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PureTech Announces Annual Results for Year Ended December 31, 2020

April 15, 2021

15 April 2021

PureTech Health plc

PureTech Announces Annual Results for Year Ended December 31, 2020

Strong capital base and cash runway extended into the first quarter of 2025, with PureTech level cash and cash equivalents of $443.4 million as of March 31, 2021[1] ($349.4 million as of December 31, 2020[2]) and consolidated cash and cash equivalents of $486.5 million as of March 31, 2021[3] ($403.9 million as of December 31, 2020[4])

Advancement of Wholly Owned Pipeline with four clinical trial initiations and one successful readout, with three clinical trials ongoing

Significant milestones across PureTech's Founded Entities including one FDA Clearance for Marketing, two European Marketing Authorizations, initiation of a Phase 3 program, $247.8 million raised in 2020[5] and $473.2 million raised in the 2021 post-period[6]

Further validation of PureTech's model through monetization of partial stakes in Founded Entities that generated $350.6 million in 2020 and an additional $118 million in the 2021 post-period

Listing on Nasdaq Global Market broadens access to US investors

Company to host a webcast and conference call today at 9:00am EDT / 2:00pm BST

PureTech Health plc (Nasdaq: PRTC, LSE: PRTC) ("PureTech" or the "Company"), a clinical-stage biotherapeutics company dedicated to discovering, developing and commercializing highly differentiated medicines for devastating diseases, today announced its results for the year ended December 31, 2020 as well as its cash balance as of the first quarter ended March 31, 2021. The following information represents select highlights from the full report, which will be filed as an Exhibit to Form 20-F with the United States Securities and Exchange Commission and is also available at https://investors.puretechhealth.com/financials-filings/reports.

Webcast and conference call details

Members of the PureTech Management Team will host a conference call at 9:00am EDT / 2:00pm BST today, April 15, to discuss these results. A live webcast and presentation slides will be available on the investors section of PureTech's website under the Events and Presentations tab. To join by phone, please dial:

United Kingdom: 0800 640 6441

United Kingdom (Local): 020 3936 2999

United States: 1 855 9796 654

United States (Local): 1 646 664 1960

All other locations: +44 20 3936 2999

Access code: 440629

For those unable to listen to the call live, a replay will be available on the PureTech website.

Commenting on the annual results, Daphne Zohar, Founder and Chief Executive Officer of PureTech said:

"2020 was a year like no other. For our team at PureTech, it was defined both by transformational progress and tremendous resilience, as we realized significant financial, clinical and regulatory milestones while navigating the challenges of a global pandemic. I am immensely proud of our team's dedication to our mission: develop groundbreaking medicines for serious diseases for which patients currently have few options.

"We now have 26 therapeutics and therapeutic candidates being advanced through our Wholly Owned Pipeline or our Founded Entities. This includes two therapeutics that have received FDA clearance and European marketing authorization - Gelesis' Plenity® and Akili's EndeavorRx™ – both of which were initially conceived of and advanced by the PureTech team to address urgent medical needs for patients. We expect a broader U.S. launch for both therapeutics this year.

"We made notable progress in the advancement of our Wholly Owned Pipeline this year, initiating four clinical trials and reporting the successful completion of one clinical trial. We are currently evaluating two candidates – LYT-100 and LYT-200 – across three different indications where there is serious need. I am also pleased to have expanded our Wholly Owned Pipeline with the nomination of a new therapeutic candidate, LYT-300 (oral allopregnanolone), which we expect to enter a clinical trial by the end of 2021.

Additionally, we continued to solidify our financial position by generating $350.6 million in 2020 and an additional $118 million in the February 2021 post-period via the monetization of partial stakes in Founded Entities. We also successfully completed a listing of American Depository Shares on the Nasdaq Global Market in November 2020, which enables us to broaden access to an international investor base as we maintained our premium listing on the London Stock Exchange and our membership in the FTSE 250.

We are well-positioned for an exciting year ahead, which we expect will include multiple value drivers across our Wholly Owned Programs and our Founded Entities, including at least ten expected clinical trial initiations and nine expected readouts.

I would like to thank our shareholders for their vision and continued support over the last year. Above all, I would like to thank the patients and clinicians working alongside us in our clinical trials. We are grateful for your support, humbled by your trust and inspired by your courage. You make possible the medical advances of the future."

Continued advancement and growth of Wholly Owned Programs[7]

Our team, network and expertise in the BIG Axis has enabled the rapid advancement and growth of our Wholly Owned Programs. Focused on the lymphatic system and related immunological disorders, our Wholly Owned Pipeline currently consists of LYT-100, a clinical-stage therapeutic candidate we are pursuing for inflammatory and fibrotic conditions and disorders of lymphatic flow, LYT-200, a clinical therapeutic candidate targeting a foundational immunosuppressive protein, galectin-9, we are developing for the potential treatment of a range of cancer indications, LYT-210, a preclinical therapeutic candidate targeting immunomodulatory gamma delta-1 T cells we are developing for a range of cancer indications and autoimmune disorders and LYT-300, a preclinical therapeutic candidate we are developing for a range of neurological and neuropsychological conditions. Our Wholly Owned Programs also include three discovery platforms: Glyph™ – our synthetic lymphatic targeting chemistry platform – and Orasome™ – our oral biotherapeutics platform – both of which leverage absorption of dietary lipids to traffic therapeutics via the lymphatic system, and

our meningeal lymphatics discovery research program for treating neurodegenerative and neuroinflammatory diseases. Key developments included the following:

Program Highlights

LYT-100

- In November 2020, we announced the completion of a Phase 1 randomized, double-blind multiple ascending dose and food effect study of LYT-100, which was initiated in March 2020. The study demonstrated favorable proof-of-concept for LYT-100's tolerability and pharmacokinetic, or PK, profile.
- In December 2020, we announced the initiation of a global, randomized, double-blind, placebo-controlled Phase 2 trial to evaluate the efficacy, safety and tolerability of LYT-100 in adults with Long COVID respiratory complications and related sequelae. Topline results are expected in the second half of 2021.
- In December 2020, we announced the initiation of a Phase 2a proof-of-concept study of LYT-100 in patients with breast cancer-related, upper limb secondary lymphedema. Topline results are expected in the first half of 2022.
- We are planning registration-enabling studies of LYT-100 for the treatment of idiopathic pulmonary fibrosis, or IPF, and potentially other progressive fibrosing interstitial lung diseases, or PF-ILDs, and we expect to provide additional guidance later this year.

LYT-200

- In December 2020, we announced the initiation of our Phase 1 clinical trial to evaluate LYT-200 as a potential treatment for metastatic solid tumors, with topline results anticipated in the fourth quarter of 2021. The primary objective of the Phase 1 portion of the adaptive Phase 1/2 trial is to assess the safety and tolerability of escalating doses of LYT-200 in order to identify a dose to carry forward into the Phase 2 portion of the trial. The Phase 1 portion will also assess the PK and pharmacodynamic, or PD, profiles of LYT-200. Pending favorable topline results, we intend to initiate the Phase 2 expansion cohort portion of the trial, which is designed to evaluate LYT-200 either alone and/or in combination with chemotherapy and anti-PD-1 therapy for the treatment of multiple solid tumor types, including pancreatic cancer and cholangiocarcinoma, or CCA.
- In June 2020, we presented a scientific poster for LYT-200 at the American Association for Cancer Research, or AACR, 2020 Virtual Annual Meeting. New preclinical results were presented that established galectin-9 as a novel target for cancer immunotherapy.

LYT-300 and the Glyph™ Technology Platform

- We are advancing our Glyph technology platform, which is designed to employ the body's natural lipid absorption and transport process to orally administer drugs via the lymphatic system. We have successfully extended the platform to encompass more than 20 molecules as well as a range of novel linker chemistries that have demonstrated promising lymphatic targeting in preclinical studies. Our most advanced Glyph candidate, LYT-300, is an oral form of allopregnanolone, an FDA-approved drug, which is a natural neurosteroid that we believe may be applicable to a range of neurological conditions. We expect to initiate a clinical trial with LYT-300 by the end of 2021.
- In the February 2021 post-period, preclinical proof-of-concept for our Glyph technology was published in the *Journal of Controlled Release*. The results demonstrate the ability of this platform to directly target gut lymphatics with an orally dosed small molecule immunomodulator.

Orasome™ Technology Platform

- We progressed our Orasome technology platform, which utilizes multiple vesicle components, including those isolated from milk. Our Orasome vesicles are being designed to transport macromolecular medicines to selected mucosal cell types of the intestinal tract. In 2021, we expect preclinical proof-of-concept data and anticipate additional preclinical results from a non-human primate proof-of-concept study. This work could lay the foundation for investigational new drug, or IND, application enabling clinical studies for one or more additional therapeutic candidates to be included in our Wholly Owned Pipeline.

Corporate Highlights

- On November 16, 2020, we commenced trading of American Depository Shares, or ADSs, on the Nasdaq Global Market under the ticker symbol "PRTC" (the "U.S. Listing"). In addition to the U.S. Listing, we maintain our premium listing on the Official List of the UK Financial Conduct Authority and trading on the main market of the London Stock Exchange. Our ticker symbol in the UK is also PRTC, and we are a member of the FTSE250 index.
- In October 2020, we announced the appointment of biotech entrepreneur Kiran Mazumdar-Shaw to our board of directors. Ms. Shaw brings extensive experience in biotherapeutics, strategic leadership, financial and business development and a dedication to improving patients' lives to our board of industry leaders.
- In the January 2021 post-period, we announced that George Farmer, Ph.D., was appointed as Chief Financial Officer. Dr. Farmer is responsible for all aspects of our finances, including capital markets strategy and execution, strategic and financial planning and financial reporting.

Financial Highlights

- In 2020, we sold shares in our Founded Entities for cash consideration of $350.6 million, while in the February 2021 post-period we sold an additional one million shares in Karuna Therapeutics, Inc. for cash consideration of $118 million.
- PureTech level cash and cash equivalents were $443.4 million as of March 31, 2021[1] and $349.4 million as of December 31, 2020[2]. We extended our cash runway guidance by one year into the first quarter of 2025.
- Consolidated cash and cash equivalents, which includes cash held at the PureTech level and at Controlled Founded Entities, were $486.5 million as of March 31, 2021[3] and $403.9 million as of December 31, 2020[4].
- PureTech's Founded Entities raised $247.8 million in 2020[5] and an additional $473.2 million in the 2021 post-period[6], almost all of which came from third parties.

Significant regulatory, clinical and financial momentum across PureTech's Founded Entities[8]

PureTech's Founded Entities have made significant progress advancing 22 therapeutics and therapeutic candidates, of which two have been cleared for marketing by the U.S. Food and Drug Administration and granted marketing authorization in the European Economic Area and 13 are clinical stage. Key developments included the following:

Founded Entities in which PureTech has a controlling interest or the right to receive royalties, in order of development stage:

- Gelesis, Inc. (PureTech ownership: 19.3%; We also have a right to royalty payments as a percentage of net sales)
  - In June 2020, Gelesis received approval to market Plenity®[9] with a Conformité Européenne, or CE, Mark as a class III medical device indicated for weight loss in overweight and obese adults with a Body Mass Index, or BMI, of 25-40 kg/m^2, when used in conjunction with diet and exercise. In addition to its U.S. FDA clearance, Gelesis is now able to market Plenity® throughout the European Economic Area and in other countries that recognize the CE Mark. Gelesis plans to bring Plenity to the U.S. first, where it has been available to a limited extent since the second half of 2019 through an early experience program and since 2020 via a beta launch while the company ramps up its commercial operations and inventory for a broader launch in the second half of 2021. In just one month of limited promotion and marketing investment during the limited launch, Gelesis acquired more new patients on Plenity, than any other branded prescription in the weight loss market. Gelesis also plans to seek FDA input on the requirements for expanding the Plenity label for treating adolescents.
  - In June 2020, Gelesis announced a partnership with China Medical System Holdings Ltd., or CMS, for the commercialization of Plenity in China. Through the terms of the deal, CMS provided $35 million upfront in a combination of licensing fees and equity investment, with the potential for an additional $388 million in future milestone payments as well as royalties.
  - In the second half of 2020, Gelesis initiated a Phase 3 study of GS500 in functional constipation.
  - In November 2020, Gelesis' collaborator Alessandra Silvestri, Ph.D., of the Laboratory of Mucosal Immunology and Microbiota at Humanitas Research Hospital, presented a poster on the therapeutic benefits of Gel-B (GS300) at The Liver Meeting, the American Association for the Study of Liver Diseases, or AASLD, annual conference. The data demonstrated that, in a preclinical model, the proprietary therapeutic candidate reversed the damage to the intestines induced by a high fat diet and Gelesis believes that therapies exploiting the gut liver axis may offer a unique treatment option for metabolic liver disorders.
  - Also in November 2020, Gelesis presented three posters at ObesityWeek 2020, the annual congress of The Obesity Society. Presentations included new data that showed that prediabetes and impaired beta cell function were associated with a dysfunctional gut barrier, a potential precursor to metabolic diseases; an additional analysis of Gelesis' pivotal GLOW study suggested fasting plasma glucose levels and insulin resistance could be strong predictors of weight loss with Plenity; and a new *in vitro* beverage interaction study that demonstrated Plenity's hydrogel maintained its properties in the presence of alcoholic or acidic drinks.

- In September 2020, Gelesis delivered one oral presentation and two poster presentations showcasing notable efficacy data for Plenity® at the European and International Congress on Obesity, or ECO-ICO 2020.
- In March 2020, Gelesis was named to *Fast Company's* list of the World's Most Innovative Companies for 2020.

- Karuna Therapeutics, Inc. (PureTech ownership: 8.2%; We also have a right to royalty payments as a percentage of net sales)
  - In June 2020, Karuna announced next steps in the EMERGENT program, the clinical program evaluating KarXT for the treatment of adults with schizophrenia, following the completion of a successful End-of-Phase 2 meeting with the FDA.
  - In December 2020, Karuna announced the initiation of the Phase 3 EMERGENT-2 trial, the first of two Phase 3 five-week inpatient trials evaluating the efficacy and safety of KarXT for the treatment of acute psychosis in adults with schizophrenia.
  - In May 2020, Karuna presented data from EMERGENT-1, the Phase 2 clinical trial evaluating KarXT for the treatment of acute psychosis in patients with schizophrenia, at the American Society of Clinical Psychopharmacology, or ASCP, 2020 Annual Meeting. The poster and oral presentation detailed new and previously reported efficacy and safety data from the Phase 2 clinical trial.
  - In the first quarter of the 2021 post-period, Karuna announced the initiation of the Phase 3 EMERGENT-4 trial, a 52-week, outpatient, open-label long-term safety and tolerability extension trial of EMERGENT-2 and EMERGENT-3.
  - In the February 2021 post-period, Karuna announced that results from the EMERGENT-1 Phase 2 clinical trial evaluating KarXT for the treatment of schizophrenia were published in the *New England Journal of Medicine*, or NEJM.
- Follica, Incorporated (PureTech ownership: 78.2%; We also have a right to royalty payments as a percentage of net sales)
  - In June 2020, Follica announced the completion of a successful End-of-Phase 2 meeting with the FDA for its lead program to treat male androgenetic alopecia, which supports the progression into Phase 3 development. The initiation of a Phase 3 registration program in male androgenetic alopecia is expected in 2021.
  - In December 2020, Follica announced the publication of a pilot study evaluating scalp skin disruption to promote hair growth in female pattern hair loss, or FPHL, in International Journal of Women's Dermatology. The pilot study, led by Maryanne M. Senna, M.D., an Assistant Professor of Dermatology at Harvard Medical School, demonstrated the treatment promoted hair growth over a four-month course of treatment.
  - In the January 2021 post-period, Follica announced the appointment of two leaders in aesthetic medicine and dermatology to its Board of Directors. Tom Wiggans, former CEO of Dermira, joined as Executive Chairman with over 30 years of experience leading biopharmaceutical companies from the start-up stage to global commercialization, and Michael Davin, former CEO of Cynosure, joined as an Independent Director with over 30 years of experience in the medical device industry.
- Vedanta Biosciences, Inc. (PureTech ownership: 49.5%)
  - In June 2020, Vedanta announced topline Phase 1 clinical data in healthy volunteers, which showed that VE202, Vedanta's orally-administered live biotherapeutic product, or LBP, candidate for inflammatory bowel disease, or IBD, was generally well-tolerated at all doses studied and demonstrated durable and dose-dependent colonization. The trial was conducted by Janssen Research & Development, LLC, and a more complete study dataset and analyses will be submitted to a peer-reviewed journal. Vedanta expects to advance VE202 into a Phase 2 study for IBD in 2021. Vedanta has regained full rights to the program and will owe Janssen single-digit royalty payments on net sales of a commercialized product.
  - In the January 2021 post-period, Vedanta announced a $25 million investment from Pfizer as part of the Pfizer Breakthrough Growth Initiative. The proceeds will fund the Phase 2 study of VE202 in IBD. Vedanta will retain control of all its programs and has granted Pfizer a right of first negotiation on VE202.
  - In October 2020, additional data from a Phase 1 clinical study of VE202 in healthy volunteers was presented by Janssen Research & Development, LLC, at United European Gastroenterology, or UEG, Week 2020. The new UEG Week data presentation focused on the kinetics and durability of colonization from an 11-strain consortium of VE202 under various dosing and pre-treatment regimens.
  - Vedanta has also continued to progress its three ongoing clinical trials of VE303, VE416 and VE800. In 2021, Vedanta anticipates topline results from a Phase 2 trial of VE303 in high-risk Clostridioides difficile infection, or CDI and a first-in-patient clinical trial of VE800 in combination with Bristol- Myers Squibb's checkpoint inhibitor Opdivo® (nivolumab) in patients with select types of advanced or metastatic cancer. Topline results from a Phase 1/2 trial of VE416 for food allergy are expected in 2022.
  - In June 2020, Vedanta strengthened its balance sheet with an additional $12 million in new equity and R&D collaboration funds, bringing its total Series C round to $71.1 million.
  - In September 2020, Vedanta announced it has been awarded funding of $7.4 million, with the potential for up to an additional $69.5 million, from the Biomedical Advanced Research and Development Authority, or BARDA, to advance clinical development of VE303 for high-risk CDI. Vedanta is the first-ever recipient of a BARDA award in the microbiome field.
- Sonde Health, Inc. (PureTech ownership: 44.6%)
  - In July 2020, Sonde launched Sonde One for Respiratory, a new voice-enabled health detection and monitoring app, to potentially help employers improve employee safety, meet government mandates and satisfy their own administrative needs as they reopen office doors in a COVID-19 environment.
  - In August 2020, Sonde acquired NeuroLex Labs, a leading voice-enabled survey and data acquisition platform. The transaction did not involve any financial participation from PureTech.
  - In November 2020, Sonde announced the launch of a new Developer Portal that provides organizations with access to Sonde's advanced vocal biomarker-based health check technology. As part of the launch, Sonde has introduced a new self-serve application programming interface, or API, and documentation to allow developers to quickly, easily, and autonomously integrate Sonde's voice-enabled respiratory symptoms checker into their own iOS and Android mobile applications.
  - Sonde has collected over one million voice samples from over 80,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into Alzheimer's disease, or AD, respiratory and cardiovascular disease, as well as other health and wellness conditions, including mental health.
- Alivio Therapeutics, Inc. (PureTech ownership: 78.0%)
  - Alivio continued to advance its targeted disease immunomodulation platform for the potential treatment of chronic and acute inflammatory disorders. Alivio expects an IND filing for ALV-107 for interstitial cystitis or bladder pain syndrome, or IC/BPS, in 2021 and an IND for ALV-304 in IBD in 2023. Alivio is also evaluating the potential application of its proprietary platform to enable the oral administration of biologics in additional indications.
  - In October 2020, Alivio announced a $3.3 million U.S. Department of Defense, or DoD, Technology/Therapeutic Development Award to advance its therapeutic candidate, ALV-304, for the treatment of IBD. The funds will support Alivio's preclinical research and development activities to potentially enable the IND filing.
- Entrega, Inc. (PureTech ownership: 72.9%)
  - Entrega continued to advance its platform for the oral administration of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally. As part of its collaboration with Eli Lilly, Entrega has continued to investigate the application of its peptide administration technology to certain Lilly therapeutic candidates. In 2020, the partnership was extended into 2021.

Founded Entities in which PureTech has an equity interest, in order of development stage:

- Akili Interactive Labs, Inc. (PureTech ownership: 33.7%)
  - In June 2020, Akili received clearance from the FDA to market EndeavorRx™[10] (AKL-T01) as a prescription treatment for improving attention function in children with attention-deficit/hyperactivity disorder, or ADHD. Delivered through a captivating video game experience, EndeavorRx is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Akili plans to take a scaled approach to the commercial launch of EndeavorRx in 2021. The FDA clearance followed the April 2020 announcement that ENDEAVOR™ would be available for use for a limited time by children with ADHD and their families in response to new guidance from the FDA recognizing the need for access to certain low-risk clinically-validated digital health devices for psychiatric conditions, including ADHD, during the COVID-19 pandemic.
  - Also in June 2020, Akili announced that it had received approval to market EndeavorRx in Europe. Akili received a CE Mark certification for EndeavorRx as a prescription-only digital therapeutic intended for the treatment of attention and inhibitory control deficits in pediatric patients with ADHD. The CE Mark approval enables the future marketing of EndeavorRx in European Economic Area member countries. With a near-term focus on launching the EndeavorRx prescription treatment in the U.S. first, Akili is exploring expansion opportunities in Europe as part of its global strategy.
  - In the April 2021 post-period, Akili announced collaborations with Weill Cornell Medicine, NewYork-Presbyterian Hospital and Vanderbilt University Medical Center to evaluate Akili digital therapeutic AKL-T01 as a treatment for patients with cognitive dysfunction following COVID-19 (also known as "COVID brain fog"). Under each collaboration, Akili will work with research teams at each institution to conduct two separate randomized, controlled clinical studies evaluating AKL-T01's ability to target and improve cognitive functioning in COVID-19 survivors who have exhibited a deficit in cognition.
  - In January 2020, Akili announced that its STARS Adjunct trial achieved its primary endpoint evaluating the effects of EndeavorRx in children with ADHD when used with and without stimulant medication. The study achieved its predefined primary efficacy outcome, demonstrating a statistically significant improvement in the ADHD Impairment Rating Scale, or IRS, from baseline after one month of treatment ($p<0.001$) in both children taking stimulant medications and in those not taking stimulants.

- In February 2020, *The Lancet Digital Health* journal published the results from Akili's STARS-ADHD pivotal trial of AKL-T01.
- In October 2020, Akili announced multiple data presentations on EndeavorRx, including results from the STARS Adjunct trial, a multi-site open-label study designed to evaluate the impact of EndeavorRx on impairments in daily life in children with ADHD and inform prescribing practices. Also presented were analyses across four clinical trials of EndeavorRx, evaluating the impact of treatment on children's attention function compared to normative ranges. The data were presented for the first time at the American Academy of Child and Adolescent Psychiatry, or AACAP, 2020 Virtual Annual Meeting.
- In the March 2021 post-period, *Nature Digital Medicine* published the full results from the STARS Adjunct trial.

- Vor Biopharma Inc. (PureTech ownership: 8.6%)
  - In the January 2021 post-period, Vor announced that the FDA had accepted the company's IND application for VOR33. Vor plans to enroll the first patient in a Phase 1/2a clinical trial for VOR33 in the second quarter of 2021 and expects initial human engraftment and protection data from this trial to be reported in late 2021 or in the first half of 2022.
  - In the February 2021 post-period, Vor announced the pricing of its initial public offering of common stock on the Nasdaq Global Market under the symbol "VOR." The aggregate gross proceeds to Vor from the offering were approximately $203.4 million, before deducting the underwriting discounts and commissions and other offering expenses payable by Vor.
  - In July 2020, Vor announced a $110 million Series B financing to advance VOR33 into clinical trials, deepen its portfolio and accelerate the validation of additional targets for its scientific platform.
  - In November 2020, Vor announced an exclusive licensing agreement with the National Cancer Institute, or NCI, part of the National Institutes of Health, or NIH, for intellectual property related to a clinical-stage anti-CD33 chimeric antigen receptor T cell, or CAR-T, therapy candidate, VCAR33. VCAR33 is currently being evaluated in a multi-site Phase 1/2 clinical trial in young adults and pediatric patients with relapsed or refractory acute myeloid leukemia, or AML, and Vor expects initial monotherapy clinical proof-of-concept data in 2022, depending on investigator's timing of data release.
  - In January 2020, Vor held a pre-IND meeting with the FDA to gather feedback to assemble the data package for a potential IND filing.

PureTech Health today released its Annual Report for the year ended December 31, 2020. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

- Annual Report and Accounts for the year ended December 31, 2020; and
- Notice of 2021 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy will be posted to shareholders. Copies are also available electronically on the Investor Relations section of the Company's website at https://investors.puretechhealth.com/financials-filings/reports.

PureTech's 2021 Annual General Meeting (AGM) will be held on May 27, 2021 at 11:00am EDT / 4:00pm BST at PureTech's headquarters, which is located at 6 Tide Street, Boston, Massachusetts, United States. Please note that in light of COVID-19, it will not be possible for the Directors to travel to the United Kingdom. The Company has therefore decided to hold the AGM in the United States where most of the Directors are resident.

The Company's preference had been to welcome shareholders in person to the 2021 AGM, particularly given the constraints faced in 2020 due to the COVID-19 pandemic. However, at present, in light of the limits on international travel and the public health guidance issued in the UK and the US and in order to protect the wellbeing of PureTech's people and shareholders, the Company is proposing to hold the AGM as a closed meeting with the minimum attendance required to form a quorum. Accordingly, shareholders will not be permitted to attend the AGM in person but can be represented by the Chair of the meeting acting as their proxy.

The Company continues to closely monitor the evolving situation in respect of COVID-19 and its forthcoming AGM. The health and welfare of the Company's shareholders, as well as its employees and partners, is the number one priority.

The Company appreciates that a number of its shareholders are not resident or located in the United States and asks shareholders to participate in the AGM by submitting any questions in advance and voting via proxy rather than attending in person. As such, any specific questions on the business of the AGM and resolutions can be submitted ahead of meeting by e-mail to ir@puretechhealth.com (marked for the attention of Dr. Bharatt Chowrira).

Shareholders are encouraged to complete and return their votes by proxy, and to do so no later than 4:00 pm (BST) on Tuesday May 25, 2021. This will appoint the chair of the meeting as proxy and will ensure that votes will be counted even though attendance at the meeting is restricted. Details of how to appoint a proxy are set out in the notice of AGM.

PureTech will keep shareholders updated of any changes it may decide to make to the current plans for the AGM. Please visit the Company's website at www.puretechhealth.com for the most up to date information.

About PureTech Health

PureTech is a clinical-stage biotherapeutics company dedicated to discovering, developing and commercializing highly differentiated medicines for devastating diseases, including inflammatory, fibrotic and immunological conditions, intractable cancers, lymphatic and gastrointestinal diseases and neurological and neuropsychological disorders, among others. The Company has created a broad and deep pipeline through the expertise of its experienced research and development team and its extensive network of scientists, clinicians and industry leaders. This pipeline, which is being advanced both internally and through PureTech's Founded Entities is comprised of 26 products and product candidates, including two that have received FDA clearance and European marketing authorization. All of the underlying programs and platforms that resulted in this pipeline of product candidates were initially identified or discovered and then advanced by the PureTech team through key validation points based on the Company's unique insights into the biology of the brain, immune and gut, or BIG, systems and the interface between those systems, referred to as the BIG Axis.

For more information, visit www.puretechhealth.com or connect with us on Twitter @puretechh.

Cautionary Note Regarding Forward-Looking Statements

This press release contains statements that are or may be forward-looking statements, including statements that relate to the company's future prospects, developments, and strategies. The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, our expectations regarding the potential therapeutic benefits of our product candidates and those of our Founded Entities, our expectations regarding 2021 milestones and timing, including with respect to clinical trial initiations and expected data readouts, our ability to broaden access to an international investor base, our cash runway and financial position as well as those risks and uncertainties described in the risk factors included in the regulatory filings for PureTech Health plc (including the risk factors in our 2020 Annual Report and Accounts). These forward-looking statements are based on assumptions regarding the present and future business strategies of the company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this press release. Except as required by law and regulatory requirements, neither the company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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Notes

1. Cash and cash equivalents held at PureTech Health plc and only wholly-owned subsidiaries (please refer to Note 1 to our consolidated financial statements for further information with respect to our wholly-owned subsidiaries) as of March 31, 2021. The measure includes cash outflows and inflows for the first quarter of 2021, particularly the sale of 1,000,000 common shares of Karuna for aggregate

proceeds of $118.0 million on February 9, 2021. This represents a non-IFRS number. For a reconciliation of this number to IFRS, please see below under the heading "Financial Review."

2. Cash and cash equivalents held at PureTech Health plc and only wholly-owned subsidiaries (Please refer to Note 1 to our consolidated financial statements for further information with respect to our wholly-owned subsidiaries) as of December 31, 2020. This represents a non-IFRS number. For a reconciliation of this number to IFRS, please see below under the heading "Financial Review."
3. Cash and cash equivalents held at PureTech Health plc and consolidated subsidiaries (please refer to Note 1 to our consolidated financial statements for further information with respect to our consolidated subsidiaries) as of March 31, 2021. The measure includes cash outflows and inflows for the first quarter of 2021, particularly the sale of 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million on February 9, 2021.
4. Cash and cash equivalents held at PureTech Health plc and consolidated subsidiaries (please refer to Note 1 to our consolidated financial statements for further information with respect to our consolidated subsidiaries) as of December 31, 2020.
5. Funding figure includes private equity financings, loans and promissory notes, public offerings or grant awards. Funding figure excludes future milestone considerations received in conjunction with partnerships and collaborations such as those with Boehringer Ingelheim, Imbrium Therapeutics L.P., Shionogi & Co., Ltd. or Eli Lilly. Funding figure does not include Vor's gross proceeds of $203.4 million from its February 2021 post-period IPO or Karuna's gross proceeds of $269.8 million from its February 2021 post-period follow-on offering.
6. Funding figure includes Vor's gross proceeds of $203.4 million from its February 2021 post-period IPO and Karuna's gross proceeds of $269.8 million from its February 2021 post-period follow-on offering.
7. References in this report to "Wholly Owned Programs" refer to the Company's four therapeutic candidates (LYT-100, LYT-200, LYT-210 and LYT-300), three discovery platforms and potential future therapeutic candidates and discovery platforms that the Company may develop or obtain. References to "Wholly Owned Pipeline" refer to LYT-100, LYT-200, LYT-210 and LYT-300.
8. Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of December 31, 2020, including outstanding shares, options and warrants, but excluding unallocated shares authorized to be issued pursuant to equity incentive plans. Karuna ownership is calculated on an outstanding voting share basis as of March 4, 2021. Vor ownership is calculated on an outstanding voting share basis as of February 9, 2021.
9. Important Safety Information: Patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium dioxide should not take Plenity. To avoid impact on the absorption of medications: For all medications that should be taken with food, take them after starting a meal. For all medications that should be taken without food (on an empty stomach), continue taking on an empty stomach or as recommended by your physician. The overall incidence of side effects with Plenity was no different than placebo. The most common side effects were diarrhea, distended abdomen, infrequent bowel movements, and flatulence. Contact a doctor right away if problems occur. If you have a severe allergic reaction, severe stomach pain, or severe diarrhea, stop using Plenity until you can speak to your doctor. Rx Only. For the safe and proper use of Plenity or more information, talk to a healthcare professional, read the Patient Instructions for Use, or call 1-844-PLENITY.
10. EndeavorRx is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Patients who engage with EndeavorRx demonstrate improvements in a digitally assessed measure Test of Variables of Attention (TOVA) of sustained and selective attention and may not display benefits in typical behavioral symptoms, such as hyperactivity. EndeavorRx should be considered for use as part of a therapeutic program that may include clinician-directed therapy, medication, and/or educational programs, which further address symptoms of the disorder. EndeavorRx is available by prescription only. It is not intended to be used as a stand-alone therapeutic and is not a substitution for a child's medication.

Letter from the Chair

2020 was a year of important milestones and significant value creation for PureTech, capped off with a virtual team celebration as we rang the opening bell on Nasdaq in early January of 2021.

The bell ringing ceremony highlighted both our bold vision and our financial strength, as we entered the new year jointly listed on the London Stock Exchange and Nasdaq, while broadening access to an international investor base. Fueled by an exceptional team, powerful scientific insights and highly differentiated therapeutic candidates that have emerged from PureTech's productive business model, we believe we are truly building the biopharmaceutical company of the future.

When I joined the board five years ago, PureTech was a cutting-edge R&D company advancing early-stage projects. During my time on the board, I have seen the company grow into a proven industry leader with an impressive track record that has yielded 26 innovative therapeutics and therapeutic candidates across our Wholly Owned Pipeline and our Founded Entities, including 15 programs in clinical development and two that have been cleared for marketing by the U.S. Food and Drug Administration and European authorities. As one metric of our rapid progress, consider that we advanced three programs from our Wholly Owned Pipeline into the clinic in the last two months of 2020. These programs include the global launch of one of the only clinical trials seeking to address the long-term sequelae of COVID-19 infection, a constellation of highly serious symptoms known as post-acute COVID-19 syndrome (PACS) or Long COVID, a clinical study for lymphedema, a painful and disfiguring condition that affects one million people in the U.S., and an oncology study evaluating the clinical properties of a novel monoclonal antibody for the potential treatment of intractable solid tumors.

To put it simply, PureTech's story is one of innovation coupled with rapid growth. I can't think of another company that comes close.

Our success rests firmly on our commitment to innovation – innovation in our pipeline, in our approach to raising and deploying capital and in the development of our team.

The story of scientific innovation and patient focus comes through loud and clear in the therapeutic clearances our Founded Entities received. Consider Gelesis' Plenity ®[1], a novel approach to overweight and obesity: In just one month of limited promotion and marketing investment, Gelesis acquired more new patients on Plenity than any other branded prescription in the weight loss market. Additionally, Akili's EndeavorRx™ received both FDA and European clearance in 2020, becoming the first prescription video game in the world. Both of these therapeutics, like those of all of our Founded Entities, were initially conceived of and advanced by the PureTech team, as part of our commitment to think well outside the box in addressing pressing medical needs for patients. Both are expecting a broader launch in the U.S. this year.

Innovation in capital deployment is the hallmark of our business strategy. The PureTech team spends a lot of time devising and executing what we call "killer" experiments – that is, experiments designed to take out potential programs by revealing their flaws. If a program survives this hurdle, we believe that it has been substantially de-risked, and deserves the commitment of additional resources. We are proud of our clinical track record, particularly in the stages where industry failures are typically high as depicted in the graphic on page 9. We have also engineered our Founded Entities to spread risk so that our fortunes do not rise and fall on the outcome of a single, binary readout. Our business model is unusual in the biopharma world, and it has served us exceptionally well.

Innovation in teamwork is the third pillar of our success. We build a global network of top-tier scientific collaborators to help identify promising ideas, solve knotty problems and apply scientific insights to new realms. These collaborators have been invaluable. But they wouldn't take us far without the experienced team we have built to advance our R&D and clinical programs. Our rapid response to the emerging global crisis of Long COVID is an example of how agile and strategic our team is as we push ourselves to deliver breakthroughs for patients.

I am honored to be Chair of the board and to work closely with my colleagues on this remarkable board and team. I know my fellow board members join me in that sentiment. We were delighted to welcome two new members to the board in the past year:

Kiran Mazumdar-Shaw, a highly successful, pioneering biotech entrepreneur and passionate philanthropist, who joined in October of 2020 as an independent non-executive director, and Bharatt Chowrira, Ph.D., J.D., PureTech's President and Chief of

Business and Strategy, who has been with the Company since 2017 and was promoted to the Board in January of 2021. Also in January, we were pleased to welcome George Farmer, Ph.D., as our Chief Financial Officer. Dr. Farmer's depth of experience as a biotech executive and equity analyst will serve us well as we set our business development strategy for the years ahead.

Additionally, in March of 2021, we announced that Stephen Muniz, Esq., will retire from his role as Chief Operating Officer and Corporate Secretary and will step down from the Board of Directors, effective May 17, 2021. On behalf of the Board, I would like to thank Steve for all of his hard work and leadership over the past 13 years.

I would also like to extend a sincere thank you to all of our shareholders for enabling our continued growth. As always, I am proud to be part of the PureTech team and I look forward to continued success in 2021.

Christopher Viehbacher

Chair

April 14, 2021

1 Important Safety Information: Patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium dioxide should not take Plenity. To avoid impact on the absorption of medications: For all medications that should be taken with food, take them after starting a meal. For all medications that should be taken without food (on an empty stomach), continue taking on an empty stomach or as recommended by your physician. The overall incidence of side effects with Plenity was no different than placebo. The most common side effects were diarrhea, distended abdomen, infrequent bowel movements, and flatulence. Contact a doctor right away if problems occur. If you have a severe allergic reaction, severe stomach pain, or severe diarrhea, stop using Plenity until you can speak to your doctor. Rx Only. For the safe and proper use of Plenity or more information, talk to a healthcare professional, read the Patient Instructions for Use, or call 1-844-PLENITY.

