdom	£	(GBP)	-	209,340	209,340
United States of America	US$	(USD)	275,000	-	275,000
Corporations, foundations and private individuals:					
Alwaleed Bin Talal Foundation	US$	(USD)	-	201	201
Bill & Melinda Gates Foundation	US$	(USD)	50,990	300,000	350,990
Children's Investment Fund Foundation	US$	(USD)	-	31	31
China Merchants Group	US$	(USD)	-	500	500
Comic Relief	£	(GBP)	-	2,000	2,000
IFPW Foundation	US$	(USD)	-	218	218
Lions Club International Foundation	US$	(USD)	9,500	-	9,500
Red Nose Day Foundation	US$	(USD)	4,500	-	4,500
Serum Institute of India	US$	(USD)	-	9,761	9,761
Serum Institute of India	₹	(INR)	-	7,520	7,520
Sultanate of Oman	US$	(USD)	-	600	600
The Church of Jesus Christ of Latter-day Saints	US$	(USD)	1,000	-	1,000
The "la Caixa" Foundation	€	(EUR)	2,435	-	2,435
UPS Foundation	US$	(USD)	-	767	767
Other contributions	US$	(USD)	5,807	-	5,807

[1] Amounts received in 2017 to fulfil pledges for 2017.
[2] Amounts received in 2017 to fulfil pledges for multi years.

EXPENSES SCHEDULES

Schedules 2.1 to 2.4 provide details of the following categories of Gavi Group's expenses:

- Country Programme Expenses: Gavi directly incurs expenses to procure and distribute vaccines to countries (e.g. the cost of vaccines, freight and insurance) and related to Gavi's core vaccine and cash programmes and investment cases.
- Partner Programme Expenses: Gavi incurs expenses to provide funding to partners through the partners' engagement framework (PEF). In June 2015, the Board approved the structure for the PEF, which came into force in 2016. Through PEF, Gavi provides funding to partners and allows the partners to support countries' immunisation programmes. Support under PEF is divided into three areas: targeted country assistance, strategic focus areas, and foundational support. Most PEF funding is allocated to targeted country assistance. PEF gives priority to the 20 countries that face the most severe immunisation challenges and aims to meet the specific needs of each country. In 2016 and 2017, the priority countries were the Islamic Republic of Afghanistan, Republic of Chad, Federal Republic of Nigeria, Republic of Uganda, Islamic Republic of Pakistan, Republic of Indonesia, Democratic Republic of the Congo, Republic of India, Republic of Kenya, Federal Democratic Republic of Ethiopia, Republic of the Niger, Central African Republic, Republic of the Union of Myanmar, Republic of Haiti, Federal Republic of Somalia, Republic of Yemen, Republic of Mozambique, Independent State of Papua New Guinea, Republic of Madagascar, and the Republic of South Sudan.
- Professional Fees: The Gavi Group incurs expenses to engage external technical and expert advisors and consultants as needed.

SCHEDULE 2.1: COUNTRY PROGRAMME EXPENSES, BY RECIPIENT COUNTRY

The following schedule details country programme expenses, by recipient country, incurred by the Gavi Group during the years ended 31 December 2017 and 2016:

	2017			2016		
In Thousands of US$	Vaccine Support[1]	Cash Grants	Total	Vaccine Support[1]	Cash Grants	Total
Afghanistan, Islamic Republic of	14,795	18,485	33,280	21,528	11,065	32,593
Angola, Republic of	4,671	3,215	7,886	-	4,233	4,233
Armenia, Republic of	454	203	657	164	559	723
Azerbaijan, Republic of	441	-	441	968	-	968
Bangladesh, People's Republic of	59,046	3,148	62,194	74,469	22,974	97,443
Benin, Republic of	8,844	6,596	15,440	6,008	1,588	7,596
Bhutan, Kingdom of	30	-	30	-	-	-
Bolivia, Plurinational State of	-	283	283	1,590	4,463	6,053
Burkina Faso	15,178	4,644	19,822	22,166	4,486	26,652
Burundi, Republic of	5,611	-	5,611	8,670	4,013	12,683
Cambodia, Kingdom of	6,081	1,049	7,130	5,535	192	5,727
Cameroun, Republic of	12,480	760	13,240	11,059	5,821	16,880
Central African Republic	2,340	7,425	9,765	4,084	2,469	6,553
Chad, Republic of	2,271	749	3,020	7,342	4,550	11,892
Comoros, Union of the	67	-	67	20	-	20
Congo, Republic of the	914	957	1,871	483	520	1,003
Congo, Democratic Republic of the	51,952	3,187	55,139	50,488	43,808	94,296
Côte d'Ivoire, Republic of	29,978	14,735	44,713	7,909	243	8,152
Cuba, Republic of	79	-	79	312	158	470
Djibouti, Republic of	350	1,396	1,746	510	-	510
Eritrea, State of	3,375	1,115	4,490	2,234	2,432	4,666
Ethiopia, Federal Democratic Republic of	49,190	5,641	54,831	73,200	42,198	115,398
Gambia, Republic of the	1,257	774	2,031	820	55	875
Georgia	230	172	402	195	209	404
Ghana, Republic of	10,256	223	10,479	19,884	4,879	24,763
Guinea, Republic of	9,852	18,906	28,758	979	-	979

