INTERIM FINANCIAL REPORT

30 June 2017

Contents

2017 KEY OPERATIONAL ACTIVITIES

1- The Funding Model

The Global Fund's allocation-based funding model, rolled out in 2014, aims to invest for impact by focusing resources where they are needed most.

The financial year 2017 is critical as it is the final year of implementation for approximately 70 percent of grants from the 2014-2016 allocation period. In addition, 90 percent of the sources of funds allocated for the 2017-2019 allocation will be available for new grant signings by the end of 2017. This creates a bridge between allocation periods. Consequently, robust absorption analysis and reconciliation are key activities being undertaken by the Secretariat to enable effective decision making.

Allocation for the period 2017-2019

Following the successful Fifth Replenishment Conference results achieved in September 2016, the Global Fund communicated allocation amounts to eligible countries in December 2016. The allocation methodology drives more funding to higher burden, lower income countries to maximize impact. It specifically accounts for HIV epidemics among key populations, the threat of MDR-TB, and for malaria elimination efforts. It also provides sustainable and paced reductions where funding is decreasing.

The total amount of funds approved by the Global Fund Board for the 2017-2019 allocation period is USD 11.1 billion. That includes USD 10.3 billion for country allocations and USD 800 million for catalytic investments.

Figure 1 below provides an update on the current status of the 2017-2019 allocation:

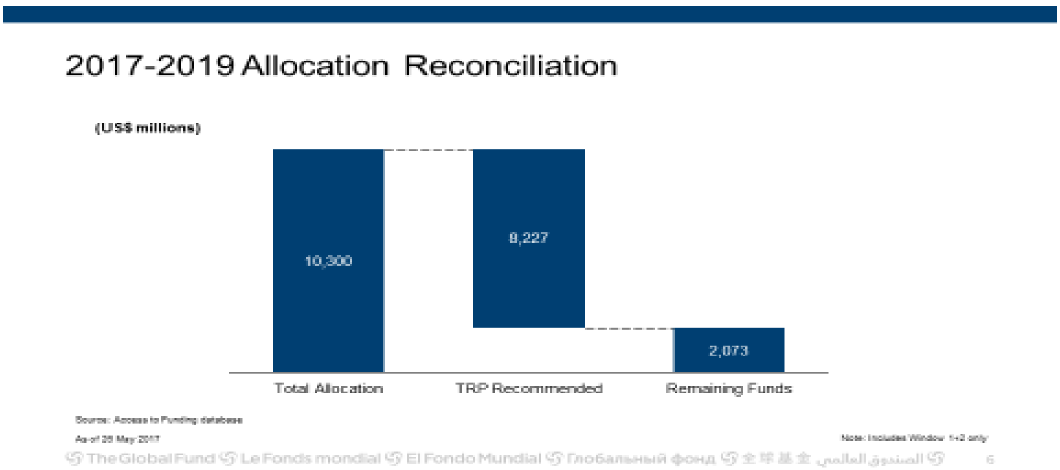


Figure 1: 2017-2019 Allocation

Catalytic investments are split between priority areas as follows.

HIV	USD 200 million	Key Populations; Human Rights; Adolescent Girls and Young Women
TB	USD 190 million	Finding missing TB cases and TB Multi-Country Responses
Malaria	USD 202 million	Malaria Elimination; Drug and Long Lasting Insecticidal Net Resistance; Piloting first Malaria Vaccine
Resilient and Sustainable Systems for Health	USD 166 million	Program Sustainability; Service Delivery & Health Workforce; Supply Chain Strengthening; Data Systems and Use for Program Quality; Community Rights and Gender
Broader Strategic	USD 42 million	Prospective Country Evaluations; Emergency Fund
Total	**USD 800 million**	

In addition, the Board has identified three distinct modalities for the operationalization of catalytic investments, with the following funding split.

Matching Funds	USD 356 million	44.5 percent
Strategic Initiatives	USD 172 million	21.5 percent
Multi-country Proposals	USD 272 million	34 percent
Total	**USD 800 million**	**100 percent**

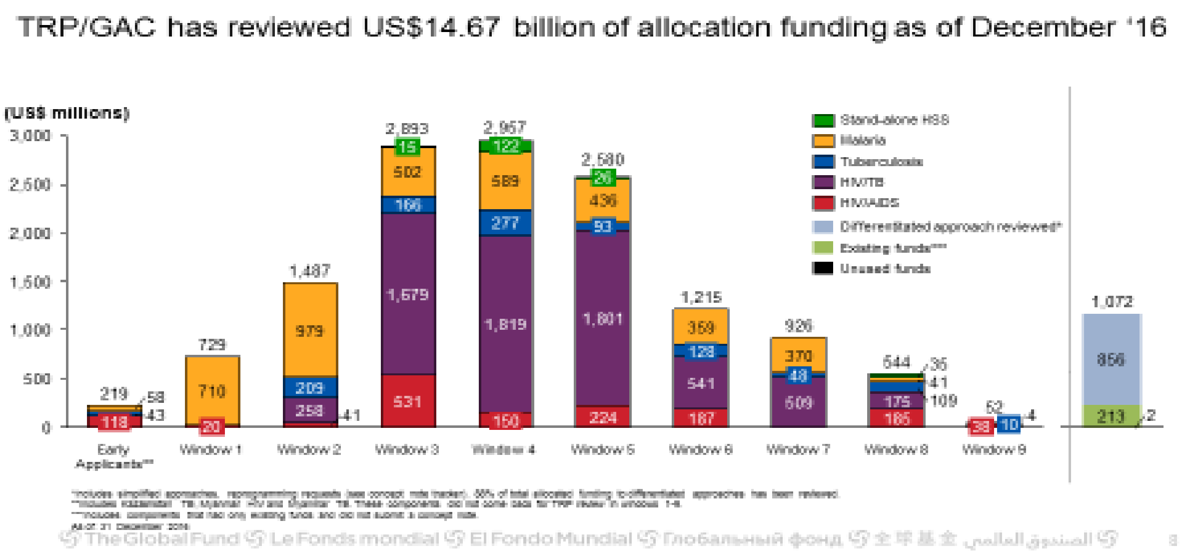
Eligible applicants can apply for both matching funds and multicountry funding. Strategic initiatives are managed by the Secretariat.