2 The cumulative percentages are calculated by multiplying the individual phase percentages included in the following footnotes.

3 The aggregate percentages include all therapeutic candidates advanced through at least Phase 1 by PureTech or its Founded Entities from 2009 onward, using the aforementioned calculation method based on the following individual phase percentages, Phase 1 (n = 6/7; 86%), Phase 2 (n = 9/10; 90%), Phase 3 (n = 2/3; 67%); Phase 2 and Phase 3 percentages include some therapeutic candidates where Phase 1 trials were not conducted by PureTech or its Founded Entities (i) due to the requirements of the medical device regulatory pathway or (ii) because a prior Phase 1 trial was conducted by a third party.

4 Industry average data measures the probability of clinical trial success of therapeutics by calculating the number of programs progressing to the next phase vs. the number progressing and suspended (Phase 1=63%, Phase 2=31%, Phase 3=58%). BIO, Biomedtracker, Amplion (2015) Clinical Development Success Rates 2006 – 2015. This study did not include therapeutics regulated as devices.

Letter from the Chief Executive Officer

Giving life to science by rapidly advancing scientific breakthroughs for patients.

With the COVID-19 pandemic sweeping the globe, the biopharma industry was challenged in 2020 to elevate its thinking and to seize big, bold ideas that could prove transformative for patients. We've all taken pride in the industry's response to the pandemic, and rightfully so. I'm also immensely proud of PureTech's response. Proud, but not surprised – because thinking big has been woven into our DNA from the beginning.

PureTech was founded to advance a singularly important mission: Develop groundbreaking medicines for serious diseases for which patients currently have few options, or none at all. We start with a clear-eyed assessment of the need. We then collaborate with the best scientific minds, identifying emerging discoveries that could help us meet our goals of inventing entirely new solutions when the current approaches are not sufficiently innovative. One telling statistic: Our global network of world-class scientists probing the Brain-Immune-Gut (BIG) Axis has published more than 25 papers describing research breakthroughs, many in top journals such as *Cell*, *Nature* and *Science*. In many cases, long before the rest of the world read about the discoveries, we had already secured the relevant intellectual property and ran crucial de-risking experiments to validate their therapeutic potential.

It has become clear in recent years that the BIG Axis and the crosstalk between those systems plays a critically important role in regulating health and disease. We have developed preeminent expertise in key components of the BIG Axis, including the gut epithelial barrier, the microbiome and – importantly – the lymphatic system, and those insights have translated into a highly promising and rapidly advancing pipeline. Across our Wholly Owned Pipeline and our Founded Entities, our R&D engine has delivered 26 therapeutics and therapeutic candidates, including 15 clinical-stage programs and two innovative therapeutics that are now on the market, having received regulatory clearances by the U.S. Food and Drug Administration (FDA) and European regulators.

Despite the challenges of operating in a pandemic, 2020 was a highly successful year for PureTech across the key areas of pipeline growth, clinical execution and financing. Here is a look at just a few of our scientific highlights from the past year:

- We launched three trials of LYT-100 (deupirfenidone), our lead therapeutic candidate from our Wholly Owned Pipeline and had a successful readout from one of those trials, and the other two are ongoing. LYT-100 is currently being evaluated in a Phase 2 trial in Long COVID and a Phase 2a trial in lymphedema. Topline results from these trials are anticipated in the second half of 2021 and the first half of 2022, respectively. We are also planning registration-enabling studies in idiopathic pulmonary fibrosis (IPF) and potentially other progressive fibrosing interstitial lung diseases (PF-ILDs), for which we expect to provide additional guidance later this year. All three of these indications – Long COVID, lymphedema and progressive fibrosing lung diseases – represent underserved patient populations with limited or no existing

treatment options.

- We launched the first part of a Phase 1/2 trial of our monoclonal antibody LYT-200, which targets a foundational immuno-suppressive protein, galectin-9, preferentially expressed in multiple difficult-to-treat cancers. This trial in relapsed and refractory metastatic cancer patients is designed to evaluate safety and identify a recommended Phase 2 dose for potential further evaluation in combination with chemotherapy and an anti-PD-1 immunotherapy, and we also believe that there is potential for LYT-200 to advance as a monotherapy. We anticipate topline results from the first stage of the study in the fourth quarter of 2021.
- We advanced work on LYT-300, an exciting new candidate generated from our expertise and focus in lymphatics. LYT-300 is an oral form of the natural neurosteroid allopregnanolone. An IV version of allopregnanolone, also known as brexanolone, is approved by the FDA to treat postpartum depression. The FDA-approved product is infused over 60 hours. We leveraged our Glyph™ technology platform, which is designed to employ the body's natural lipid absorption and transport process to send oral drugs into the lymphatic system, to develop LYT-300. We believe that the oral bioavailability demonstrated in our preclinical work creates significant potential for LYT-300, as an oral dosing regimen may unlock a range of neurological indications.
- Our Founded Entity Akili received clearance from the FDA as well as European marketing authorization for the first prescription treatment delivered through a video game, EndeavorRx, designed for children with attention deficit hyperactivity disorder (ADHD). Cognitive dysfunction is a key feature of many neuropsychiatric disorders, including ADHD, which affects approximately 6.4 million pediatric patients in the United States. The treatment of the cognitive dysfunction associated with these conditions is only partially served, or not served at all, by currently available medications or by in-person behavioral therapy.
- Our Founded Entity Gelesis received European marketing authorization for its lead product Plenity, an innovative treatment for obesity that was cleared by the FDA with a label that extends to the broadest patient population of any prescription weight management product. Excess weight is growing rapidly in prevalence worldwide, with approximately 70 percent of American adults struggling with overweight and obesity. Globally there are more than 1.9 billion adults 18 years of age or older who have overweight and 600 million who have obesity. Current treatment options are associated with safety concerns, lifestyle impact, complexity of use, high cost and compliance issues that have limited their adoption.
- Our other Founded Entities, which we are proud to have invented the underlying platforms and programs for, continued to advance pioneering pipelines. Highlights include:

- Karuna (Nasdaq: KRTX) announced the initiation of its Phase 3 program evaluating KarXT for the treatment of acute psychosis in adults with schizophrenia; there are currently no existing medicines that sufficiently and safely treat psychosis and negative and cognitive symptoms.
- Vedanta Biosciences is advancing four clinical-stage therapeutic candidates based on rationally-defined consortia of human microbiome-derived bacteria, with results from two clinical trials expected in 2021. All of Vedanta's therapeutic candidates are designed to address immune-mediated diseases for which existing treatment options have undesirable side effects or are ineffective for many patients.
- Vor Biopharma (Nasdaq: VOR) expects to enroll the first patient in a Phase 1/2a clinical trial for VOR33 in the second quarter of 2021 for its engineered hematopoietic stem cell therapy for the treatment of acute myeloid leukemia (AML), while its potential companion therapeutic, VCAR33, is currently being evaluated in an investigator-initiated Phase 1/2 clinical trial. Existing targeted therapies for AML frequently cause substantial toxicities, limiting their potential, so there is a need for new strategies.

In other words, we are making substantial, and exciting, progress for patients. We are giving life to breakthrough science.

On top of the scientific and clinical advances, we continued to solidify our financial presence, as exemplified by our listing on Nasdaq in November. We remain listed on the London Stock Exchange and a member of the FTSE 250; this joint listing on Nasdaq expands our access to capital in the U.S. as well as Europe. We have long worked with scientists and physicians around the world in our drive to bring novel therapeutics to patients, and we are proud to have expanded our global reach to the investor community as well.

LYT-100: A case study for our R&D model

Our development program for LYT-100 is the perfect case study of our R&D model and is emblematic of our commitment to leveraging our extensive knowledge of the BIG Axis and lymphatic biology on behalf of patients with serious unmet need. The LYT-100 story also underscores our commitment – distinctive in the biotech world – to follow the science wherever it takes us, and to move nimbly and strategically to seize new opportunities which hold significant potential value for patients and shareholders alike.

Our unique insights into the biology of the lymphatic system led us to identify LYT-100 and acquire its related intellectual property in 2019. The story of LYT-100 is illustrative of our approach to pipeline development at PureTech. Our foundational insights into the lymphatic biology and related immunology that underly the BIG Axis prompted us to recognize the role of inflammation and fibrosis in lymphedema, a major underserved disorder of the lymphatic system. While investigating this pathway, we were able to tap into our network of scientific and business collaborators to identify unpublished data on the approved drug pirfenidone. That, in turn, led us to LYT-100. Why were we so interested? The goal in designing LYT-100, a deuterated, oral small molecule, is to have a differentiated profile, which may overcome some of the historic challenges associated with pirfenidone, an approved and marketed anti-inflammatory and anti-fibrotic drug for the treatment of IPF. Pirfenidone is effective, but it is associated with significant tolerability issues and requires frequent dosing. As a result, about half of patients discontinue treatment, dose adjust or switch therapies, which leads to suboptimal disease management. We are developing LYT-100 to offer a differentiated safety profile compared to current standard of care drugs, which may support improved patient compliance not only in IPF but also a wide range of other inflammatory and fibrotic diseases.

In keeping with our commitment to put all our programs to a rigorous test before investing heavily in clinical development, we launched a randomized, double-blind multiple ascending dose and food effect study of LYT-100 in healthy subjects in 2020. We reported the results this past fall: The study demonstrated favorable proof-of-concept for LYT-100's tolerability and pharmacokinetic profile and paved the way for twice-a-day dosing without regard to meals in future studies. We believe this work substantially de-risked the program and opened the door for potentially rapid clinical development.

We are deeply excited about LYT-100 because we believe it has substantial potential to treat a wide range of interstitial lung diseases (ILDs), including IPF and other progressive fibrosing ILDs. These are devastating and often deadly diseases that collectively affect approximately 200,000 people in the U.S. alone. We aim to bring patients new hope and more therapeutic options given the devastating nature of the disease and limitations with current standards of care.

LYT-100 also has strong potential in lymphedema, a serious chronic condition that affects roughly one million people in the U.S. This disease, which leads to painful and sometimes disfiguring swelling, is particularly devastating for breast cancer patients, who have no treatments other than compression bandages and physical therapy. At PureTech, we maintain a laser focus on debilitating diseases with inadequate treatment options, and this population certainly meets that criteria. We are hopeful we can bring these patients relief with LYT-100. Our Phase 2a proof-of-concept study is enrolling patients with breast cancer-related, upper limb secondary lymphedema; we expect to report topline results in the first half of 2022.

The LYT-100 story is also a window into the way we at PureTech can move nimbly and with great speed to address unexpected challenges.

By late spring of 2020, as the COVID pandemic surged, we were starting to hear deep concerns from our network of leading pulmonologists about the long-lasting effects of the infection. They were seeing patients who had recovered from the acute phase of their illness and had been discharged from the hospital – yet who continued to suffer from severe shortness of breath, deep fatigue and muscle weakness that significantly limited their ability to return to their daily activities. This long-lasting respiratory dysfunction, along with other serious and persistent symptoms, would later be designated Long COVID or PACS. The symptoms appear to mimic respiratory complications of other viral pneumonias like Severe Acute Respiratory Syndrome (SARS) and Middle East Respiratory Syndrome (MERS), and up to one third of SARS and MERS survivors had abnormal pulmonary testing and lung imaging that persisted for years. Testimony from Long COVID-affected patients and epidemiological studies published in *The Lancet* and elsewhere confirmed the serious nature of this threat, which the World Health Organization has called a top priority for research in 2021 and the United States Congress has given the National Institutes of Health over $1 billion to study.

We quickly recognized that LYT-100's anti-fibrotic and anti-inflammatory properties had the potential to address the debilitating sequelae of COVID infection. We knew we had an obligation to evaluate this potential as quickly as possible, and I am proud to say that our team moved mountains to rapidly assess the unmet need, establish protocols and secure regulatory approvals for a global clinical study. Within months, we had launched a randomized, placebo-controlled Phase 2 trial of LYT-100 in Long COVID – one of just a handful of clinical programs worldwide to evaluate a potential therapy for this condition, which could affect a substantial portion of the over 125 million people worldwide who have been infected with COVID-19. We are enrolling in both the U.S. and Europe and expect a readout in the second half of 2021.

Our innovative approach to R&D continues to shape the growth of our Wholly Owned Pipeline. We are quite excited about our two anti-cancer monoclonal antibodies, LYT-200 and LYT-210. And we are also eager to initiate a clinical trial with LYT-300 later this year. We see substantial potential for LYT-300 in a wide array of neurological and neuropsychological conditions where patients have been waiting for far too long for effective treatments.

Strong financing to support focused development

At the start of 2021, we celebrated PureTech's U.S. listing on Nasdaq with a virtual bell ringing ceremony. It was a wonderful opportunity both to mark how far we've come and to look ahead with pride and confidence at our opportunities to build additional value for shareholders while potentially providing enormous value for patients. We were delighted to be joined at the bell ringing by our new chief financial officer, George Farmer, Ph.D., an experienced financial analyst and biotech executive who joined our management team in January 2021.

At the PureTech level, we are well-capitalized with cash resources into the first quarter of 2025. Our strong financial position is the result of our unique strategy, which allows us to derive value from the equity growth of our Founded Entities. In 2020, we generated cash proceeds of $350.6 million from the sales of equity in our Founded Entities, and in February 2021 we generated an additional $118 million. This approach provided us with access to non-dilutive funding for our operations and growth and to further expand and advance our Wholly Owned Programs, while still maintaining significant equity ownership across our Founded Entities.

The Founded Entities are also well-capitalized, having raised $1.2 billion from January 2017 through the end of 2020, with an additional $473.2 million so far in the 2021 post-period. In the most recent financial milestone, Vor Biopharma completed a successful Nasdaq IPO in February of 2021, raising $203.4 million in gross proceeds before deducting the underwriting discounts and commissions and other offering expenses.

We are well-positioned for the exciting year ahead, which we expect to include multiple value drivers across our Wholly Owned Programs and our Founded Entities, including at least 10 expected clinical study initiations and nine expected readouts. In addition, we look forward to a broader U.S. launch of Gelesis' Plenity and Akili's EndeavorRx.

I would like to thank the entire PureTech team on their resilience this year as we accomplished historic milestones as an organization while navigating remote working and the emotional strain of a global pandemic. I would also like to extend my gratitude to our tremendous Board and R&D Committee for their wise counsel and strategic oversight. We are fortunate to have a dedicated team and outstanding scientific collaborators who remain committed to developing highly differentiated medicines for patients in dire need of better options. To our shareholders: Thank you for your vision and continued support over the last year.

Above all, we thank the patients and clinicians working alongside us in our clinical trials. We are grateful for your support, humbled by your trust and inspired by your courage. You make possible the medical advances of the future.

We look forward to another transformational year focused on giving life to science and making a difference for patients – together.

Daphne Zohar

Founder, Chief Executive Officer and Director

April 14, 2021

1 $200.9 million in proceeds from the January 22, 2020 sale of 2.1 million Karuna common shares, $45.0 million in proceeds from the May 25, 2020 sale of 555.5 thousand Karuna common shares and $3.0 million in proceeds from the April 30, 2020 sale of 2.1 million resTORbio common shares.

2 EndeavorRx is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Patients who engage with EndeavorRx demonstrate improvements in a digitally assessed measure Test of Variables of Attention (TOVA) of sustained and selective attention and may not display benefits in typical behavioral symptoms, such as hyperactivity. EndeavorRx should be considered for use as part of a therapeutic program that may include clinician-directed therapy, medication, and/or educational programs, which further address symptoms of the disorder. EndeavorRx is available by prescription only. It is not intended to be used as a stand-alone therapeutic and is not a substitution for a child's medication.

3 Long COVID is a term being used to describe the emerging and persistent complications following the resolution of COVID-19 infection, also known as post-acute COVID-19 syndrome (PACS).

4 $101.6 million in proceeds from the August 26, 2020 sale of 1.3 million Karuna common shares.

5 Important Safety Information: Patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium dioxide should not take Plenity. To avoid impact on the absorption of medications: For all medications that should be taken with food, take them after starting a meal. For all medications that should be taken without food (on an empty stomach), continue taking on an empty stomach or as recommended by your physician. The overall incidence of side effects with Plenity was no different than placebo. The most common side effects were diarrhea, distended abdomen, infrequent bowel movements, and flatulence. Contact a doctor right away if problems occur. If you have a severe allergic reaction, severe stomach pain, or severe diarrhea, stop using Plenity until you can speak to your doctor. Rx Only. For the safe and proper use of Plenity or more information, talk to a healthcare professional, read the Patient Instructions for Use, or call 1-844-PLENITY.

6 For more information in relation to the PureTech Level Cash and Cash Equivalents and Consolidated Cash and Cash Equivalents measures used in this Annual Report, please see pages 75 and 76 of the Financial Review.

Letter from the Chief Innovation Officer and the Chief Scientific Officer

2020 was a transformational year for PureTech's pipeline. For the first time, two therapeutic candidates from within our Wholly Owned Pipeline entered the clinic, and over the course of just twelve months, we initiated a total of four clinical trials evaluating these candidates across three different indications, with one trial reading out successfully so far for LYT-100. Additionally, we grew our Wholly Owned Pipeline with the nomination of a new therapeutic candidate, LYT-300 (oral allopregnanolone) that was born from one of our three discovery platforms and for which we expect to initiate a clinical trial by the end of this year. For PureTech, this progress is both characteristic of our R&D engine that has yielded 26 therapeutics and therapeutic candidates being advanced via our Wholly Owned Pipeline and our Founded Entities, and it is demonstrative of our strategic shift to retain full ownership in our innovations as we advance our Wholly Owned Pipeline.

This momentum was not stymied by the global pandemic that changed so much about the world in 2020. In fact, as the pandemic threw down a gauntlet to therapeutic innovators, we were all challenged to think boldly, move nimbly and harness minds and resources to meet this immense public health challenge. This global response is akin to PureTech's distinctive approach to R&D: We start with the unmet need, identify the ideal solution, put the brightest minds on discovery, aggressively evaluate feasibility, and then pursue development with scientific rigor and the input of world-leading experts.

Leveraging our leadership in understanding of the immune system, we applied our R&D approach to identifying LYT-100, an exciting therapeutic candidate with potential to treat several important serious conditions of high unmet need. Based on a substantial body of data, we are developing LYT-100 for multiple therapeutic indications involving inflammation, fibrosis and disorders of lymphatic flow, including progressive fibrosing interstitial lung diseases such as idiopathic pulmonary fibrosis (IPF), lymphedema and severe respiratory sequelae of COVID-19, which is now commonly called "Long COVID" or post-acute COVID-19 syndrome (PACS). The common thread? Immune dysfunction and fibrosis.

PureTech has been developing expertise in immunology for years. We have continued to deepen our focus on the BIG Axis of the Brain, Immune and Gut – complex and dynamic modulatory systems that enable us to respond in healthy ways to changing circumstances but that, when disrupted, give rise to a wide range of diseases. The BIG Axis is tied together by the 3,500 kilometers of lymphatic vessels that thread our bodies, studded with highly specialized nodes that filter and train immune cells for their local tissues. That vast lymphatic system is not just a passive vessel for fluid but a vibrant organ with an active and important role in regulating the immune system.

Our understanding of the importance of this system led us to LYT-100 (deupirfenidone), a new chemical entity which retains the pharmacology of pirfenidone – an FDA-approved treatment for IPF that has been granted FDA Breakthrough Therapy designation in unclassifiable interstitial lung diseases (ILDs) – but which has a differentiated pharmacokinetic profile. We will be evaluating whether LYT-100 can offer tolerability and efficacy with less frequent dosing, and our goal is to mitigate some of the GI-related tolerability issues that have historically been associated with pirfenidone and limited its usage. LYT-100 has been observed to reduce pro-inflammatory cytokines IL-6 and TNF-α in preclinical models. Both cytokines may be involved in the hyperinflammatory response to external assault such as virus infection. LYT-100 is also anti-fibrotic and suppresses TGF-β induced production of scar tissue components such as collagen.

We are building on a comprehensive body of research evaluating LYT-100. A foundational milestone came in the fall of 2020, when we reported results from a Phase 1 multiple ascending dose and food effect study. LYT-100 was well-tolerated at all pre-specified doses, with a favorable pharmacokinetic profile. All adverse events that were possibly or probably related to LYT-100 were mild and transient and there were no discontinuations of subjects while taking LYT-100. These results provided strong proof-of-concept for the potential tolerability of LYT-100, and we moved rapidly to initiate two Phase 2 clinical trials for LYT-100.

The first study is in Long COVID. This is one of just a handful of clinical trials anywhere in the world to assess a potential therapy for this serious public health threat. Our decision is based not only on the results of the Phase 1 study, but also on a substantial body of preclinical research. The second study is in lymphedema, a debilitating condition that affects approximately one million people in the U.S., and is particularly prevalent in women recovering from breast cancer. There is currently no approved pharmaceutical treatment for lymphedema.

Idiopathic pulmonary fibrosis (IPF) and potentially other progressive fibrosing interstitial lung diseases (PF-ILDs)

Because of the unique properties demonstrated with LYT-100, we are now planning registration-enabling studies of LYT-100 for IPF and potentially other PF-ILDs, which represent a deep area of underserved medical need and substantial commercial opportunities, and we expect to provide additional guidance later this year. There are approximately 200,000 people living with PF-ILDs, including IPF, in the United States. IPF is a progressive condition characterized by irreversible scarring of the lungs, which worsens over time and makes it difficult to breathe. The prognosis of IPF is poor, with the median survival after diagnosis generally estimated at two to five years.

Current treatments for PF-ILDs, including pirfenidone (approved for IPF only) and nintedanib, have serious limitations, particularly GI-related tolerability issues. In fact, one large, multinational post-marketing analysis of about 11,000 patients with IPF found that only about 13 percent were receiving pirfenidone during a follow-up period of approximately five years. We believe a therapeutic compound that improves upon tolerability, dosing frequency and the overall clinical profile of pirfenidone, while retaining or exceeding its efficacy, would be an attractive therapeutic option for IPF and potentially other PF-ILDs, and we intend to communicate our clinical development plans for LYT-100 later this year.

Groundbreaking Phase 2 clinical trial for Long COVID

The COVID-19 pandemic has affected over 125 million people around the world, and there is increasing data around the longer-term complications of COVID-19, referred to as Long COVID or PACS, including data regarding respiratory issues that persist following recovery. Survivors of the virus can have lung fibrosis that causes shortness of breath and other problems that could potentially last for years, and a high proportion of mild, moderate and severe COVID-19 patients (up to 53 percent in one study) already show signs of lung fibrosis at three weeks post symptom onset. We have now embarked on a global, randomized, double-blind, placebo-controlled Phase 2 trial designed to evaluate the efficacy, safety, and tolerability of LYT-100 in adults with post-acute COVID-19 respiratory complications. The primary endpoint is a standardized test of how far a patient can walk in six minutes. Secondary endpoints, including pharmacokinetics, inflammatory biomarkers, imaging and patient-reported outcomes will also be evaluated. The study is ongoing initiated in both the United States and Europe; results are expected in the second half of 2021.

Phase 2a study of LYT-100 in lymphedema

In 2020, we also initiated a Phase 2a trial of LYT-100 in lymphedema to explore clinical efficacy endpoints in patients with breast-cancer related, upper limb secondary lymphedema. Lymphedema is a debilitating condition that affects approximately one million people in the U.S., and it is particularly prevalent in women recovering from breast cancer. It can lead to painful and disfiguring swelling and recurring infections, yet there are no approved drugs and little relief for patients other than compression bandages, physical therapy and massage. This is particularly unfortunate as the lymphatic damage induces a vicious feedback loop of inflammation and fibrosis with immune infiltration of tissues. It is a biochemical process – so while physical treatments offer palliation, a therapeutic approach is urgently needed.

The randomized, placebo-controlled, Phase 2a proof-of-concept study of LYT-100 is expected to enroll up to 50 patients. The primary endpoints will be safety and tolerability, with secondary clinical efficacy and biomarker endpoints. Results are expected in the first half of 2022.

Anti-cancer programs: LYT-200 targeting galectin-9 and LYT-210 targeting gamma delta-1 T cells

We have also made great strides in our anti-cancer programs, both of which are built around fully human monoclonal antibodies that target foundational immunosuppressive mechanisms. We see potential for both LYT-200 and LYT-210 as single agents as well as in combination with checkpoint inhibitors and other anti-cancer treatments.

We were thrilled to launch a Phase 1 trial of LYT-200 in December. The adaptive trial design will assess the safety and tolerability of escalating doses of LYT-200. Results are expected in the fourth quarter of 2021, and we may then proceed with a chosen dose into Phase 2. We shared the strong preclinical data supporting LYT-200 and its target, galectin-9, at the American Association for Cancer Research 2020 Virtual Annual Meeting. Galectin-9 is an immuno-suppressive protein prominently expressed in multiple difficult-to-treat cancers, including breast cancer, pancreatic and cholangiocarcinoma. Analysis of a vast data set suggested that high galectin-9 levels in tumor cells and immune cells within the tumor microenvironment (TME) are associated with shorter time to cancer relapse as well as with an immuno-suppressed TME phenotype in a number of solid tumors. Additionally, a recent study published in Nature Communications identified the molecular mechanism by which PD-1 and galectin-9 interact to shield tumors from the immune system, demonstrating for the first time that galectin-9 is a ligand for PD-1 and emphasizing its importance as a promising target for immunotherapy. Data suggests galectin-9 may also be an informative biomarker to enrich future clinical studies, a hypothesis we are further exploring with the support of a grant received from the Department of Defense (DOD) in the fall of 2020.

Our preclinical LYT-210 program continues to show promise and support our development rationale that immunosuppressive gamma delta-1 T cells correlate with more aggressive disease in a range of tumor types. To date, both *in vivo* and *in vitro* research demonstrates that targeting these T cells can stimulate an anti-cancer immune response and may be synergistic with checkpoint inhibitors.

LYT-300: Leveraging lymphatic targeting through the Glyph™ platform

We further expanded our Wholly Owned Pipeline in 2020 with the nomination of LYT-300, which will be entering the clinic this year.

LYT-300 is an oral form of a natural neurosteroid called allopregnanolone, an IV version of which has been approved by the Food and Drug Administration to treat postpartum depression and is administered over the course of 60 hours, under medical supervision, which is a high treatment burden for any patient. Allopregnanolone has been recognized for its therapeutic potential in a range of neurological and neuropsychological conditions, including epilepsy, anxiety, depression, essential tremors and sleep disorders. Allopregnanolone belongs to a class of natural neurosteroids whose important role in a range of neurological conditions is well established; however, these neurosteroids are not orally bioavailable, which has greatly limited their evaluation as potential therapeutics. Making these natural neurosteroids, such as allopregnanolone, orally bioavailable could potentially allow for their development against a number of neurological conditions.

Our approach: our Glyph technology platform, which employs the body's natural lipid absorption and transport process to send oral drugs into the lymphatic system and bypass first-pass metabolism by the liver. We essentially coopt the incredible system of lymphatics vasculature to create an option for drug distribution that bypasses natural barriers and keeps the compound from being destroyed by the liver. We have demonstrated mechanistic proof-of-concept of LYT-300 (oral allopregnanolone) *in vivo* and intend to initiate a Phase 1 clinical trial by the end of 2021.

Additional novel therapeutic platforms: Orasome™ and meningeal lymphatics

Glyph is just one of our three novel therapeutic platforms, each of which enriches our drug discovery process with highly versatile technology. Our Orasome technology platform was inspired by the *in vivo* trafficking of ubiquitous, naturally occurring vesicles, which are often referred to as exosomes, and our platform utilizes multiple vesicle components, including those isolated from milk. We have engineered these vesicles to remain stable following oral consumption and transit through the upper GI tract. We are now able to purify these vesicles in substantial quantities and have successfully packed a variety of different molecular entities within them. We are exploring using these vesicles to deliver nucleic acids such as mRNA and other expression systems that could instruct the body to make its own proteins. These hardy vesicles could also be leveraged as a convenient and far less costly way to administer biological medicines in oral form. We expect preclinical proof-of-concept and non-human primate data this year.

Finally, we are leveraging the incredible discovery of the brain's lymphatic network – located in the meninges – to evaluate a wide range of therapeutic possibilities. Correcting neurological lymphatic dysfunction could provide an avenue into treating multiple neurodegenerative and neuroinflammatory conditions that have largely resisted drug development efforts, such as Alzheimer's disease and Parkinson's disease. PureTech is building deep expertise around the anatomy and physiology of this novel system to understand its involvement in disease and ways to modulate its function. A collection of our research insights into this fascinating new area of medicine will be submitted to a peer-reviewed publication in 2021.

Although this has been a hard year for all of us in many ways, we are proud of the significant achievements of PureTech's stellar scientific and clinical teams. The challenges of the COVID-19 pandemic have made us all even more aware of the vital importance of our work and the urgency of patient need. Our team has demonstrated an agility, resourcefulness and strategic mindset that enabled us to respond nimbly to the pandemic while advancing a rapidly growing clinical pipeline of potentially important therapeutic candidates and a diverse and exciting research portfolio. We congratulate our team on rallying to meet the needs of the moment, working patiently through the heightened health precautions we have adopted, and opening new horizons for lymphatic-based therapeutic approaches and related immunology. Throughout this year, we have all experienced the joy of discovery and the satisfaction of advancing important programs to meet profound medical needs. We are also incredibly grateful to the patients, volunteers and caregivers participating in our clinical studies who are making invaluable contributions to research that could potentially improve treatment outcomes for so many.

We look forward to the discoveries and milestones to come as we continue to accelerate the growth of PureTech's Wholly Owned Programs.

Dr. Joseph Bolen

Chief Scientific Officer

Dr. Eric Elenko

Chief Innovation Officer

April 14, 2021

How PureTech is building value for investors

We are a clinical-stage biotherapeutics company dedicated to discovering, developing and commercializing highly differentiated medicines for devastating diseases, including inflammatory, fibrotic and immunological conditions, intractable cancers, lymphatic and gastrointestinal diseases and neurological and neuropsychological disorders, among others.

The therapeutic candidates within our Wholly Owned Pipeline and the therapeutics and therapeutic candidates being developed by our Founded Entities were initiated by our experienced research and development team and our extensive network of scientists, clinicians and industry leaders.

We established the underlying programs and platforms that have resulted in 26 therapeutics and therapeutic candidates that are being advanced within our Wholly Owned Programs or by our Founded Entities. Of these therapeutics and therapeutic candidates, 15 are clinical-stage and two have been cleared for marketing by the FDA and granted marketing authorization in the European Economic Area, or EEA, and in other countries that recognize the CE Mark. Our Non-Controlled Founded

Entities are advancing 10 of these therapeutic candidates, including two that are currently in Phase 3/Pivotal studies, as well as two FDA-cleared therapeutics. Our Controlled Founded Entities are advancing 10 of these therapeutic candidates, including one that is expected to enter a Phase 3 study and three that are in Phase 2 development, and we are advancing four of these therapeutic candidates within our Wholly Owned Pipeline. We and our Founded Entities have relationships with several pharmaceutical companies or their investment arms to advance some of the programs and platforms underlying these therapeutics and therapeutic candidates.

All of these underlying programs and platforms were initially identified or discovered and then advanced by our team through key validation points based on our unique insights into the biology of the Brain, Immune and Gut, or BIG, systems and the interface between those systems, which we refer to as the BIG Axis. The architectural framework supporting BIG Axis cross-talk is built on evidence highlighting the presence of 70 percent of the entire immune cell population in the gut, approximately 500 million neurons innervating the gastrointestinal, or GI, tract, enteric neurons as part of the autonomic nervous system and key components such as the gut epithelial barrier, microbiome, metabolites and neurotransmitters that play key roles in protecting and influencing the immune system and central nervous system, or CNS.

We are led by a proven and seasoned management team of business leaders with significant experience in discovering and developing important new medicines, delivering them to market and maximizing shareholder value. Collectively, the members of our management team have overseen research and development of therapeutics supporting 23 regulatory approvals and have served in the C-suite of companies acquired for more than $13 billion in the aggregate.

Our team, network and expertise in the BIG Axis enable us to identify and advance scientific discoveries at the interface of the BIG systems. We begin by collaborating with a cross-disciplinary group of experienced clinicians and the world's leading experts in brain, immune and gut biology in a discovery process that breaks down specific diseases and comprehensively identifies, reviews and empirically tests unpublished scientific discoveries in a modality agnostic and unbiased way. Our model, which employs (1) this collaborative process leveraging our biological expertise in the BIG axis and our scientific network, (2) a disciplined approach to program advancement, and (3) a capital efficient approach to driving clinical developments and value creation, has enabled us to rapidly convert these findings into promising therapeutic candidates.

Historically, we have developed these programs and therapeutic candidates with strategic allies, including equity partners who helped us to advance those programs via our Founded Entities. As these programs have succeeded and our resources have grown, we have increasingly focused on our Wholly Owned Programs. Our Wholly Owned Programs are designed to harness key immunological, fibrotic and lymphatic system mechanisms. They currently consist of LYT-100, a clinical-stage therapeutic candidate we are developing for inflammatory and fibrotic conditions and disorders of lymphatic flow, LYT-200, a clinical therapeutic candidate targeting a foundational immunosuppressive protein, galectin-9, which we are developing as a potential treatment of solid tumors, LYT-210, a preclinical therapeutic candidate targeting immunomodulatory gamma delta-1 T cells, which we are developing for a range of cancer indications and autoimmune disorders, and LYT-300, a preclinical therapeutic candidate, which we intend to develop for a range of neurological and neuropsychological conditions. Our Wholly Owned Programs also include three discovery platforms: Glyph™ – our synthetic lymphatic targeting chemistry platform – and Orasome™ – our oral biotherapeutics platform – both of which leverage absorption of dietary lipids to traffic therapeutics via the lymphatic system, and our meningeal lymphatics discovery research program for treating neurodegenerative and neuroinflammatory diseases.

Components of our Value

The table to the right depicts the four components of our value: (1) our Wholly Owned Programs, (2) Founded Entities that we have a controlling interest in or from which we are entitled to receive royalty payments, (3) Founded Entities where our interest is limited to our equity ownership and (4) our available cash, cash equivalents and short-term investments at the PureTech level.

We hold majority voting control of our Controlled Founded Entities and continue to play a role in the development of their therapeutic candidates through representation on their board of directors, with respect to Follica, Vedanta, Alivio and Sonde. Our board designees represent a majority of the members of the board of directors of Follica, Vedanta and Alivio and a minority of the members of the board of directors of Sonde. With respect to our Non-Controlled Founded Entities, we do not hold majority equity ownership and are not responsible for the development or commercialization of their therapeutic candidates and therapeutics. Our Non-Controlled Founded Entities have independent management teams, and we do not control the day-to-day development of their respective therapeutic candidates.

1. Our Wholly Owned Programs. We are focused on the advancement of our Wholly Owned Programs and delivering value to our shareholders by driving our Wholly Owned Programs to key clinical and commercial milestones, while continuing cutting edge research and development efforts to discover and advance new therapeutic candidates. The table to the right includes a summary of our Wholly Owned Programs and their development status.

2. Founded Entities with Controlling Interest or Right to Receive Royalties. The table to the right summarizes, in order of development stage, the therapeutic candidates being developed by our Founded Entities in which we either have a controlling interest or the right to receive royalty payments. We established the underlying programs and platforms that have resulted in the therapeutic candidates noted in the table and advanced them through key validation points. Each of these therapeutic candidates targets indications related to one or more of the BIG systems, and any value we realize from these therapeutic candidates will be through the potential growth and realization of equity and royalty stakes highlighted in the table to the right.

3. Founded Entities Limited to Equity Interest. We also hold equity ownership in our Non-Controlled Founded Entities, Akili and Vor. The table to the right describes these entities, in order of development stage. Our interest in the therapeutic candidates of these entities is limited to the potential appreciation of our equity interest in these entities.

4. Cash and Cash Equivalents. We had PureTech level cash and cash equivalents of $443.4 million as of March 31, 2021 and $349.4 million as of December 31, 202010.

1 The FDA and corresponding regulatory authorities will ultimately review our clinical results and determine whether our wholly-owned therapeutic candidates are safe and effective. No regulatory agency has made any such determination that our wholly-owned therapeutic candidates are safe or effective for use by the general public for any indication.

2 Long COVID is a term being used to describe the emerging and persistent complications following the resolution of COVID-19 infection, also known as post-acute COVID-19 syndrome (PACS).

3 Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of December 31, 2020, including outstanding shares, options and warrants, but excluding unallocated shares authorized to be issued pursuant to equity incentive plans. Karuna ownership is calculated on an outstanding voting share basis as of March 4, 2021. Vor ownership is calculated on an outstanding voting share basis as of February 9, 2021.

