

AERAS™



ANNUAL REPORT UPDATE
2010

Developing New TB Vaccines For the World

Dear Friends, Donors and Stakeholders,

Aeras is a dynamic organization operating in a rapidly-changing environment. It is our mission to develop new tuberculosis vaccines for the world, and this year we have undertaken a number of initiatives to lead us through positive and sustained transformation as an organization to help us achieve our aim.

One of those key initiatives was the development of a five-year strategic plan to guide and direct our efforts. The core objectives during the 2012-2016 time period include:

- Advancing several vaccine candidates into Phase III efficacy trials for potential licensure
- Building a robust and diverse pipeline of innovative, next-generation candidates
- Developing and utilizing key scientific approaches including challenge models and systems biology to strengthen and accelerate TB vaccine development
- Strengthening and diversifying our funding base to sustain our advancing and increasingly expensive TB vaccine R&D efforts

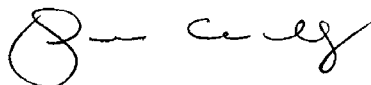
To achieve these objectives, Aeras has also articulated a set of organizational Core Values that are inextricably linked to our humanitarian mission. Our mission defines our purpose and our Core Values – Excellence, Leadership, Collaboration, Respect and Integrity – define how we work both internally and externally with our global network of partners and stakeholders.

These values guide us as we refine our systems, processes and operations to combine the efficiency characteristic of a for-profit business with the collaborative spirit of a community coming together to solve one of the most complex problems of our time.

We are using our resources to advance our current clinical portfolio in the most cost-effective way and to ensure that the most promising TB vaccine candidates are appropriately prioritized in clinical development through a process of stage-gating: systematically evaluating results at each juncture before deciding whether to advance a vaccine candidate. We are focused on diversifying our network of support by forging new partnerships and utilizing our process development and manufacturing capabilities to support poverty-related vaccine developers in meeting their manufacturing needs, while creating a more sustainable model to support Aeras' mission to develop TB vaccines.

With the recognition that Aeras, or any one organization for that matter, can't tackle this on our own, we have developed a renewed focus on collaboration and increased transparency in an attempt to better leverage and engage the world's experts in this area. Aeras and the National Institute of Allergy and Infectious Diseases (NIAID) convened many of the best and brightest TB, vaccine and regulatory experts in March and September to look at novel approaches to TB vaccine development. Also in September, Aeras, the Chinese Center for Disease Control and Prevention and The Bill & Melinda Gates Foundation co-hosted a symposium helping to create linkages among the foremost vaccine development experts in China with others from across the globe.

Together, we can overcome TB's ability to outsmart our best efforts to control it. Like most great undertakings, TB vaccine development requires the patience of a visionary combined with the sweat of a marathon runner. By recalibrating everything we do through the lens of our Core Values, I am confident that Aeras can achieve its goals and ultimately its mission to deliver more effective TB vaccines to those who need them most.



James E. Connolly
President and CEO



Accelerating Development of New TB Vaccines

Tuberculosis is the second leading infectious disease killer in the world and continues to devastate lives globally. Science's current arsenal of tools saves lives every day but has failed to reverse the global epidemic. As virtually untreatable forms of tuberculosis become more common, researchers throughout the world are accelerating the search for effective vaccines. Aeras and its product development partners are conducting clinical trials of five investigational TB vaccines in Africa, Asia, Europe and North America to find the most effective vaccine regimen and deliver it to the children, women and men who need it worldwide.

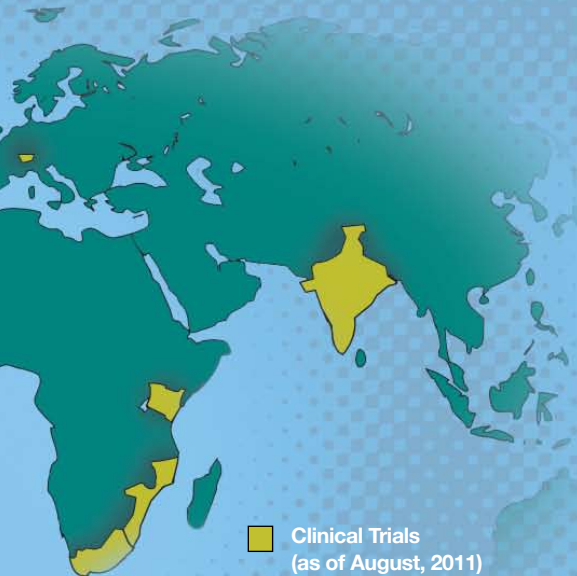


Advancing the Pipeline

Aeras and its partners are testing two TB vaccine candidates in three Phase IIb proof-of-concept clinical trials at several locations throughout sub-Saharan Africa. This unprecedented momentum in late-stage clinical development, in which nearly 8000 adults living with HIV and infants will be enrolled across the three trials, will provide important safety and efficacy information about two candidates, MVA85A, which is being developed by Aeras and the Oxford-Emergent Tuberculosis Consortium, and AERAS-402/Crucell Ad35, co-developed by Aeras and Crucell. Learn more about Aeras' clinical progress on our website: www.aeras.org/portfolio.