In the first half of 2017 there were two submission windows for funding requests. The outcome of review and evaluation of these funding requests is summarized below:

- In windows 1 and 2 the Technical Review Panel (TRP) reviewed USD 8.8 billion in allocation funding from a total of 145 new applications and 1 iteration. From these submissions the TRP recommended USD 8.2 billion, representing 80 percent of allocation funding. Grants from these funding requests are expected to come to the Board for approval in the second half of 2017.
- The TRP has recommended one multicountry proposal to date, for a total of USD 119 million awarded in multicountry catalytic investments.
- The TRP reviewed 37 requests for matching funds from catalytic investments and recommended 29 matching funds requests for a total of USD 163 million.
- From window 1 the TRP recommended USD 1 billion for the Register of Unfunded Quality Demand[1]. USD 1.7 billion was requested as Prioritized above Allocation in window 2 and the TRP recommended USD 1.4 billion for the Register of Unfunded Quality Demand.

[1] The register is available for download on the Register of Unfunded Quality Demand page.

Figure 2: Update on allocation for the period 2014-2016



2- Replenishment update

Under its replenishment mechanism, every three years, the Global Fund convenes donors, implementers and other key partners to discuss funding for the succeeding three-year period (the "Replenishment Period"). This mechanism allows for greater predictability and enables both the Global Fund and implementing countries to establish long-term plans for fighting the three diseases.

Update on the Fifth Replenishment Results

At the launch of the Global Fund's Fifth Replenishment in September 2016, donors pledged over USD 12.9 billion[2] for the next three years, demonstrating extraordinary global commitment towards ending the epidemics of HIV/AIDS, tuberculosis and malaria for good.

Since the Fifth Replenishment Conference some public donors, including Germany, Kuwait, Liechtenstein, the Netherlands, Portugal, and a few private sector donors have announced new or increased pledges for the 2017-2019 period. The incremental amount of pledges received since September 2016 is USD 33.1 million. With a strong action plan in place, the Global Fund is determined to continue its resource mobilisation efforts to ensure full conversion of pledges and secure additional pledges for the current period. The main focus of the action plan for 2017-2019 will be on major public donors; new, small and returning donors; the Middle East; BRICS and other G20 countries as well as the private sector.

The interim period ended 30 June 2017 has seen steady progress in the signing and delivery of contribution agreements linked to the Fifth Replenishment. As of June 2017, over USD 3 billion of contributions were raised against the pledges announced for the Fifth Replenishment. A majority of public donors have shifted to bilateral contribution agreements with the Global Fund. As of end June 2017, the number of public donors expected to sign a bilateral contribution agreement increased to 32 (out of 36), with 21 contribution agreements already signed. The preferred mode of contributions

[2] The U.S. dollar equivalent value of pledges made in non-U.S. dollar currencies are calculated at an exchange rate based on a five-year moving average, computed on 15 September 2016 from spot rates listed on Thomson Reuters.

continued to be cash through signed contribution agreements including multi-year payment schedules which significantly enhance the Secretariat's ability to perform effective cash and foreign-exchange management.

Over recent months, there has been further interest in the Global Fund's debt swap mechanism, with debt swaps having been agreed, subject to ratification, with Spain as the third creditor country, after Germany and Australia, to support Debt2Health. The Global Fund also continued to support other domestic resource mobilization initiatives, including the launch of the "Africans for Africa" platform, in partnership with Ecobank Foundation and the *MyAfricaThriving* Foundation, aimed at investing towards a transformed and prosperous Africa. Tata Trusts and the Global Fund worked towards the continued expansion of the India Health Fund to increase co-investments in health programs in India.

3- Supply chain implementation plan

Since its onset in 2016 the Global Fund has prioritized supply chain as one of seven focus areas and developed a supply chain implementation plan to ensure the achievement of *"Universal availability of health products at the point of service through sustainable, resilient and high performing supply chains"*. Under this plan the success criteria have been defined by five strategic objectives:

i. Improved product availability at healthcare facilities to ensure undisrupted treatments for millions of patients around the world;
ii. Reduced risks of expiry, handling damage and other forms of waste for the approximately USD 2 billion of commodities procured each year;
iii. Increased control and identification of opportunities for the approximately USD 500 million annual supply chain cost;
iv. Improved forecast accuracy for efficient procurement services; and
v. Fast replenishment through higher inventory turn-over to increase the responsiveness to patient needs.