4 With the exception of Plenity®, candidates are investigational and have not been cleared by the FDA for use in the United States.

5 PureTech Health has a right to royalty payments as a percentage of net sales.

6 These therapeutic candidates are regulated as devices and their development has been approximately equated to phases of clinical development.

7 Important Safety Information: Patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium dioxide should not take Plenity. To avoid impact on the absorption of medications: For all medications that should be taken with food, take them after starting a meal. For all medications that should be taken without food (on an empty stomach), continue taking on an empty stomach or as recommended by your physician. The overall incidence of side effects with Plenity was no different than placebo. The most common side effects were diarrhea, distended abdomen, infrequent bowel movements, and flatulence. Contact a doctor right away if problems occur. If you have a severe allergic reaction, severe stomach pain, or severe diarrhea, stop using Plenity until you can speak to your doctor. Rx Only. For the safe and proper use of Plenity or more information, talk to a healthcare professional, read the Patient Instructions for Use, or call 1-844-PLENITY.

8 Contingent on FDA review of the research plan.

9 EndeavorRx™ is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Patients who engage with EndeavorRx demonstrate improvements in a digitally assessed measure Test of Variables of Attention (TOVA) of sustained and selective attention and may not display benefits in typical behavioral symptoms, such as hyperactivity. EndeavorRx should be considered for use as part of a therapeutic program that may include clinician-directed therapy, medication, and/or educational programs, which further address symptoms of the disorder. EndeavorRx is available by prescription only. It is not intended to be used as a stand-alone therapeutic and is not a substitution for a child's medication.

10 For more information in relation to the PureTech Level Cash and Cash Equivalents and Consolidated Cash and Cash Equivalents measures used in this Annual Report, please see pages 75 and 76 of the Financial Review.

Key Pipeline Components and Expected Milestones Through 2021

Through 2021, we anticipate many significant potential milestones across our Wholly Owned Programs and Founded Entities, including at least nine clinical readouts, at least 10 clinical trial initiations and the full commercial rollout of two therapeutics. Of these, five clinical readouts and four clinical trial initiations are anticipated within our Wholly Owned Programs. Additionally, we expect the continued progress of discovery and preclinical programs, as well as the potential for additional strategic partnerships and transactions and the growth of value through our equity and royalty holdings in our Founded Entities. Our Wholly Owned Programs and certain of our Founded Entities' programs that contribute to our value are as follows:

Our Wholly Owned Programs Harnessing Immunological and Lymphatic System Mechanisms:

LYT-100, Our Lead Clinical-Stage Therapeutic Candidate Targeting a Range of Inflammatory, Fibrotic, Lymphatic Flow Disorders and Other Related Indications: We are advancing our wholly-owned therapeutic candidate LYT-100 for the potential treatment of inflammatory and fibrotic conditions and disorders of lymphatic flow, including lung dysfunction conditions (e.g., IPF and potentially other PF-ILDs and Long COVID respiratory complications and related sequelae) and lymphedema. In November 2020, we announced the completion of a Phase 1 multiple ascending dose and food effect study, which demonstrated favorable tolerability and PK proof-of-concept for LYT-100. In December 2020, we announced the initiation of a Phase 2a proof-of-concept study of LYT-100 in patients with breast cancer-related, upper limb secondary lymphedema, with topline results anticipated in the first half of 2022. In December 2020, we announced the initiation of a Phase 2 trial in Long COVID respiratory complications and related sequelae in both the United States and Europe. Topline results are expected in the second half of 2021. We are also advancing LYT-100 for the treatment of IPF and potentially other PF-ILDs, and are planning registration-enabling studies and expect to provide additional guidance later this year. Furthermore, we plan to initiate additional clinical trials of LYT-100 in 2021 to explore further the PK, dosing and tolerability in healthy volunteers. One of these trials is an extension of the previously completed MAD study, in which the maximum tolerated dose was not reached. Results from these trials are anticipated in 2021 and are expected to provide additional supportive data to help with the clinical development of LYT-100 across indications. We have an active IND on file with the FDA for LYT-100.

LYT-200 and LYT-210, Two Immuno-Oncology, or IO, Therapeutic Candidates Harnessing Key Immune Cell Trafficking and Programming Mechanisms: The lymphatic system plays a crucial role in programming immune cells for precise functions and trafficking them to specific tissues. By modulating immune cell trafficking and programming, we are developing therapeutic candidates for the potential treatment of cancer and other immunological disorders. We are advancing LYT-200, targeting galectin-9, for a range of cancer indications, and LYT-210, targeting immunomodulatory gamma delta-1 T cells for a range of cancer indications and autoimmune disorders. In December 2020, we announced the initiation of our Phase 1 clinical trial of LYT-200 for the potential treatment of metastatic solid tumors that are difficult to treat and have poor survival rates, with topline results anticipated in the fourth quarter of 2021. Pending favorable topline results, we intend to initiate the Phase 2 expansion cohort portion of the trial. We are also exploring additional biomarker studies for LYT-210 in 2021. We have an active IND on file with the FDA for LYT-200.

LYT-300, Preclinical Therapeutic Candidate Developed Using our Glyph Technology Platform, Targeting Neurological and Neuropsychological Conditions: The most advanced therapeutic candidate developed from our synthetic lymphatic-targeting chemistry platform called Glyph is LYT-300 (oral allopregnanolone), which is being evaluated in a preclinical setting for a range of neurological and neuropsychological conditions. We expect to initiate a clinical trial with LYT-300 by the end of 2021.

Our Discovery Platforms – Glyph (Lymphatic Targeting Chemistry Platform) and Orasome (Oral Biotherapeutics Platform) – Leveraging Absorption of Dietary Lipids to Traffic Therapeutics via the Lymphatic System: We are harnessing the role of the lymphatic system in the absorption of dietary lipids to orally administer and traffic therapeutics via the lymphatic system. Our Glyph and Orasome technology platforms are based on this key function of the lymphatic system. In 2021, we expect preclinical proof-of-concept data and results from an additional preclinical non-human primate proof-of-concept study for our Orasome technology platform. We also expect to advance additional therapeutic candidates from these platforms internally, and to potentially continue to broaden the platforms through strategic collaborations around non-core applications, beyond our existing discovery collaboration with a large pharmaceutical company.

Our Meningeal Lymphatics Discovery Research Program: The recent discovery of meningeal lymphatics in the brain, an area once thought to have immune privilege, has shed new light on neurodegenerative diseases and lymphatic vessel aging. We believe that augmenting meningeal lymphatic vasculature function may potentially improve outcomes for a range of neurodegenerative and neuroinflammatory conditions that are not currently effectively treated.

Founded Entities in which PureTech has a controlling interest or the right to receive royalties, in order of development stage:

Gelesis

Gelesis, Inc., or Gelesis, which is developing a novel category of therapies for obesity and GI-related chronic diseases, received clearance from the FDA in April 2019 and European marketing authorization in June 2020 to market and sell its lead product Plenity®[1] (formerly known as Gelesis100) as an aid for weight management in adults with a BMI of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis plans to bring Plenity to the U.S. first, where it has been available to a limited extent since the second half of 2019 through an early experience program and since 2020 via a beta launch while the company ramps up its commercial operations and inventory for a broader launch in the second half of 2021. Gelesis plans to seek FDA input on the requirements for expanding the Plenity label for treating adolescents. Gelesis is also advancing a pipeline of therapeutic candidates focused on treating GI disorders. Gelesis initiated a Phase 3 study of GS500 in functional constipation in the second half of 2020 and expects to enroll the first patient in 2021. Additionally, Gelesis expects topline results from a Phase 2 study of GS200 for weight management and glycemic control in adults with type 2 diabetes or pre-diabetes in 2021 and to initiate a Phase 2 study of GS300 in non-alcoholic steatohepatitis and non-alcoholic fatty liver disease, or NASH/NAFLD, also in 2021. We have entered into a royalty and sublicense income agreement with Gelesis, pursuant to which we are entitled to low single-digit royalties on the worldwide net sales of certain commercialized therapeutics, as well as a low teen percentage of any income Gelesis receives from sublicensing certain of its technology. Our interest in Gelesis also includes our equity

ownership of 19.3 percent at December 31, 2020.

Karuna

Karuna Therapeutics, Inc., or Karuna, which is developing novel therapies with the potential to transform the lives of people with disabling and potentially fatal neuropsychiatric disorders, including schizophrenia and dementia-related psychosis, is developing KarXT, an investigational therapeutic candidate designed to selectively activate muscarinic acetylcholine receptors in the brain. KarXT is Karuna's proprietary therapeutic candidate, which combines xanomeline, a muscarinic receptor agonist, with trospium chloride, an FDA-approved and well established muscarinic receptor antagonist that has been shown not to measurably cross the blood-brain barrier, to preferentially stimulate M1/M4 muscarinic receptors in the brain without stimulating muscarinic receptors in peripheral tissues in order to achieve meaningful therapeutic benefit in patients with psychotic and cognitive disorders. In November 2019, Karuna announced topline results from EMERGENT-1, its Phase 2 clinical trial of KarXT for the treatment of acute psychosis in patients with schizophrenia, in which KarXT met the trial's primary endpoint with a statistically significant (p<0.0001) and clinically meaningful 11.6 point mean reduction in total Positive and Negative Syndrome Scale, or PANSS, over placebo at week five (-17.4 KarXT vs. -5.9 placebo), with similar discontinuation rates between KarXT (20 percent) and placebo (21 percent). The study enrolled 182 schizophrenia patients with acute psychosis, 90 of whom received KarXT. The number of discontinuations due to treatment emergent adverse events, or AEs, were equal in the KarXT and placebo arms (n=2 in each group). One SAE was observed in the KarXT treatment group, in which the patient discontinued treatment and subsequently sought hospital care for worsening psychosis, meeting the regulatory definition of a serious adverse event, or SAE. In June 2020, Karuna announced the next steps in the EMERGENT program, the clinical program evaluating KarXT for the treatment of adults with schizophrenia, following the completion of a successful End-of-Phase 2 meeting with the FDA in June 2020. The EMERGENT program includes the previously completed positive Phase 2 efficacy and safety trial (EMERGENT-1), two Phase 3 trials evaluating efficacy and safety (EMERGENT-2 and EMERGENT-3), and two Phase 3 trials evaluating the long-term safety of KarXT (EMERGENT-4 and EMERGENT-5). The first Phase 3 trial, EMERGENT-2, was initiated in December 2020. EMERGENT-3 and EMERGENT-5, the remaining trials in the EMERGENT program, are on track to initiate in the first half of 2021. In August 2020, Karuna announced that it would not move forward to develop KarXT in pain. Topline results from a Phase 1b trial evaluating the analgesic effects of KarXT on experimentally induced pain in healthy volunteers were inconclusive and did not provide sufficient evidence of an analgesic benefit of KarXT compared to placebo. Additionally, Karuna plans to initiate a Phase 2 trial evaluating KarXT for the treatment of psychosis in patients with schizophrenia who have an inadequate response to current standard of care therapies in the second half of 2021. A multi-cohort, placebo-controlled, inpatient Phase 1b dose-ranging trial evaluating the safety and tolerability of KarXT in healthy elderly volunteers is ongoing. Karuna completed the first two cohorts in this trial, Cohorts 1 and 2, and expects data from the final cohort, Cohort 3, in the second quarter of 2021. We have entered into an exclusive license agreement with Karuna pursuant to which we are entitled to receive low single-digit royalties and up to $10.0 million in milestone payments on worldwide net sales of any commercialized product covered by the granted license. Our interest in Karuna also includes our equity ownership of 8.2 percent as of March 4, 2021.

Follica

Follica, Incorporated, or Follica, which is developing a regenerative biology platform designed to treat androgenetic alopecia, epithelial aging and other medical conditions, is advancing FOL-004 for the treatment of hair loss in male androgenetic alopecia. In December 2019, Follica announced topline results from a safety and efficacy optimization study. Follica announced the completion of a successful End-of-Phase 2 meeting with the FDA in June 2020, which supports the progression into Phase 3 development. The initiation of a Phase 3 registration program is expected in 2021. We are party to a royalty agreement with Follica pursuant to which we are entitled to low single-digit royalties on worldwide net sales of certain commercialized therapeutics and a percentage of any sublicense income for certain of its technologies within the range of mid single-digit and mid teen percentages. Our interest in Follica also includes our equity ownership of 78.2 percent at December 31, 2020.

Vedanta

Vedanta Biosciences, Inc., or Vedanta, which is developing a potential new category of therapies for immune-mediated diseases based on a rationally-defined consortia of human microbiome-derived bacteria, expects topline data from a Phase 2 clinical trial for VE303 in high-risk CDI in 2021; topline data from a first-in-patient clinical trial of VE800 in combination with Bristol-Myers Squibb's checkpoint inhibitor Opdivo ® (nivolumab) in patients with selected types of advanced or metastatic cancer in 2021; and topline data from a Phase 1/2 clinical trial for VE416 for food allergy in 2022. Vedanta announced topline data from two Phase 1 studies in healthy volunteers of VE202, a therapeutic candidate being developed for IBD in June 2020 and expects to advance VE202 into a Phase 2 study in IBD in 2021. Our interest in Vedanta is limited to our equity ownership of 49.5 percent at December 31, 2020.

Sonde

Sonde Health, Inc. or Sonde, is developing a voice-based technology platform to measure health when a person speaks. Sonde's proprietary technology is designed to sense and analyze subtle changes in the voice to create a range of persistent brain, muscle and respiratory health measurements that provide a more complete picture of health in just seconds. Sonde has collected over one million voice samples from over 80,000 subjects as a part of the ongoing validation of its platform, and it has also initiated research and development to expand its proprietary technology into AD, respiratory and cardiovascular disease, as well as other health and wellness conditions, including mental health. In July 2020, Sonde launched Sonde One for Respiratory, a new voice-enabled health detection and monitoring app, to potentially help employers improve employee safety, meet government mandates and satisfy their own administrative needs as they reopen office doors in a COVID-19 environment. Our interest in Sonde is limited to our equity ownership of 44.6 percent at December 31, 2020.

Alivio

Alivio Therapeutics, Inc., or Alivio, is pioneering inflammation-targeted disease immunomodulation, which involves selectively restoring immune homeostasis at inflamed sites in the body, while having minimal impact on the rest of the body's immune system, as a novel strategy to treat a range of chronic and acute inflammatory disorders. This long sought-after approach has the potential to broadly enable new medicines to treat a range of chronic and acute inflammatory disorders, including enabling the use of drugs which were previously limited by issues of systemic toxicity or PK. Alivio is developing therapeutic candidates that are designed to selectively treat autoimmune disease without having related systemic toxicities. Alivio's pipeline includes candidates for IBD, chronic pouchitis and IC/BPS. Alivio expects an IND filing for ALV-107 for IC/BPS in 2021 and an IND for ALV-304 for IBD in 2023. Our interest in Alivio is limited to our equity ownership of 78.0 percent at December 31, 2020.

Entrega

Entrega Inc. or Entrega, is focused on the oral administration of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally. The vast majority of biologic drugs, including peptides, proteins and other macromolecules, are currently administered by injection, which can present challenges for healthcare administration and compliance with treatment regimes. Entrega has ongoing discovery efforts to expand its pipeline. Our interest in Entrega is limited to our equity ownership of 72.9 percent at December 31, 2020.

Founded Entities in which PureTech has an equity interest, in order of development stage:

Akili

Akili Interactive Labs, Inc., or Akili, is pioneering the development of treatments designed to have direct therapeutic activity, delivered not through a traditional pill but via a high-quality video game experience. Akili is developing platform technologies designed to target a broad range of medical conditions across neurology and psychiatry. Akili received clearance from the FDA and European marketing authorization in June 2020 for EndeavorRx™ (formerly known as AKL-T01) as a prescription treatment for children with ADHD. Delivered through a captivating video game experience, EndeavorRx is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Akili plans to take a scaled approach to the commercial launch of EndeavorRx in 2021. Our interest in Akili is limited to our equity ownership of 33.7 percent at December 31, 2020.

Vor

Vor Biopharma, Inc. or Vor, which is a cell therapy company that combines a novel patient engineering approach with targeted therapies to provide a single company solution for patients suffering from hematological malignancies, announced in the January 2021 post-period that the FDA had accepted the company's IND application for VOR33. Vor plans to enroll the first patient in a Phase 1/2a clinical trial for VOR33 in the second quarter of 2021 and expects initial human engraftment and protection data from this trial to be reported in late 2021 or in the first half of 2022. In the February 2021 post-period, Vor announced the pricing of its initial public offering of common stock on the Nasdaq Global Market under the symbol "VOR". The aggregate gross proceeds were approximately $203.4 million, before deducting the underwriting discounts and commissions and other offering expenses payable by Vor. Our interest in Vor is limited to our equity ownership of 8.6 percent at February 9, 2021.

Our Scientific Focus: The Brain-Immune-Gut (BIG) Axis

The therapeutic candidates being advanced within our Wholly Owned Programs and by our Founded Entities, and our work in these areas, in close collaboration with leading academic and clinical experts, has led us to focus on the biological interplay among these three systems, which we refer to as the BIG Axis. The architectural framework supporting BIG Axis cross-talk is built on evidence highlighting the presence of 70 percent of the entire immune cell population in the gut, approximately 500 million neurons innervating the GI tract, enteric neurons as part of the autonomic nervous system and key components such as the gut epithelial barrier, microbiome, metabolites and neurotransmitters that play key roles in protecting and influencing the immune system and CNS.

The brain, immune system and gut lymphatic system form an interconnected adaptive network to respond to acute and chronic environmental change. Using the immune system to act as a bridge, the body relies on the bidirectional relationship between the gut and brain to maintain normal homoeostasis. Dysregulation of immune signaling through gut inflammation, microbiome changes and a compromised intestinal barrier all contribute to a range of immunological, GI and neurology and neuropsychological disorders. We have been at the forefront of research and development in the BIG Axis, including the role of gut-immune transport, immune-microbial signaling, gut barrier dysfunction and repair and gut and inflammation selective targeting strategies. Across our Wholly Owned Programs, we are pursuing strategies to directly reach the immune system via the mesenteric lymph nodes, addressing lymphatic flow and vessel restoration disorders and targeting immunosuppressive and pathogenic lymphocytes.

Recent scientific advances, including the work of our network of scientific collaborators, have uncovered the lymphatic system as one of the most critical players in the BIG Axis. In addition to maintaining the balance of interstitial fluid that surrounds the body's cells, the lymphatic system plays a key role in conducting surveillance of the immune system through an intricate network of vessels connecting the over 300 lymph nodes, serving as a "superhighway" for programming immune cells for specific functions and trafficking them to specific tissues. The mesenteric lymph node group around the intestines serves as the primary interface between the gut and the immune system and for programming circulating adaptive immune cells. The recent discovery of meningeal lymphatics in the brain, an area once thought to have immune privilege, has shed new light on neurodegenerative diseases and lymphatic vessel aging.

Through our scientific leadership in the BIG systems and the BIG Axis, we have created the underlying programs and therapeutic candidates that have the potential to treat inflammatory and immunological conditions, intractable cancers, lymphatic and GI diseases and neurological and neuropsychological disorders, among others.

Our Focus on the Lymphatic System

The lymphatic system is a network of tissues and organs in the body that fulfills three essential functions: (1) maintaining the balance of the fluid that surrounds the body's cells, or interstitial fluid, (2) conducting surveillance of the immune system and serving as a "superhighway" for immune cell trafficking and (3) absorbing dietary lipids through an intricate network of vessels in the intestinal tract.

Dysfunction of the lymphatic system is associated with numerous disease states, and we believe that restoring lymphatic function in various disease settings can yield meaningful patient benefit. Our proprietary Wholly Owned Programs leverage these critical functions of the lymphatic system to produce therapeutic candidates with the potential to treat serious diseases:

- Maintaining balance of fluids: We are leveraging insights into the lymphatic system by developing clinical-stage therapeutic candidate LYT-100 and several discovery-stage programs to address disorders involving impaired lymphatic flow and other inflammatory and fibrotic conditions, such as lymphedema and certain neurological disorders.
- Immune modulation: The lymphatic system plays a crucial role in programming immune cells for precise functions and trafficking them to specific tissues. By modulating immune cell trafficking and programming, we are developing therapeutic candidates for the treatment of cancer and immunological disorders. We are advancing LYT-200, our therapeutic candidate targeting galectin-9 in solid tumors and LYT-210, our therapeutic candidate targeting immunosuppressive gamma delta-1 T cells in solid tumors and autoimmune disorders, for a range of cancer indications and autoimmune disorders.
- Driving therapeutics through the lymphatics: We are harnessing the role of the lymphatic system in the absorption of dietary lipids to orally administer and traffic therapeutics via the lymphatic system where

immune cells are programmed. LYT-300 and our Glyph (lymphatic targeting) and Orasome (oral biotherapeutics) platforms are based on this key function of the lymphatic system.

Our Model

We employ the following process to identify and develop therapeutic candidates:

- **Step 1: A Collaborative Discovery Process Leveraging our Biological Expertise in the BIG Axis and our Scientific Network:** We collaborate with the world's leading domain experts on a disease-specific discovery theme through the lens of BIG Axis biology. All of our Wholly Owned Programs target one or more of the BIG systems and we prioritize programs that have the potential to reduce early development risk based on preliminary signals of activity in humans and promising tolerability profiles. We have proven our ability to efficiently leverage our cross-disciplinary research and discovery efforts across multiple indications and potential therapeutic areas. Our program collaborators and co-inventors across our Wholly Owned Programs and Founded Entities' programs include leading academic minds; recipients of major awards such as the Nobel Prize, the U.S. National Medal of Science, the Charles Stark Draper Prize and the Priestley Medal; members of prestigious institutions such as the Howard Hughes Medical Institute, all three of the National Academies and world renowned academic institutions such as Harvard, MIT, Yale, Columbia, Johns Hopkins, Imperial College of London and Cornell, among others; and former senior executives and board members at some of the world's largest pharmaceutical companies.
- **Step 2: A Disciplined Approach to Program Advancement:** We employ a rigorous and disciplined approach to research and development. The breadth and depth of our Wholly Owned Programs and our Founded Entities' programs allow us to quickly pivot resources to the more promising therapeutic opportunities, strategically reallocate capital across programs and terminate Wholly Owned Programs we choose not to pursue without adversely impacting the development of other programs. We, through our internal resources and with our extensive expert network and collaboration partners, repeat key academic work and conduct focused experiments both internally and externally to rapidly advance those that we believe hold the greatest promise and deprioritize less attractive programs. Collectively, these activities decrease the risk of any individual program event negatively impacting our Wholly Owned Programs and enable us to preserve capital for the programs across our Wholly Owned Programs and Founded Entities that we believe have the greatest opportunity for value creation in alignment with our shareholders.
- **Step 3: A Capital Efficient Approach to Driving Clinical Development and Value Creation:** Our management team has successfully driven these therapeutic candidates from early stage research and development, through POC and into clinical trials and has supported dedicated teams at our Non-Controlled Founded Entities through pivotal trials and FDA clearance. We have financed our development efforts through strategic collaborations, pharmaceutical partnerships, non-dilutive funding mechanisms, including through the sale of our Founded Entities' equity and through grants, and public and private equity financings. We leverage shared resources, institutional knowledge and infrastructure between our earlier-stage Founded Entities and development efforts within our Wholly Owned Programs to advance our programs efficiently prior to POC. This approach has enabled the discovery and development of 26 therapeutics and therapeutic candidates to date, including two that have been cleared for marketing by the FDA and granted marketing authorization in the EEA, between our Wholly Owned Programs and our Founded Entities, in which we retain equity ownership ranging from 8.6 percent to 78.0 percent. We had PureTech level cash and cash equivalents of $443.4 million as of March 31, 2021 and $349.4 million as of December 31, 2020[5]. From January 1, 2017 to December 31, 2020, our Founded Entities strengthened their collective balance sheets by attracting $1.2 billion in investments and non-dilutive funding, including $1.1 billion from third parties. As part of our disciplined capital management, we have been able to generate $477.8 million in non-dilutive funding, as of February 9, 2021, through the sales of portions of Founded Entity shares.

Our Strategy

Our goal is to identify, invent, develop and commercialize innovative new categories of therapeutics that are derived from our deep understanding of the BIG Axis to address significant unmet medical needs. To achieve this goal, key components of our strategy include:

- Advancing Wholly Owned Programs Through Development and Commercialization, Including Pipeline Expansion:
- Progressing LYT-100, LYT-200, LYT-210 and LYT-300 through clinical studies: We are developing novel classes of immunomodulatory drugs to treat serious diseases, including lung dysfunction, immuno-oncology, lymphatic, neurological and neuropsychological disorders.
- Harnessing our proprietary drug discovery and development capabilities to drive pipeline maturation and expansion: We are pioneering the development of therapeutic candidates by leveraging our unique insights into the lymphatic system and the BIG Axis. Our Wholly Owned Programs currently comprise four proprietary therapeutic candidates and three innovative technology platforms. We intend to leverage our proprietary technology platforms, as well as our extensive network with world-leading scientists in immunology and lymphatics and major pharmaceutical companies, to generate and acquire additional novel therapeutic candidates. To do so, we will rely on the track record of our team, which has been instrumental in the generation of 26 therapeutics and therapeutic candidates to date between our Wholly Owned Programs and our Founded Entities, including two that have been cleared for marketing by the FDA and granted marketing authorization in the EEA, as well as our established internal identification and prioritization approach. We will continue to take advantage of our differentiated model to manage the risk of any single program and quickly redeploy resources towards performing assets.
- Maximizing the impact of our Wholly Owned Programs by expanding development across multiple indications: We aim to focus our development efforts on therapeutic candidates that have the potential to treat multiple diseases and plan to develop them in additional indications where warranted. For example, we believe that our therapeutic candidate LYT-100 has the potential to be evaluated in multiple inflammatory and fibrotic indications beyond our initial target indication of lymphedema, such as IPF and potentially other PF-ILDs and Long COVID respiratory complications and related sequelae. We are initially developing our other therapeutic candidates, LYT-200 and LYT-210, for the treatment of certain cancers, including CCA, colorectal cancer, or CRC, and pancreatic cancers, among others, and we are evaluating LYT-210 for the potential treatment of GI autoimmune diseases as well. Lastly, we are evaluating LYT-300 for a range of neurological and neuropsychological conditions.
- Deriving Value from Equity Growth of Our Founded Entities: Historically, we have pursued a variety of strategic options to fund and drive the development of our Founded Entities' therapeutic candidates, including private and public financings and multiple partnerships and collaborations with selected partners. In the preliminary stages of our growth, we partnered with equity investors, pharmaceutical and biotechnology companies and government and non-governmental organizations for certain of our Founded Entities which are now in advanced stages and have the potential for near-term value creation with significant upside potential. Going forward, our Founded Entities may participate in private and public financings, enter into partnerships and collaborations, partner with equity investors, pharmaceutical and biotechnology companies and government and non-governmental organizations and generate revenues from sales of products. We hold equity ownership in our Founded Entities and benefit from their growth and catalysts such as M&A transactions, IPOs and royalties from sales. We also intend to strategically monetize our equity holdings in our Founded Entities after significant value creation has occurred, generating non-dilutive financing. For example, PureTech generated cash proceeds of $350.6 million in 2020 and an additional $118 million in the 2021 post-period, from the sales of equity in our Founded Entities, which we intend to use to fund our operations and growth and to further expand and advance our clinical-stage Wholly Owned Pipeline, while still maintaining significant equity ownership to derive value from future growth of that entity. We may create additional entities opportunistically based on future strategic imperatives.
- Advancing Discovery Platforms by Partnering Non-Core Applications via Non-Dilutive Funding Sources, Including Partnerships and Grants, to Enable Retention of Value: As we further develop our Wholly Owned Programs through key value inflection points, we may opportunistically enter into strategic partnerships when we believe that such partnerships could add value to the development or potential commercialization of our wholly-owned therapeutic candidates. We will also continue to pursue government grant funding and discovery partnerships that allow us to maintain most of the value of our platforms while offsetting operational costs.

We believe this combination of development of our Wholly Owned Programs, Founded Entity advancement and non-dilutive partnerships and funding provides us with a unique and multi-pronged engine fueling potential future growth.

By Order of the Board

Daphne Zohar

Founder, Chief Executive Officer and Director

April 14, 2021

1 Important Safety Information: Patients who are pregnant or are allergic to cellulose, citric acid, sodium stearyl fumarate, gelatin, or titanium dioxide should not take Plenity. To avoid impact on the absorption of medications: For all medications that should be taken with food, take them after starting a meal. For all medications that should be taken without food (on an empty stomach), continue taking on an empty stomach or as recommended by your physician. The overall incidence of side effects with Plenity was no different than placebo. The most common side effects were diarrhea, distended abdomen, infrequent bowel movements, and flatulence. Contact a doctor right away if problems occur. If you have a severe allergic reaction, severe stomach pain, or severe diarrhea, stop using Plenity until you can speak to your doctor. Rx Only. For the safe and proper use of Plenity or more information, talk to a healthcare professional, read the Patient Instructions for Use, or call 1-844-PLENITY.

2 EndeavorRx™ is indicated to improve attention function as measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Patients who engage with EndeavorRx demonstrate improvements in a digitally assessed measure Test of Variables of Attention (TOVA) of sustained and selective attention and may not display benefits in typical behavioral symptoms, such as hyperactivity. EndeavorRx should be considered for use as part of a therapeutic program that may include clinician-directed therapy, medication, and/or educational programs, which further address symptoms of the disorder. EndeavorRx is available by prescription only. It is not intended to be used as a stand-alone therapeutic and is not a substitution for a child's medication.

3 Relevant ownership interests for Founded Entities were calculated on a diluted basis (as opposed to a voting basis) as of December 31, 2020, including outstanding shares, options and warrants, but excluding unallocated shares authorized to be issued pursuant to equity incentive plans. Karuna ownership is calculated on an outstanding voting share basis as of March 4, 2021. Vor ownership is calculated on an outstanding voting share basis as of February 9, 2021.

4 Long COVID is a term being used to describe the emerging and persistent complications following the resolution of COVID-19 infection, also known as post-acute COVID-19 syndrome (PACS).

5 For more information in relation to the PureTech Level Cash and Cash Equivalents and Consolidated Cash and Cash Equivalents measures used in this Annual Report, please see pages 75 and 76 of the Financial Review.

Risk management

The execution of the Group's strategy is subject to a number of risks and uncertainties. As a clinical-stage biotherapeutics company, the Group operates in an inherently high-risk environment. The overall aim of the Group's risk management effort is to achieve an effective balancing of risk and reward, although ultimately no strategy can provide an assurance against loss.

Risks are formally identified by the Board and appropriate processes are put in place to monitor and mitigate them on an ongoing basis. If more than one event occurs, it is possible that the overall effect of such events would compound the possible effect on the Group. The principal risks that the Board has identified as the key business risks facing the Group are set out in the table below along with the consequences and mitigation of each risk. These risks are only a high level summary of the principal risks affecting our business; any number of these or other risks could have a material adverse effect on the Group or its financial condition, development, results of operations, subsidiary companies and/or future prospects. Further information on the risks facing the Group can be found on pages 191 to 227, which also includes a description of circumstances under which principal and other risks and uncertainties might arise in the course of our business and their potential impact.

Risk	Impact*	Management Plans/Actions
1 Risks related to science and technology failure The science and technology being developed or commercialized by some of our businesses may fail	The failure of any of our businesses could decrease our value. A failure of one of the major businesses could also impact the	Before making any decision to develop any technology, extensive due diligence is carried out that covers all the major business risks, including technological feasibility,

and/or our businesses may not be able to develop their intellectual property into commercially viable therapeutics or technologies. There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of our value.	perception of PureTech as a developer of high value technologies and possibly make additional fundraising at PureTech or any Founded Entity more difficult.	market size, strategy, adoption and intellectual property protection. A capital efficient approach is pursued such that some level of proof of concept has to be achieved before substantial capital is committed and thereafter allocated. Capital deployment is generally tranched so as to fund programs only to their next value milestone. Members of our Board serve on the board of directors of several of the business so as to continue to guide each business's strategy and to oversee proper execution thereof. We use our extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy and the R&D Committee of our Board reviews each program at each stage of development and advises our Board on further actions. Additionally, we have a diversified model with numerous assets such that the failure of any one of our businesses would not result in a failure of all of our businesses.
2 Risks related to clinical trial failure Clinical trials and other tests to assess the commercial viability of a therapeutic candidate are typically expensive, complex and time-consuming, and have uncertain outcomes. Conditions in which clinical trials are conducted differ, and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If our therapeutic candidates fail to achieve successful outcomes in their respective clinical trials, the therapeutics will not receive regulatory approval and in such event cannot be commercialized. In addition, if we fail to complete or experience delays in completing clinical tests for any of our therapeutic candidates, we may not be able to obtain regulatory approval or commercialize our therapeutic candidates on a timely basis, or at all.	A critical failure of a clinical trial may result in termination of the program and a significant decrease in our value. Significant delays in a clinical trial to support the appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis.	We have a diversified model such that any one clinical trial outcome would not significantly impact our ability to operate as a going concern. We have dedicated internal resources to establish and monitor each of the clinical programs in order to try to maximise successful outcomes. We also engage outside experts to help design clinical programs to help provide valuable information and mitigate the risk of failure. Significant scientific due diligence and preclinical experiments are done prior to a clinical trial to attempt to assess the odds of the success of the trial. In the event of the outsourcing of these trials, care and attention is given to assure the quality of the vendors used to perform the work.
3 Risks related to regulatory approval The pharmaceutical industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations which govern the testing, approval, manufacturing, labelling and marketing of pharmaceutical therapeutics. Stringent standards are imposed which relate to the quality, safety and efficacy of these therapeutics. These requirements are a major determinant of whether it is commercially feasible to develop a drug substance or medical device given the time, expertise, and expense which must be invested. We may not obtain regulatory approval for our therapeutics. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if therapeutics are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than we expect.	The failure of one of our therapeutics to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in our value.	We manage our regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of our preclinical and clinical programs. These experts ensure that high-quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organizations with global capabilities are retained to manage the trials. We also engage with experts, including on our R&D Committee, to help design clinical trials to help provide valuable information and maximize the likelihood of regulatory approval. Additionally, we have a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to any one therapeutic would not adversely impact all of our therapeutics and businesses.
4 Risks related to therapeutic safety There is a risk of adverse reactions with all drugs and medical devices. If any of our therapeutics are found to cause adverse reactions or unacceptable side effects, then therapeutic development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This may occur even after regulatory approval has been obtained, in which case additional trials may be required, the approval may be suspended or withdrawn or additional safety warnings may have to be included on the label. Adverse events or unforeseen side effects may also potentially lead to product liability claims being raised against us as the developer of the therapeutics and sponsor of the relevant clinical trials. These risks are also applicable to our Founded Entities and any trials they conduct or therapeutic	Adverse reactions or unacceptable side effects may result in a smaller market for our therapeutics, or even cause the therapeutics to fail to meet regulatory requirements necessary for sale of the therapeutic. This, as well as any claims for injury or harm resulting from our therapeutics, may result in a significant decrease in our value.	We design our therapeutics with safety as a top priority and conduct extensive preclinical and clinical trials which test for and identify any adverse side effects. Despite these steps and precautions, we cannot fully avoid the possibility of unforeseen side effects, and to mitigate the risk further we have insurance in place to cover product liability claims which may arise during the conduct of clinical trials.

candidates they develop.