Continued to page 85

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In Thousands of US$	2017 Vaccine Support[1]	2017 Cash Grants	2017 Total	2016 Vaccine Support[1]	2016 Cash Grants	2016 Total
Guinea Bissau, Republic of	613	-	613	1,194	-	1,194
Guyana, Co-operative Republic of	85	100	185	-	28	28
Haiti, Republic of	2,161	-	2,161	5,723	26	5,749
Honduras, Republic of	244	1,199	1,443	1,137	291	1,428
India, Republic of	85,543	61,013	146,556	146,682	38,620	185,302
Indonesia, Republic of	11,118	-	11,118	36,381	4,185	40,566
Kenya, Republic of	12,205	1,708	13,913	25,156	7,826	32,982
Kiribati, Republic of	14	-	14	-	-	-
Korea, Democratic People's Republic of	1,620	2,622	4,242	1,085	7,572	8,657
Kyrgyz Republic	932	-	932	2,555	-	2,555
Lao People's Democratic Republic	1,770	3,528	5,298	1,858	3,949	5,807
Lesotho, Kingdom of	336	639	975	1,628	767	2,395
Liberia	4,319	7,906	12,225	1,486	-	1,486
Madagascar, Republic of	16,874	-	16,874	15,697	-	15,697
Malawi, Republic of	5,640	27,602	33,242	17,614	-	17,614
Mali, Republic of	12,587	-	12,587	23,279	2,498	25,777
Mauritania, Islamic Republic of	3,125	2,375	5,500	2,073	1,644	3,717
Moldova, Republic of	433	203	636	-	243	243
Mongolia	186	-	186	-	-	-
Mozambique, Republic of	26,470	10,358	36,828	21,120	5,026	26,146
Myanmar, Republic of the Union of	5,472	-	5,472	18,383	29,978	48,361
Nepal, Federal Democratic Republic of	6,761	514	7,275	8,553	-	8,553
Nicaragua, Republic of	536	240	776	1,933	633	2,566
Niger, Republic of the	15,433	700	16,133	14,018	3,003	17,021
Nigeria, Federal Republic of	52,831	8,186	61,017	60,178	-	60,178
Pakistan, Islamic Republic of	118,558	40,837	159,395	95,282	64,188	159,470
Papua New Guinea, Independent State of	1,276	1,969	3,245	1,174	-	1,174
Rwanda, Republic of	4,723	1,011	5,734	6,425	2,669	9,094
Sâo Tomé	171	1,085	1,256	159	147	306
Senegal, Republic of	13,608	5,044	18,652	48	2,560	2,608
Sierra Leone, Republic of	6,101	7,747	13,848	3,236	25	3,261
Solomon Island	204	1,381	1,585	273	-	273
Somalia, Federal Republic of	2,486	12,632	15,118	1,814	2,000	3,814
Sri Lanka, Democratic Socialist Republic of	1,353	417	1,770	59	-	59
South Sudan, Republic of	4,582	1,188	5,770	1,810	-	1,810
Sudan, Republic of the	19,178	-	19,178	28,882	11,860	40,742
Tajikistan, Republic of	1,804	-	1,804	2,118	4,140	6,258
Tanzania, United Republic of	39,412	390	39,802	26,811	1,600	28,411
Timor-Leste, Democratic Republic of	77	2,732	2,809	129	308	437
Togolese Republic	7,598	6,381	13,979	3,928	-	3,928
Uganda, Republic of	26,460	13,181	39,641	36,016	5,988	42,004
Uzbekistan, Republic of	4,322	-	4,322	4,305	228	4,533
Vietnam, Socialist Republic of	901	-	901	13,098	8,429	21,527
Yemen, Republic of	13,687	3,360	17,047	18,254	3,359	21,613
Zambia, Republic of	11,377	-	11,377	14,962	10,860	25,822
Zimbabwe, Republic of	15,150	862	16,012	5,367	2,437	7,804
Total country programme expenses	850,078	322,773	1,172,851	992,500	388,002	1,380,502

[1] Vaccine support includes support for new vaccine and cold chain equipment.