The following figure provides a holistic view on the Supply Chain Implementation Plan:

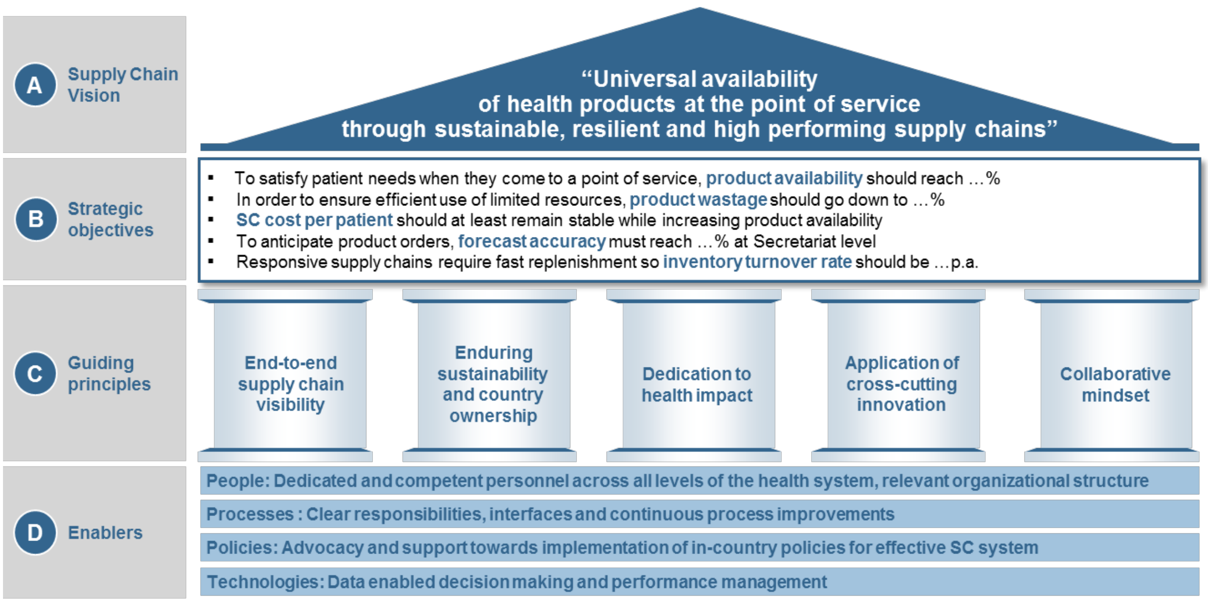


Figure 3: Framework and pillars of the Supply Chain Implementation Plan

A close collaboration between the Global Fund, Principal Recipients, our partners in the countries and other financiers has been identified as a critical enabler for the achievement of the strategic objectives outlined above. As a result, the Global Fund Supply Chain Implementation Plan includes transformational initiatives at all levels presented in figure 4 below:

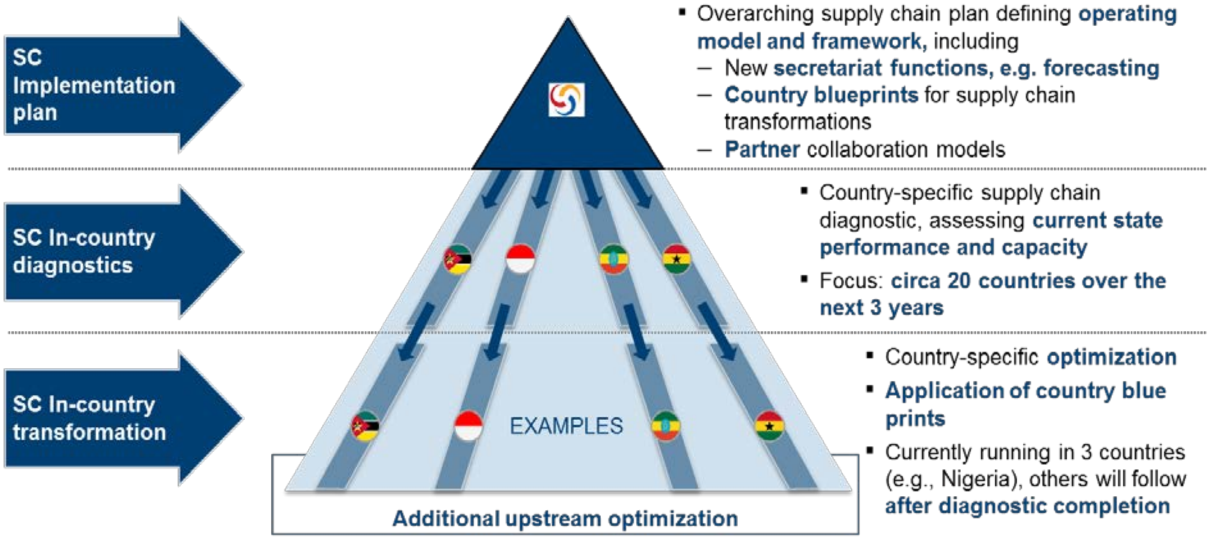


Figure 4: Overview of Supply Chain Implementation Plan, Diagnostic and Transformation

The implementation plan stretches until 2019, and represents a large-scale transformational program for all stakeholders. It is expected that the initial milestones of increasing data visibility and developing the transformation plans for pilot countries will be achieved during 2017.