5 Risks related to therapeutic profitability We may not be able to sell our therapeutics profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available because, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact. Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical therapeutics and denying or limiting coverage and the level of reimbursement. Moreover, even if the therapeutics can be sold profitably, they may not be accepted by patients and the medical community. Alternatively, our competitors – many of whom have considerably greater financial and human resources – may develop safer or more effective therapeutics or be able to compete more effectively in the markets targeted by us. New companies may enter these markets and novel therapeutics and technologies may become available which are more commercially successful than those being developed by us. These risks are also applicable to our Founded Entities and could result in a decrease in their value.	The failure to obtain reimbursement from third party payers, as well as competition from other therapeutics, could significantly decrease the amount of revenue we may receive from therapeutic sales for certain therapeutics. This may result in a significant decrease in our value.	We engage reimbursement experts to conduct pricing and reimbursement studies for our therapeutics to ensure that a viable path to reimbursement, or direct user payment, is available. We also closely monitor the competitive landscape for all of our therapeutics and adapt our business plans accordingly. Not all therapeutics that we are developing will rely on reimbursement. Also, while we cannot control outcomes, we try to design studies to generate data that will help support potential reimbursement.
6 Risks related to intellectual property protection We may not be able to obtain patent protection for some of our therapeutics or maintain the secrecy of its trade secrets and know-how. If we are unsuccessful in doing so, others may market competitive therapeutics at significantly lower prices. Alternatively, we may be sued for infringement of third-party patent rights. If these actions are successful, then we would have to pay substantial damages and potentially remove our therapeutics from the market. We license certain intellectual property rights from third parties. If we fail to comply with our obligations under these agreements, it may enable the other party to terminate the agreement. This could impair the our freedom to operate and potentially lead to third parties preventing us from selling certain of our therapeutics.	The failure to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue we may receive from therapeutic sales. Any infringement litigation against us may result in the payment of substantial damages by us and result in a significant decrease in our value.	We spend significant resources in the prosecution of our patent applications and maintenance of our patents, and we have an in-house patent counsel and patent group to help with these activities. We also work with experienced external attorneys and law firms to help with the protection, maintenance and enforcement of our patents. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both our own and information belonging to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in our employment and advisory contracts. Licenses are monitored for compliance with their terms.
7 Risks related to enterprise profitability We expect to continue to incur substantial expenditure in further research and development activities. There is no guarantee that we will become operationally profitable, and, even if we do so, we may be unable to sustain operational profitability.	The strategic aim of the business is to generate profits for our shareholders through the commercialization of technologies through therapeutic sales, strategic partnerships and sales of businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain our business.	We retain significant cash in order to support funding of our Founded Entities and our Wholly Owned Pipeline. We have close relationships with a wide group of investors and strategic partners to ensure we can continue to access the capital markets and additional monetization and funding for our businesses. Additionally, our Founded Entities are able to raise money directly from third party investors and strategic partners.
8 Risks related to hiring and retaining qualified employees We operate in complex and specialized business domains and require highly qualified and experienced management to implement our strategy successfully. We and many of our businesses are located in the United States which is a highly competitive employment market. Moreover, the rapid development which is envisaged by us may place unsupportable demands on our current managers and employees, particularly if we cannot attract sufficient new employees. There is also risk that we may lose key personnel.	The failure to attract highly effective personnel or the loss of key personnel would have an adverse impact on the ability of us to continue to grow and may negatively affect our competitive advantage.	The Board annually seeks external expertise to assess the competitiveness of the compensation packages of its senior management. Senior management continually monitors and assesses compensation levels to ensure we remain competitive in the employment market. We maintain an extensive recruiting network through our Board members, advisors and scientific community involvement. We also employ an executive as a full-time in-house recruiter. Additionally, we are proactive in our retention efforts and include incentive-based compensation in the form of equity awards and annual bonuses, as well as a competitive benefits package. We have a number of employee engagement efforts to strengthen our PureTech community.
9 Risks related to business, economic or public health disruptions		

Business or economic disruptions or global health concerns could seriously harm our development efforts and increase our costs and expenses.	Broad-based business or economic disruptions could adversely affect our ongoing or planned research and development activities. For example, in December 2019 an outbreak of a novel strain of coronavirus originated in Wuhan, China, and has since spread to a number of other countries, including the United States. To date, this outbreak has already resulted in extended shutdowns of certain businesses around the world. Global health concerns, such as coronavirus, could also result in social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage, including the suppliers, clinical trial sites, regulators and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted. It is also possible that global health concerns such as this one could disproportionately impact the hospitals and clinical sites in which we conduct any of our current and/or future clinical trials, which could have a material adverse effect on our business and our results of operation and financial impact.	To date, we have seen limited impact on our research and development activities and the operation of our company more generally, but we will continuously monitor this pandemic and its impact on our business going forward and may see further impact as the situation continues to develop. We have been proactive in limiting the number of staff on site, requiring that all on-site employees test twice a week and providing personal protective equipment to our staff.

* When assessing potential impact of a given risk, we looked at the potential effects on our research and development activities, financial health and overall business operations.

Brexit

The United Kingdom withdrew from the European Union on January 31, 2020 (Brexit) and the transition period for such withdrawal ended on December 31, 2020. Although the Board has considered the potential impact of Brexit as part of its risk management, given that we principally operate in the United States and hold substantially all assets in U.S. dollars, we do not believe there will be any material financial effect on our business, or any significant operational issues which could arise, as a result of Brexit.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess our position and performance, business model and strategy.

By Order of the Board

Daphne Zohar

Founder, Chief Executive Officer and Director

April 14, 2021

Financial Review

Reporting Framework

You should read the following discussion and analysis together with our consolidated financial statements, including the notes thereto, set forth elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business and financing our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including the risks set forth on pages 69 to 71 and in the Additional Information section from pages 191 to 227, our actual results could differ materially from the results described in or implied by these forward-looking statements.

Our audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB).

The following discussion contains references to the consolidated financial statements of PureTech Health plc, or the Company, and its consolidated subsidiaries, together the Group. These financial statements consolidate the Company's subsidiaries and include the Company's interest in associates and investments held at fair value. Subsidiaries are those entities over which the Company maintains control. Associates are those entities in which the Company does not have control for financial accounting purposes but maintains significant influence over financial and operating policies. Where we have neither control nor significant influence for financial accounting purposes, we recognize our holding in such entity as an investment at fair value. For purposes of our consolidated financial statements, each of our Founded Entities are considered to be either a "subsidiary", an "associate" or an "investment held at fair value" depending on whether PureTech Health plc controls or maintains significant influence over the financial and operating policies of the respective entity at the respective period end date. For additional information regarding the accounting treatment of these entities, see Note 1 to our consolidated financial statements included in this report. For additional information regarding our operating structure, see "—Basis of Presentation and Consolidation" below. Fair value of investments accounted for at fair value, does not take into consideration contribution from milestones that occurred after December 31, 2020, the value of our consolidated Founded Entities (Vedanta, Follica, Sonde, Akili, Alivio, and Entrega), our Wholly Owned Programs, or our cash.

Business Background and Results Overview

The business background is discussed from pages 1 to 59, which describe in detail the business development of our Wholly Owned Programs and Founded Entities.

Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our wholly-owned or Founded Entities' therapeutics candidates, which may never occur. Our Founded Entities, Gelesis, Inc., or Gelesis, and Akili Interactive Labs, Inc., or Akili in which we lost control in 2019 and 2018, respectively, have products cleared for sale, but we and our Controlled Founded Entities have not generated any revenue from product sales.

We have deconsolidated a number of our Founded Entities during the past three fiscal years including Akili, in 2018 and, Vor Biopharma Inc., or Vor, Karuna Therapeutics, Inc., or Karuna and Gelesis Inc., or Gelesis, during 2019. We expect this trend to continue into the foreseeable future as our Controlled Founded Entities raise additional funding. Any deconsolidation affects our financials in the following manner:

- our ownership interest does not provide us with a controlling financial interest;

- we no longer control the Founded Entity's assets and liabilities and as a result we derecognize the assets, liabilities and non-controlling interests related to the Founded Entity from our Consolidated Statements of Financial Position;
- we record our non-controlling financial interest in the Founded Entity at fair value; and
- the resulting amount of any gain or loss is recognized in our Consolidated Statements of Comprehensive Income/(Loss).

We anticipate our expenses to continue to increase proportionally in connection with our ongoing development activities related to our preclinical and clinical programs within our Wholly Owned Programs and Controlled Founded Entities. In addition, having completed our U.S. listing in November 2020, we expect to incur additional costs associated with operating as a public company in the U.S. We also expect that our expenses and capital requirements will increase substantially in the near to mid-term as we:

- continue our research and development efforts;
- seek regulatory approvals for any therapeutic candidates that successfully complete clinical trials;
- add clinical, scientific, operational financial and management information systems and personnel, including personnel to support our therapeutic development and potential future commercialization claims; and
- operate as a U.S. public company.

In addition, our internal research and development spend will increase in the foreseeable future as we may initiate clinical studies for LYT-100, LYT-200, LYT-210 and LYT-300, and as we continue to progress our Glyph™ and Orasome™ technology platforms as well as our meningeal lymphatics discovery research program.

In addition, with respect to our Founded Entities' programs, we anticipate that we will continue to fund a small portion of development costs by strategically participating in such companies' financings when it is in the best interests of our shareholders. The form of any such participation may include investment in public or private financings, collaboration and partnership arrangements and licensing arrangements, among others. Our management and strategic decision makers consider the future funding needs of our Founded Entities and evaluate the needs and opportunities with respect to each of these Founded Entities routinely and on a case-by-case basis.

As a result, we may need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity or debt financings or other sources, which may include monetization of certain of our interests in our Founded Entities and collaborations with third parties. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our wholly-owned therapeutic candidates.

Measuring Performance

The Financial Review discusses our operating and financial performance, our cash flows and liquidity as well as our financial position and our resources. The results for each year are compared primarily with the results of the preceding year.

Reported Performance

Reported performance considers all factors that have affected the results of our business, as reflected in our consolidated financial statements.

Core Performance

Core performance measures are alternative performance measures (APM) which are adjusted and non-IFRS measures. These measures cannot be derived directly from our consolidated financial statements. We believe that these non-IFRS performance measures, when provided in combination with reported performance, will provide investors, analysts and other stakeholders with helpful complementary information to better understand our financial performance and our financial position from period to period. The measures are also used by management for planning and reporting purposes. The measures are not substitutable for IFRS results and should not be considered superior to results presented in accordance with IFRS.

Cash flow and liquidity	
Consolidated Cash Reserves	**Measure type:** Core performance **Definition:** Cash and cash equivalents, and Short-term investments held at PureTech Health plc and consolidated subsidiaries (Please refer to Note 1 to our consolidated financial statements for further information with respect to our consolidated subsidiaries) **Why we use it:** Consolidated Cash Reserves is a measure that provides valuable additional information with respect to cash reserves available to fund the Wholly Owned Programs and Founded Entities
PureTech Level Cash Reserves	**Measure type:** Core performance **Definition:** Cash and cash equivalents, and Short-term investments held at PureTech Health plc and only wholly-owned subsidiaries (Please refer to Note 1 to our consolidated financial statements for further information with respect to our wholly-owned subsidiaries) **Why we use it:** PureTech Level Cash Reserves is a measure that provides valuable additional information with respect to cash reserves available to fund the Wholly Owned Programs and make certain investments in Founded Entities
PureTech Level Cash and Cash Equivalents	**Measure type:** Core performance **Definition:** Cash and cash equivalents held at PureTech Health plc and only wholly-owned subsidiaries (Please refer to Note 1 to our consolidated financial statements for further information with respect to our wholly-owned subsidiaries) **Why we use it:** PureTech Level Cash and Cash Equivalents is a measure that provides valuable additional information with respect to cash and cash equivalents available to fund the Wholly Owned Programs and make certain investments in Founded Entities
Consolidated Cash Reserves as of March 31, 2021	**Measure type:** Core performance **Definition:** Cash and cash equivalents, and Short-term investments held at PureTech Health plc and consolidated subsidiaries as of March 31, 2021 **Why we use it:** The measure includes cash outflows and inflows for the first quarter of 2021, particularly the sale of 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million on February 9, 2021. Further, the measure allows for a more current representation of the Consolidated Cash Reserves (see above in table) as of the date of signing of our Consolidated Financial Statements
PureTech Level Cash Reserves as of March 31, 2021	**Measure type:** Core performance **Definition:** Cash and cash equivalents, and Short-term investments held at PureTech Health plc and only wholly-owned subsidiaries as of March 31, 2021 **Why we use it:** The measure includes cash outflows and inflows for the first quarter of 2021, particularly the sale of 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million on February 9, 2021. Further, the measure allows for a more current representation of the PureTech Level Cash Reserves (see above in table) as of the date of signing of our Consolidated Financial Statements
PureTech Level Cash and Cash Equivalents as of March 31, 2021	**Measure type:** Core performance **Definition:** Cash and cash equivalents held at PureTech Health plc and only wholly-owned subsidiaries as of March 31, 2021

Why we use it: The measure includes cash outflows and inflows for the first quarter of 2021, particularly the sale of 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million on February 9, 2021. Further, the measure allows for a more current representation of the PureTech Level Cash and Cash Equivalents (see above in table) as of the date of signing of our Consolidated Financial Statements

COVID-19

In December 2019, illnesses associated with COVID-19 were reported and the virus has since caused widespread and significant disruption to daily life and economies across geographies. The World Health Organization has classified the outbreak as a pandemic. Our business, operations and financial condition and results have not been significantly impacted during the year ended December 31, 2020 as a result of the COVID-19 pandemic. In response to the COVID-19 pandemic, we have taken swift action to ensure the safety of our employees and other stakeholders. We continue to monitor the latest developments regarding the COVID-19 pandemic on our business, operations, and financial condition and results, and have made certain assumptions regarding the pandemic for purposes of our operational planning and financial projections, including assumptions regarding the duration and severity of the pandemic and the global macroeconomic impact of the pandemic. Despite careful tracking and planning, however, we are unable to accurately predict the extent of the impact of the pandemic on our business, operations, and financial condition and results in future periods due to the uncertainty of future developments. We are focused on all aspects of our business and are implementing measures aimed at mitigating issues where possible including by using digital technology to assist operations for our R&D and enabling functions.

Recent Developments (subsequent to December 31, 2020)

On January 8, 2021, PureTech participated in the second closing of Vor's Series B Preferred Share financing. For consideration of $0.5 million, PureTech received 961,538 shares.

On February 9, 2021, Vor closed its initial public offering of 9,828,017 shares at a price to the public of $18.00 per share. Subsequent to the closing, PureTech held 3,207,200.00 shares of Vor common stock, representing 8.6% of Vor common stock.

On February 9, 2021, PureTech Health sold 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million. Following the sale PureTech holds 2,406,564 shares of Karuna common stock, representing 8.2% of Karuna common stock.

As of March 31, 2021, we had consolidated cash and cash equivalents of $486.5 million and PureTech Level cash and cash equivalents of $443.4 million.

Financial Highlights

	As of:		
(in thousands)	**March 31, 2021**	December 31, 2020	December 31, 2019
Cash and cash equivalents	**486,469**	403,881	132,360
Short-term investments	**—**	—	30,088
Consolidated Cash Reserves	**486,469**	403,881	162,448
Less: Cash and cash equivalents held at non-wholly owned subsidiaries	**(43,072)**	(54,473)	(41,840)
PureTech Level Cash Reserves	**443,397**	349,407	120,608
Less: Short-term investments	**—**	—	(30,088)
PureTech Level Cash and Cash Equivalents	**$ 443,397**	$ 349,407	$ 90,520

Basis of Presentation and Consolidation

Our consolidated financial information consolidates the financial information of PureTech Health plc, as well as its subsidiaries, and includes our interest in associates and investments held at fair value, and is reported in four operating segments as described below.

Basis for Segmentation

Our directors are our strategic decision-makers. Our operating segments are based on the financial information provided to our directors quarterly for the purposes of allocating resources and assessing performance. We have determined that each Founded Entity is representative of a single operating segment as our directors monitor the financial results at this level. When identifying the reportable segments we have determined that it is appropriate to aggregate multiple operating segments into a single reportable segment given the high level of operational and financial similarities across the entities. We have identified four reportable segments which are outlined below. Substantially all of our revenue and profit generating activities are generated within the United States and, accordingly, no geographical disclosures are provided.

Internal

The Internal segment is advancing Wholly Owned Programs designed to harness key immunological, fibrotic and lymphatic system mechanisms. These novel classes of immunomodulatory drugs are designed to treat serious diseases, including lung dysfunction, immuno-oncology, lymphatic, neurological and neuropsychological disorders. The Internal segment is comprised of the technologies that are wholly owned and will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development. As of December 31, 2020, this segment included PureTech LYT, Inc. (formerly Ariya Therapeutics Inc.) and PureTech LYT 100, Inc.

Controlled Founded Entities

The Controlled Founded Entities segment is comprised of our subsidiaries that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent management teams and have previously raised, or are currently in the process of raising, third-party dilutive capital. These subsidiaries have active research and development programs and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the company. As of December 31, 2020, this segment included Alivio Therapeutics, Inc., Entrega, Inc., Follica, Incorporated, Sonde Health, Inc. and Vedanta Biosciences, Inc.

Non-Controlled Founded Entities

The Non-Controlled Founded Entities segment is comprised of the entities in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and (ii) no longer has the right to elect a majority of the members of the entity's Board of Directors. Upon deconsolidation of an entity the segment disclosure is restated to reflect the change on a retrospective basis, as this constitutes a change in the composition of its reportable segments. The Non-Controlled Founded Entities segment included Akili Interactive Labs, Inc. ("Akili"), Vor Biopharma, Inc. ("Vor"), Karuna Therapeutics, Inc. ("Karuna"), and Gelesis, Inc. ("Gelesis").

The Non-Controlled Founded Entities segment incorporates the operational results of the aforementioned entities to the date of deconsolidation. Following the date of deconsolidation, we account for our investment in each entity at the parent level, and therefore the results associated with investment activity following the date of deconsolidation is included in the Parent Company and Other segment (the "Parent Company and Other segment").

Parent Company and Other segment

The Parent Company and Other segment includes activities that are not directly attributable to the operating segments, such as the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This segment also captures the accounting for our holdings in entities for which control has been lost, which is inclusive of the following items: gain on deconsolidation, gain or loss on investments held at fair value, gain on loss of significant influence, and the share of net loss of associates accounted for using the equity method. As of December 31, 2020, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc., PureTech Securities Corp., and PureTech Securities II Corp. as well as certain other dormant, inactive and shell entities.

The table below summarizes the entities that comprised each of our segments as of December 31, 2020:

Internal Segment	
PureTech LYT	100.0 %

PureTech LYT-100, Inc.	100.0 %
Controlled Founded Entities	
Alivio Therapeutics, Inc.	91.9 %
Entrega, Inc.	83.1 %
Follica, Incorporated	85.4 %
Sonde Health, Inc.	51.8 %
Vedanta Biosciences, Inc.	59.3 %
Non-Controlled Founded Entities	
Akili Interactive Labs, Inc.	41.9 %
Gelesis, Inc.	25.1 %
Karuna Therapeutics, Inc.	12.7 %
Vor Biopharma Inc.	16.4 %
Parent Segment[1]	
Puretech Health plc	100.0 %
PureTech Health LLC	100.0 %
PureTech Securities Corporation	100.0 %
PureTech Securities II Corporation	100.0 %
PureTech Management, Inc.	100.0 %

1 Includes dormant, inactive and shell entities that are not listed here.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue from product sales and we do not expect to generate any revenue from product sales for the near term future. We derive our revenue from the following:

Contract revenue.

We generate revenue primarily from licenses, services and collaboration agreements, including amounts that are recognized related to upfront payments, milestone payments and amounts due to us for research and development services. In the future, revenue may include additional milestone payments and royalties on any net product sales under our collaborations. We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of license, research and development services and milestone and other payments.

Grant Revenue.

Grant revenue is derived from grant awards we receive from governmental agencies and non-profit organizations for certain qualified research and development expenses. We recognize grants from governmental agencies as grant income in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that we will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. We evaluate the conditions of each grant as of each reporting date to ensure that we have reasonable assurance of meeting the conditions of each grant arrangement and it is expected that the grant payment will be received as a result of meeting the necessary conditions.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our wholly-owned and our Controlled Founded Entities' therapeutic candidates, which include:

- employee-related expenses, including salaries, related benefits and equity-based compensation;
- expenses incurred in connection with the preclinical and clinical development of our wholly-owned and our Founded Entities' therapeutic candidates, including our agreements with contract research organizations, or CROs;
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs.

We expense all research costs in the periods in which they are incurred and development costs are capitalized only if certain criteria are met. For the periods presented, we have not capitalized any development costs since we have not met the necessary criteria required for capitalization. Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and third-party service providers.

Research and development activities are central to our business model. Therapeutic candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future. The successful development of our wholly-owned and our Founded Entities' therapeutic candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these therapeutic candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our wholly-owned or our Founded Entities' therapeutic candidates. This is due to the numerous risks and uncertainties associated with developing therapeutics, including the uncertainty of:

- progressing research and development of our Wholly Owned Pipeline, including LYT-100, LYT-200, LYT-210, LYT-300 and continue to progress our Glyph™ and Orasome™ technology platforms as well as our meningeal lymphatics discovery research program and other potential therapeutic candidates within our Wholly Owned Programs;
- establishing an appropriate safety profile with investigational new drug application enabling studies to advance our preclinical programs into clinical development;
- the success of our Founded Entities and their need for additional capital;
- identifying new therapeutic candidates to add to our Wholly Owned Pipeline;
- successful enrollment in, and the initiation and completion of, clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- commercializing our wholly-owned and our Founded Entities' therapeutic candidates, if approved, whether alone or in collaboration with others;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- addressing any competing technological and market developments, as well as any changes in governmental regulations;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how, as well as obtaining and maintaining regulatory exclusivity for our wholly-owned and our Founded Entities' therapeutic candidates;
- continued acceptable safety profile of our therapeutics, if any, following approval; and
- attracting, hiring and retaining qualified personnel.

A change in the outcome of any of these variables with respect to the development of a therapeutic candidate could mean a significant change in the costs and timing associated with the development of that therapeutic candidate. For

example, the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or another comparable foreign regulatory authority may require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a therapeutic candidate, or we may experience significant trial delays due to patient enrollment or other reasons, in which case we would be required to expend significant additional financial resources and time on the completion of clinical development. In addition, we may obtain unexpected results from our clinical trials and we may elect to discontinue, delay or modify clinical trials of some therapeutic candidates or focus on others. Identifying potential therapeutic candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our wholly-owned and our Founded Entities' therapeutic candidates, if approved, may not achieve commercial success.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses also include professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative headcount to support our continued research and development and potential commercialization of our portfolio of therapeutic candidates. We also expect to incur increased expenses associated with being a public company in the United States, including costs of accounting, audit, information systems, legal, regulatory and tax compliance services, director and officer insurance costs and investor and public relations costs.

Total Other Income/(Loss)

Gain on Deconsolidation

Upon losing control of a subsidiary, the assets and liabilities are derecognized along with any related non-controlling interest ("NCI"). Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognized as profit or loss in the Consolidated Statements of Comprehensive Income/(Loss).

Gain/(Loss) on Investments Held at Fair Value

Investments held at fair value include both unlisted and listed securities held by us, which include investments in Akili, Gelesis, Karuna, Vor, ResTORbio (until its sale in 2020) and certain insignificant investments. Our ownership in Akili and Vor is in preferred shares. Preferred shares form part of our ownership in Gelesis and such preferred shares investment is accounted for as Investments Held at Fair value while the investment in common stock is accounted for under the equity method. Our ownership in Karuna was in preferred shares until its IPO in June 2019 when such shares were converted into common shares. When Karuna's preferred shares converted into common shares, our equity interest in Karuna investment was removed from Investments Held at Fair Value and accounted for under the equity method as we still retained significant influence in Karuna at such time. On December 2, 2019 we lost significant influence in Karuna and, beginning on that date, we accounted for our investment in Karuna in accordance with IFRS 9 as an Investment Held at Fair Value. We account for investments in preferred shares of our associates in accordance with IFRS 9 as Investments Held at Fair Value when the preferred shares do not provide access to returns underlying ownership interests.

Loss Realized on Investments Held at Fair Value

Loss realized on investments held at fair value relates to realized differences in the per share disposal price of a listed security as compared to the per share exchange quoted price at the time of disposal. The difference is attributable to a blockage discount, attributable to a variety of market factors, primarily the number of shares being transacted was significantly larger than the daily trading volume of a given security.

Gain on Loss of Significant Influence

Gain on loss of significant influence relates to the assessment in connection with our ability to exert significant influence over an investment in a Non-Controlled Founded Entity. As of December 31, 2020, only our investment in Gelesis meets the scope of equity method accounting. For the years ended December 31, 2019 and December 31, 2018, we recognized gains on loss of significant influence in Karuna and resTORbio, respectively.

Other Income (Expense)

Other income (expense) consists primarily of gains and losses related to the sale of an asset and certain investments as well as sub-lease income.

Finance Costs/Income

Finance costs consist of loan interest expense and the changes in the fair value of certain liabilities associated with financing transactions, mainly preferred share liabilities in respect of preferred shares issued by our non wholly owned subsidiaries to third parties. Finance income consists of interest income on funds invested in money market funds and U.S. treasuries.

Share of Net Gain (Loss) of Associates Accounted for Using the Equity Method, and Impairment of Investment in Associate

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include our share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the share of losses exceeds the net investment in the investee, including the investment in preferred shares that are considered Long-term Interests, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee.

We compare the recoverable amount of the investment to its carrying amount on a go-forward basis and determine the need for impairment.

Income Tax

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are not recorded if we do not assess their realization as probable. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our financial statements in the period that includes the substantive enactment date.

Results of Operations

The following table, which has been derived from our audited financial statements for the years ended December 31, 2020, 2019 and 2018 included herein, summarizes our results of operations for the periods indicated, together with the changes in those items in dollars:

	Year Ended December 31,				
				Change	Change
(in thousands)	**2020**	2019	2018	(2019 to 2020)	(2018 to 2019)
Contract revenue	**$ 8,341**	$ 8,688	$ 16,371	$ (347)	$ (7,683)
Grant revenue	**3,427**	1,119	4,377	2,308	(3,258)
Total revenue	**11,768**	9,807	20,748	1,961	(10,941)
Operating expenses:					
General and administrative expenses	**(49,440)**	(59,358)	(47,365)	9,918	(11,993)
Research and development expenses	**(81,859)**	(85,848)	(77,402)	3,988	(8,445)
Operating income/(loss)	**(119,531)**	(135,399)	(104,019)	15,868	(31,380)
Other income/(expense):					
Gain/(loss) on deconsolidation	**—**	264,409	41,730	(264,409)	222,679
Gain/(loss) on investments held at fair value	**232,674**	(37,863)	(34,615)	270,537	(3,248)
Loss realized on sale of investment	**(54,976)**	—	—	(54,976)	—
Loss on impairment of intangible asset	**—**	—	(30)	—	30

Gain/(loss) on disposal of assets	**(30)**	(82)	4,060	52	(4,142)
Gain on loss of significant influence	**—**	445,582	10,287	(445,582)	435,295
Other income/(expenses)	**1,065**	121	(278)	944	399
Other income/(loss)	**178,732**	672,167	21,154	(493,434)	651,013
Net finance income/(costs)	**(6,115)**	(46,147)	25,917	40,032	(72,065)
Share of net gain/(loss) of associates accounted for using the equity method	**(34,117)**	30,791	(11,490)	(64,908)	42,281
Impairment of investment in associate	**—**	(42,938)	—	42,938	(42,938)
Income/(loss) before income taxes	**18,969**	478,474	(68,438)	(459,504)	546,911
Taxation	**(14,401)**	(112,409)	(2,221)	98,008	(110,188)
Net income/(loss) including non-controlling interest	**4,568**	366,065	(70,659)	(361,497)	436,724
Net (loss)/income attributable to the Company	**$ 5,985**	$ 421,144	$ (43,654)	$ (415,159)	$ 464,798

Comparison of the Years Ended December 31, 2020 and 2019

Total Revenue

	Year Ended December 31,		
(in thousands)	**2020**	2019	Change
Contract Revenue:			
Internal Segment	**$ 3,560**	$ 6,064	$ (2,503)
Controlled Founded Entities	**2,726**	2,487	239
Non-Controlled Founded Entities	**—**	—	—
Parent Company and other	**2,054**	137	1,917
Total Contract Revenue	**$ 8,341**	$ 8,688	$ (347)
Grant Revenue:			
Internal Segment	**$ 32**	$ 15	$ 17
Controlled Founded Entities	**3,395**	1,104	2,291
Non-Controlled Founded Entities	**—**	—	—
Parent Company and other	**—**	—	—
Total Grant Revenue	**$ 3,427**	$ 1,119	$ 2,308
Total Revenue	**$ 11,768**	$ 9,807	$ 1,961

Our total revenue was $11.8 million for the year ended December 31, 2020, an increase of $2.0 million, or 20.0 percent compared to the year ended December 31, 2019. The increase was primarily attributable to an increase of $2.3 million in grant revenue in the Controlled Founded Entities segment for the year ended December 31, 2020, which was driven primarily by Vedanta's grant revenue earned pursuant to its CARB-X and BARDA agreements. The increase was further attributable to an increase of $1.9 million in contract revenue in the Parent segment for the year ended December 31, 2020, which was primarily driven by a $2.0 million milestone payment received from Karuna for initiation of its KarXT Phase 3 clinical study pursuant to the Exclusive Patent License Agreement between PureTech and Karuna. The increases were partially offset by a decline of $2.5 million in contract revenue in the Internal segment, which was primarily drive by the Orasome collaboration and license agreement with Roche, which concluded during the year ended December 31, 2020.

Research and Development Expenses

	Year Ended December 31,		
(in thousands)	**2020**	2019	Change
Research and Development Expenses:			
Internal Segment	**$ (41,583)**	$ (25,977)	$ 15,607
Controlled Founded Entities	**(40,043)**	(42,780)	(2,737)
Non-Controlled Founded Entities	**—**	(15,555)	(15,555)
Parent Company and other	**(234)**	(1,536)	(1,302)
Total Research and Development Expenses:	**$ (81,859)**	$ (85,848)	$ (3,988)

Our research and development expenses were $81.9 million for the year ended December 31, 2020, a decline of $4.0 million, or 4.6 percent compared to the year ended December 31, 2019. The change was attributable to a decline of $15.6 million in the Non-Controlled Founded Entities segment owing to the deconsolidation of Vor, Karuna and Gelesis during year ended December 31, 2019. The decline was further attributable to declines of $2.7 million in the Controlled Founded Entities segment and $1.3 million in the Parent segment for the year ended December 31, 2020. The declines were partially offset by an increase of $15.6 million in research and development expenses incurred by the Internal segment for the year ended December 31, 2020. In 2020 we progressed our wholly-owned therapeutic candidates to key milestones. We completed a Phase 1 multiple ascending dose and food effect study for LYT-100. We also initiated a Phase 2a proof-of-concept study of LYT-100 in patients with breast cancer-related, upper limb secondary lymphedema as well as initiated a Phase 2 trial of LYT-100 in Long COVID respiratory complications and related sequelae, which is also known as post-acute COVID-19 syndrome (PACS). Finally, we initiated a Phase 1 clinical trial of LYT-200 for the potential treatment of metastatic solid tumors that are difficult to treat and have poor survival rates.

General and Administrative Expenses

	Year Ended December 31,		
(in thousands)	**2020**	2019	Change
General and Administrative Expenses:			
Internal Segment	**$ (2,112)**	$ (2,385)	$ (273)
Controlled Founded Entities	**(15,061)**	(14,436)	625
Non-Controlled Founded Entities	**—**	(10,439)	(10,439)
Parent Company and other	**(32,267)**	(32,098)	168
Total General and Administrative Expenses	**$ (49,440)**	$ (59,358)	$ (9,918)

Our general and administrative expenses were $49.4 million for the year ended December 31, 2020, a decrease of $9.9 million, or 16.7 percent compared to the year ended December 31, 2019. The decrease was primarily attributable to a decline of $10.4 million in the Non-Controlled Founded Entities segment, owing to the deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019.

Total Other Income/(Loss)

Total other income was $178.7 million for the year ended December 31, 2020, a decrease of $493.4 million, compared to the year ended December 31, 2019. We recognized a gain on loss of significant influence of $445.6 million with respect to Karuna for the year ended December 31, 2019. No loss of significant influence of associates occurred during the year ended December 31, 2020. The decline was further attributable to a decline of $264.4 million in gain on deconsolidation as no deconsolidation of subsidiaries occurred during the year ended December 31, 2020, as compared to a gain of $264.4 million recognized for the deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019. The decline was further attributable to a loss of $55.0 million realized on the sale of certain investments held at fair value during year ended December 31, 2020. The declines were partially offset by an increase of $270.5 million on gain on investments held at fair value for the year ended December 31, 2020, which was primarily driven by Karuna.

Net Finance Income (Costs)

Net finance costs were $6.1 million for the year ended December 31, 2020, a decline of $40.0 million, or 86.7 percent compared to net finance costs of $46.1 million for the year ended December 31, 2019. The change was primarily attributable to a $42.1 million decline in the change in the fair value of our preferred shares, warrant and convertible note liabilities held by third parties for the year ended December 31, 2020.

Share of Net Gain (Loss) in Associates Accounted for Using the Equity Method, and Impairment of Investment in Associate

The share of net loss in associates was $34.1 million for the year ended December 31, 2020, a decrease of $64.9 million, or 210.8 percent as compared to net gain of $30.8 million for the year ended December 31, 2019. The change in share of net gain/(loss) in associates was primarily attributable to the financial results of Gelesis for the year ended December 31, 2020. Additionally, we allocated a share of our net loss in Gelesis for the year ended December 31, 2020, totaling $23.0 million, to our long-term interest in Gelesis as of December 31, 2020. We recorded equity method income of $37.1 million with respect to Gelesis, which was partially offset by our share of net loss in Karuna of $6.3 million for the year ended December 31, 2019. Additionally, we recorded an impairment charge of $42.9 million for the year ended December 31, 2019, related to our investment in common shares held in Gelesis. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

Taxation

Income tax expense was $14.4 million for the year ended December 31, 2020, a decline of $98.0 million, or 87.2 percent as compared to the year ended December 31, 2019. The decline in income tax expense was primarily attributable to the gains realized on the loss of significant influence on Karuna for the year ended December 31, 2019 and the gains recognized on deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019.

Comparison of the Years Ended December 31, 2019 and 2018

Total Revenue

	Year Ended December 31,		
(in thousands)	2019	2018	Change
Contract Revenue:			
Internal Segment	$ 6,064	$ 2,110	$ 3,954
Controlled Founded Entities	2,487	14,233	(11,745)
Non-Controlled Founded Entities	—	—	—
Parent Company and other	137	29	108
Total Contract Revenue	$ 8,688	$ 16,371	$ (7,683)
Grant Revenue:			
Internal Segment	$ 15	$ 86	$ (71)
Controlled Founded Entities	1,104	4,271	(3,167)
Non-Controlled Founded Entities	—	20	(20)
Parent Company and other	—	—	—
Total Grant Revenue	$ 1,119	$ 4,377	$ (3,258)
Total Revenue	$ 9,807	$ 20,748	$ (10,941)

Our total revenue was $9.8 million for the year ended December 31, 2019, a decrease of $10.9 million, or 52.7 percent compared to the year ended December 31, 2018. The decline was attributable to decreases of $11.7 million in contract revenue and $3.2 million in grant revenue in the Controlled Founded Entities segment for the year ended December 31, 2019, which was driven primarily by Vedanta's contract revenue earned under its milestone-based JBI collaboration agreement and grant revenue earned pursuant to its CARB-X agreement during 2018. The decline in Controlled Founded Entities segment's contract and grant revenues, was partially offset by a $4.0 million increase in contract revenue in the Internal segment, which was driven by increases in contract revenue earned under the Orasome collaboration and license agreement with Roche and the Lymphatic Targeting platform collaboration and license agreement with Boehringer Ingelheim entered into in July 2019 for the year ended December 31, 2019.

Research and Development Expenses

	Year Ended December 31,		
(in thousands)	2019	2018	Change
Research and Development Expenses:			
Internal Segment	$ (25,977)	$ (8,929)	$ 17,047
Controlled Founded Entities	(42,780)	(36,930)	5,850
Non-Controlled Founded Entities	(15,555)	(29,851)	(14,296)
Parent Company and other	(1,536)	(1,692)	(156)
Total Research and Development Expenses:	$ (85,848)	$ (77,402)	$ 8,446

Our research and development expenses were $85.8 million for the year ended December 31, 2019, an increase of $8.4 million, or 10.9 percent compared to the year ended December 31, 2018. The change was attributable to increases of $17.0 million in the Internal segment for the year ended December 31, 2019. In 2019, we continued to shift our focus towards the Internal segment, investing in research and development activities to advance a Wholly Owned Pipeline of therapeutic candidates designed to harness key immunological, fibrotic and lymphatic system mechanisms. During the year ended December 31, 2019, we progressed LYT-100 towards first patient dosing in its Phase 1 multiple ascending dose and food effect study, which began in 2020, and prepared for the initiation of a Phase 1 clinical study of LYT-200 in solid tumors, which also began in 2020. Research and development expenses in the Controlled Founded Entities segment also increased $5.9 million as Vedanta progressed its candidates VE202, VE303, VE416 and VE800 to meaningful milestones. The increases were partially offset by a decline of $14.3 million in the Non-Controlled Founded Entities segment owing to the deconsolidation of Akili during the year ended December 31, 2018 and the deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019.