SCHEDULE 2.2: PARTNER PROGRAMME EXPENSES

The following schedule details partner programme expenses during the years ended 31 December 2017 and 2016:

In Thousands of US$	2017	2016
United Nations Children's Fund	51,048	68,597
World Health Organization	32,390	77,451
The World Bank	9,346	5,527
Centers for Disease Control and Prevention	5,156	-
Girl Effect	4,932	-
CDC Foundation	3,672	8,163
Catholic Relief Services	3,347	1,704
JSI Research and Technologies	2,013	1,152
Program for Appropriate Technology in Health	1,708	1,854
London School of Hygiene & Tropical Medicine	1,618	1,508
International Centre for Diarrhoeal Disease Research	1,413	1,062
Murdoch Childrens Research Institute	1,373	676
Oxford University	1,159	1,349
Emory University	1,016	89
John Hopkins University	928	288
Clinton Health Access Initiative	858	114
Aga Khan University	794	1,548
Agence Européenne pour le Développement et la Santé	791	162
Nexleaf Analytics	734	-
Swiss Tropical and Public Health Institute	559	662
Sabine Vaccine Institute	512	704
Khushi Baby Inc	500	-
VillageReach	451	53
University of Rwanda	429	-
Dalberg Global Development Advisors	411	-
Imperial College of Science Technology and Medicine	390	-
Deloitte Consulting LLP	352	546
Results for Development	318	-
Pharos Global Health Advisors	227	44
IRD Global Limited	190	-
PricewaterhouseCoopers	187	9
Agence de Mèdicine Prèventive	180	388
CREDES	154	-
Group M	142	-
University Research Co., LLC	120	40
Yale University	116	-
MB Consulting Ltd	107	-
Royal Tropical Institute	95	45
GFA Consulting Group GmbH	68	-
Imperial Health Sciences	50	-
Union of National African Paediatric Societies and Associations	36	-
Mott MacDonald	33	-
Bangladesh Rural Advancement Committee	32	21
University of Washington	30	3,298
Speak Up Africa	30	-
GaneshAID	23	-
Groupement d'Intérêt économique de Vaccinologie et Logistique	2	-
International Federation of Pharmaceutical Wholesalers	-	429
International Federation of Red Cross and Red Crescent Societies	-	350
REPAOC	-	262
United Nations Population Fund	-	221
The Boston Consulting Group	-	212
United Nations Foundation	-	89
Acasus	-	61
one23 Partnership	-	21
Total partner programme expenses	130,040	178,699

SCHEDULE 2.3: RECONCILIATION OF COUNTRY AND PARTNER PROGRAMME EXPENSES TO PROGRAMME EXPENSES

The following table reconciles country programme expenses, per Schedule 2.1 above, and partner programme expenses, per Schedule 2.2 above, to programme expenses reported in the Consolidated Statements of Activities on page 27 of the consolidated financial statements:

In Thousands of US$	2017	2016
Total country programme expenses	1,172,851	1,380,502
Total partner programme expenses	130,040	178,699
Provision for country programme expenses	245,403	49,612
Recovery of prior year grants	(15,287)	(44,000)
Allocated operating expenses	58,218	57,274
Total programme expenses	1,591,225	1,622,087

SCHEDULE 2.4: PROFESSIONAL FEES

The following schedule details professional fees incurred by the Gavi Group during the years ended 31 December 2017 and 2016:

In Thousands of US$	2017	2016
Consulting services	14,433	15,190
Information technology	7,293	5,341
IFFIm's treasury management fees	1,961	2,018
Temporary staffing	1,452	1,229
Audit and accounting	1,142	1,144
Legal services	387	1,044
In-kind services	661	1,021
Other professional fees	136	152
Total professional fees	27,465	27,139

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Independent Auditors' Report on Supplementary Information

The Board of Directors

The GAVI Alliance, Geneva

We have audited the consolidated financial statements of the GAVI Alliance as of and for the years ended 31 December 2017 and 2016, and have issued our report thereon dated 31 August 2018 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Pledges and Contributions Schedules 1.1 to 1.8 and Expenses Schedules 2.1 to 2.4 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert

Evgenia Lopushanskaya

Geneva, Switzerland, 31 August 2018