FINANCIAL COMMENTARY

When compared with the financial position at 31 December 2016, the interim condensed consolidated statement of financial position shows a 2 percent increase in funds during the first six months of FY 2017. While the asset base reduced by 5 percent, the total liabilities reduced by 15 percent. The interim financial results reflect a typical operational cycle in the first year of the new allocation period, wherein the Secretariat is extensively working on grant making for the funds approved under the new allocation period 2017-2019. The financial impact of grant making will start to be reflected in the financial statements starting the last quarter of the year.

The grant liabilities reduced by 20 percent representing a draw-down of commitments made for the last allocation 2014-2016. The grant expenditure simultaneously dropped by 34 percent over the previous half-year.

When compared with the financial results during the first half of 2016, the operational income from donor contributions reduced by 27 percent over the previous half-year, since a majority of the new contributions under the Fifth Replenishment were recognized during the last quarter of FY 2016.

Key progress on the following core financial components achieved during the first half year of 2017 has been analysed below:

1. Financial Management framework
2. Donor pledges and contributions
3. Grant commitments and disbursements
4. Operating expenses
5. The Global Fund Provident Fund

1. Financial management framework

The Global Foreign-Exchange (FX) Management Framework was designed for the effective management of FX exposures arising from each element included in the Global Fund's asset-liability management framework, as envisaged in the Comprehensive Funding Policy. This includes on-balance sheet items, as well as future assets and liabilities pending the signature and recognition of contribution agreements and grant funding decisions (off-balance sheet items), respectively. The hedging of both on and off-balance sheet items is made on a portfolio level and controlled with a specific risk metrics utilizing value-at-risk (VaR).

FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance sheet items, i.e. on assets and liabilities, as well as FX effects on off-balance sheet items, which are not reported in the profit and loss accounts. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

In the period under consideration, the currencies in which the Global Fund's assets and liabilities are denominated generally increased in value against the Global Fund's functional currency, the U.S. dollar. This led to significant FX gains on assets, as well as more FX losses on liabilities. Conversely, fluctuations in FX rates led to losses on FX hedging instruments. In the period under consideration, and due to the hedging of off-balance sheet items, FX losses on hedging instruments exceeded FX gains on assets and liabilities.

The figure below provides a comprehensive *Asset-Liability* view of the FX results, which includes the accounting FX results as reported in note 5.5 of the 2017 condensed consolidated interim financial statements and the economic effect on pledges and other off-balance sheet positions:

USD million	Before hedges	Hedge	Net
Accounting FX results (on-balance sheet)	169	(191)	**(22)**
Economic FX results (off-balance sheet)	112	-	**112**
Total FX effect	**281**	**(191)**	**90**

2. Donor contributions

The net revenue recognized during the first six months of 2017 was USD 1,319 million (2016: USD 1,810 million), a reduction of 27 percent. The encashment of all contributions receivable are on track. No additional provision for impairment was deemed necessary for the reporting period.

The contribution income includes:
- USD 1,289 million from sovereign donor governments;
- USD 21 million from Product (RED), of which USD 10 million was received as revenue through the U.S. Fund for the Global Fund. A majority of US based (RED) partners have started to contribute directly to the U.S. Fund for the Global Fund in order to benefit from the tax exemptions available for donations made to that US charity. The cash contributions are transferred to the Global Fund on a periodic basis;
- USD 7 million from private foundations; and
- USD 2 million from a banking corporation.

3. Grant commitments and disbursements

During the first half of 2017, the Secretariat reported USD 1,121 million (2016: 1,710 million, reduction of 34 percent) in grant expenditure which includes:

- Net new grant commitments for USD 1,107 million (2016: USD 1,682 million). This includes USD 369 million PPM commitments, of which USD 246 million were procurement orders placed through Wambo. During the second half-year all new PPM orders will be placed through Wambo to fully optimize the online procurement platform;
- USD 6 million for the Private Sector Co-payment Mechanism (2016: USD 20 million); and
- USD 8 million for Special Initiatives projects (2016: USD 8 million).

The value of grant disbursements during the first half-year 2017 was USD 1,775 million (2016: USD 1,558 million), an increase of 14 percent. The grant disbursements can be analysed as follows:
- USD 1,384 million was paid to the Principal Recipients and third-party suppliers contracted by them (2016: USD 1,130 million);
- USD 376 million was paid as advances to the PSAs for grant pharmaceutical products to be delivered to the Principal Recipients under PPM (during Jan-2016: USD 403 million), of which, USD 82 million remained outstanding as at 30 June 2017 (31 December 2016: USD 41 million).
- USD 7 million disbursed through the Private Sector Co-payment Mechanism (2016: USD 17 million); and
- USD 8 million was paid for Special Initiatives and other catalytic investment projects (2016: USD 8 million).

2017 is the final year of implementation for the majority of the grants from the 2014-2016 allocation period, which explains the decrease in new grant commitments versus the same period in 2016. The disbursement increase over the first half of 2017 confirms the accelerated pace in implementation noted in 2016. This trend is expected to slow over the second half of the year as the current grants end and new grants are prepared for implementation in 2018.