General and Administrative Expenses

	Year Ended December 31,		
(in thousands)	2019	2018	Change
General and Administrative Expenses:			
Internal Segment	$ (2,385)	$ (1,498)	$ 887
Controlled Founded Entities	(14,436)	(10,212)	4,224
Non-Controlled Founded Entities	(10,439)	(16,385)	(5,946)

Parent Company and other	(32,098)	(19,270)	12,828
Total General and Administrative Expenses	$ (59,358)	$ (47,365)	$ 11,993

Our general and administrative expenses were $59.4 million for the year ended December 31, 2019, an increase of $12.0 million, or 25.3 percent compared to the year ended December 31, 2018. The change was attributable to increases of $12.8 million in the Parent segment for year ended December 31, 2019, which was primarily driven by increased professional fees incurred in the exploration of an ADR listing and increased non-cash depreciation and amortization expenses incurred in the implementation of IFRS 16 Leases and the lease we entered into during the year ended December 31, 2019 for our new headquarters. Controlled Founded Entities segment's general and administrative expenses also increased by $4.2 million. The increases in the Internal and Controlled Founded Entities segments' general and administrative were offset by the deconsolidation of Akili during the year ended December 31, 2018 and the deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019

Total Other Income/(Loss)

Total other income was $672.2 million for the year ended December 31, 2019, an increase of $651.0 million, as compared to the year ended December 31, 2018. The growth was attributable to an increase of $435.3 million in gain on loss of significant influence for the year ended December 31, 2019. For the year ended December 31, 2019 we recognized a gain on loss of significant influence of $445.6 million with respect to Karuna, while for the year ended December 31, 2018 we recognized a gain on loss of significant influence of $10.3 million with respect to resTORbio. The growth was further attributable to an increase of $222.7 million in gain on deconsolidation as we recognized a gain of $264.4 million for the deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019, as compared to a gain of $41.7 million for the deconsolidation of Akili during the year ended December 31, 2018. The gains were partially offset by a decline of $4.1 million in income related to asset disposals and an increase in fair value accounting losses of $3.2 million on certain investments held at fair value for the year ended December 31, 2019.

Net Finance Income (Costs)

Net finance costs were $46.1 million for the year ended December 31, 2019, an increase of $72.1 million in costs, or 278.1 percent as compared to the year ended December 31, 2018. The change was primarily attributable to a $70.5 million decline in the change in the fair value of our preferred shares, warrant and convertible note liabilities held by third parties for the year ended December 31, 2019.

Share of Net Gain/(Loss) in Associates Accounted for Using the Equity Method, and Impairment of Investment in Associate

The share of net income in associates was $30.8 million for the year ended December 31, 2019, an increase of $42.3 million, or 368.0 percent as compared to a net loss for the year ended December 31, 2018. The change in associate income was attributable to the deconsolidation of Karuna and Gelesis and subsequent equity method accounting from the date of deconsolidation to December 31, 2019. We recorded equity method income of $37.1 million with respect to Gelesis, which was partially offset by our share of net loss in Karuna of $6.3 million for the year ended December 31, 2019. Additionally, we recorded an impairment charge of $42.9 million for the year ended December 31, 2019, related to our investment in common shares held in Gelesis. See Note 6 to our consolidated financial statements included elsewhere in this annual report.

Taxation

Income tax expense was $112.4 million for the year ended December 31, 2019, an increase of $110.2 million, or 4961.2 percent as compared to the year ended December 31, 2018. The growth in income tax expense was primarily attributable to the gains realized on the loss of significant influence on Karuna for the year ended December 31, 2019 and the gains recognized on deconsolidation of Vor, Karuna and Gelesis during the year ended December 31, 2019.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). In the preparation of these financial statements, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions or conditions.

Our estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing at the end of this report, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements. See Note 1 to our consolidated financial statements for a further detailed description of our significant accounting policies.

Financial instruments

We account for our financial instruments according to IFRS 9. As such, when issuing preferred shares in our subsidiaries we determine the classification of financial instruments in terms of liability or equity. Such determination involves significant judgement. These judgements include an assessment of whether the financial instruments include any embedded derivative features, whether they include contractual obligations upon us to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party at any point in the future prior to liquidation, and whether that obligation will be settled by exchanging a fixed amount of cash or other financial assets for a fixed number of the Group's equity instruments.

In accordance with IFRS 9 we carry certain investments in equity securities at fair value as well as our subsidiary preferred share, convertible notes and warrant liabilities, all through profit and loss (FVTPL). Valuation of the aforementioned financial instruments (assets and liabilities) includes making significant estimates, specifically determining the appropriate valuation methodology and making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.

Consolidation:

The consolidated financial statements include the financial statements of the Company and the entities it controls. Based on the applicable accounting rules, the Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Therefore an assessment is required to determine whether the Company has i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. Judgement is required to perform such assessment and it requires that the Company considers, among others, activities that most significantly affect the returns of the investee, its voting shares, representation on the board, rights to appoint management, investee dependence on the Company and other contributing factors.

Investment in Associates

When we do not control an investee but maintain significant influence over the financial and operating policies of the investee the investee is an associate. Significant influence is presumed to exist when we hold 20 percent or more of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. We evaluate if we maintain significant influence over associates by assessing if we have the power to participate in the financial and operating policy decisions of the associate.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include our share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When our share of losses exceeds the net investment in an equity accounted investee, including preferred share investments that are considered to be Long-Term Interests, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that we have incurred legal or constructive obligations or made payments on behalf of an investee. To the extent we hold interests in associates that are not providing access to returns underlying ownership interests, the instrument held by PureTech is accounted for in accordance with IFRS 9.

Judgement is required in order to determine whether we have significant influence over financial and operating policies of investees. This judgement includes, among others, an assessment whether we have representation on the board of directors of the investee, whether we participate in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between us and the investee.

Judgement is also required to determine which instruments we hold in the investee form part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, and which instruments are separate financial instruments that fall under the scope of IFRS 9. This judgement includes an assessment of the characteristics of the financial instrument of the investee held by us and whether such financial instrument provides access to returns underlying an ownership interest.

Where the company has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute Long-Term Interests for the purposes of IAS 28 (please refer to Notes 5 and 6). This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments

Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in tax rates is recognized in income in the period that includes the enactment date. Net deferred tax assets are not recorded if we do not assess their realization as probable. Judgement is required to determine if realization of such deferred tax assets is probable.

Share-based Payments

Share-based payments includes stock options, restricted stock units ("RSUs") as well as service, market and performance-based RSU awards in which the expense is recognized based on the grant date fair value of these awards.

In accordance with IFRS 2, "Share-based Payments," the fair value of the share option awards is estimated on the grant date using the Black-Scholes option-valuation model which requires the input of certain assumptions, including the expected life of the share-based award, share price volatility, dividend yield and interest rate. The volatility is based on our historical data for the purposes of the Black-Scholes option-valuation model. Expected life is based on the median expected term. Volatility is calculated by taking the weighted-average of the historical volatilities of our shares. We have not declared dividends and we do not plan to pay any dividends in the future. The risk-free interest rate for periods in the expected life of the option is based on the U.S. Treasury constant maturities in effect at the time of the grant.

The fair value of the market and performance-based awards is based on the Monte Carlo simulation analysis utilizing a Geometric Brownian Motion process with 100,000 simulations to value those shares. The model considers share price volatility, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

We recognize the estimated fair value of service, market and performance-based awards as share-based compensation expense over the vesting period based upon the determination of whether it is probable that the performance targets will be achieved. We assess the probability of achieving the performance targets at each reporting period. Cumulative adjustments, if any, are recorded to reflect subsequent changes in the estimated outcome of performance-related conditions. For share-based payment awards with market conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see our consolidated financial statements and the related notes found elsewhere in this report.

Cash Flow and Liquidity

Our cash flows may fluctuate and are difficult to forecast and will depend on many factors, including:

- the expenses incurred in the development of wholly-owned and Controlled-Founded Entity therapeutic candidates;
- the revenue generated by wholly-owned and Controlled-Founded Entity therapeutic candidates;
- the revenue generated from licensing and royalty agreement with Founded Entities;
- the financing requirements of the Internal segment, Controlled-Founded Entities segment and Parent segment; and
- the investment activities in the Internal, Controlled-Founded Entities, and Non-Controlled Founded Entities and Parent segments.

As of December 31, 2020, we had consolidated cash and cash equivalents of $403.9 million. As of December 31, 2020, we had PureTech Level cash and cash equivalents of $349.4 million.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

	Years Ended December 31,		
(in thousands)	**2020**	2019	2018
Net cash used in operating activities	**$ (131,827)**	$ (98,156)	$ (72,796)
Net cash provided by/(used in) investing activities	**364,478**	63,659	(39,645)
Net cash provided by/(used in) financing activities	**38,869**	49,910	156,887
Effect of exchange rates on cash and cash equivalents	**—**	(104)	(44)
Net increase in cash and cash equivalents	**$ 271,520**	$ 15,309	$ 44,402

Operating Activities

Net cash used in operating activities was $131.8 million for the year ended December 31, 2020, as compared to $98.2 million for the year ended December 31, 2019. The increase in outflows was primarily attributable to estimated income taxes of $20.7 million paid for our disposals of Karuna common shares during the year ended December 31, 2020. The increase was further attributable to a decrease of $4.5 million in payments received with respect to contract revenue for the year ended December 31, 2020. We received a $2.0 million milestone payment from Karuna for initiation of its KarXT Phase 3 clinical study pursuant to the Exclusive Patent License Agreement between PureTech and Karuna during the year ended December 31, 2020. We received $3.5 million from Imbrium Therapeutics LP for the execution of a Research Collaboration Option and License Agreement and $3.0 million from Boehringer Ingelheim for the execution of a Collaboration and License Agreement during the year ended December 31, 2019. The increase in outflows was further attributable to reduced interest income and the timing of payments in the normal course of business for the year ended December 31, 2020.

Net cash used in operating activities was $98.2 million for the year ended December 31, 2019, as compared to $72.8 million for the year ended December 31, 2018. The increase in outflows was primarily due to our increased operating loss that resulted from increased research and development activities. In 2019, our income resulted from increased non-cash gains, that had no impact on the cash used in operating activities.

Investing Activities

Net cash provided by investing activities was $364.5 million for the year ended December 31, 2020, as compared to inflows of $63.7 million for the year ended December 31, 2019. The inflow was primarily attributable to the sale of Karuna and resTORbio common shares for aggregate proceeds of $350.6 million during the year ended December 31, 2020. The inflow was further attributable to cash provided by the maturity of short-term investments totaling $30.1 million. The inflows were offset by purchases of Gelesis and Vor preferred shares totaling $11.1 million and the purchase of fixed assets totaling $5.2 million.

Net cash provided by investing activities was $63.7 million for the year ended December 31, 2019, as compared to net cash used in investing activities of $39.6 million for the year ended December 31, 2018. Cash provided by the maturity of short-term investments of $174.0 million was offset by the purchase of short-term investments of $69.5 million as well as the purchase of fixed assets totaling $12.1 million and the purchase of intangible assets totaling $0.4 million. The inflow was further offset by our investment in Gelesis convertible promissory notes totaling $6.5 million and Gelesis Series 3 Growth preferred shares and Karuna Series B preferred shares totaling $16.0 million. The inflow was further offset by the derecognition of cash totaling $16.0 million held by Vor, Karuna and Gelesis upon deconsolidation.

Financing Activities

Net cash provided by financing activities was $38.9 million for the year ended December 31, 2020, as compared to $49.9 million for the year ended December 31, 2019. The net inflow was primarily attributable to the issuances by Vedanta of a $25.0 million convertible promissory note and a long-term loan with net proceeds of $14.7 million. The inflow was further attributable to $13.8 million received from the Vedanta Series C-2 and Sonde Series A-2 preferred share financings. The inflows were partially offset by the $12.9 million settlement of 2017 RSU awards granted to certain executives.

Net cash provided by financing activities was $49.9 million for the year ended December 31, 2019, as compared to net inflows of $156.9 million for the year ended December 31, 2018. The net inflow was primarily attributable to aggregate proceeds of the issuance of $51.0 million received from the Vedanta Series C and C-2, Gelesis Series 2 Growth and Sonde Series A-2 preferred share financings. Further inflows of $1.6 million were attributable to the proceeds from the issuance of convertible notes by Karuna. The inflows were partially offset by payment of our lease liability totaling $1.7 million and $1.3 million in withholding payroll tax payments related to the vesting of 2016 RSU awards granted to certain executives.

Funding Requirements

We have incurred operating losses since inception. Based on our current plans, we believe our existing cash and cash equivalents at December 31, 2020 will be sufficient to fund our operations and capital expenditure requirements into the first quarter of 2024 and following the sale of 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million on February 9, 2021, we have sufficient funding to extend operations over a four year period into the first quarter of 2025. We expect to incur substantial additional expenditures in the near term to support our ongoing activities. Additionally, we expect to incur additional costs as a result of operating as a U.S. public company. We expect to continue to incur net losses for the foreseeable future. Our ability to fund our therapeutic development and clinical operations as well as commercialization of our wholly-owned therapeutic candidates, will depend on the amount and timing of cash received from

planned financings. Our future capital requirements will depend on many factors, including:

- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our wholly-owned therapeutic candidates;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;
- the emergence of competing technologies and products and other adverse marketing developments;
- the effect on our therapeutic and product development activities of actions taken by the FDA, EMA or other regulatory authorities;
- our degree of success in commercializing our wholly-owned therapeutic candidates, if and when approved; and
- the number and types of future therapeutics we develop and commercialize.

A change in the outcome of any of these or other variables with respect to the development of any of our wholly-owned therapeutic candidates could significantly change the costs and timing associated with the development of that therapeutic candidate. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity financings, debt financings, collaborations with other companies or other strategic transactions. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or therapeutic candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, therapeutic development or future commercialization efforts or grant rights to develop and market therapeutic candidates that we would otherwise prefer to develop and market ourselves.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. We currently have no credit facility or committed sources of capital. Because of the numerous risks and uncertainties associated with the development and commercialization of our wholly-owned therapeutic candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated therapeutic development programs.

Financial Position

Summary Financial Position

	As of December 31,		
(in thousands)	**2020**	2019	Change
Investments held at fair value	**530,161**	714,905	(184,744)
Other non-current assets	**45,484**	57,428	(11,943)
Non-current assets	**575,645**	772,333	(196,687)
Short-term investments	**—**	30,088	(30,088)
Cash and cash equivalents	**403,881**	132,360	271,521
Other current assets	**10,468**	6,397	4,071
Current assets	**414,348**	168,845	245,504
Total assets	**989,994**	941,178	48,816
Lease Liability	**32,088**	34,914	(2,827)
Deferred tax liability	**108,626**	115,445	(6,820)
Other non-current liabilities	**14,818**	1,219	13,598
Non-current liabilities	**155,531**	151,579	3,952
Trade and other payables	**20,566**	19,750	817
Notes payable	**26,455**	1,455	25,000
Warrant liability	**8,206**	7,997	209
Preferred shares	**118,972**	100,989	17,983
Other current liabilities	**6,724**	9,011	(2,287)
Total current liabilities	**180,924**	139,201	41,722
Total liabilities	**336,455**	290,780	45,674
Net assets	**653,539**	650,397	3,142
Total equity	**653,539**	650,398	3,141

Investments Held at Fair Value

Investments held at fair value decreased $184.7 million to $530.2 million as of December 31, 2020. Investments held at fair value consists primarily of our common share investment in Karuna and our preferred share investments in Akili, Gelesis and Vor. See Notes 5 and 6 to our consolidated financial statements included elsewhere in this annual report. Fair value of investments accounted for at fair value, does not take into consideration contribution from milestones that occurred after December 31, 2020, the value of our consolidated Founded Entities (Vedanta, Follica, Sonde, Akili, Alivio, and Entrega), our Wholly Owned Programs, or our cash.

Cash and Cash Equivalents, and Short-term Investments

Consolidated cash, cash equivalents and short-term investments increased $241.4 million to $403.9 million as of December 31, 2020, while we had PureTech Level cash and cash equivalents of $349.4 million. The increase reflected primarily the disposals of Karuna common shares during the year ended December 31, 2020. On January 22, 2020, PureTech sold 2,100,000 shares of Karuna common shares for aggregate proceeds of $200.9 million. On May 26, 2020, PureTech sold an additional 555,500 Karuna common shares for aggregate proceeds of $45.0 million. On August 26, 2020, PureTech sold 1,333,333 common shares of Karuna for aggregate proceeds of $101.6 million. The inflows from the disposals were primarily offset by our operating loss of $119.5 million for the year ended December 31, 2020.

Non-Current Liabilities

Non-current liabilities increased $4.0 million to $155.5 million as of December 31, 2020. The increase reflected the execution by Vedanta of a $15.0 million long-term loan and security agreement with Oxford Finance LLC which was partially offset by declines of $2.8 million and $6.8 million in our long-term lease and deferred tax liabilities, respectively as of December 31, 2020.

Trade and Other Payables

Trade and other payables decreased $0.8 million to $20.6 million as of December 31, 2020. The decline reflected primarily the timing of payments as of December 31, 2020.

Notes Payable

Notes payable increased $25.0 million to $26.5 million as of December 31, 2020. The increase reflected the issuance by Vedanta of a $25.0 million convertible promissory note to a third party investor.

Preferred Shares

Preferred share liability increased $18.0 million to $119.0 million as of December 31, 2020. The increase reflected the issuance by Sonde of Series A-2 preferred shares for aggregate proceeds of $4.8 million and the issuance by Vedanta of Series C-2 preferred shares for aggregate proceeds of $9.0 million. The increases also reflected Finance costs of $4.2 million owing to the change in fair value of preferred shares during the year ended December 31, 2020.

Quantitative and Qualitative Disclosures about Financial Risks

Interest Rate Sensitivity

As of December 31, 2020, we had consolidated cash and cash equivalents of $403.9 million, while we had PureTech Level cash and cash equivalents of $349.4 million. Our exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. We have not entered into investments for trading or speculative purposes. Due to the conservative nature of our investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and U.S. debt obligations and related money market accounts we do not believe change in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our operating results or cash flows to be significantly affected by changes in market interest rates.

Foreign Currency Exchange Risk

We maintain our consolidated financial statements in our functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income/(loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods.

We recorded foreign currency losses in respect of foreign operations of $0.5 million, $0.0 million and $0.2 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively, which are included in Other comprehensive income/(loss) in the Consolidated Statements of Comprehensive Income/(Loss).

We do not currently engage in currency hedging activities in order to reduce our currency exposure, but we may begin to do so in the future. Instruments that may be used to hedge future risks include foreign currency forward and swap contracts. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against material foreign currency fluctuations.

Controlled Founded Entity Investments

We maintain investments in certain Controlled Founded Entities. Our investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. We are however exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. The liability of preferred shares is maintained at fair value through the profit and loss. Our strong cash position, budgeting and forecasting processes, as well as decision making and risk mitigation framework enable us to robustly monitor and support the business activities of the Controlled Founded Entities to ensure no exposure to credit losses and ultimately dissolution or liquidation. Accordingly, we view exposure to third party preferred share liability as low. Please refer to Note 16 to our consolidated financial statements for further information regarding our exposure to Controlled Founded Entity Investments.

Non-Controlled Founded Entity Investments

We maintain certain investments in Non-Controlled Founded Entities which are deemed either as investments and accounted for as investments held at fair value or associates and accounted for under the equity method (please refer to Note 1 to our consolidated financial statements). Our exposure to investments held at fair value was $530.2 million as of December 31, 2020 and we may or may not be able to realize the value in the future. Accordingly, we view the risk as high. Our exposure to investments in associates in limited to the carrying amount of the investment. We are not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of December 31, 2020, Gelesis was the only associate. The carrying amount of the investment in Gelesis as an associate was zero. Accordingly, we do not view this as a risk. Please refer to Notes 5, 6 and 16 to our consolidated financial statements for further information regarding our exposure to Non-Controlled Founded Entity Investments.

Equity Price Risk

As of December 31, 2020, we held 3,406,564 common shares of Karuna. The fair value of our investment in the common stock of Karuna was $346.1 million.

The investment in Karuna is exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna common shares as of December 31, 2020 would have been a loss of approximately $34.6 million recognized as a component of Other income (expense) in our Consolidated Statements of Comprehensive Income/(Loss).

Liquidity Risk

We do not believe we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. While we believe our cash, cash equivalents and short-term investments do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes or decline in value based on market conditions.

Credit Risk

We maintain an investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity and to meet operating needs. Although our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Also, due to the conservative nature of our investments and relatively short duration, interest rate risk is mitigated. We do not own derivative financial instruments. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments.

Credit risk is also the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We assess the credit quality of customers on an ongoing basis, taking into account its financial position, past experience and other factors. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates. We are also potentially subject to concentrations of credit risk in accounts receivable. Concentrations of credit risk with respect to receivables is owed to the limited number of companies comprising our customer base. Our exposure to credit losses is low, however, due to the credit quality of our larger collaborative partners such as Boehringer Ingelheim and Eli Lilly.

JOBS Act Exemptions and Foreign Private Issuer Status

We qualify as an "emerging growth company" as defined in the U.S. Jumpstart Our Business Startups Act of 2012. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. This includes an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002. We may take advantage of this exemption for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than $1.07 billion in total annual gross revenue, have more than $700.0 million in market value of our ordinary shares held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these provisions that allow for reduced reporting and other requirements.

We are considering whether we will take advantage of the extended transition period provided under Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Since IFRS makes no distinction between public and private companies for purposes of compliance with new or revised accounting standards, the requirements for our compliance as a private company and as a public company are the same.

Owing to our U.S. listing, we will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

Consolidated Statements of Comprehensive Income/(Loss)

For the years ended December 31

		2020	2019	2018
	Note	**$000s**	$000s	$000s

Contract revenue	3	**8,341**	8,688	16,371
Grant revenue	3	**3,427**	1,119	4,377
Total revenue		**11,768**	9,807	20,748
Operating expenses:				
General and administrative expenses	7	**(49,440)**	(59,358)	(47,365)
Research and development expenses	7	**(81,859)**	(85,848)	(77,402)
Operating income/(loss)		**(119,531)**	(135,399)	(104,019)
Other income/(expense):				
Gain on deconsolidation	5	**—**	264,409	41,730
Gain/(loss) on investments held at fair value	5	**232,674**	(37,863)	(34,615)
Loss realized on sale of investments	5	**(54,976)**	—	—
Loss on impairment of intangible asset		**—**	—	(30)
Gain/(loss) on disposal of assets	11	**(30)**	(82)	4,060
Gain on loss of significant influence	6	**—**	445,582	10,287
Other income/(expense)	21	**1,065**	121	(278)
Other income/(expense)		**178,732**	672,167	21,154
Finance income/(costs):				
Finance income	9	**1,183**	4,362	3,358
Finance income/(costs) – subsidiary preferred shares	9	**—**	(1,458)	(106)
Finance income/(costs) – contractual	9	**(2,946)**	(2,576)	34
Finance income/(costs) – fair value accounting	9	**(4,351)**	(46,475)	22,631
Net finance income/(costs)		**(6,115)**	(46,147)	25,917
Share of net income/(loss) of associates accounted for using the equity method	6	**(34,117)**	30,791	(11,490)
Impairment of investment in associate	6	**—**	(42,938)	—
Income/(loss) before taxes		**18,969**	478,474	(68,438)
Taxation	25	**(14,401)**	(112,409)	(2,221)
Income/(Loss) for the year		**4,568**	366,065	(70,659)
Other comprehensive income/(loss):				
Items that are or may be reclassified as profit or loss				
Foreign currency translation differences		**469**	(10)	(214)
Unrealized gain/(loss) on investments held at fair value		**—**	—	(26)
Total other comprehensive income/(loss)		**469**	(10)	(240)
Total comprehensive income/(loss) for the year		**5,037**	366,055	(70,899)
Income/(loss) attributable to:				
Owners of the Company		**5,985**	421,144	(43,654)
Non-controlling interests	18	**(1,417)**	(55,079)	(27,005)
		4,568	366,065	(70,659)
Comprehensive income/(loss) attributable to:				
Owners of the Company		**6,454**	421,134	(43,894)
Non-controlling interests	18	**(1,417)**	(55,079)	(27,005)
		5,037	366,055	(70,899)
		$	$	$
Earnings/(loss) per share:				
Basic earnings/(loss) per share	10	**0.02**	1.49	(0.16)
Diluted earnings/(loss) per share	10	**0.02**	1.44	(0.16)

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

Consolidated Statements of Financial Position

as of December 31

		2020	2019
	Note	**$000s**	$000s
Assets			
Non-current assets			
Property and equipment, net	11	**22,777**	21,455
Right of use asset, net	21	**20,098**	22,383
Intangible assets, net	12	**899**	625
Investments held at fair value	5	**530,161**	714,905
Investments in associates	6	**—**	10,642

Lease receivable – long-term	21	**1,700**	2,082
Deferred tax assets		**—**	142
Other non-current assets		**11**	99
Total non-current assets		**575,645**	772,333
Current assets			
Trade and other receivables		**2,558**	1,977
Prepaid expenses		**5,405**	1,946
Lease receivable – short-term	21	**381**	350
Other financial assets	13, 22	**2,124**	2,124
Short-term investments	22	**—**	30,088
Cash and cash equivalents	22	**403,881**	132,360
Total current assets		**414,348**	168,845
Total assets		**989,994**	941,178
Equity and liabilities			
Equity			
Share capital	14	**5,417**	5,408
Share premium	14	**288,978**	287,962
Merger reserve	14	**138,506**	138,506
Translation reserve	14	**469**	—
Other reserve	14	**(24,050)**	(18,282)
Retained earnings/(accumulated deficit)	14	**260,429**	254,444
Equity attributable to the owners of the Company	14	**669,748**	668,038
Non-controlling interests	14, 18	**(16,209)**	(17,640)
Total equity	14	**653,539**	650,398
Non-current liabilities			
Deferred revenue	3	**—**	1,220
Deferred tax liability	25	**108,626**	115,445
Lease liability, non-current	21	**32,088**	34,914
Long-term loan	20	**14,818**	—
Total non-current liabilities		**155,531**	151,579
Current liabilities			
Deferred revenue	3	**1,472**	5,474
Lease liability, current	21	**3,261**	2,929
Trade and other payables	19	**21,826**	19,842
Subsidiary:			
Notes payable	16, 17	**26,455**	1,455
Warrant liability	16	**8,206**	7,997
Preferred shares	15, 16	**118,972**	100,989
Other current liabilities		**732**	515
Total current liabilities		**180,924**	139,201
Total liabilities		**336,455**	290,780
Total equity and liabilities		**989,994**	941,178

Please refer to the accompanying Notes to the consolidated financial information. Registered number: 09582467.

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 14, 2021 and signed on its behalf by:

Daphne Zohar

Chief Executive Officer

April 14, 2021

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

Consolidated Statements of Changes in Equity

For the years ended December 31

	Share Capital									
	Shares	Amount $000s	Share premium $000s	Merger reserve $000s	Translation reserve $000s	Other reserve $000s	Retained earnings/ (accumulated deficit) $000s	Total Parent equity $000s	Non-controlling interests $000s	Total Equity $000s
Balance January 1, 2018	237,429,696	4,679	181,588	138,506	224	17,178	(124,745)	217,430	(145,586)	71,844
Net income/(loss)	—	—	—	—	—	—	(43,654)	(43,654)	(27,005)	(70,659)

Foreign currency exchange	—	—	—	—	(214)	—	—	(214)	—	(214)
Unrealized gain on investments	—	—	—	—	—	—	(26)	(26)	—	(26)
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**(214)**	**—**	**(43,680)**	**(43,894)**	**(27,005)**	**(70,899)**
Deconsolidation of subsidiary	—	—	—	—	—	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	696	96,797	—	—	—	—	97,493	—	97,493
Exercise of share-based awards	64,171	—	—	—	—	—	122	122	—	122
Subsidiary dividends	—	—	—	—	—	—	(8)	(8)	—	(8)
Equity settled share-based payments	—	—	—	—	—	3,749	—	3,749	8,888	12,637
Balance December 31, 2018	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(167,692)**	**275,507**	**(108,535)**	**166,972**
Adjustment for the initial application of IFRS 16	**—**	**—**	**—**	**—**	**—**	**—**	**999**	**999**	**—**	**999**
Adjusted balance as of January 1, 2019	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(166,693)**	**276,506**	**(108,535)**	**167,971**
Net income/(loss)	—	—	—	—	—	—	421,144	421,144	(55,079)	366,065
Foreign currency exchange	—	—	—	—	(10)	—	—	(10)	—	(10)
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**(10)**	**—**	**421,144**	**421,134**	**(55,079)**	**366,055**
Deconsolidation of subsidiary	—	—	—	—	—	—	—	—	97,178	97,178
Subsidiary note conversion and changes in NCI ownership interest	—	—	—	—	—	(20,631)	—	(20,631)	23,049	2,418
Exercise of share-based awards	237,090	5	499	—	—	—	—	504	—	504
Purchase of subsidiary's non-controlling interest through issuance of shares	2,126,338	28	9,078	—	—	(33,145)	—	(24,039)	24,039	—
Revaluation of deferred tax assets related to share-based awards	—	—	—	—	—	3,061	—	3,061	—	3,061
Equity settled share-based payments	—	—	—	—	—	12,785	—	12,785	1,683	14,468
Vesting of restricted stock units (RSU)	513,324	—	—	—	—	(1,280)	—	(1,280)	—	(1,280)
Other	—	—	—	—	—	5	(7)	(2)	25	23
As at December 31, 2019	**285,370,619**	**5,408**	**287,962**	**138,506**	**—**	**(18,282)**	**254,444**	**668,038**	**(17,640)**	**650,398**
Net income/(loss)	—	—	—	—	—	—	5,985	5,985	(1,417)	4,568
Foreign currency exchange					469			469		469
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**469**	**—**	**5,985**	**6,454**	**(1,417)**	**5,037**
Exercise of share-based awards	514,406	9	1,016	—	—		—	1,025	11	1,036
Revaluation of deferred tax assets related to share-based awards	—	—	—	—	—	(684)	—	(684)	—	(684)
Equity settled share-based payments	—	—	—	—	—	7,805	—	7,805	2,822	10,627
Settlement of restricted stock units	—	—	—	—	—	(12,888)	—	(12,888)	—	(12,888)
Other	—	—	—	—	—	—	—	—	13	13
Balance December 31, 2020	**285,885,025**	**5,417**	**288,978**	**138,506**	**469**	**(24,050)**	**260,429**	**669,748**	**(16,210)**	**653,539**

Consolidated Statements of Cash Flows

For the years ended December 31

		2020	2019	2018
	Note	**$000s**	$000s	$000s
Cash flows from operating activities				
Income/(loss) for the year		**4,568**	366,065	(70,659)
Adjustments to reconcile net operating loss to net cash used in operating activities:				
Non-cash items:				
Depreciation and amortization	11, 12	**6,645**	6,665	2,778
Impairment of intangible assets		**—**	—	30
Impairment of investment in associate	6	**—**	42,938	—
Equity settled share-based payment expense	8	**10,718**	14,468	12,637
(Gain)/loss on investments held at fair value	5	**(232,674)**	37,863	20,307
Realized loss on sale of investments		**54,976**	—	—
(Gain)/loss on short-term investments		**—**	—	(843)
Gain on deconsolidation	5	**—**	(264,409)	(41,730)

Gain on loss of significant influence	5	—	(445,582)	(10,287)
Conversion of debt to equity		—	—	349
Disposal of assets	11	**66**	140	161
Share of net (income)/loss of associates accounted for using the equity method	6	**34,117**	(30,791)	11,491
Income taxes, net	25	**14,402**	112,077	1,723
Unrealized (gain)/loss on foreign currency transactions		—	—	(271)
Finance costs, net	9	**6,114**	46,229	(8,446)
Changes in operating assets and liabilities:				
Accounts receivable	22	**(529)**	747	467
Other financial assets	13	—	(48)	(1,327)
Prepaid expenses and other current assets		**(3,371)**	(25)	774
Deferred revenues	3	**(5,223)**	186	4,841
Trade and other payables	19	**605**	11,166	5,094
Other liabilities		**(7)**	3,002	115
Income taxes paid		**(20,737)**	—	—
Interest received		**1,155**	3,648	—
Interest paid	21	**(2,651)**	(2,495)	—
Net cash used in operating activities		**(131,827)**	(98,156)	(72,796)
Cash flows from investing activities:				
Purchase of property and equipment	11	**(5,170)**	(12,138)	(4,365)
Proceeds from sale of property and equipment		—	—	125
Purchases of intangible assets	12	**(254)**	(400)	(125)
Purchase of associate preferred shares held at fair value	5, 6	**(10,000)**	(13,670)	(3,500)
Purchase of investments held at fair value	5	**(1,150)**	(1,556)	—
Sale of investments held at fair value	5	**350,586**	9,294	—
Receipt of payment of sublease	21	**350**	191	—
Purchase of convertible note	6	—	(6,480)	—
Cash derecognized upon loss of control over subsidiary		—	(16,036)	(13,390)
Purchases of short-term investments	22	—	(69,541)	(166,452)
Proceeds from maturity of short-term investments	22	**30,116**	173,995	148,062
Net cash provided by/(used in) investing activities		**364,478**	63,659	(39,645)
Cash flows from financing activities:				
Receipt of PPP loan		**68**	—	—
Issuance of long term loan	20	**14,720**	—	—
Proceeds from issuance of convertible notes	17	**25,000**	1,606	6,147
Payment of lease liability	21	**(2,908)**	(1,678)	—
Repayment of long-term debt		—	(178)	(185)
Distribution to Tal shareholders	27	—	(112)	—
Exercise of stock options		**1,036**	504	—
Proceeds from the issuance of shares and subsidiary preferred shares	15	—	—	152,030
Settlement of RSU's		**(12,888)**	—	—
Vesting of restricted stock units		—	(1,280)	—
Issuance of preferred shares of subsidiaries	15	**13,750**	51,048	—
Issuance of warrants in subsidiary		**92**	—	—
Buyback of shares		—	—	(35)
Distribution to shareholders on dissolution of subsidiary		—	—	(1,062)
Subsidiary dividend payments		—	—	(8)
Net cash provided by financing activities		**38,869**	49,910	156,887
Effect of exchange rates on cash and cash equivalents		—	(104)	(44)
Net increase in cash and cash equivalents		**271,520**	15,309	44,402
Cash and cash equivalents at beginning of year		**132,360**	117,051	72,649
Cash and cash equivalents at end of year		**403,881**	132,360	117,051
Supplemental disclosure of non-cash investment and financing activities:				
Purchase of non controlling interest in consideration for issuance of shares and options		—	9,106	—
Purchase of intangible asset and investment held at fair value in consideration for issuance of warrant liability and assumption of other long and short-term liabilities		—	15,894	—
Leasehold improvements purchased through lease incentives (deducted from Right of Use Asset)		—	10,680	—
Conversion of subsidiary convertible note into preferred share liabilities		—	4,894	—

Conversion of subsidiary convertible note into subsidiary common stock (NCI)	—	2,418	—
Supplemental disclosure of cash paid for income taxes:			
Cash paid for income taxes	**20,737**	176	92

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

Notes to the Consolidated Financial Statements

1. Accounting policies

Description of Business

PureTech Health plc ("PureTech," the "Parent" or the "Company") is a public company incorporated, domiciled and registered in the United Kingdom ("UK"). The registered number is 09582467 and the registered address is 8th Floor, 20 Farringdon Street, London EC4A 3AE, United Kingdom.

PureTech's group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent company financial statements present financial information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Basis of Presentation

The consolidated financial statements of the Group are presented as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018. The Group financial statements have been approved by the Directors on April 14, 2021 and are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact for the periods presented.

For presentation of the Consolidated Statements of Comprehensive Income/(Loss), the Company uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice.

Certain amounts in the Consolidated Financial Statements and accompanying notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments held at fair value and liabilities classified as fair value through the profit or loss.

Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

Significant estimation applied in determining the following:

- Financial instruments valuations (Note 16): when estimating the fair value of subsidiary convertible notes and subsidiary preferred shares carried at fair value through profit and loss (FVTPL) and investments held at fair value, at initial recognition and upon subsequent measurement. This includes determining the appropriate valuation methodology and making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors. See Note 16 for the sensitivity analysis for key estimates used in these valuations.
- Valuation of share based payments (Note 8): when estimating the fair value of share based payment on grant date. This includes making certain estimates regarding the expected life of the share-based award, share price volatility, risk free interest rate as well as other covariance of comparable public companies and other market data to predict distribution of relative share performance.