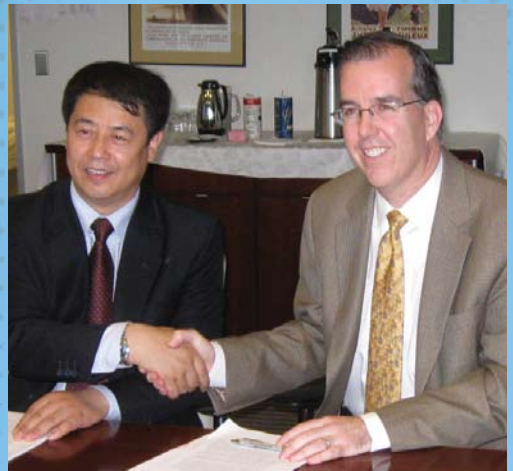
Convening the Field

TB vaccine research is a complex undertaking and requires a coordinated global effort. Aeras has renewed its focus on convening leaders in the TB vaccine field, co-organizing with TBVI *TB Vaccines: The Second Global Forum* in Tallinn, Estonia in September 2010 and co-sponsoring with the National Institute of Allergy and Infectious Diseases (NIAID) a scientific symposium on novel areas of TB vaccine research in March 2011. In September 2011, Aeras co-hosted a second scientific symposium with NIAID (pictured) and convened vaccine researchers from China and around the world in Beijing in a meeting co-organized by the Chinese Center of Disease Control and Prevention and the Bill & Melinda Gates Foundation.



Forging Novel Collaborations

Aeras is forming new partnerships to address the complexities and costs of TB vaccine development. In particular, Aeras is joining forces with prominent biotech groups in emerging economies, where there is both an acute need for new TB vaccines and the expertise and resources to help bring them to fruition. In May 2011, Aeras President & CEO Jim Connolly signed a memorandum of understanding with Xiaoming Yang, President of the China National Biotech Group, the largest biotech corporation in China engaged in the research and development, manufacturing and marketing of biological products (pictured).



2010 Financials – At a Glance

Statement of Activities

2010 Audited

Revenue

Contributions from foundations	30,970,181
Government grants	9,072,766
Interest	85,166
Other	4,806,253
Total public support and revenue	44,934,366

Expenses

VACCINE R&D PROGRAMS

Vaccine Assessment	6,383,466
Vaccine Discovery	6,221,537
Technical Operations	14,018,127
Clinical	17,712,562
Total program expense	44,335,692

SUPPORT SERVICES

Advocacy	1,029,985
Management and general	6,234,586
Total support services expense	7,264,571

Total program and support services expense 51,600,263

Change in net assets before currency (loss) gain (6,665,897)

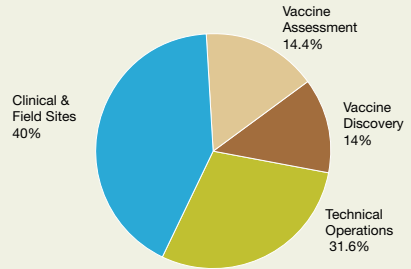
Foreign Currency (loss) gain (228,332)

Change in net assets (6,894,229)

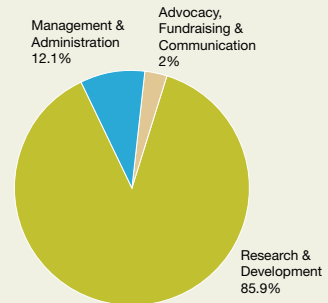
Net assets, beginning of year 43,677,599

Net assets, end of year 36,783,370

2010 Vaccine Research Expenses



2010 Total Program & Support Services



Amounts are in US dollars. Audited annual financial statements are available upon request.

Donors

Aeras can only be successful with the continued support of our donors. Aeras gratefully acknowledges the following donors whose contributions in support of our work is deeply appreciated.

BILL & MELINDA
GATES foundation



Buitenlandse
Zaken



National Institute of
Allergy and
Infectious Diseases
National Institutes of Health





“A new tuberculosis vaccine could prevent millions of people from dying of tuberculosis as well as from becoming quite ill; from struggling to put food on the table because they must rest or care for loved ones for months or even years and can’t work; from losing a child, sibling, father, mother or spouse or partner. The prospect of a new TB vaccine gives me hope for the future.”

– Lucy Ghati, Program Officer for the National Empowerment Network of People Living with HIV and AIDS in Kenya

A photograph of four young girls in school uniforms, smiling and laughing together. The image is overlaid with a blue tint.

View our Annual Report online
at www.aeras.org/annualreport2010

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