In line with this acceleration of implementation in 2017, the value of contingent liabilities has decreased from USD 3,412 million as at 31 December 2016 to USD 2,347 million as at 30 June 2017, a decrease of 31 percent.

4. Operating expenses

During the first half year of 2017 the Global Fund spent USD 138 million (2016: USD 132 million) for its operating expenses, a marginal increase of 5 percent over 2016 half-year. These results are based upon spot rates in compliance with the accounting policy under the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS).

The Global Fund has continued to closely monitor its operating expenses whilst enabling the implementation of its key initiatives such as In-Country Supply Chain initiative, Accelerated Integrated Management (AIM), Health Campus project, Human Rights barriers to access and In-Country Data systems.

The foreign exchange impact on operating costs is managed centrally as part of treasury management. Accordingly at budget rates, actual expenditure incurred during the first six months of the year amounted to USD 140.6 million. This represents 99.5 percent spend rate against the period-to-date operating expenses budget of USD 141.3 million. Looking forward, the Secretariat projects that the annual operating expenses for FY 2017 will remain within the approved budget of USD 300 million.

5. Global Fund Provident Fund

When measured in the administration currency, Swiss Francs (CHF), the Provident Fund assets fully cover the underlying employee benefit liability.

In the condensed consolidated interim financial statements presented in the functional currency USD, the Provident Fund asset base was USD 145.1 million as at 30 June 2017 (31 December 2016: USD 128 million). This included USD 140 million of Provident Fund investments measured at fair value and USD 5 million in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund constitution. The increase in value of investments in represented by a net gain of USD 2.4 million (2016: net gain of USD 2.2 million) on fair valuation of Provident Fund investments, new investments of USD 21 million acquired during the first half year of 2017 (2016-NIL) and USD 8 million in foreign exchange appreciation of CHF against USD.

The liability for employee benefit obligation was USD 148 million as at 30 June 2017 (31 December 2016: USD 132 million). This includes USD 144 million for Provident Fund reserves and USD 4 million for actuarial valuation reserve as mandated by IFRS. The last annual actuarial valuation was undertaken in 2016.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Responsibility for the condensed consolidated interim financial statements

The Secretariat is responsible for the preparation of the condensed consolidated interim financial statements and related information that is presented in this report. The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting.”

The condensed consolidated interim financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA was appointed as the statutory auditors by the Global Fund Board upon the recommendation of its former Audit and Ethics Committee to review the condensed consolidated interim financial statements of the Global Fund.

The Secretariat 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 external reviews.

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

These condensed consolidated interim financial statements were approved by the Audit and Finance Committee of the Global Fund Board (“the AFC”) on 04 October 2017.

Condensed consolidated interim financial statements

For the half-year ended 30 June 2017

(unaudited)

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

The Global Fund to Fight AIDS, Tuberculosis and Malaria, Vernier

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Introduction
We have reviewed the accompanying condensed consolidated interim statement of financial position of The Global Fund to Fight AIDS, Tuberculosis and Malaria ("the Global Fund") as at 30 June 2017, the condensed consolidated interim statements of income and other comprehensive income, cash flows, changes in funds for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Henri Mwaniki

Geneva, 4 October 2017

Enclosure:
- Condensed consolidated interim financial statements (condensed consolidated interim statement of income, comprehensive income, financial position, cash flows, changes in funds, and notes)

Condensed consolidated interim statement of income

For the six months ended 30 June In millions of USD	**Notes**	**2017**	**2016**
Income			
Contributions	4.1	1,319	1,810
Expenditure			
Grants	3.2	(1,121)	(1,710)
Operating expenses	6.1	(138)	(132)
		(1,259)	**(1,842)**
Net operating income / (loss)		**60**	**(32)**
Foreign exchange results, net	5.5	(22)	(26)
Financial income, net	5.6	48	42
Increase / (decrease) in funds		**86**	**(16)**

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June In millions of USD	**2017**	**2016**
Increase / (decrease) in funds	86	(16)
Other comprehensive income	-	-
Total comprehensive income / (loss)	**86**	**(16)**

Condensed consolidated interim statement of financial position

As at In millions of USD	Notes	30.06.2017	31.12.2016
Assets			
Current assets			
Cash and cash equivalents	5.1	211	509
Trust Fund assets	5.2	3,464	3,319
Contributions receivable	4.2	1,111	1,465
Advances for Pooled Procurement Mechanism	3.4	82	41
Other receivables		67	79
Derivative financial instruments at fair value	5.4	-	105
		4,935	5,518
Non-current assets			
Contributions receivable	4.2	2,104	1,942
Provident Fund investments		140	109
Tangible and intangible assets		12	10
		2,256	2,061
Total Assets		**7,191**	**7,579**
Liabilities and funds			
Liabilities			
Current liabilities			
Grants payable	3.3	2,464	3,061
Derivative financial instruments at fair value	5.4	95	-
Other current liabilities		57	66
		2,616	3,127
Non-current liabilities			
Employee benefit liability		148	132
Derivative financial instruments at fair value	5.4	21	-
Total Liabilities		**2,785**	**3,259**
Funds			
Temporarily restricted funds		8	10
Unrestricted funds		4,398	4,310
Total Funds		**4,406**	**4,320**
Total liabilities and funds		**7,191**	**7,579**