Significant judgement is also applied in determining the following:

- Revenue recognition (Note 3): when determining the correct amount of revenue to be recognized. This includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, judgement is required to determine the performance obligations in a contract (if promised goods and services are distinct or not) and timing of revenue recognition (on delivery or over a period of time).
- Subsidiary preferred shares liability classification (Note 15): when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment of whether the financial instrument include any embedded derivative features, whether they include contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgements and estimates is included below under Financial Instruments.
- When the power to control the subsidiaries exists (please refer to Notes 5 and 6 and accounting policy below Subsidiaries). This judgement includes an assessment of whether the Company has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The Company considers among others its voting shares, representation on the board, rights to appoint management, investee dependence on the Company etc. If the power to control investees exists we consolidate the financial statements of such investee in the consolidated financial statements of the Group. Upon issuance of new shares in a subsidiary and a resulting change in any shareholders or governance agreements, the Group reassesses its ability to control the investee based on the revised board composition and revised subsidiary governance and management structure. When such new circumstances result in the Group losing its power to control the investee, the investee is deconsolidated.
- Whether the Company has significant influence over financial and operating policies of investees in order to determine if the Company should account for its investment as an associate based on IAS 28 or based on IFRS 9, Financial Instruments (please refer to Note 5). This judgement includes, among others, an assessment whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Upon determining that the Company does have significant influence over the financial and operating policies of an investee, if the Company holds more than a single instrument issued by its equity-accounted investee, judgement is required to determine whether the additional instrument forms part of the investment in the associate, which is accounted for under IAS 28 and scoped out of IFRS 9, or it is a separate financial instrument that falls in the scope of IFRS 9 (please refer to Notes 5 and 6). This judgement includes an assessment of the characteristics of the financial instrument of the investee held by the Company and whether such financial instrument provides access to returns underlying an ownership interest.
- Where the company has other investments in an equity accounted investee that are not accounted for under IAS 28, judgement is required in determining if such investments constitute Long-Term Interests for the purposes of IAS 28 (please refer to Notes 5 and 6). This determination is based on the individual facts and circumstances and characteristics of each investment, but is driven, among other factors, by the intention and likelihood to settle the instrument through redemption or repayment in the foreseeable future, and whether or not the investment is likely to be converted to common stock or other equity instruments (please also refer to accounting policy with regard to Investments in Associates below). When considering the individual facts and circumstances of the Group's investment in its associate's preferred stock in the manner described above, including the long-term nature of such investment, the ability of the Group to convert its preferred stock investment to an investment in common shares and the likelihood of such conversion, as well the fact that there is no planned redemption or other settlement of the preferred stock by the investee in the foreseeable future, we concluded that such investment is considered a Long Term Interest.

As of December 31, 2020 the Group had cash and cash equivalents of $403.9 million. Considering the Group's and the Company's financial position as of December 31, 2020 and its principal risks and opportunities, a going concern analysis has been prepared for at least the twelve-month period from the date of signing the Consolidated Financial Statements ("the going concern period") utilizing realistic scenarios and applying a severe but plausible downside scenario. Even under the downside scenario, the analysis demonstrates the Group and the Company continue to maintain sufficient liquidity headroom and continues to comply with all financial obligations. On February 9, 2021, the Group sold 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million, further strengthening the liquidity headroom of the Group. Therefore, the Directors believe the Group and the Company is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the Consolidated Financial Statements, irrespective of uncertainty regarding the duration and severity of the COVID-19 pandemic and the global macroeconomic impact of the pandemic. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements and the PureTech Health plc Financial Statements.

Basis of consolidation

The consolidated financial information as of December 31, 2020 and 2019 and for each of the years ended December 31, 2020, 2019 and 2018 comprises an aggregation of financial information of the Company and the consolidated financial information of PureTech Health LLC ("PureTech LLC"). Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Subsidiaries

As used in these financial statements, the term subsidiaries refers to entities that are controlled by the Group. Financial results of subsidiaries of the Group as of December 31, 2020 are reported within the Internal segment, Controlled Founded Entities segment or the Parent Company and Other segment (please refer to Note 4). Under applicable accounting rules, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights and board interest and holding. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of all current and former subsidiaries organized with respect to classification as of December 31, 2020 and the Group's total voting percentage, based on outstanding voting common and preferred shares as of December 31, 2020, 2019 and 2018, is outlined below. All current subsidiaries are domiciled within the United States and conduct business activities solely within the United States.

	Voting percentage at December 31, through the holdings in					
	2020		2019		2018	
Subsidiary	**Common**	**Preferred**	Common	Preferred	Common	Preferred
Subsidiary operating companies						
Alivio Therapeutics, Inc.[1,2]	**—**	**91.9**	—	91.9	—	92.0
Entrega, Inc. (indirectly held through Enlight)[1,2]	**—**	**83.1**	—	83.1	—	83.1
Follica, Incorporated[1,2,5]	**28.7**	**56.7**	28.7	56.7	4.4	79.2
PureTech LYT (formerly Ariya Therapeutics, Inc.)[8]	**—**	**100.0**	—	100.0	—	100.0
PureTech LYT-100	**—**	**100.0**	—	100.0	—	100.0
PureTech Management, Inc.[3]	**100.0**	**—**	100.0	—	100.0	—
PureTech Health LLC[3]	**100.0**	**—**	100.0	—	100.0	—
Sonde Health, Inc.[1,2]	**—**	**51.8**	—	64.1	—	96.4
Vedanta Biosciences, Inc.[1,2]	**—**	**59.3**	—	61.8	—	74.3
Vedanta Biosciences Securities Corp. (indirectly held through Vedanta)[1,2]	**—**	**59.3**	—	61.8	—	74.3
Deconsolidated former subsidiary operating companies						
Akili Interactive Labs, Inc.[2,7]	**—**	**41.9**	—	41.9	—	41.9
Gelesis, Inc.[1,2,9]	**4.9**	**20.2**	5.7	20.2	7.3	18.4
Karuna Pharmaceuticals, Inc.[1,2,10]	**12.6**	**—**	28.4	—	—	71.0
Vor Biopharma Inc.[1,2,11]	**—**	**16.4**	—	47.5	—	93.2
Nontrading holding companies						
Endra Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**—**	86.0	—	86.0	—
Ensof Holdings, LLC (held indirectly through Enlight)[2]	**86.0**	**—**	86.0	—	86.0	—
PureTech Securities Corp.[2]	**100.0**	**—**	100.0	—	100.0	—
PureTech Securities II Corp.[2]	**100.0**	**—**	—	—	—	—
Inactive subsidiaries						
Appeering, Inc.[2]	**—**	**100.0**	—	100.0	—	100.0
Commense Inc.[2,6]	**—**	**99.1**	—	99.1	—	99.1
Enlight Biosciences, LLC[2]	**86.0**	**—**	86.0	—	86.0	—
Ensof Biosystems, Inc. (held indirectly through Enlight)[1,2]	**57.7**	**28.3**	57.7	28.3	57.7	28.3
Knode Inc. (indirectly held through Enlight)[2]	**—**	**86.0**	—	86.0	—	86.0
Libra Biosciences, Inc.[2]	**—**	**100.0**	—	100.0	—	100.0
Mandara Sciences, LLC[2]	**98.3**	**—**	98.3	—	98.3	—
Tal Medical, Inc.[1,2]	**—**	**100.0**	—	100.0	—	64.5

1 The voting percentage is impacted by preferred shares that are classified as liabilities, which results in the ownership percentage not being the same as the ownership percentage used in allocations to non-controlling interests disclosed in Note 18. The allocation of losses/profits to the noncontrolling interest is based on the holdings of subordinated stock that provide ownership rights in the subsidiaries. The ownership of liability classified preferred shares are quantified in Note 15.

2 Registered address is Corporation Trust Center, 1209 Orange St., Wilmington, DE 19801, USA.

3 Registered address is 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, USA.

4 The Company's interests in its subsidiaries are predominantly in the form of preferred shares, which have a liquidation preference over the common stock, are convertible into common stock at the holder's discretion or upon certain liquidity events, are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared. In the case of Enlight, Mandara and PureTech Health LLC, the holdings are membership interests in an LLC. The holders of common stock are entitled to one vote per share on all matters submitted to shareholders for a vote and entitled to receive dividends when and if declared.

5 On July 19, 2019, all of the outstanding notes, plus accrued interest, issued by Follica to PureTech converted into 15,216,214 shares of Series A-3 Preferred Shares and 12,777,287 shares of common share pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Please refer to Note 16.

6 Commense turned inactive during 2019.

7 On May 8, 2018, PureTech lost control of Akili, Akili was deconsolidated from the Group's financial statements and is no longer considered a subsidiary. This results in only the profits and losses generated by Akili through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). See Note 5 for further details about the accounting for the investment in Akili subsequent to deconsolidation.

8 On July 18, 2018, Calix Biopharma, Inc., Glyph Biosciences, Inc., and Nybo Therapeutics, Inc. merged into Ariya Therapeutics, Inc. Thus, the Group no longer holds an interest in Calix, Glyph and Nybo but rather owns 100.0 percent voting interest of Ariya.

9 As of December 31, 2018, PureTech maintained control of Gelesis. On July 1, 2019 PureTech lost control of Gelesis and Gelesis was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Gelesis through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). See Notes 5 and 6 for further details about the accounting for the investments in Gelesis subsequent to deconsolidation.

10 On March 15, 2019, PureTech lost control of Karuna, Karuna was deconsolidated from the Group's financial statements and is no longer considered a subsidiary. This results in only the profits and losses generated by Karuna through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). See Note 5 for further details about the accounting for the investment in Karuna subsequent to deconsolidation.

11 On February 12, 2019, PureTech lost control of Vor, Vor was deconsolidated from the Group's financial statements and is no longer considered a subsidiary. This results in only the profits and losses generated by Vor through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).See Note 5 for further details about the accounting for the investment in Vor subsequent to deconsolidation.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognized along with any related non-controlling interest ("NCI"). Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognized as profit or loss in the Consolidated Statements of Comprehensive Income/(Loss).

Associates

As used in these financial statements, the term associates are those entities in which the Group has no control but maintains significant influence over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. The Group evaluates if it maintains significant influence over associates by assessing if the Group has lost the power to participate in the financial and operating policy decisions of the associate.

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost, or if recognized upon deconsolidation they are initially recorded at fair value at the date of deconsolidation. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests, the instrument held by PureTech is accounted for in accordance with IFRS 9 as investments held at fair value.

When the Group's share of losses exceeds its equity method investment in the investee, losses are applied against Long-Term Interests, which are investments accounted for under IFRS 9. Investments are determined to be Long-Term Interests when they are long-term in nature and in substance they form part of the Group's net investment in that associate. This determination is impacted by many factors, among others, whether settlement by the investee through redemption or repayment is planned or likely in the foreseeable future, whether the investment can be converted and/or is likely to be converted to common stock or other equity instrument and other factors regarding the nature of the investment. Whilst this assessment is dependent on many specific facts and circumstances of each investment, typically conversion features whereby the investment is likely to convert to common stock or other equity instruments would point to the investment being a Long-Term Interest. Similarly, where the investment is not planned or likely to be settled through redemption or repayment in the foreseeable future, this would indicate that the investment is a Long-Term Interest. When the net investment in the associate, which includes the Group's investments in other long-term interests, is reduced to nil, recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

The Group has also adopted the amendments to IAS 28 Investments in Associates that addresses the dual application of IAS 28 and IFRS 9 (see below) when equity method losses are applied against Long-Term Interests (LTI). The amendments provide the annual sequence in which both standards are to be applied in such a case. The Group has applied the equity method losses to the LTIs presented as part of Investments held at fair value subsequent to remeasuring such investments to their fair value at balance sheet date.

Change in Accounting Policy

As of January 1, 2019, the Group has adopted new accounting policies for the accounting for leases. See updated accounting policy for leases (IFRS 16) below.

Financial Instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will are recorded in profit or loss. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. As of balance sheet dates, none of the Company's financial assets are accounted for as FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets that are carried at FVTPL are expensed.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The Group had no debt instruments carried at amortized cost as of balance sheet date. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial Assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables, debt and equity securities, other deposits and investments in associates' preferred shares. The Group's financial assets are classified into the following categories: investments held at fair value, trade and other receivables, short-term investments and cash and cash equivalents. The Group determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

Investments held at fair value are investments in equity instruments that are not held for trading. Such investments consist of the Group's minority interest holdings where the Group has no significant influence or preferred share investments in the Group's associates that are not providing access to returns underlying ownership interests. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date. The Company elects if the gain or loss will be recognized in Other Comprehensive Income/(Loss) or through profit and loss on an instrument by instrument basis.The Company has elected to record the changes in fair values for the financial assets falling under this category through profit and loss. Please refer to Note 5.

Short-term investments are short-term government treasury bonds carried at fair value with changes in fair value recorded through profit and loss in financing income.

Changes in the fair value of financial assets at FVTPL are recognized in other income/(expense) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable.

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on active markets. These financial assets are carried at the amounts expected to be received less any expected lifetime losses. Such losses are determined taking into account previous experience, credit rating and economic stability of counterparty and economic conditions. When a trade receivable is determined to be uncollectible, it is written off against the available provision. Trade and other receivables are included in current assets, unless maturities are greater than 12 months after the end of the reporting period.

Financial Liabilities

The Group's financial liabilities consist of trade and other payables, subsidiary notes payable, preferred shares, and warrant liability. Warrant liabilities are initially recognized at fair value. After initial recognition, these financial liabilities are re-measured at FVTPL using an appropriate valuation technique. Subsidiary notes payable without embedded derivatives are accounted for at amortized cost.

The majority of the Group's subsidiaries have preferred shares and notes payable with embedded derivatives, which are classified as current liabilities. When the Group has preferred shares and notes with embedded derivatives that qualify for bifurcation, the Group has elected to account for the entire instrument as FVTPL after determining under IFRS 9 that the instrument qualifies to be accounted for under such FVTPL method.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Equity Instruments Issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions, in accordance with IAS 32:

1. They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the Group; and
2. Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in the financial information for share capital and merger reserve account exclude amounts in relation to those shares.

Changes in the fair value of liabilities at FVTPL are recognized in Net finance income (costs) in the Consolidated Statements of Comprehensive Income/(Loss) as applicable.

IFRS 15, Revenue from Contracts with Customers

The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognizing an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's contract revenue is generated from licenses and services, some of which are part of collaboration arrangements.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, PureTech has entered into transactions that generate revenue and meet the scope of either IFRS 15 or IAS 20 Accounting for Government Grants. Contract revenue is recognized at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

- Identify the contract(s) with a customer – A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.
- Identify the performance obligations in the contract – Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.
- Determine the transaction price – The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.
- Allocate the transaction price to the performance obligations in the contract – If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis.
- Recognize revenue when (or as) the Group satisfies a performance obligation – The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Revenue generated from services agreements (typically where licenses and related services were combined into one performance obligation) is determined to be recognized over time when it can be determined that the services meet one of the following: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

It was determined that the Group has contracts that meet criteria (a), since the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. Therefore revenue is recognized over time using the input method based on costs incurred to date as compared to total contract costs. The Company believes that in research and development service type agreements using costs incurred to date represents the most faithful depiction of the entity's performance towards complete satisfaction of a performance obligation.

Revenue from licenses that are not part of a combined performance obligation are recognized at a point in time due to the licenses relating to intellectual property that has significant stand-alone functionality and as such represent a right to use the entity's intellectual property as it exists at the point in time at which the license is granted.

Amounts that are receivable or have been received per contractual terms but have not been recognized as revenue since performance has not yet occurred or has not yet been completed are recorded as deferred revenue. The Company classifies as non-current deferred revenue amounts received for which performance is expected to occur beyond one year or one operating cycle.

Grant Income

The Company recognizes grants from governmental agencies as grant income in the Consolidated Statement of Comprehensive Income/(Loss), gross of the expenditures that were related to obtaining the grant, when there is reasonable assurance that the Company will comply with the conditions within the grant agreement and there is reasonable assurance that payments under the grants will be received. The Company evaluates the conditions of each grant as of each reporting date to ensure that the Company has reasonable assurance of meeting the conditions of each grant arrangement and it is expected that the grant payment will be received as a result of meeting the necessary conditions.

The Company submits qualifying expenses for reimbursement after the Company has incurred the research and development expense. The Company records an unbilled receivable upon incurring such expenses. In cases were grant income is received prior to the expenses being incurred or recognized, the amounts received are deferred until the related expense is incurred and/or recognized. Grant income is recognized in the Consolidated Statements of Comprehensive Income/(Loss) over the periods in which the Company recognizes the related reimbursable expense for which the grant is intended to compensate.

Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars ("U.S. dollars"). The functional currency of virtually all members of the Group is the U.S. dollar. The assets and liabilities of a previously held subsidiary were translated to U.S. dollars at the exchange rate prevailing on the balance sheet date and revenues and expenses were translated at the average exchange rate for the period. Foreign exchange differences resulting from the translation of this subsidiary were reported in the Consolidated Statements of Comprehensive Income/(Loss) in Other Comprehensive Income/(Loss).

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on remeasurement are recognized in the Consolidated Statement of Comprehensive Income/(Loss) except for qualifying cash flow hedges, which are recognized directly in other comprehensive income. The Company did not have qualifying cash flow hedges during the reported periods. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

Share Capital

Ordinary shares are classified as equity. The Group is comprised of share capital, share premium, merger reserve, other reserve, translation reserve, and accumulated deficit.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets under construction represent leasehold improvements and machinery and equipment to be used in operations or research and development activities. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset:

Laboratory and manufacturing equipment	2-8 years
Furniture and fixtures	7 years
Computer equipment and software	1-5 years
Leasehold improvements	5-10 years, or the remaining term of the lease, if shorter

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible Assets

Intangible assets, which include purchased patents and licenses with finite useful lives, are carried at historical cost less accumulated amortization, if amortization has commenced, and impairment losses. Intangible assets with finite lives are

amortized from the time they are available for use. Amortization is calculated using the straight-line method to allocate the costs of patents and licenses over their estimated useful lives.

Research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are presented as In-Process Research and Development (IPR&D). IPR&D is not amortized since it is not yet available for its intended use, but it is evaluated for potential impairment on an annual basis or more frequently when facts and circumstances warrant.

Impairment

Impairment of Non-Financial Assets

The Group reviews the carrying amounts of its property and equipment and intangible assets at each reporting date to determine whether there are indicators of impairment. If any such indicators of impairment exist, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

The Company's IPR&D intangible assets are not yet available for their intended use. As such, they are to be tested for impairment at least annually.

An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are largely independent cash flows. If a non-financial asset instrument is impaired, an impairment loss is recognized in the Consolidated Statements of Comprehensive Income/(Loss).

The Company did not record any impairment of such assets during the reported periods.

Investments in associates are considered impaired if, and only if, objective evidence indicates that one or more events, which occurred after the initial recognition, have had an impact on the future cash flows from the net investment and that impact can be reliably estimated. If an impairment exists the Company measures an impairment by comparing the carrying value of the net investment in the associate to its recoverable amount and recording any excess as an impairment loss. See Note 6 for impairment recorded in respect of an investment in associate during the year ended December 31, 2019.

Employee Benefits

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation due to past service provided by the employee, and the obligation can be estimated reliably.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Share-based Payments

Share-based payment arrangements, in which the Group receives goods or services as consideration for its own equity instruments, are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2, regardless of how the equity instruments are obtained by the Group. The grant date fair value of employee share-based payment awards is recognized as an expense with a corresponding increase in equity over the requisite service period related to the awards. The fair value is measured using an option pricing model, which takes into account the terms and conditions of the options granted. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Development Costs

Expenditures on research activities are recognized as incurred in the Consolidated Statements of Comprehensive Income/(Loss). In accordance with IAS 38 development costs are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group can demonstrate its ability to use or sell the intangible asset, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is when regulatory approval has been received where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving meaningful recurring sales. Otherwise, the development expenditure is recognized as incurred in the Consolidated Statements of Comprehensive Income/(Loss). As of balance sheet date the Group has not capitalized any development costs.

Provisions

A provision is recognized in the Consolidated Statements of Financial Position when the Group has a present legal or constructive obligation due to a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

On January 1, 2019, the Group adopted a new accounting standard for leases. The Group leases real estate and equipment for use in operations. These leases generally have lease terms of 1 to 10 years. The Group includes options that are reasonably certain to be exercised as part of the determination of the lease term. The group determines if an arrangement is a lease at inception of the contract in accordance with guidance detailed in the new standard. ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use the Group's estimated incremental borrowing rate based on information available at commencement date in determining the present value of future payments.

The Group's operating leases are virtually all leases from real estate.

When adopting IFRS 16 on January 1, 2019, the Group has applied a modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information was not restated. Upon transition, the Group has applied the following practical expedients:

- excluding initial direct costs from the right-of-use assets;
- using hindsight when assessing the lease term; and
- not reassessing whether a contract is or contains a lease;

The Group has elected to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than $5,000.

The lease liability was initially measured at the present value of the lease payments that were not paid at the transition date, discounted by using the Group's incremental borrowing rate as the rate implicit in the lease was not readily determinable.

The right-of-use asset is depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

The financial impact of adopting IFRS 16 on the Group was primarily as follows:

	January 1, 2019
	$000s
Right of use asset	10,353
Lease liability	10,995
Accumulated deficit	999

Further information regarding the subleases, right of use asset and lease liability can be found in Note 21.

Finance Income and Finance Costs

Finance income is comprised of income on funds invested in U.S. treasuries, income on money market funds and to a much lesser extent income on a finance lease. Financing income is recognized as it is earned. Finance costs comprise mainly of loan and lease liability interest expenses and the changes in the fair value of warrant and financial liabilities carried at FVTPL.

Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. In accordance with IAS 12, tax is recognized in the Consolidated Statements of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are recognized in Consolidated Statements of Comprehensive Income/(Loss) except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Fair Value Measurements

The Group's accounting policies require that certain financial and non-financial assets and certain financial liabilities be measured at their fair value.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying amount of cash and cash equivalents, accounts receivable, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's Consolidated Statements of Financial Position approximates their fair value because of the short maturities of these instruments.

Operating Segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM reviews discrete financial information for the operating segments in order to assess their performance and is responsible for making decisions about resources allocated to the segments. The CODM has been identified as the Group's Directors.

Prior period reclassification

During 2019 management identified that for the year ended December 31, 2018, Gain/(loss) on investments held at fair value of $14.3 million was incorrectly classified as Finance costs - subsidiary preferred shares. As a result, in the 2019 financial statements a prior year reclassification has been made in the Consolidated Statement of Comprehensive Income/(Loss) for the year ended December 31, 2018.

2. New Standards and Interpretations Not Yet Adopted

A number of new standards, interpretations, and amendments to existing standards are effective for annual periods commencing on or after January 1, 2021 and have not been applied in preparing the consolidated financial information. The Company's assessment of the impact of these new standards and interpretations is set out below.

Effective January 1, 2023, the definition of accounting estimates has been amended as an amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. This amendment is not expected to have an impact on the Company's financial statements.

Effective January 1, 2023, IAS 1 has been amended to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The Company does not expect this amendment will have a material impact on its financial statements.

None of the other new standards, interpretations, and amendments are applicable to the Company's financial statements and therefore will not have an impact on the Company.

3. Revenue

Revenue recorded in the Consolidated Statement of Comprehensive Income/(Loss) consists of the following:

For the years ended December 31,	**2020** **$000s**	2019 $000s	2018 $000s
Contract revenue	**8,341**	8,688	16,371
Grant income	**3,427**	1,119	4,377
Total revenue	**11,768**	9,807	20,748

All amounts recorded in contract revenue were generated in the United States.

Primarily all of the Company's contracts as of December 31, 2020, 2019 and 2018 were determined to have a single performance obligation which consists of a combined deliverable of license to intellectual property and research and development services. Therefore, for such contracts, revenue is recognized over time based on the inputs method which is a faithful depiction of the transfer of goods and services. Progress is measured based on costs incurred to date as compared to total projected costs. Payments for such contracts are primarily made up front at the inception of the contract (or upon achieving a milestone event) and to a much lesser extent payments are made periodically over the contract term.

During the year ended December 31, 2020, the Company received a $2.0 million milestone payment from Karuna Therapeutics, Inc. following initiation of its KarXT Phase 3 clinical study pursuant to the Exclusive Patent License Agreement between PureTech and Karuna. This milestone was recognized as revenue during the year ended December 31, 2020

Disaggregated Revenue

The Group disaggregates contract revenue in a manner that depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on contract revenue or grant revenue, and further disaggregates contract revenue based on the transfer of control of the underlying performance obligations.

Timing of contract revenue recognition	**2020** **$000s**	2019 $000s	2018 $000s
Transferred at a point in time – Licensing Income[1]	**2,054**	—	12,000
Transferred over time[2]	**6,286**	8,688	4,371

	8,341	8,688	16,371

1 2020 – Attributed to Parent Company and Other; 2018 – attributed to Controlled Founded Entities segment. See note 4, Segment information.

2 2020 – Attributed to Internal segment ($3,560 thousand) and Controlled founded entities segment ($2,726 thousand); 2019 – Attributed to Internal segment ($6,064 thousand), Controlled founded entities segment ($2,487 thousand) and Parent Company and Other ($137 thousand); 2018 – Attributed to Internal segment ($2,110 thousand), Controlled founded entities segment ($2,233 thousand) and Parent Company and Other ($29 thousand). See Note 4, Segment Information.

	2020	2019	2018
Customers over 10% of revenue*	**$000s**	$000s	$000s
Janssen Biotech, Inc.	**—**	—	12,000
BMEB Services LLC	**—**	—	1,415
Roche Holding AG	**1,518**	4,973	—
Eli Lilly and Company	**896**	1,433	—
Boehringer Ingelheim International GMBH	**2,043**	1,091	—
Imbrium Therapeutics L.P.	**1,736**	1,013	—
Karuna Therapeutics, Inc.	**2,000**	—	—
	8,193	8,510	13,415

An estimation uncertainty arises due to management's application of the inputs method in recognizing revenue overtime. In doing so, the total cost to satisfy the performance obligation includes a significant estimate by management in its budgets and projected cash flows. The sensitivity of this calculation for the years ended December 31, 2020, 2019 and 2018 is detailed below:

For the year ended December 31, 2020		
Budgeted costs to complete	**+10%**	**(10) %**
Revenue	**(535)**	**654**

For the year ended December 31, 2019		
Budgeted costs to complete	+10%	(10) %
Revenue	(951)	738

For the year ended December 31, 2018		
Budgeted costs to complete	+10%	(10) %
Revenue	(265)	323

Contract Balances

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced amount. Accounts receivable are included within Trade and other receivables on the Consolidated Statement of Financial Position.

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

	2020	2019
Contract Balances	**$000s**	$000s
Accounts receivable	**711**	1,699
Deferred revenue – long term	**0**	1,220
Deferred revenue – short term	**1,472**	5,474

During the year ended December 31, 2020, $5.3 million of revenue was recognized on deferred revenue outstanding at December 31, 2019.

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfillment of the contract has started as of the end of the reporting period. The aggregate amount of transaction consideration allocated to remaining performance obligations as of December 31, 2020 was $1.7 million. The following table summarizes when the Group expects to recognize the remaining performance obligations as revenue. The Group will recognize revenue associated with these performance obligations as transfer of control occurs:

	Less than 1 Year	**Greater than 1 Year**	**Total**
Remaining Performance Obligation	**1,713**	**—**	**1,713**

4. Segment Information

Basis for Segmentation

The Directors are the Group's strategic decision-makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Group has determined that each entity is representative of a single operating segment as the Directors monitor the financial results at this level. When identifying the reportable segments the Group has determined that it is appropriate to aggregate multiple operating segments into a single reportable segment given the high level of operational and financial similarities across the entities. The Group has identified four reportable segments which are outlined below. Substantially, all of the revenue and profit generating activities of the Group are generated within the U.S. and accordingly, no geographical disclosures are provided.

During the year ended December 31, 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. The Company has revised in the 2019 financial statements the 2018 financial information to conform to the presentation as of and for the period ending December 31, 2019. The change in segments reflects how the Company's Board of Directors reviews the Group's results, allocates resources and assesses performance.

Internal

The Internal segment (the "Internal segment"), is advancing Wholly Owned Programs designed to harness key immunological, fibrotic and lymphatic system mechanisms. These novel classes of immunomodulatory drugs are designed to treat serious diseases, including lung dysfunction, immuno-oncology, lymphatic, neurological and neuropsychological disorders. The Internal segment is comprised of the technologies that are wholly owned and will be advanced through either PureTech Health funding or non-dilutive sources of financing in the near-term. The operational management of the Internal segment is conducted by the PureTech Health team, which is responsible for the strategy, business development, and research and development. As of December 31, 2020, this segment included PureTech LYT (formerly Ariya Therapeutics) and PureTech LYT-100.

Controlled Founded Entities

The Controlled Founded Entity segment (the "Controlled Founded Entity segment") is comprised of the Group's subsidiaries that are currently consolidated operational subsidiaries that either have, or have plans to hire, independent

management teams and currently have already raised, or are currently in the process of raising, third-party dilutive capital. These subsidiaries have active research and development programs and either have entered into or plan to seek a strategic partnership with an equity or debt investment partner, who will provide additional industry knowledge and access to networks, as well as additional funding to continue the pursued growth of the company. As of December 31, 2020, this segment included Alivio Therapeutics, Inc., Entrega Inc., Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences, Inc.

Non-Controlled Founded Entities

The Non-Controlled Founded Entities segment (the "Non-Controlled Founded Entities segment") is comprised of the entities in respect of which PureTech Health (i) no longer holds majority voting control as a shareholder and no longer has the right to elect a majority of the members of the subsidiaries' Board of Directors. Upon deconsolidation of an entity the segment disclosure is restated to reflect the change on a retrospective basis, as this constitutes a change in the composition of its reportable segments. The Non-Controlled Founded Entities segment included Akili Interactive Labs, Inc. ("Akili"), Vor Biopharma Inc. ("Vor"), Karuna Therapeutics, Inc. ("Karuna"), and Gelesis Inc. ("Gelesis").

The Non-Controlled Founded Entities segment incorporates the operational results of the aforementioned entities to the date of deconsolidation. Following the date of deconsolidation, the Company accounts for its investment in each entity at the parent level, and therefore the results associated with investment activity following the date of deconsolidation is included in the Parent Company and Other segment (the "Parent Company and Other segment").

Parent Company and Other Segment

The Parent Company and Other segment includes activities that are not directly attributable to the operating segments, such as the activities of the Parent, corporate support functions and certain research and development support functions that are not directly attributable to a strategic business segment as well as the elimination of intercompany transactions. This segment also captures the accounting for the Company's holdings in entities for which control has been lost, which is inclusive of the following items: gain on deconsolidation, gain or loss on investments held at fair value, gain on loss of significant influence, and the share of net income/(loss) of associates accounted for using the equity method. As of December 31, 2020, this segment included PureTech Health plc, PureTech Health LLC, PureTech Management, Inc., PureTech Securities Corp. and PureTech Securities II Corp., as well as certain other dormant, inactive and shell entities.

Information About Reportable Segments:

	2020				
	Internal	Controlled Founded Entities	Non-Controlled Founded Entities	Parent Company & Other	Consolidated
	$000s	$000s	$000s	$000s	$000s
Consolidated Statements of Comprehensive Income/(Loss)					
Contract revenue	**3,560**	**2,726**	**—**	**2,054**	**8,341**
Grant revenue	**32**	**3,395**	**—**	**—**	**3,427**
Total revenue	**3,592**	**6,121**	**—**	**2,054**	**11,768**
General and administrative expenses	**(2,112)**	**(15,061)**	**—**	**(32,267)**	**(49,440)**
Research and development expenses	**(41,583)**	**(40,043)**	**—**	**(234)**	**(81,859)**
Total operating expense	**(43,695)**	**(55,104)**	**—**	**(32,500)**	**(131,299)**
Other income/(expense):					
Gain/(loss) on investments held at fair value	**—**	**—**	**—**	**232,674**	**232,674**
Loss realized on sale of investments	**—**	**—**	**—**	**(54,976)**	**(54,976)**
Gain/(loss) on disposal of assets	**(15)**	**(15)**	**—**	**—**	**(30)**
Other income/(expense)	**—**	**100**	**—**	**965**	**1,065**
Total other income/(expense)	**(15)**	**85**	**—**	**178,662**	**178,732**
Net finance income/(costs)	**19**	**(5,204)**	**—**	**(930)**	**(6,115)**
Share of net income/(loss) of associates accounted for using the equity method	**—**	**—**	**—**	**(34,117)**	**(34,117)**
Income/(loss) before taxes	**(40,098)**	**(54,102)**	**—**	**113,170**	**18,969**
Income/(loss) before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	**(36,770)**	**(44,181)**	**—**	**121,644**	**40,694**
Finance income/(costs) – subsidiary preferred shares	**—**	**—**	**—**	**—**	**—**
Finance income/(costs) – IFRS 9 fair value accounting	**—**	**(4,351)**	**—**	**—**	**(4,351)**
Share-based payment expense	**(2,491)**	**(2,822)**	**—**	**(5,405)**	**(10,718)**
Depreciation of tangible assets	**(838)**	**(1,560)**	**—**	**(1,547)**	**(3,945)**
Amortization of ROU assets	**—**	**(1,186)**	**—**	**(1,523)**	**(2,709)**
Amortization of intangible assets	**—**	**(1)**	**—**	**—**	**(1)**
Taxation	**—**	**(1)**	**—**	**(14,400)**	**(14,401)**
Income/(loss) for the year	**(40,098)**	**(54,103)**	**—**	**98,769**	**4,568**
Other comprehensive income/(loss)	**—**	**—**	**—**	**469**	**469**
Total comprehensive income/(loss) for the year	**(40,098)**	**(54,103)**	**—**	**99,238**	**5,037**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	**(40,098)**	**(52,701)**	**—**	**99,253**	**6,454**
Non-controlling interests	**—**	**(1,402)**	**—**	**(15)**	**(1,417)**
Consolidated Statements of Financial Position:					
Total assets	**87,917**	**68,731**	**—**	**833,347**	**989,994**
Total liabilities	**117,964**	**212,542**	**—**	**5,949**	**336,455**
Net assets/(liabilities)	**(30,047)**	**(143,812)**	**—**	**827,397**	**653,539**

	2019

	Internal	Controlled Founded Entities	Non-Controlled Founded Entities	Parent Company & Other	Consolidated
	$000s	$000s	$000s	$000s	$000s
Consolidated Statements of Comprehensive Income (Loss)					
Contract revenue	6,064	2,487	—	137	8,688
Grant revenue	15	1,104	—	—	1,119
Total revenue	6,079	3,591	—	137	9,807
General and administrative expenses	(2,385)	(14,436)	(10,439)	(32,098)	(59,358)
Research and development expenses	(25,977)	(42,780)	(15,555)	(1,536)	(85,848)
Total operating expense	(28,362)	(57,216)	(25,994)	(33,634)	(145,206)
Other income/(expense):					
Gain on deconsolidation	—	—	—	264,409	264,409
Gain/(loss) on investments held at fair value	—	—	—	(37,863)	(37,863)
Gain/(loss) on disposal of assets	17	(39)	—	(60)	(82)
Gain on loss of significant influence	—	—	—	445,582	445,582
Other income/(expense)	—	166	—	(45)	121
Other income/(expense)	17	127	—	672,023	672,167
Net finance income/(costs)	—	(16,947)	(30,141)	941	(46,147)
Share of net income/(loss) of associate accounted for using the equity method	—	—	—	30,791	30,791
Impairment of investment in associate	—	—	—	(42,938)	(42,938)
Income/(loss) before taxes	(22,266)	(70,445)	(56,135)	627,320	478,474
(Loss)/income before taxes pre IFRS 9 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	(21,889)	(48,996)	(21,873)	640,298	547,540
Finance income/(costs) – subsidiary preferred shares	—	107	(1,564)	(1)	(1,458)
Finance income/(costs) – IFRS 9 fair value accounting	—	(17,294)	(28,737)	(444)	(46,475)
Share-based payment expense	(5)	(1,678)	(3,543)	(9,242)	(14,468)
Depreciation of tangible assets	(376)	(1,531)	(207)	(1,114)	(3,228)
Amortization of ROU assets	—	(1,060)	(83)	(2,177)	(3,320)
Amortization of intangible assets	4	7	(128)	—	(117)
Taxation	—	(134)	(162)	(112,113)	(112,409)
Income/(loss) for the year	(22,266)	(70,579)	(56,297)	515,207	366,065
Other comprehensive income/(loss)	—	—	(10)	—	(10)
Total comprehensive income/(loss) for the year	(22,266)	(70,579)	(56,307)	515,207	366,055
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(7,002)	(54,717)	(32,353)	515,207	421,133
Non-controlling interests	(15,264)	(15,862)	(23,953)	—	(55,079)
Consolidated Statements of Financial Position:					
Total assets	17,614	41,612	—	881,952	941,178
Total liabilities	12,076	132,935	—	145,768	290,779
Net (liabilities)/assets	5,538	(91,324)	—	736,184	650,399

	2018				
	Internal	Controlled Founded Entities	Non-Controlled Founded Entities	Parent Company & Other	Consolidated
	$000s	$000s	$000s	$000s	$000s
Consolidated Statements of Comprehensive Loss					
Contract revenue	2,110	14,233	—	29	16,371
Grant revenue	86	4,271	20	—	4,377
Total revenue	2,195	18,504	20	29	20,748
General and administrative expenses	(1,498)	(10,212)	(16,385)	(19,270)	(47,365)
Research and development expenses	(8,929)	(36,930)	(29,851)	(1,692)	(77,402)
Total operating expense	(10,427)	(47,142)	(46,236)	(20,962)	(124,768)
Other income/(expense):					

Gain on deconsolidation	—	—	—	41,730	41,730
Gain/(loss) on investments held at fair value	—	—	—	(34,615)	(34,615)
Gain/(loss) on disposal of assets	—	—	—	4,054	4,054
Gain on loss of significant influence	—	—	—	10,287	10,287
Other income/(expense)	—		104	(405)	(302)
Other income/(expense)	—	—	104	21,051	21,155
Net finance income/(costs)		5,341	5,945	14,631	25,918
Share of net income/(loss) of associate accounted for using the equity method	—	—	—	(11,490)	(11,490)
Income/(loss) before taxes	(8,232)	(23,297)	(40,167)	3,258	(68,438)
(Loss)/income before taxes pre IAS 39 fair value accounting, finance costs – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortization of intangible assets	(8,210)	(24,344)	(38,761)	(4,235)	(75,550)
Finance income/(costs) – subsidiary preferred shares	—	—	—	(106)	(106)
Finance income/(costs) – IAS 39 fair value accounting	—	5,341	5,516	11,775	22,632
Share-based payment expense	(11)	(2,465)	(6,262)	(3,899)	(12,637)
Depreciation of tangible assets	(7)	(1,823)	(390)	(256)	(2,476)
Amortization of intangible assets	(4)	(6)	(270)	(22)	(302)
Taxation	—	(381)	(185)	(1,655)	(2,221)
Income/(loss) for the year	(8,454)	(26,206)	(41,239)	5,239	(70,659)
Other comprehensive income/(loss)	—	(214)	—	(26)	(240)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,239)	5,213	(70,899)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,139)	(15,710)	(32,260)	5,213	(43,894)
Non-controlling interests	(7,315)	(10,710)	(8,980)	—	(27,005)
Consolidated Statements of Financial Position:					
Total assets	2,984	15,603	35,934	387,240	441,761
Total liabilities	13,366	60,992	202,161	(1,731)	274,787
Net (liabilities)/assets	(10,381)	(45,389)	(166,227)	388,970	166,973

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in Note 18.