Condensed consolidated interim statement of cash flows

For the six months ended 30 June In millions of USD	Notes	2017	2016
Operating activities			
Cash received from donors		1,683	1,995
Grant disbursements		(1,775)	(1,558)
Payments for operating expenses		(129)	(127)
Cash realized on settlement of derivative financial instruments		30	69
Net cash flow from operating activities		**(191)**	**379**
Investing activities			
Financial income receipts, net		47	40
Purchase of Provident Fund investments		(21)	-
Purchase of tangible and intangible assets		(3)	(2)
Net cash flow from investing activities before Trust Fund movements		23	38
Net cash rebalancing between commercial banks and Trust Fund		(146)	(636)
Net cash flow from investing activities		**(123)**	**(598)**
Net decrease in cash and cash equivalents		(314)	(219)
Cash and cash equivalents			
- at beginning of the period	5.1	509	529
Effect of exchange rate changes on cash held in commercial bank and Trust Fund		16	(1)
- at end of the period	5.1	**211**	**309**

In addition to the cash and cash equivalents reported in the statement of cash flows presented above, the Global Fund considers Trust Fund as an integral part of the cash management of for its core operations. The following table provides an overall operational cash management position:

	Notes	30.06.2017	30.06.2016
Amounts held in commercial bank	5.1	211	309
Amounts held in Trust Fund	5.2	3,464	3,176
Total Operational cash balance		**3,675**	**3,485**

Condensed consolidated interim statement of changes in funds

For the six months ended 30 June

In millions of USD

	Foundation[1] capital	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2017	**-**	**10**	**4,310**	**4,320**
Increase in funds	-	(2)	88	86
Other comprehensive income	-	-	-	-
At 30 June 2017	**-**	**8**	**4,398**	**4,406**
As at 1 January 2016	**-**	**19**	**3,294**	**3,313**
Decrease in funds	-	(8)	(8)	(16)
Other comprehensive income	-	-	-	-
At 30 June 2016	**-**	**11**	**3,286**	**3,297**

[1] The Global Fund has nominated and maintains a foundation capital of CHF 50,000 by virtue of being registered as a non-profit foundation under the laws of Switzerland.

Index: Notes to condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

Section 1: Activities and organisation

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Global Fund") is an independent, non-profit foundation duly formed under the laws of Switzerland on 22 January 2002. It is monitored by the Swiss Federal Supervisory Board for Foundations.

The purpose of the Global Fund is to attract and disburse additional resources to prevent and treat AIDS, tuberculosis and malaria. The Global Fund provides grants to locally-developed programs, working in close collaboration with governments, nongovernmental organizations, the private sector, civil society, development agencies and the communities affected by these diseases.

Section 2: Basis of reporting

Statement of compliance

These unaudited condensed consolidated interim financial statements for the six months ended on 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting."

They do not include all the information and disclosures presented in the annual consolidated financial statements, and should therefore be read in conjunction with the audited consolidated financial statements as at and for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards (IFRS). All amounts in the notes are presented in millions of USD, unless otherwise stated.

These condensed consolidated interim financial statements were authorised for issue by the Global Fund Audit and Finance Committee ("the AFC") on 4 October 2017.

Significant accounting policies, estimates and judgments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements and all significant accounting estimates and other management judgments are consistent with those followed in the preparation of the consolidated financial statements as at and for the year ended 31 December 2016.

Standards issued but not yet effective

The following new and revised Standards and Interpretations have been issued, but are not yet effective for the period. As indicated in the 2016 annual consolidated financial preliminary statements, preliminary assessments haves been conducted by the Global Fund and the expected impact of all applicable amended Standard and Interpretation is presented below. All other new or amended IFRS standards and interpretations issued but not yet effective are not expected to have any material impact on the Global Fund's interim financial statements.

New Standards or Interpretations	***Effective date***	***Planned application***
IFRS 15 Revenue from Contracts with Customers *and related* Clarifications to *IFRS 15* Revenue from Contracts with Customers	1 January 2018	Reporting year 2018 No significant impact expected.
IFRS 9 Financial Instruments	1 January 2018	Reporting year 2018 Limited impact expected on measurement and disclosures pertaining to classification, measurement and impairment losses.
IFRS 16 *Leases*	1 January 2019	Early adoption in the Reporting year 2018 Expected impact on measurement and disclosures pertaining to classification, measurement and impairment losses.

Section 3: Grant activities

3.1 Contingent liability

The first point of recognition for grants is at the point of the Global Fund Board approval, where the maximum liability of the grant becomes clear and is agreed with the Principal Recipient. A management or board decision does not give rise to a constructive obligation at the end of the reporting period unless the decision has been communicated before the end of the reporting period to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will discharge its responsibilities.

Once grant commitment is made through the annual funding decision process, the constructive obligation to the Principal Recipient is recognized as a grant payable and recorded as an expenditure in the consolidated statement of income.

The following table summarizes the position of contingent liability for grants that will become future grants payable through the annual funding decision process.