5. Investments held at fair value

Investments held at fair value include both unlisted and listed securities held by PureTech. These investments, which include Akili, Vor, Karuna, Gelesis (other than the investment in common shares – please refer to Note 6), resTORbio and other insignificant investments, are initially measured at fair value and are subsequently re-measured at fair value at each reporting date. Interests in these investments were accounted for as shown below:

Investments held at fair value	$000's
Balance as of January 1, 2019	169,755
Deconsolidation of subsidiaries (Vor, Karuna and Gelesis (Note 6))	138,571
Reclassification of Karuna investment to investment in associate	(118,006)
Gain on Karuna investment at initial public offering[1]	40,633
Cash purchase of Gelesis convertible notes (please refer to Note 6)	6,480
Cash purchase of Gelesis preferred shares (please refer to Note 6)	8,020
Reclassification of Karuna investment at loss of significant influence	557,243
Sale of resTORbio shares	(9,295)
Loss – fair value through profit and loss[1]	(78,496)
Balance as of December 31, 2019 and January 1, 2020	714,905
Sale of Karuna shares	(347,538)
Sale of resTORbio shares	(3,048)
Loss realised on sale of investments	(54,976)
Cash purchase of Gelesis preferred shares (please refer to Note 6)	10,000
Cash purchase of Vor preferred shares	1,150
Gain/(loss) – fair value through profit and loss	232,674
Balance as of December 31, 2020 before allocation of share in associate loss to long-term interest	**553,167**
Share of associate loss allocated to long-term interest (please refer to Note 6)	(23,006)
Balance as of December 31, 2020 after allocation of share in associate loss to long-term interest[2]	**530,161**

1 The net amount of these two items is a loss of $37.9 million which is reported on the line Gain/(loss) on investments held at fair value in the Consolidated Statements of Comprehensive Income/(Loss).

2 Fair value of investments accounted for at fair value, does not take into consideration contribution from milestones that occurred after December 31, 2020, the value of the Group's consolidated Founded Entities (Vedanta, Follica, Sonde, Akili, Alivio, and Entrega), the Internal segment, or cash and cash equivalents.

Vor

Vor was founded by PureTech through an initial Series A-1 Preferred Shares financing and raised funds through issuance of convertible notes. As of December 31, 2018, PureTech maintained control of Vor and the subsidiary's financial results were fully consolidated in the Group's consolidated financial statements.

On February 12, 2019, Vor completed a Series A-2 Preferred Shares financing round with PureTech and several new third party investors. The financing provided for the purchase of 62,819,866 shares of Vor Series A-2 Preferred Shares at the purchase price of $0.40 per share.

As a result of the issuance of Series A-2 preferred shares to third-party investors, PureTech's ownership percentage and corresponding voting rights dropped from 79.5 percent to 47.5 percent, and PureTech simultaneously gave up control on Vor's Board of Directors, both of which triggered a loss of control over the entity. As of February 12, 2019, Vor was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Vor through the deconsolidation date being included in the Consolidated Statement of Comprehensive Income/(Loss). While the Company no longer controlled Vor, it was concluded that PureTech still had significant influence over Vor by virtue of its large, albeit minority, ownership stake and its continued representation on Vor's Board of Directors. During the year ended December 31, 2019, the Company recognized a $6.4 million gain on the deconsolidation of Vor, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Comprehensive Income/(Loss).

As PureTech did not hold common shares in Vor upon deconsolidation and the preferred shares it holds do not have equity-like features, the voting percentage attributable to common shares is nil. Therefore, PureTech had no basis to account for its investment in Vor under IAS 28. The preferred shares held by PureTech fall under the guidance of IFRS 9 and are treated as a financial asset held at fair value through the Consolidated Statement of Comprehensive Income/(Loss). The fair value of the preferred shares at deconsolidation was $12.0 million.

During the year ended December 31, 2019, the Company recognized a gain of $0.6 million that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

On February 12, 2020, PureTech participated in the second closing of Vor's Series A-2 Preferred Share financing. For consideration of $0.7 million, PureTech received 1,625,000 A-2 shares. On June 30, 2020, PureTech participated in the first closing of Vor's Series B Preferred Share financing. For consideration of $0.5 million, PureTech received 961,538 shares. Upon the conclusion of such Vor financings PureTech no longer has significant influence over Vor. During the year ended December 31, 2020 PureTech recognized a fair value gain of $19.1 million in respect of its investment in Vor that was recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

Gelesis

As of July 1, 2019, Gelesis was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Gelesis through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss). At the date of deconsolidation, PureTech recorded a $156.0 million gain on the deconsolidation of Gelesis, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss). The preferred shares and warrants held by PureTech fall under the guidance of IFRS 9 and are treated as financial assets held at fair value, where changes to the fair value of the preferred shares and warrant are recorded through the Consolidated Statement of Income/(Loss). The fair value of the preferred shares and warrants at deconsolidation was $49.2 million. Please refer to Note 6 for information regarding the Company's investment in Gelesis as an associate.

On August 12, 2019, Gelesis issued a convertible promissory note to the Company in the amount of $2.0 million. On October 7, 2019, Gelesis issued an amended and restated convertible note (the "Gelesis Note") to the Company in the principal amount of up to $6.5 million. The Gelesis Note was payable in installments, with $2.0 million of the note drawn down upon execution of the original note in August 2019 and an additional $3.3 million and $1.2 million drawn down on October 7, 2019 and November 5, 2019, respectively. The Gelesis Note was convertible upon the occurrence of Gelesis' next qualified equity financing, or at the demand of the Company at any date after December 31, 2019. The Gelesis Note fell under the guidance of IFRS 9 and was treated as a financial asset held at fair with all movements to the value of the note recorded through the Consolidated Statement of Income/(Loss).

On December 5, 2019, Gelesis closed its Series 3 Growth Preferred Stock financing, at which point all outstanding principal and interest under the Gelesis Note converted into shares of Series 3 Growth Preferred Stock. In addition to the shares issued upon conversion of the Gelesis Note, PureTech purchased $8.0 million of Series 3 Growth Preferred Stock in the December financing. On April 1, 2020, PureTech participated in the 2nd closing of Gelesis's Series 3 Growth Preferred Share financing. For consideration of $10.0 million, PureTech received 579,038 Series 3 Growth shares.

During the years ended December 31, 2020 and 2019, the Company recognized in respect of the investments in Gelesis held at fair value a gain of $7.1 million and a loss of $18.7 million, respectively, that were recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss). The loss recorded in 2019 was primarily as a result of the Gelesis Series 3 Growth financing, which was executed with terms that resulted in a decrease in fair value across all other classes of preferred shares. Additionally, due to the equity method based investment in Gelesis being reduced to zero, the Company allocated a portion of its share in the net loss in Gelesis for the year ended December 31, 2020, totaling $23.0 million, to its preferred share investments in Gelesis, which are considered to be long-term interests in Gelesis . Please refer to Note 16 for information regarding the valuation of these instruments.

Karuna

Karuna was founded by PureTech and raised funding through Preferred Share financings as well as convertible note issuances. As of December 31, 2018, PureTech maintained control of Karuna and Karuna's financial statements were fully consolidated in the Group's consolidated financial statements.

On March 15, 2019, Karuna completed the closing of a Series B Preferred Share financing with PureTech and several new third party investors. The financing provided for the purchase of 5,285,102 shares of Karuna Series B Preferred Shares at a purchase price of $15.14 per share.

As a result of the issuance of the preferred shares to third-party investors, PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 70.9 percent to 44.3 percent, and PureTech simultaneously lost control over Karuna's Board of Directors, both of which triggered a loss of control over the entity. As of March 15, 2019, Karuna was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Karuna through the deconsolidation date being included in the Group's Consolidated Statement of Comprehensive Income/(Loss). At the date of deconsolidation, PureTech recorded a $102.0 million gain on the deconsolidation of Karuna, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Comprehensive Income/(Loss). While the Company no longer controls Karuna, it was concluded that PureTech still had significant influence over Karuna by virtue of its large, albeit minority, ownership stake and its continued representation on Karuna's Board of Directors. PureTech still had the power to participate in the financial and operating policy decisions of the entity, although it did not control these policies. As PureTech had significant influence over Karuna, the entity was accounted for as an associate under IAS 28.

Upon the date of deconsolidation, PureTech held both preferred and common shares in Karuna and a warrant issued by Karuna to PureTech. The preferred shares and warrant held by PureTech fell under the guidance of IFRS 9 and were treated as financial assets held at fair value, and all movements to the value of preferred shares held by PureTech were recorded through the Consolidated Statement of Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $72.4 million. Subsequent to deconsolidation, PureTech purchased an additional $5.0 million of Karuna Series B Preferred shares.

Due to the immaterial investment in common shares and overwhelmingly large losses by Karuna, the common share investment accounted for under the equity method was remeasured to nil immediately following both the deconsolidation and the exercise of the warrant in the first half of 2019.

On June 28, 2019, Karuna priced its IPO. PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 44.3 percent percent to 31.6 percent; however, PureTech retained significant influence due to its continued presence on the board and its large, albeit minority, equity stake in the company. Upon completion of the IPO, the Karuna preferred shares held by PureTech converted to common shares. In light of PureTech's common share holdings in Karuna and corresponding voting rights, PureTech had re-established a basis to account for its investment in Karuna under IAS 28. The preferred shares investment held at fair value was therefore reclassified to investment in associate upon completion of the conversion. During the year ended December 31, 2019 and up to June 28, 2019, the Company recognized a gain of $40.6 million that was recorded on the line item Gain on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss) related to the preferred shares that increased in value between the date of deconsolidation and the date of Karuna's IPO.

As of December 2, 2019 it was concluded that the Company no longer exerted significant influence over Karuna owing to the resignation of the PureTech designee from Karuna's board of directors, with PureTech retaining no ability to reappoint representation. Furthermore, PureTech is not involved in any manner, or has any influence, on the management of Karuna, or on any of its decision making processes and has no ability to do so. As such, PureTech lost the power to participate in the financial and operating policy decisions of Karuna. As a result, Karuna is no longer deemed an Associate and does not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. As of December 2, 2019 the Company's interest in Karuna was 28.4 percent. For the period of June 28, 2019 through December 2, 2019, PureTech's investment in Karuna was subject to equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of losses generated by Karuna (weighted average of 31.4 percent based on common stock ownership interest), which resulted in a net loss of associates accounted for using the equity method of $6.3 million during the year ended December 31, 2019.

Upon PureTech's loss of significant influence, the investment in Karuna was reclassified to an investment held at fair value. This change led PureTech to recognize a gain on loss of significant influence of $445.6 million that was recorded to the Consolidated Statement of Comprehensive Income/(Loss) on the line item Gain on loss of significant influence during the year ended December 31, 2019. The investment in Karuna after the recording of the gain on loss of significant influence was $557.2 million, which was reclassified from Investments in associates to Investments held at fair value. Additionally, from December 2, 2019 PureTech recorded a $0.7 million loss on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss) for the year ended December 31, 2019.

On January 22, 2020, PureTech sold 2,100,000 shares of Karuna common shares for aggregate proceeds of $200.9 million. On May 26, 2020, PureTech sold an additional 555,500 Karuna common shares for aggregate proceeds of $45.0 million. On August 26, 2020, PureTech sold 1,333,333 common shares of Karuna for aggregate proceeds of $101.6 million. As a result of the sales, Puretech recorded a loss of $54.8 million attributable to blockage discount included in the sales price, to the line item Loss Realized on Sale of Investment within the Consolidated Statement of Comprehensive Income/(Loss). Additionally, during the year ended December 31, 2020 PureTech recognized a fair value gain of $191.2 million in respect of its investment in Karuna that was recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). As of December 31, 2020 PureTech held a 12.6 percent interest in Karuna. Please refer to Note 16 for information regarding the valuation of these instruments.

Akili

On May 8, 2018, Akili completed the first closing of a Series C Preferred Stock financing in which PureTech Health did not invest. As a result of the issuance of the preferred shares to third-party investors, following the first close of the Series C financing, PureTech's ownership percentage and corresponding voting rights related to Akili dropped from 61.8 percent to 41.9 percent, triggering a loss of control over the entity. As of May 2018, Akili was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Akili through May 2018 being included in the Group's Consolidated Statements of Comprehensive Income/(Loss). As a result of the deconsolidation, PureTech recognized a $41.7 million gain on the deconsolidation during the year ended December 31, 2018, which was recorded to the Consolidated Statement of Comprehensive Income/(Loss) on the line item Gain on the deconsolidation of subsidiary.

As PureTech did not hold common shares in Akili upon deconsolidation and the preferred shares it holds do not have equity-like features, the voting percentage attributable to common shares is nil. Therefore, PureTech had no basis to account for its investment in Akili under IAS 28. The preferred shares held by PureTech Health fall under the guidance of IFRS 9 and are treated as a financial asset held at fair value and all movements to the value of the preferred shares is recorded through the Consolidated Statements of Comprehensive Income/(Loss), in accordance with IFRS 9.

During the years ended December 31, 2020 and 2019, the Company recognized a gain of $14.4 million and $11.5 million, respectively, that was recorded in the line item Gain/(loss) on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss) in respect of PureTech's investment in Akili. Please refer to Note 16 for information regarding the valuation of these instruments.

resTORbio

On January 26, 2018, resTORbio, Inc., closed its initial public offering. Prior to the resTORbio IPO, PureTech Health recorded a loss of $14.3 million during the year ended December 31, 2018 to the Consolidated Statement of Comprehensive Income/(Loss) within Gain/(Loss) on investments held at Fair Value to adjust the fair value related to its resTORbio Series A Preferred Share investment. Upon completion of the public offering, the resTORbio Series A Preferred Shares held by PureTech Health converted to common shares. In light of PureTech's common shares holdings in resTORbio and corresponding voting rights, the preferred shares investment held at fair value was reclassified to investment in associate upon the completion of the conversion.

For the period of January 1, 2018 through November 5, 2018, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio (34.9 percent based on common stock ownership interest) in that period, which resulted in a net loss from associates of $11.5 million recorded to the Consolidated Statement of Comprehensive Income/(Loss) in the line item Share of net loss of associates during the year ended December 31, 2018.

As of November 6, 2018, it was that concluded the Company no longer exerted significant influence over resTORbio, as PureTech lost the power to participate in the financial and operating policy decisions of resTORbio. As a result, resTORbio was no longer deemed an Associate and did not meet the scope of equity method accounting, resulting in the investment being accounted for as an investment held at fair value. This change led PureTech to recognize a gain on loss of significant influence of $10.3 million that was recorded to the Consolidated Statement of Comprehensive Income/(Loss) on the line item Gain on loss of significant influence during the year ended December 31, 2018. Additionally, PureTech recorded a loss of $33.0 million for the adjustment to fair value in connection with its investment in resTORbio to the Consolidated Statement of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value during the year ended December 31, 2018.

On November 15, 2019, resTORbio announced that top line data from the Protector 1 Phase 3 study evaluating the safety and efficacy of RTB101 in preventing clinically symptomatic respiratory illness in adults age 65 and older, did not meet its primary endpoint and the Company has stopped the development of RTB101 in this indication. As a result of ceasing the development of RTB101, resTORbio's share price witnessed a decline in price. In November and December 2019, PureTech Health sold 7,680,700 common shares of resTORbio for aggregate proceeds of $9.3 million. Immediately following the sale of common shares, PureTech Health held 2,119,696 common shares, or 5.8 percent, of resTORbio. During the year ended December 31, 2019 PureTech recorded a loss of $71.9 million for the adjustment to fair value of its investment in resTORbio to the Consolidated Statement of Comprehensive Income/(Loss) in the line item Gain (loss) on investments held at fair value.

On April 30, 2020, PureTech sold its remaining 2,119,696 resTORbio common shares, for aggregate proceeds of $3.0 million. As a result of the sale, the Company recorded a loss of $0.2 million attributable to blockage discount included in the sales price, to the line item Loss realized on sale of investments within the Consolidated Statement of Comprehensive Income/ (Loss). Additionally, during the year ended December 31, 2020, the Company recognized a gain of $0.1 million that was recorded on the line item Gain/(loss) on investments held at fair value within the Consolidated Statement of Comprehensive Income/(Loss). Please refer to Note 16 for information regarding the valuation of these instruments.

Gain on deconsolidation

The following table summarizes the gain on deconsolidation recognized by the Company:

	2020	2019	2018
Year ended December 31,	**$000s**	$000s	$000s
Gain on deconsolidation of Akili	**—**	—	41,730
Gain on deconsolidation of Vor	**—**	6,357	—
Gain on deconsolidation of Karuna	**—**	102,038	—
Gain on deconsolidation of Gelesis [Note 6]	**—**	156,014	—
Total gain on deconsolidation	**—**	264,409	41,730

6. Investments in Associates

Gelesis

Gelesis was founded by PureTech and raised funding through preferred shares financings as well as issuances of warrants and loans. As of December 31, 2018, PureTech maintained control of Gelesis and the subsidiary's financial results were fully consolidated in the Group's consolidated financial statements.

On July 1, 2019, the Gelesis Board of Directors was restructured, resulting in two of the three PureTech representatives resigning from the Board with PureTech retaining no ability to reappoint directors to these board seats. As a result of this restructuring, PureTech lost control over Gelesis' Board of Directors, which triggered a loss of control over the entity. At the deconsolidation date, PureTech held a 25.2 percent voting interest in Gelesis. As of July 1, 2019, Gelesis was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by Gelesis through the deconsolidation date being included in the Group's Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). At the date of deconsolidation, PureTech recorded a $156.0 million gain on the deconsolidation of Gelesis, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls Gelesis, it was concluded that PureTech still has significant influence over Gelesis by virtue of its large, albeit minority, ownership stake and its continued representation on Gelesis' Board of Directors. PureTech still has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. As PureTech has significant influence over Gelesis, the entity is accounted for as an associate under IAS 28, starting at the date of deconsolidation.

Upon the date of deconsolidation, PureTech held preferred shares and common shares of Gelesis and a warrant issued by Gelesis to PureTech. PureTech's investment in common shares of Gelesis is subject to equity method accounting with an initial investment of $16.4 million. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by Gelesis subsequent to the date of deconsolidation. See table below for the Group's share in the profits and losses of Gelesis for the periods presented.

The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and are treated as financial assets held at fair value, where changes to the fair value of the preferred shares and warrant are recorded through the Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9. The fair value of the preferred shares and warrant at deconsolidation was $49.2 million. See Note 5 for changes in the fair value subsequent to deconsolidation date.

Impairment loss for the year ended December 31, 2019

Following the issuance of the Gelesis Series 3 Preferred Shares at a higher valuation than the previous round with some favorable liquidation provisions primarily to PureTech and also to the other Series 3 preferred share investors, which resulted in adjustments to the fair values of other preferred shares, warrant classes and Gelesis common stock, the Company assessed the investment in common shares held in Gelesis for impairment. Management compared the recoverable amount of the investment to its carrying amount as of December 31, 2019, which resulted in an impairment loss to the Investment in Gelesis. The recoverable amount was estimated based on the fair value of the Gelesis common shares held by PureTech, which are considered to be within Level 3 of the fair value hierarchy. The costs of disposal are immaterial for the calculation of Gelesis investment's recoverable amount.

During the year ended December 31, 2019, the total fair value of common shares was determined utilizing a hybrid valuation approach with significant unobservable inputs within the PureTech valuation framework (refer to Note 16). The multi-scenario hybrid valuation approach utilized the recent transaction method within an option pricing framework and an IPO scenario within a probability-weighted-expected return framework to determine the value allocation for the common share class of Gelesis. The fair value of the common shares was determined as the calculated business enterprise value allocated to the outstanding common shares treated as call options within the OPM or the value of common shares within the PWERM. The PWERM maintained a 75.0 percent probability of occurrence while the OPM maintained a 25.0 percent probability of occurrence. The probability weighted term to exit was 1.57 years. The discount rate utilized was 20.0

percent while the risk-free rate and volatility utilized were 1.62 percent and 56.0 percent, respectively.

The impairment loss amounted to $42.9 million and was recorded to Impairment of investment in associate within the Consolidated Statement of Comprehensive Income/(Loss) for the year ended December 31, 2019. As of December 31, 2019 the investment in Gelesis was $10.6 million, which is equal to the fair value of the common shares held by PureTech.

During the year ended December 31, 2020 the Group recorded its share in the losses of Gelesis and its investment in associates accounted for under the equity method was reduced to zero. Since the Group has investments in Gelesis preferred shares that are deemed to be Long-term interests, the Company continued recognizing its share in Gelesis losses while applying such losses to its preferred share investment in Gelesis accounted for as an investment held at fair value.

Karuna

For the period of June 28, 2019 through December 2, 2019, PureTech's investment in Karuna was subject to equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of losses generated by Karuna (weighted average of 31.4 percent based on common stock ownership interest), which resulted in a net loss of $6.3 million during the year ended December 31, 2019 recorded in the line item Share of net income/(loss) of associates. Starting December 2, 2019, due to the loss of significant influence in Karuna on such date, the Company is accounting for the investment in Karuna as an investment held at fair value. See Note 5 for further detail on the Group's investment in Karuna.

resTORbio

For the period of January 1, 2018 through November 5, 2018, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by resTORbio (34.9 percent based on common stock ownership interest) during that period, which resulted in a net loss from associates of $11.5 million that was recorded to the Consolidated Statement of Comprehensive Income/(Loss) in the line item Share of net income/(loss) of associates during the year ended December 31, 2018. See Note 5 for further detail on the Group's investment in resTORbio.

The following table summarizes the activity related to the investment in associates balance for the years ended December 31, 2020, 2019 and 2018.

Investment in Associates	$000's
As of January 1, 2018	—
Investment upon initial public offering of resTORbio	115,210
Cash investment in Associate	3,500
Share of net loss of resTORbio accounted for using the equity method	(11,490)
Gain on loss of significant influence of resTORbio	10,287
Reclassification of resTORbio investment upon loss of significant influence	(117,507)
As of December 31, 2018 and January 1, 2019	—
Reclassification of Karuna investment at initial public offering	118,006
Investment in Gelesis upon deconsolidation	16,444
Share of net loss of Karuna accounted for using the equity method	(6,345)
Share of net profit of Gelesis accounted for using the equity method	37,136
Impairment of investment in Gelesis	(42,938)
Reclassification of investment in Karuna upon loss of significant influence	(111,661)
As of December 31, 2019 and January 1, 2020	10,642
Share of net loss in Gelesis	(34,117)
Share of other comprehensive income in Gelesis	469
Share of losses recorded against long term interests	23,006
As of December 31, 2020	—

Summarized financial information

The following table summarizes the financial information of Gelesis as included in its own financial statements, adjusted for fair value adjustments at deconsolidation and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in Gelesis. The information for the year ended December 31, 2019 includes the results of Gelesis only for the period July 1, 2019 to December 31, 2019, as Gelesis was consolidated prior to this period.

	2020	2019
As of and for the year ended December 31,	**$000s**	$000s
Percentage ownership interest	**47.9 %**	49.3 %
Non-current assets	**372,184**	369,336
Current assets	**92,875**	40,079
Non-current liabilities	**(133,743)**	(82,406)
Current liabilities	**(300,748)**	(216,852)
Non controlling interests and options issued to third parties	**(6,577)**	(1,542)
Net assets attributable to shareholders of Gelesis Inc.	**23,989**	108,615
Group's share of net assets	**11,481**	53,580
Goodwill	**8,216**	—
Impairment	**(42,702)**	(42,938)
Recorded against Long-term Interests	**23,006**	—
Investment in associate	**—**	10,642
Revenue	**21,442**	—
Income/(loss) from continuing operations (100%)	**(71,157)**	74,573
Total comprehensive income/(loss) (100%)	**(70,178)**	74,573
Group's share in income/(loss) from continuing operations	**(34,117)**	37,136
Group's share of total comprehensive income/(loss)	**(33,648)**	37,136

7. Operating Expenses

Total operating expenses were as follows:

	2020	2019	2018
For the years ending December 31,			

	$000s	$000s	$000s
General and administrative	**49,440**	59,358	47,365
Research and development	**81,859**	85,848	77,402
Total operating expenses	**131,299**	145,206	124,767

The average number of persons employed by the Group during the year, analyzed by category, was as follows:

For the years ending December 31,	**2020**	2019	2018
General and administrative	**43**	39	55
Research and development	**95**	90	90
Total	**138**	129	145

The aggregate payroll costs of these persons were as follows:

	2020	2019	2018
For the years ending December 31,	**$000s**	$000s	$000s
General and administrative	**22,943**	24,468	22,939
Research and development	**20,674**	20,682	20,109
Total	**43,616**	45,150	43,048

Detailed operating expenses were as follows:

	2020	2019	2018
For the years ending December 31,	**$000s**	$000s	$000s
Salaries and wages	**29,403**	27,703	27,274
Healthcare benefits	**1,866**	1,511	1,465
Payroll taxes	**1,629**	1,468	1,672
Share-based payments	**10,718**	14,468	12,637
Total payroll costs	**43,616**	45,150	43,048
Other selling, general and administrative expenses	**26,497**	34,890	24,426
Other research and development expenses	**61,186**	65,166	57,293
Total other operating expenses	**87,683**	100,056	81,719
Total operating expenses	**131,299**	145,206	124,767

Auditors remuneration:

	2020	2019	2018
For the years ending December 31,	**$000s**	$000s	$000s
Audit of these financial statements	**1,145**	870	652
Audit of the financial statements of subsidiaries	**291**	290	200
Audit-related assurance services	**490**	163	162
Non-audit related services	**173**	778	159
Total	**2,099**	2,101	1,173

Please refer to Note 8 for further disclosures related to share-based payments and Note 24 for management's remuneration disclosures.

8. Share-based Payments

Share-based payments includes stock options, restricted stock units ("RSUs") and performance-based RSUs in which the expense is recognized based on the grant date fair value of these awards.

Share-based Payment Expense

The Group share-based payment expense for the years ended December 31, 2020, 2019 and 2018, were comprised of charges related to the PureTech Health plc incentive stock and stock option issuances and subsidiary stock plans.

The following table provides the classification of the Group's consolidated share-based payment expense as reflected in the Consolidated Statement of Income/(Loss):

	2020	2019	2018
For the years ending December 31,	**$000s**	$000s	$000s
General and administrative	**7,650**	10,677	5,293
Research and development	**3,068**	3,791	7,344
Total	**10,718**	14,468	12,637

Ariya Stock Option Exchange

In conjunction with the acquisition of the remaining minority interests of PureTech LYT (previously named Ariya Therapeutics, Inc.) (Please refer to Note 18), PureTech Health exchanged subsidiary stock options previously granted to the co-inventors and advisors of PureTech LYT with stock options to purchase 2,147,965 of the Company's ordinary shares under the PureTech Health Performance Share Plan. As this was an exchange of awards within the consolidated group, whereby the Company's stock options were replacing Ariya's stock options, the exchange is accounted for as a modification of the original award and the incremental fair value on the date of the replacement is amortized over the remaining vesting period of the awards.

The Performance Share Plan

In June 2015, the Group adopted the Performance Stock Plan ("PSP"). Under the PSP and subsequent amendments, awards of ordinary shares may be made to the Directors, senior managers and employees of, and other individuals providing services to the Company and its subsidiaries up to a maximum authorized amount of 10.0 percent of the total ordinary shares outstanding. The shares have various vesting terms over a period of service between two and four years, provided the recipient remains continuously engaged as a service provider.

The share-based awards granted under the PSP are equity settled and expire 10 years from the grant date. As of the years ended December 31, 2020, 2019 and 2018, the Company had issued share-based awards to purchase an aggregate of 5,835,993, 5,409,751 and 5,657,602 shares, respectively, under this plan.

RSUs

RSU activity for the years ended December 31, 2020, 2019 and 2018 is detailed as follows:

	Number of Shares/Units	Wtd Avg Grant Date Fair Value (GBP)
Outstanding (Non-vested) at January 1, 2018	**5,589,416**	**1.09**
RSUs Granted in Period	2,860,778	1.54
Vested	(513,324)	1.06
Forfeited	(1,338,087)	1.06
Outstanding (Non-vested) at December 31, 2018 and January 1, 2019	**6,598,783**	**1.29**
RSUs Granted in Period	1,775,569	2.95
Vested	(3,738,005)	1.10
Forfeited	—	—
Outstanding (Non-vested) at December 31, 2019 and January 1, 2020	**4,636,347**	**2.08**
RSUs Granted in Period	1,759,011	1.80
Vested	(2,781,687)	1.54
Forfeited	(191,089)	2.37
Outstanding (Non-vested) at December 31, 2020	**3,422,582**	**2.46**

Each RSU entitles the holder to one ordinary share on vesting and the RSU awards are based on a cliff vesting schedule over a three-year requisite service period in which the Company recognizes compensation expense on a graded basis for the RSUs. Following vesting, each recipient will be required to make a payment of one pence per ordinary share on settlement of the RSUs. Vesting of the RSUs is subject to the satisfaction of performance and market conditions. The grant date fair value of the market condition awards is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company recognizes the estimated fair value of these performance-based awards as share-based compensation expense over the performance period based upon its determination of whether it is probable that the performance targets will be achieved. The Company assesses the probability of achieving the performance targets at each reporting period. Cumulative adjustments, if any, are recorded to reflect subsequent changes in the estimated outcome of performance-related conditions.

The fair value of the market and performance-based awards is based on the Monte Carlo simulation analysis utilizing a Geometric Brownian Motion process with 100,000 simulations to value those shares. The model considers share price volatility, risk-free rate and other covariance of comparable public companies and other market data to predict distribution of relative share performance.

The performance and market conditions attached to the 2020 RSU awards are based on the achievement of total shareholder return ("TSR"), with 50.0 percent of the shares under award vesting based on the achievement of absolute TSR targets, 12.5 percent of the shares under the award vesting based on TSR as compared to the FTSE 250 Index, 12.5 percent of the shares under the award vesting based on TSR as compared to the MSCI Europe Health Care Index, and 25.0 percent of the shares under the award vesting based on the achievement of strategic targets. The RSU award performance criteria have changed over time as the criteria is continually evaluated by the Group's Remuneration Committee.

In 2017, the Company granted certain executives RSUs that vested based on service, market and performance conditions, as described above. The vesting of all RSUs was achieved by December 31, 2019 where all service, market and performance conditions were met. The remuneration committee of PureTech's board of directors approved the achievement of the vesting conditions as of December 31, 2019 and reached the decision to cash settle the 2017 RSUs. The settlement value was determined based on the 3 day average closing price of the shares. The settlement value was $12.5 million. The settlement value did not exceed the fair value at settlement date and as such the cash settlement was treated as an equity transaction, whereby the full repurchase cash settlement amount was charged to equity in Other reserves.

In 2018, the Company granted certain executives RSUs that vested based on service, market and performance conditions, as described above. The remuneration committee of PureTech's board of directors approved the achievement of certain vesting conditions as of July 2020 and reached the decision to cash settle a portion of the 2018 RSUs to certain executives. The settlement value was determined based on the 3 day average closing price of the shares. The settlement value was $0.4 million. The settlement value did not exceed the fair value at settlement date and as such the cash settlement was treated as an equity transaction, whereby the full repurchase cash settlement amount was charged to equity in Other reserves.

The Company incurred share-based payment expenses for performance and market based RSUs of $5.7 million, $2.2 million and $2.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Stock Options

Stock option activity for the years ended December 31, 2020, 2019 and 2018 is detailed as follows:

	Number of Options	Wtd Average Exercise Price (GBP)	Wtd Average of remaining contractual term (in years)	Wtd Average Stock Price at Exercise (GBP)
Outstanding at January 1, 2018	**2,343,085**	**1.22**		
Granted	2,796,820	1.57		
Exercised	(64,171)	1.20		1.56
Forfeited	—	—		
Options Exercisable at December 31, 2018 and January 1, 2019	**1,195,929**	**1.26**	**7.92**	
Outstanding at at December 31, 2018 and January 1, 2019	**5,075,734**	**1.40**	**8.78**	
Granted	3,634,183	0.84		
Exercised	(237,090)	1.98		2.81
Forfeited	—	—		
Options Exercisable at December 31, 2019 and January 1, 2020	**4,349,921**	**0.93**	**8.34**	
Outstanding at at December 31, 2019 and January 1, 2020	**8,472,827**	**1.16**	**8.55**	
Granted	4,076,982	3.14		
Exercised	(514,410)	1.52		2.88
Forfeited	(1,119,313)	1.88		
Options Exercisable at December 31, 2020	**5,447,405**	**0.98**	**7.46**	
Outstanding at December 31, 2020	**10,916,086**	**1.81**	**8.38**	

The fair value of the stock options awarded by the Company was estimated at the grant date using the Black-Scholes option valuation model, considering the terms and conditions upon which options were granted, with the following weighted-average assumptions:

At December 31,	**2020**	2019	2018

Expected volatility	**41.25 %**	35.68 %	44.18 %
Expected terms (in years)	**6.11**	5.81	6.08
Risk-free interest rate	**0.53 %**	1.85 %	2.79 %
Expected dividend yield	**—**	—	—
Grant date fair value	**$1.72**	$2.23	$0.96
Share price at grant date	**$4.30**	$2.57	$2.05

The Company incurred share-based payment expense for the stock options of $2.1 million, $9.2 million and $1.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. The significant decrease for the year ended December 31, 2020, as compared to the year ended December 31, 2019, is largely attributable to the exchange of the Ariya awards with the Company's stock options in the year ended December 31, 2019, which resulted in an additional expense recorded in such year, as described above.

For shares outstanding as of December 31, 2020, the range of exercise prices is detailed as follow:

Range of Exercise Prices (GBP)	Options Outstanding	Wtd Average Exercise Price (GBP)	Wtd Average of remaining contractual term (in years)
0.01	2,122,965	—	8.76
1.00 to 2.00	4,703,639	1.47	6.99
2.00 to 3.00	1,539,482	2.51	9.45
3.00 to 4.00	2,550,000	3.51	9.97
Total	**10,916,086**	**1.81**	**8.38**

For shares exercisable at December 31, 2020, utilizing the closing share price on December 31, 2020, the estimated tax obligation associated with the share-based payments transferable to the tax authority on the employee's behalf was $6.9 million.

PureTech LLC Incentive Stock Issuance

In May 2015 and August 2014, the directors of PureTech Health LLC approved the issuance of shares to the management team, directors and advisors of PureTech Health LLC, subject to vesting restrictions. The share-based awards granted under the 2016 PureTech LLC Incentive Stock Issuance Plan are equity settled and expire 10 years from the grant date. No additional shares will be granted under this compensation arrangement. The fair value of the shares awarded was estimated as of the date of grant.

The Company incurred an expense of $0.2 million in share-based payment expense for the year ended December 31, 2018, related to PureTech Health LLC incentive compensation. No share-based payment expense was incurred related to PureTech Health LLC incentive compensation for the years ended December 31, 2020, and 2019, respectively.

As of December 31, 2020, all shares related to the pre-IPO incentive compensation plan had fully vested.