By category	**30.06.2017**	**31.12.2016**
Grants approved but not signed	12	294
Grants signed but not committed	2,335	3,118
Total	**2,347**	**3,412**
By region		
Asia (outside High Impact), Europe, Latin America and the Caribbean	318	502
Africa (outside High Impact) and Middle East	685	973
High Impact Africa I	590	765
High Impact Africa II	398	552
High Impact Asia	356	620
Total	**2,347**	**3,412**

3.2 Grant expenditure

For the six months ended 30 June	**2017**	**2016**
By category		
Grants to Principal Recipients	1,107	1,682
AMFm Private Sector co-payments	6	20
Special Initiatives	8	8
Total	**1,121**	**1,710**

3.3 Grants payable

The following table summarises grant payable at:

	30.06.2017	31.12.2016
By Grants source currency		
USD	2,130	2,722
EUR	270	257
Total grants payable in equivalent USD	2,400	2,990
Grants under recovery, net	64	71
Net Grants Payable	**2,464**	**3,061**

Grants under recovery from Principal Recipients are recognized at nominal value upon a formal notification to the Principal Recipient and subject to the same policy of valuation, risk assessment and asset impairment as contributions recoverable from donors. At reporting dates, the grants recoverable from Principal Recipients are considered good and fully recoverable. Accordingly no provision for impairment is deemed necessary.

3.4 Advances for pooled procurement mechanism

The Global Fund facilitates the procurement of health products for Principal Recipients through PSA PPM for which the liability and expenditure recognition follow the same accounting policy as grants directly administered by Principal Recipients.

As at 30 June 2017, USD 82 million (31 December 2016: USD 41 million) of PPM advances were outstanding at the two PSAs. The working capital advances outstanding with them are considered good and fully recoverable. Accordingly no provision for impairment is deemed necessary.

The following table summarises advances for pooled procurement mechanism at:

	30.06.2017	31.12.2016
Opening working capital advance	41	41
Advances issued during the year	376	884
Advances reconciled as disbursement charge back to grants	(335)	(884)
Total	**82**	**41**

Section 4: Donor activities

The Global Fund follows a three-year replenishment cycle to secure funding for its grants and administrative operations. At the time of replenishment, donors make public announcements called pledges of their intended future contributions. The following notes provide the summary of accounting results of revenue recognition policy during the reporting period.

4.1 Contributions income and revenue recognition

The first point of revenue recognition is the signing of a formal contribution agreement with a donor. All contributions governed by a written contribution agreement that do not have any substantive conditionality bearing on future receipts are recorded as income at the date of signature of the agreement. For the purposes of cash flows, contributions are considered as received when remitted in cash or cash equivalent. The following table summarizes the source of revenue recognised:

For the six months ended 30 June	2017	2016
By donor category		
Governments	1,289	1,790
Foundations	7	5
Product (RED)	21	11
Corporations	2	-
International non-profit organizations	-	4
Total	**1,319**	**1,810**

4.2 Contributions receivable

Contributions receivable are agreements signed where income has been recognised but the cash has not been received. Contribution receivables are stated at nominal value net of a provision for uncollectible contributions to cover the risk of non-payment.

Promissory notes and contributions receivable maturing later than one year after the date of the consolidated statement of financial position are discounted at fair value (LIBOR rates for GBP, EUR and USD) and subsequently measured using the amortised cost method. The following table summarises contributions receivable at:

As at	30.06.2017	31.12.2016
Promissory notes maturing within one year	228	740
Contributions receivable within one year	883	725
Total	**1,111**	**1,465**
Promissory notes maturing after one year	-	-
Contributions receivable after one year	2,104	1,942
Total	**2,104**	**1,942**
Total value of contributions receivable	**3,215**	**3,407**

Receivable until June 2017	-	796
Receivable until June 2018	1,111	894
Receivable after June 2018	2,238	1,866
Gross contribution receivable	3,349	3,556
Discounted	(134)	(149)
Net present value of contributions receivable	**3,215**	**3,407**

The accounting policy on recognition and measurement for contributions receivables is also applicable on assets classified as Other Receivables. Other receivables include USD 64 million (2016: USD 71 million) of Grants under recovery, as explained in Note 3.3 above, and USD 4 million (2016: USD 8 million) of prepayments for operating expenditure and Special Initiatives.

Section 5: Management of funds

The Global Fund is a financing institution and hence the management of its financial assets and liabilities is integral to the successful mission of the organisation. The Global Fund engages with commercial banks and the World Bank to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

The following table summarises cash and cash equivalents at:

	30.06.2017	**31.12.2016**
Amounts held in commercial banks	211	509

Amounts are held in commercial banks that have a long-term credit rating of A or higher. The carrying amount of cash and cash equivalents is a reasonable approximation for their fair value.

5.2 Trust Fund assets

The World Bank acts as the Trustee for the Global Fund. Assets held in trust by the World Bank are held in a pooled cash and investments portfolio, hereinafter called “the Pool”, established by the Trustee for all trust funds administered by the World Bank Group. The funds held in the Trust Fund qualify as a single asset and as such are presented separately in the statement of financial position but form an integral part of the operational cash management.

The following table summarizes the Global Fund Trust Fund allocation across World Bank investment tranches:

Tranche	**30.06.2017**	**31.12.2016**
Tranche 0 USD	354	10
Tranche 5 USD	3,109	3,261
Tranche 0 EUR	1	48
Total	**3,464**	**3,319**

The Trust Fund's assets consist of Global Funds share of cash and investments in the Pool, which is actively managed and invested in accordance with the investment strategy established for all trust funds administered by the World Bank Group. Given that the Trust Fund's share in the pool is not traded in any market it qualifies as a Level 2 asset given the observability and significance of the fair values of the underlying instruments and the fact that no adjustments for rights and obligations inherent with regard to ownership or frequency at which the organization can redeem its interests exists.

There were no changes in the first six months of the year in the valuation techniques used for the trust fund asset and the methodology and techniques as disclosed in Note 5.2 of the 2016 annual consolidated financial statements were applied consistently. There were no significant transfers from one level to the other and the allocation to Level 1 and 2 as at the interim reporting date is similar to the allocation as at 31 December 2016. There are also no level 3 financial instruments included in the trust fund assets as at 30 June 2017 (2016: NIL).

The following table shows Trust Fund's share of financial instruments held in the Pool measured at fair value:

Financial instruments	**30.06.2017**	**31.12.2016**
Government and agency obligations	1,921	2,088
Asset and mortgage-backed securities	611	779
Equity	272	247
Time deposits	738	220
Repurchase/ resale agreements	(36)	(83)
Derivatives, net	(42)	68
Total	**3,464**	**3,319**

5.3 Foreign exchange exposures

In preparing the financial statements, transactions in currencies other than the functional currency are recognised at the rates of exchange prevailing at the dates of the transactions, which creates an exposure to foreign exchange risk for these particular assets or liabilities. At the end of each reporting period, monetary items such as contributions receivable in currencies other than USD and grants payable denominated in EUR are retranslated at the rates prevailing at that date. The following table summarises exchange rates for significant foreign currency positions at reporting date:

	30.06.2017	***31.12.2016***	***% FX fluctuation***
AUD	0.7691	0.7216	*7*
CAD	0.7700	0.7444	*3*
CHF	1.0455	0.9819	*6*
EUR	1.1439	1.0515	*9*
GBP	1.3018	1.2343	*5*
SEK	0.1182	0.1098	*8*

[Source: Thompson Reuters FX rates subscription]

5.4 Foreign exchange risk management

The Global Fund uses derivative financial instruments including forward and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. The foreign exchange contracts forward and swap contracts used by the Global Fund to mitigate foreign exchange risk are recognised at fair value with subsequent movements in value reported through the consolidated statement of income. As at 30 June 2017 the forward contracts were fair valued as Level 2 financial instruments.

The methodology and techniques applied for the fair valuation of the derivative financial instruments remain consistent with Note 5.3 of the 2016 annual consolidated financial statements.

The following table presents the notional value and the fair value of derivative financial instruments by currency. During the first six month of the 2017, fair valuation of the derivative financial instruments resulted in a net loss, thereby resulting in a liability on the statement of financial position:

Fair valuation of derivative financial instruments	**30.06.2017**	**31.12.2016**
Settlement due within 12 months	(95)	102
Settlement due beyond 12 months	(21)	3
Total	**(116)**	**105**

At 30 June 2017

Currency (Level 2)	*Notional value in millions*	*Forward contracts at fair value in USD millions*
AUD	100	1
CAD	643	8
CHF	(228)	2
EUR	1,441	46
GBP	976	56
NOK	1,500	(3)
SEK	450	7
Net liability for derivative financial instruments at fair value		**116**

At 31 December 2016

Currency (Level 2)	*Notional value in millions*	*Forward contracts at fair value in USD millions*
AUD	50	2
CAD	455	5
CHF	(320)	5
EUR	1,184	41
GBP	1,360	42
NOK	1,500	10
Net asset for derivative financial instruments at fair value		**105**

5.5 Foreign exchange accounting

For the six months ended 30 June	2017	2016
By net position		
Foreign exchange gain / (loss) on assets	193	(94)
Foreign exchange loss on liabilities	(24)	(4)
Foreign exchange gain / (loss) before derivative financial instruments	169	(98)
Fair valuation (loss) / gain on derivative financial instruments	(191)	72
Net foreign exchange loss	**(22)**	**(26)**

Assets include cash and cash equivalent and contributions receivable.

By currency		
CAD	(13)	14
CHF	(5)	-
EUR	(15)	-
GBP	6	(41)
NOK	(5)	-
SEK	12	-
Others	(2)	1
Net foreign exchange loss	**(22)**	**(26)**

5.6 Financial income, net

The financial income on trust funds and provident fund investments, net of financial costs, are summarised in the table below:

For the six months ended 30 June	2017	2016
Trust Fund gains, net	49	43
Trustee fees	(1)	(1)
Total	**48**	**42**

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure in order to deliver its mission. The following table summarises the Secretariat's operating costs under the main categories of expenditure:

For the six months ended 30 June	2017	2016
Staff	72	68
External assurance	19	17
Professional fees	14	16
Others	33	31
Total	**138**	**132**

GLOSSARY

AFC	Audit and Finance Committee
ACD	Annual Commitment Decision
ADMF	Annual commitment Decision Making Form
ALM	Asset Liability Management
CAD	Canadian Dollar
CER	Corporate Expenditure Rate
CFP	Comprehensive Funding Policy
CHF	Swiss Franc
EUR	Euro
EGC	Ethics and Governance Committee
GBP	Pound Sterling
HSA	Health Service Assurance
NOK	Norwegian Krone
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
LFA	Local Fund Agent
PPM	Pooled Procurement Mechanism
PSA	Procurement Service Agent
SEK	Swedish Krona
USD	United States Dollar