Subsidiary Plans

Certain subsidiaries of the Group have adopted stock option plans. A summary of stock option activity by number of shares in these subsidiaries is presented in the following table:

	Outstanding as of January 1, 2020	**Granted During the Year**	**Exercised During the Year**	**Expired During the Year**	**Forfeited During the Year**	**Outstanding as of December 31, 2020**
Alivio	**3,698,244**	**189,924**	**—**	**—**	**—**	**3,888,168**
Entrega	**972,000**	**—**	**—**	**—**	**(10,000)**	**962,000**
Follica	**1,309,040**	**—**	**—**	**—**	**—**	**1,309,040**
Sonde	**1,829,004**	**363,830**	**—**	**—**	**—**	**2,192,834**
Vedanta	**1,450,100**	**493,951**	**(813)**	**—**	**(201,350)**	**1,741,888**

	Outstanding as of January 1, 2019	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of December 31, 2019
Gelesis	3,681,732	—	—	(110,386)	(3,571,346)[1]	—
Alivio	2,393,750	1,329,494	(3,125)	—	(21,875)	3,698,244
PureTech LYT	2,180,000	—	—	—	(2,180,000)[2]	—
Commense	540,416	—	—	—	(540,416)	—
Entrega	914,000	58,000	—	—	—	972,000
Follica	1,229,452	79,588	—	—	—	1,309,040
Karuna	1,949,927	—	—	—	(1,949,927)[1]	—
Sonde	22,500	1,806,504	—	—	—	1,829,004
Vedanta	1,373,750	154,193	—	—	(77,843)	1,450,100

1 These shares represent the options outstanding on the date of deconsolidation of Karuna and Gelesis.

2 These shares represent the options outstanding on the date of exchange to PureTech stock options.

	Outstanding as of January 1, 2018	Granted During the Year	Exercised During the Year	Expired During the Year	Forfeited During the Year	Outstanding as of December 31, 2018
Gelesis	2,728,232	953,500	—	—	—	3,681,732
Alivio	2,393,750	—	—	—	—	2,393,750
Akili	2,385,355	—	—	—	(2,385,355)[1]	—
PureTech LYT	—	2,180,000	—	—	—	2,180,000
Commense	418,750	121,666	—	—	—	540,416

Entrega	867,750	60,000	—	(3,750)	(10,000)	914,000
Follica	1,271,302	—	—	(41,850)	—	1,229,452
Karuna	855,427	1,111,000	—	(4,125)	(12,375)	1,949,927
Knode	32,500	—	—	(32,500)	—	—
Sonde	35,000	—	—	(6,250)	(6,250)	22,500
Tal	1,663,806	—	—	(30,250)	(2,750)	1,630,806
The Sync Project	1,080,000	—	—	—	(1,080,000)	—
Vedanta	1,194,014	278,786	—	(24,800)	(74,250)	1,373,750

1 These shares represent the options outstanding on the date of Akili's deconsolidation.

The weighted-average exercise prices and remaining contractual life for the options outstanding as of December 31, 2020 were as follows:

Outstanding at December 31, 2020	Number of options	Weighted-average exercise price $	Weighted-average contractual life outstanding
Alivio	**3,888,168**	**0.21**	**7.65**
Entrega	**962,000**	**0.70**	**2.80**
Follica	**1,309,040**	**0.89**	**6.29**
Sonde	**2,192,834**	**0.19**	**8.76**
Vedanta	**1,741,888**	**7.48**	**6.15**

The weighted average exercise prices for the options granted for the years ended December 31, 2020, 2019 and 2018 were as follows:

For the years ended December 31,	**2020** **$**	2019 $	2018 $
Alivio	**0.47**	0.49	—
PureTech LYT	**—**	—	0.03
Commense	**—**	—	1.34
Entrega	**—**	—	1.95
Follica	**—**	0.03	—
Karuna	**—**	—	9.42
Sonde	**0.18**	0.20	—
Vedanta	**19.59**	19.13	14.66

The weighted average exercise prices for options forfeited during the year ended December 31, 2020 were as follows:

Forfeited during the year ended December 31, 2020	Number of options	Weighted-average exercise price $
Vedanta	**201,350**	**16.03**

The weighted average exercise prices for options exercisable as of December 31, 2020 were as follows:

Exercisable at December 31,	Number of Options	Weighted-average exercise price $	Exercise Price Range $
Alivio	**3,888,168**	**0.04**	**0.03-0.49**
Entrega	**918,164**	**0.64**	**0.03-2.36**
Follica	**1,273,326**	**0.89**	**0.03-1.40**
Sonde	**774,238**	**0.20**	**0.13-0.20**
Vedanta	**1,119,289**	**11.64**	**0.02-19.94**

Significant Subsidiary Plans

Vedanta 2010 Stock Incentive Plan

In 2010, the Board of Directors for Vedanta approved the 2010 Stock Incentive Plan (the "Vedanta Plan"). Through subsequent amendments, as of December 31, 2020, it allowed for the issuance of 2,145,867 share-based compensation awards through incentive share options, nonqualified share options, and restricted shares to employees, directors, and nonemployees providing services to Vedanta. At December 31, 2020, 178,929 shares remained available for issuance under the Vedanta Plan.

The options granted under Vedanta Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Vedanta's Board of Directors.

Options granted under the Vedanta Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognized over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following range of assumptions:

Assumption/Input	**2020**	2019	2018
Expected award life (in years)	**6.00-10.00**	5.86-6.07	6.03-6.16
Expected award price volatility	**89.24%-95.46%**	89.24%-95.46%	91.60%-92.56%
Risk free interest rate	**0.32%-0.87%**	1.73%-1.88%	2.65%-2.78%
Expected dividend yield	**—**	—	—
Grant date fair value	**$13.09-$16.54**	$14.12-$15.61	$11.21-$11.26

Share price at grant date	**$19.59**	$18.71-$19.94	$14.66

Vedanta incurred share-based compensation expense of $2.4 million, $1.7 million and $2.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Gelesis 2016 Stock Incentive Plan

In September 2016, the Directors of Gelesis approved the 2016 Stock Incentive Plan (the "2016 Gelesis Plan") which provides for the grant of incentive stock options, nonqualified stock options, and restricted stock to employees, directors, and nonemployees providing services to Gelesis. At 30 June 2019, 329,559 shares remained available for issuance under the Gelesis Plan.

The options granted under the 2016 Gelesis Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Gelesis Board of Directors.

Options granted under the 2016 Gelesis Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognized over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	**2020**	2019	2018
Expected award life (in years)	**—**	0	6.22
Expected award price volatility	**— %**	— %	64.58 %
Risk free interest rate	**— %**	— %	2.79 %
Expected dividend yield	**—**	—	—
Grant date fair value	**$—**	$—	$7.84
Share price at grant date	**$—**	$—	$12.82

Gelesis used an average historical share price volatility based on an analysis of reported data for a peer group of comparable companies which were selected based upon industry similarities. As there is not sufficient historical share exercise data to calculate the expected term of the options, Gelesis elected to use the "simplified" method for all options granted at the money to value share option grants. Under this approach, the weighted average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Gelesis incurred share-based compensation expense of $2.4 million for the six month period prior to deconsolidation ended June 30, 2019 and $3.9 million for the year ended December 31, 2018.

Karuna Pharmaceuticals, Inc. 2009 Stock Incentive Plan

In 2009, the Board of Directors for Karuna Pharmaceuticals, Inc. approved the 2009 Stock Incentive Plan (the "Karuna 2009 Plan"). It allowed for the issuance of 1,000,000 share-based compensation awards through stock options, restricted stock units and other stock-based awards under the Karuna 2009 Plan to employees, officers, directors, consultants and advisors of Karuna. At 15 March 2019, 106,865 shares remained available for issuance under the Karuna 2009 Plan.

The options granted under the Karuna 2009 Plan are equity settled and expire 10 years from the grant date. Typically, the awards vest in four years but vesting conditions can vary based on the discretion of Karuna's Board of Directors.

Options granted under the Karuna 2009 Plan are exercisable at a price per share not less than the fair market value of the underlying ordinary shares on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognized over the options' vesting period.

The fair value of the stock option grants has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumption/Input	**2020**	2019	2018
Expected award life (in years)	**—**	0	6.07
Expected award price volatility	**— %**	— %	50.28 %
Risk free interest rate	**— %**	— %	1.95 %
Expected dividend yield	**—**	—	—
Grant date fair value	**$—**	$—	$3.51
Share price at grant date	**$—**	$—	$7.08

Karuna incurred share-based compensation expense of $1.2 million for the period prior to deconsolidation ended March 15, 2019 and $1.9 million for the years ended December 31, 2018.

Other Plans

The stock compensation expense under plans at other subsidiaries of the Group not including Gelesis, Vedanta and Karuna was $0.42 million, $0.01 million and $0.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. The negative expense incurred during the year ended December 31, 2019 was largely attributable to Commense forfeitures.

9. Finance Cost, net

The following table shows the breakdown of finance income and costs:

For the year ended December 31	**2020** **$000s**	2019 $000s	2018 $000s
Finance income			
Interest from financial assets not at fair value through profit or loss	**1,183**	4,362	3,358
Total finance income	**1,183**	4,362	3,358
Finance costs			
Contractual interest expense on notes payable	**(96)**	(149)	(388)
Interest expense on other borrowings	**(496)**	—	(4)
Interest expense on lease liability	**(2,354)**	(2,495)	—
Gain on forgiveness of debt	**—**	—	289
Gain/(loss) on foreign currency exchange	**—**	68	137
Total finance income/(costs) – contractual	**(2,946)**	(2,576)	34
Gain/(loss) from change in fair value of warrant liability	**(117)**	(11,890)	82
Gain/(loss) from change in fair value of preferred shares and convertible notes	**(4,234)**	(34,585)	22,549
Total finance income/(costs) – fair value accounting	**(4,351)**	(46,475)	22,631
Total finance income/(costs) – subsidiary preferred shares	**—**	(1,458)	(106)
Total finance income/(costs)	**(4,351)**	(47,933)	22,525
Finance income/(costs), net	**(6,115)**	(46,147)	25,917

10. Earnings/(Loss) per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended December 31, 2020, 2019 and 2018, respectively.

Earnings/(Loss) Attributable to Owners of the Company:

	2020		2019		2018	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	$000s	**$000s**	$000s	$000s	$000s	$000s
Income/(loss) for the year, attributable to the owners of the Company	**5,985**	**5,985**	421,144	421,144	(43,654)	(43,654)
Income/(loss) attributable to ordinary shareholders	**5,985**	**5,985**	421,144	421,144	(43,654)	(43,654)

Weighted-Average Number of Ordinary Shares:

	2020		2019		2018	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Issued ordinary shares at January 1,	**285,370,619**	**285,370,619**	282,493,867	282,493,867	236,897,579	236,897,579
Effect of shares issued	**233,048**	**233,048**	932,600	932,600	36,950,688	36,950,688
Effect of dilutive shares (please refer to Note 8)	**—**	**7,252,246**	—	8,355,866	—	—
Weighted average number of ordinary shareholders at December 31,	**285,603,667**	**292,855,913**	283,426,467	291,782,333	273,848,267	273,848,267

Earnings/(Loss) per Share:

	2020		2019		2018	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	$	**$**	$	$	$	$
Basic and diluted earnings/(loss) per share	**0.02**	**0.02**	1.49	1.44	(0.16)	(0.16)

11. Property and Equipment

Cost	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of January 1, 2019	7,306	488	1,431	4,924	239	14,388
Additions, net of transfers	3,374	1,126	175	13,494	4,649	22,818
Disposals	(183)	(168)	(9)	(45)	—	(405)
Deconsolidation of subsidiaries	(3,076)	—	(137)	(754)	(4,190)	(8,157)
Reclassifications	(25)	6	48	36	(76)	(11)
Exchange differences	(11)	—	—	1	24	14
Balance as of December 31, 2019	7,385	1,452	1,508	17,656	646	28,647
Additions, net of transfers	1,536	—	51	399	3,347	5,332
Disposals	(642)	—	(40)	—	—	(682)
Reclassifications	141	—	—	—	(141)	—
Balance as of December 31, 2020	**8,420**	**1,452**	**1,519**	**18,054**	**3,852**	**33,297**

Accumulated depreciation and impairment loss	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of January 1, 2018	(2,360)	(175)	(534)	(807)	—	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)		(2,476)
Disposals	114	2	74	20	—	210
Deconsolidation of subsidiaries	—	—	—	—		—
Reclassifications	—	—	—	—	—	—
Exchange differences	56	—	—	21	—	77
Balance as of January 1, 2019	(3,222)	(233)	(756)	(1,854)	—	(6,065)
Depreciation	(1,328)	(144)	(312)	(1,448)	—	(3,232)
Disposals	102	138	5	20	—	265
Deconsolidation of subsidiaries	1,457	—	53	319	—	1,829
Reclassifications	15	—	(20)	6	—	1

Exchange differences	8	—	—	2	—	10
Balance as of December 31, 2019	(2,968)	(239)	(1,030)	(2,955)	—	(7,192)
Depreciation	(1,572)	(215)	(297)	(1,860)	—	(3,944)
Disposals	576	—	40	—	—	616
Balance as of December 31, 2020	**(3,965)**	**(454)**	**(1,287)**	**(4,815)**	**—**	**(10,520)**

Property and Equipment, net	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in process $000s	Total $000s
Balance as of December 31, 2019	4,417	1,213	478	14,701	646	21,455
Balance as of December 31, 2020	**4,456**	**998**	**232**	**13,239**	**3,852**	**22,777**

Depreciation of property and equipment is included in the General and administrative expenses and Research and development expenses line items in the Consolidated Statements of Comprehensive Income/(Loss). The Company recorded depreciation expense of $3.9 million, $3.2 million and $2.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

12. Intangible Assets

Intangible assets consist of licenses of intellectual property acquired by the Group through various agreements with third parties and are recorded at the value of the consideration transferred. Information regarding the cost and accumulated amortization of intangible assets is as follows:

Cost	Licenses $000s
Balance as of January 1, 2019	5,067
Additions	400
Deconsolidation of subsidiary	(4,842)
Balance as of December 31, 2019	625
Additions	275
Balance as of December 31, 2020	**900**

Accumulated amortization	Licenses $000s
Balance as of January 1, 2019	(1,987)
Amortization	(117)
Deconsolidation of subsidiary	2,104
Balance as of December 31, 2019	—
Amortization	(1)
Balance as of December 31, 2020	**(1)**

Intangible assets, net	Licenses $000s
Balance as of December 31, 2019	625
Balance as of December 31, 2020	**899**

These intangible asset licenses represent in-process-research-and-development assets since they are still being developed and are not ready for their intended use. As such, these assets are not yet amortized but tested for impairment annually. The Company tested such assets for impairment as of balance sheet date and concluded that none were impaired. During the year ended December 31, 2019, Vor, Karuna and Gelesis were deconsolidated and as such $2.7 million in net assets were derecognized.

Amortization expense was included in the Research and development expenses line item in the accompanying Consolidated Statements of Comprehensive Income/(Loss). Amortization expense, recorded using the straight-line method, was approximately $0.0 million, $0.1 million and $0.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

13. Other Financial Assets

Other financial assets consist of restricted cash held, which represents amounts that are reserved as collateral against letters of credit with a bank that are issued for the benefit of a landlord in lieu of a security deposit for office space leased by the Group. Information regarding restricted cash was as follows:

As of December 31,	**2020 $000s**	2019 $000s
Restricted cash	**2,124**	2,124
Total other financial assets	**2,124**	2,124

14. Equity

Total equity for PureTech as of December 31, 2020, and 2019 was as follows:

Equity	**December 31, 2020 $000s**	December 31, 2019 $000s
Share capital, £0.01 par value, issued and paid 285,885,025 and 285,370,619 as of December 31, 2020 and 2019, respectively	**5,417**	5,408
Merger Reserve	**138,506**	138,506
Share premium	**288,978**	287,962
Translation reserve	**469**	—
Other reserves	**(24,050)**	(18,282)

Retained earnings/(accumulated deficit)	**260,429**	254,444
Equity attributable to owners of the Group	**669,748**	668,038
Non-controlling interests	**(16,209)**	(17,640)
Total equity	**653,539**	650,398

Changes in share capital and share premium relate primarily to incentive options exercises during the period.

Shareholders are entitled to vote on all matters submitted to shareholders for a vote. Each ordinary share is entitled to one vote. Each ordinary share is entitled to receive dividends when and if declared by the Company's Directors. The Company has not declared any dividends in the past.

On June 18, 2015, the Company acquired the entire issued share capital of PureTech LLC in return for 159,648,387 Ordinary Shares. This was accounted for as a common control transaction at cost. It was deemed that the share capital was issued in line with movements in share capital as shown prior to the transaction taking place. In addition, the merger reserve records amounts previously recorded as share premium.

Other reserves comprise the cumulative credit to share-based payment reserves corresponding to share-based payment expenses recognized through Consolidated Statements of Comprehensive Income/(Loss) as well as other additions that flow directly through equity such as the excess or deficit from changes in ownership of subsidiaries while control is maintained by the Group.

15. Subsidiary Preferred Shares

IFRS 9 addresses the classification, measurement, and recognition of financial liabilities. Preferred shares issued by subsidiaries and affiliates often contain redemption and conversion features that are assessed under IFRS 9 in conjunction with the host preferred share instrument. This balance represents subsidiary preferred shares issued to third parties.

The subsidiary preferred shares are redeemable upon the occurrence of a contingent event, other than full liquidation of the Company, that is not considered to be within the control of the Company. Therefore these subsidiary preferred shares are classified as liabilities. These liabilities are measured at fair value through profit and loss. The preferred shares are convertible into ordinary shares of the subsidiaries at the option of the holder and mandatorily convertible into ordinary shares upon a subsidiary listing in a public market at a price above that specified in the subsidiary's charter or upon the vote of the holders of subsidiary preferred shares specified in the charter. Under certain scenarios the number of ordinary shares receivable on conversion will change and therefore, the number of shares that will be issued is not fixed. As such the conversion feature is considered to be an embedded derivative that normally would require bifurcation. However, since the preferred share liabilities are measured at fair value through profit and loss no bifurcation is required.

The preferred shares are entitled to vote with holders of common shares on an as converted basis.

The Group recognizes the preferred share balance upon the receipt of cash financing or upon the conversion of notes into preferred shares at the amount received or carrying balance of any notes and derivatives converted into preferred shares.

The balance as of December 31, 2020 and 2019 represents the fair value of the instruments for all subsidiary preferred shares. The following summarizes the subsidiary preferred share balance:

	2020	2019
As of December 31,	**$000s**	$000s
Entrega	**1,291**	3,222
Follica	**12,792**	11,663
Sonde	**12,821**	7,212
Vedanta Biosciences	**92,068**	78,892
Total subsidiary preferred share balance	**118,972**	100,989

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares which are outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares. A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary immediately before the transaction do not own a majority of the outstanding shares of the surviving company shall be deemed to be a liquidation event. Additionally, a sale, lease, transfer or other disposition of all or substantially all of the assets of the subsidiary shall also be deemed a liquidation event.

As of December 31, 2020 and 2019, the minimum liquidation preference reflects the amounts that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, which is as follows:

	2020	2019
As of December 31,	**$000s**	$000s
Entrega	**2,216**	2,216
Follica	**6,405**	6,405
Sonde	**12,000**	7,250
Vedanta Biosciences	**86,161**	77,161
Total minimum liquidation preference	**106,782**	93,032

For the years ended December 31, 2020 and 2019 the Group recognized the following changes in the value of subsidiary preferred shares:

	$000s
Balance as of January 1, 2019	217,519
Adjustment to preferred shares due to adoption of IFRS 9	—
Issuance of new preferred shares	51,048
Conversion of convertible notes	4,894
Increase in value of preferred shares measured at fair value	33,636
Finance costs	1,458
Deconsolidation of subsidiary	(207,346)
Other	(108)
Cash Distribution	(112)
Balance as December 31, 2019 and January 1, 2020	100,989
Issuance of new preferred shares	13,750
Increase in value of preferred shares measured at fair value	4,234
Balance as December 31, 2020	**118,972**

2020

In January 2020 and April 2020, Sonde Health issued and sold shares of Series A-2 preferred shares for aggregate proceeds of $4.8 million, of which none was contributed by PureTech.

In April 2020 and July 2020, Vedanta issued and sold shares of Series C-2 preferred shares for aggregate proceeds of $9.0 million, of which none was contributed by PureTech.

2019

On March 15, 2019, Karuna was deconsolidated. As of deconsolidation, the fair value of Karuna's preferred share liability was $31.7 million.

On April 4, 2019, Sonde Health issued and sold shares of Series A-2 preferred shares for aggregate proceeds of $11.1 million, of which $5.3 million was contributed by outside investors. Approximately $5.8 million of outstanding principal and interest on convertible promissory notes issued by Sonde to PureTech converted into Series A-2 preferred shares in this financing in accordance with their terms. On August 29, 2019, Sonde sold an additional 1,052,632 shares of its Series A-2 preferred shares for aggregate proceeds of $2.0 million. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In April 2019, Gelesis completed further closings of its Series 2 Growth financing issuing 799,894 shares for proceeds of $10.2 million, of which $8.6 million was contributed by outside investors and $1.7 million was contributed by PureTech.

In March and May 2019, Vedanta completed a second and third closing of its Series C preferred shares financing for aggregate proceeds of $18.7 million. PureTech Health did not participate in either closing. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

On July 1, 2019, Gelesis was deconsolidated. As of deconsolidation, the fair value of Gelesis' preferred share liability was $175.6 million.

On July 19, 2019, all of the outstanding notes, plus accrued interest, issued by Follica converted into 17,639,204 shares of Series A-3 Preferred Shares and 14,200,044 shares of common share pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Third parties held 2,422,990 A-3 preferred shares following the conversion. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

In September 2019, Vedanta received $16.6 million from outside investors through the issuance of its Series C-2 preferred shares in two separate closings. The issuances provided for the purchase of 711,772 Series C-2 shares at a purchase price of $23.38. PureTech Health did not participate in either closing. It has been determined that these shares are liability classified and contain a liability classified embedded derivative. This embedded derivative is a conversion feature which can result in settlement in a variable number of shares. The instrument is not bifurcated and is measured in whole at fair value through the profit and loss.

16. Financial Instruments

The Group's financial instruments consist of financial liabilities, including preferred shares, convertible notes, warrants and loans payable, as well as financial assets classified as assets held at fair value.

Fair Value Process

For financial instruments measured at fair value under IFRS 9 the change in the fair value is reflected through profit and loss. Using the guidance in IFRS 13, the total business enterprise value and allocatable equity of each entity within the Group was determined using a discounted cash flow income approach, replacement cost/asset approach, market scenario approach, or market backsolve approach through a recent arm's length financing round. The approaches, in order of strongest fair value evidence, are detailed as follows:

Valuation Method	Description
Market – Backsolve	The market backsolve approach benchmarks the original issue price (OIP) of the company's latest funding transaction as current value.
Market – Scenario	The market scenario method is based on guideline transaction prices and multiples of similar public and private companies in initial public offerings and mergers and acquisitions.
Income Based – DCF	The income approach is used to estimate fair value based on the income streams, such as cash flows or earnings, that an asset or business can be expected to generate.
Asset/Cost	The asset/cost approach considers reproduction or replacement cost as an indicator of value.

During the years ended December 31, 2020 and 2019 at each measurement date, the total fair value of preferred shares, warrants and convertible note instruments, including embedded conversion rights that are not bifurcated, was determined using the following allocation methods: option pricing model ("OPM"), probability-weighted expected return method ("PWERM") or Hybrid allocation framework. The methods are detailed as follows:

Allocation Method	Description
OPM	The OPM model treats preferred stock as call options on the enterprise's equity value, with exercise prices based on the liquidation preferences of the preferred stock.
Current Value	The enterprise value determined as of the valuation date is allocated to different classes of security based upon their rights and preferences.
Common Stock Equivalent	Every share is treated equally and the equity value derived is allocated assuming full conversion of preferred shares into common stock at the applicable conversion rate.
PWERM	Under a PWERM, share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class.
Hybrid	The hybrid method ("HM") is a combination of the PWERM and OPM. Under the hybrid method, multiple liquidity scenarios are weighted based on the probability of the scenarios occurrence, similar to the PWERM, while also utilizing the OPM to estimate the allocation of value in one or more of the scenarios.

Valuation policies and procedures are regularly monitored by the Company's finance group. Fair value measurements, including those categorized within Level 3, are prepared and reviewed on their issuance date and then on an annual basis and any third-party valuations are reviewed for reasonableness and compliance with the fair value measurements guidance under IFRS. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Fair Value

Hierarchy Level	Description
Level 1	Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2	Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Whilst the Group considers the methodologies and assumptions adopted in fair value measurements as supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant.

COVID-19 Consideration

At December 31, 2020, the Group assessed certain key assumptions within the valuation of its unquoted instruments and considered the impact of the COVID-19 pandemic on all unobservable inputs (Level 3). The assumptions considered with respect to COVID-19 included but were not limited to the following: exit scenarios and timing, discount rates, revenue assumptions as well as volatilities. The Group views any impact of the COVID-19 pandemic on its unquoted instruments as immaterial as of December 31, 2020.

Subsidiary Preferred Shares Liability and Subsidiary Convertible Notes

The following table summarizes the changes in the Group's subsidiary preferred shares and convertible note liabilities measured at fair value, which were categorized as Level 3 in the fair value hierarchy:

	Subsidiary Preferred Shares	Subsidiary Convertible Notes
	$000s	$000s
Balance at January 1, 2018	215,635	11,343
Value at issuance	54,537	5,824
Conversion	7,930	(7,581)
Deconsolidation of preferred shares	(36,517)	—
Change in fair value	(24,066)	(128)
Balance at December 31, 2018 and January 1, 2019	217,519	9,458
Value at issuance	51,048	1,607
Conversion to preferred	4,894	(4,894)
Conversion to common	—	(2,418)
Deconsolidation	(207,346)	(5,017)
Change in fair value	33,636	1,389
Finance Costs	1,458	—
Other	(112)	—
Cash distribution	(108)	—
Balance at December 31, 2019 and January 1, 2020	100,989	125
Value at issuance	13,750	25,000
Change in fair value	4,234	—
Balance at December 31, 2020	**118,972**	**25,125**

The change in fair value of preferred shares and convertible notes are recorded in Finance income/(costs) – fair value accounting in the Consolidated Statements of Comprehensive Income/(Loss).

The table below sets out information about the significant unobservable inputs used at December 31, 2020 in the fair value measurement of the Group's material subsidiary preferred shares liabilities categorized as Level 3 in the fair value hierarchy:

Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Weighted Average	Sensitivity to Decrease in Input
92,068	Market – Backsolve & Hybrid allocation	Estimated time to exit	0.88	Fair value increase
		Discount rate	30.0%	
		Volatility	95.0%	
14,083	Income – DCF & OPM allocation	Estimated time to exit	2.89	Fair value increase
		Discount rate	19.7%	
		Terminal value growth rate	(2.8)%	Fair value decrease
		Volatility	56.8%	Fair value increase
12,821	Cost Approach & OPM allocation	Estimated time to exit	2.00	Fair value increase
		Discount rate	29.4%	
		Volatility	40.0%	

Subsidiary Preferred Shares Sensitivity

The following summarizes the sensitivity from the assumptions made by the Company with respect to the significant unobservable inputs which are categorized as Level 3 in the fair value hierarchy and used in the fair value measurement of the Group's subsidiary preferred shares liabilities, as well as that with respect to the enterprise value of the underlying subsidiary in general (Please refer to Note 15):

Input	Subsidiary Preferred Share Liability	
		Financial Liability Increase/(Decrease)
As of December 31, 2020	Sensitivity Range	$000s
Subsidiary Enterprise Value	-2 %	(2,146)
	+2%	2,194
Time to Liquidity	'-6 Months	5,815
	'+6 Months	(5,437)
Discount Rate	-5 %	12,227
	+5%	(5,779)

Financial Assets Held at Fair Value

Karuna Valuation

Karuna (Nasdaq: KRTX) is a listed entity on an active exchange and as such the fair value for the year ended December 31, 2020 was calculated utilizing the quoted common share price. Please refer to Note 5 for further details.

Akili, Gelesis and Vor Valuation

In accordance with IFRS 9, the Company accounts for its preferred share investments in Akili, Gelesis and Vor as financial assets held at fair value through the profit and loss. During the year ended December 31, 2020, the Company recorded its investment at fair value and recognized a gain of $41.3 million that was recorded to the Consolidated Statements of Comprehensive Income/(Loss) on the line item Gain/(loss) on investments held at fair value.

The following table summarizes the changes in the Group's investments held at fair value, which were categorized as Level 3 in the fair value hierarchy:

	$'000s
Balance at January 1, 2018	1,449
Deconsolidation of Akili	70,748
Gain/(Loss) on changes in fair value	12,966
Balance at December 31, 2018 and January 1, 2019	85,163
Deconsolidation of Vor	12,028
Deconsolidation of Karuna	77,373
Deconsolidation of Gelesis	49,170
Reclass of Karuna to Associate	(118,006)
Gain/(Loss) on changes in fair value	48,867
Issuance of note receivable	6,480
Conversion of note receivable	(6,630)
Balance at December 31, 2019 and January 1, 2020	154,445
Cash purchase of Gelesis preferred shares (please refer to Note 6)	10,000
Cash purchase of Vor preferred shares	1,150
Gain/(Loss) on changes in fair value	41,297
Balance as of December 31, 2020 before allocation of associate gain/(loss) to long-term interest	**206,892**
Share of associate loss allocated to long-term interest (please refer to Note 6)	(23,006)
Balance as of December 31, 2020 after allocation of associate gain/(loss) to long-term interest	**183,886**

The change in fair value of investments held at fair value are recorded in Gain/(loss) on investments held at fair value in the Consolidated Statements of Comprehensive Income/(Loss).

The table below sets out information about the significant unobservable inputs used at December 31, 2020 in the fair value measurement of the Group's material investments held at fair value categorized as Level 3 in the fair value hierarchy:

Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Weighted Average	Sensitivity to Decrease in Input
204,379	Market – Scenario & Hybrid allocation	Estimated time to exit	1.73	Fair value increase
		Exit valuation multiples	2.19	Fair value decrease
		Discount rate	28.0%	Fair value increase
		Discount for lack of marketability ("DLOM")	10.0%	
		Volatility	65.0%	

The following summarizes the sensitivity from the assumptions made by the Company with respect to the significant unobservable inputs which are categorized as Level 3 in the fair value hierarchy and used in the fair value measurement of the Group's investments held at fair value, as well as that with respect to the enterprise value of the underlying investee in general (Please refer to Note 5):

Input	Investments Held at Fair Value	
		Financial Asset Increase/ (Decrease)
As of December 31, 2020	Sensitivity Range	$000s
Investee Enterprise Value	-2 %	(3,915)
	+2%	3,886
Time to Liquidity	'-6 Months	22,828
	'+6 Months	(20,005)
Discount Rate	-5 %	11,691
	+5%	(10,689)

Warrants

Warrants issued by subsidiaries within the Group are classified as liabilities, as they will be settled in a variable number of shares and are not fixed-for-fixed. The following table summarizes the changes in the Group's subsidiary warrant liabilities, which were categorized as Level 3 in the fair value hierarchy:

	Subsidiary Warrant Liability $000s
Balance at January 1, 2018	13,095
Change in fair value	(83)
Balance at December 31, 2018 and January 1, 2019	13,012
Warrant Issuance	4,706
Gelesis Deconsolidation	(21,611)
Change in fair value	11,890
Balance at December 31, 2019 and January 1, 2020	7,997
Warrant Issuance	92
Change in fair value	117
Balance at December 31, 2020	**8,206**

The change in fair value of warrants are recorded in Finance income/(costs) – fair value accounting in the Consolidated Statements of Comprehensive Income/(Loss).

In June 2019, Gelesis amended their existing license and patent agreement with One S.r.l. As a result of the amendment Gelesis issued One S.r.l. a warrant equal to 2.7 percent of as converted shares following the next financing round. The fair

value of the warrant was $4.7 million at issuance. On July 1, 2019, Gelesis deconsolidated and warrant liability of $21.6 million relating to Series A-1, A-3, A-4 and One S.r.l. warrants was derecognized.

In connection with various amendments to its 2010 Loan and Security Agreement, Follica issued Series A-1 preferred share warrants at various dates in 2013 and 2014. Each of the warrants has an exercise price of $0.14 and a contractual term of ten years from the date of issuance. In 2017, in conjunction with the issuance of convertible notes, the exercise price of the warrants was adjusted to $0.07 per share. The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Consolidated Statements of Comprehensive Income/(Loss). The $8.2 million warrant liability at December 31, 2020 was largely attributable to the outstanding Follica preferred share warrants.

In connection with the September 2, 2020 Oxford Finance LLC loan issuance, Vedanta also issued Oxford Finance LLC 12,886 Series C-2 preferred share warrants with an exercise price of $23.28 per share, expiring September 2030.

The table below sets out the weighted average of significant unobservable inputs used at December 31, 2020 with respect to determining the fair value of the Group's warrants categorized as Level 3 in the fair value hierarchy:

Assumption/Input	Warrants
Expected term	2.65
Expected volatility	54.9 %
Risk free interest rate	0.1 %
Expected dividend yield	— %
Estimated fair value of the convertible preferred shares	$3.09
Exercise price of the warrants	$0.27

The following summarizes the sensitivity from the assumptions made by the Company with respect to the significant unobservable inputs which are categorized as Level 3 in the fair value hierarchy and used in the fair value measurement of the Group's warrant liabilities:

Input	Warrant Liability	
		Financial Liability Increase/ (Decrease)
As at December 31	Sensitivity Range	$000s
Discount Rate	-5 %	7,279
	+5%	(3,321)

Fair Value Measurement and Classification

The fair value of financial instruments by category at December 31, 2020 and 2019:

	2020					
	Carrying Amount		**Fair Value**			
	Financial Assets	**Financial Liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Financial assets:						
U.S. treasuries[1]	**—**	**—**	**—**	**—**	**—**	**—**
Money Markets[2]	**394,143**	**—**	**394,143**	**—**	**—**	**394,143**
Investments held at fair value[3]	**553,167**	**—**	**346,275**	**—**	**206,892**	**553,167**
Trade and other receivables[4]	**2,558**	**—**	**—**	**2,558**	**—**	**2,558**
Total financial assets	**949,867**	**—**	**740,417**	**2,558**	**206,892**	**949,867**
Financial liabilities:						
Subsidiary warrant liability	**—**	**8,206**	**—**	**—**	**8,206**	**8,206**
Subsidiary preferred shares	**—**	**118,972**	**—**	**—**	**118,972**	**118,972**
Subsidiary notes payable	**—**	**26,455**	**—**	**1,330**	**25,125**	**26,455**
Total financial liabilities	**—**	**153,633**	**—**	**1,330**	**152,303**	**153,633**

1 Issued by governments and government agencies, as applicable, all of which are investment grade.

2 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.

3 Balance prior to share of associate loss allocated to long-term interest (please refer to Note 6).

4 Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

	2019					
	Carrying Amount		Fair Value			
	Financial Assets	Financial Liabilities	Level 1	Level 2	Level 3	Total
	$000s	$000s	$000s	$000s	$000s	$000s
Financial assets:						
U.S. treasuries[1]	30,088	—	30,088	—	—	30,088
Money Markets[2]	106,586	—	106,586	—	—	106,586
Investments held at fair value	714,905	—	560,460	—	154,445	714,905
Loans and receivables:						
Trade and other receivables[3]	1,977	—	—	1,977	—	1,977
Total financial assets	853,556	—	697,134	1,977	154,445	853,556
Financial liabilities:						
Subsidiary warrant liability	—	7,997	—	—	7,997	7,997
Subsidiary preferred shares	—	100,989	—	—	100,989	100,989
Subsidiary notes payable	—	1,455	—	1,455	—	1,455
Total financial liabilities	—	110,441	—	1,455	108,986	110,441

1 Issued by governments and government agencies, as applicable, all of which are investment grade.

2 Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment grade.

3 Outstanding receivables are owed primarily by corporations and government agencies, virtually all of which are investment grade.

17. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. During the years ended December 31, 2020 and 2019, the financial instruments for Knode and Appeering did not contain embedded derivatives and therefore these instruments continue to be held at amortized cost. The notes payable consist of the following:

December 31,	**2020** **$000s**	2019 $000s
Loans	**1,330**	1,330
Convertible notes	**25,125**	125
Total subsidiary notes payable	**26,455**	1,455

Loans

In October 2010, Follica entered into a loan and security agreement with Lighthouse Capital Partners VI, L.P. The loan is secured by Follica's assets, including Follica's intellectual property and bears interest at a rate of 12.0 percent. The outstanding loan balance totaled approximately $1.3 million and $1.3 million as of December 31, 2020 and 2019. The accrued interest on such loan balance is presented as Other current liabilities and totaled approximately $0.5 million and $0.4 million as of December 31, 2020 and 2019, respectively.

Convertible Notes

Convertible Notes outstanding were as follows:

	Karuna $000s	Follica $000s	Vedanta $000s	Knode $000s	Appeering $000s	Total $000s
January 1, 2019	2,838	6,495	—	50	75	9,458
Gross principal	1,607	—	—	—	—	1,607
Change in fair value	572	817	—	—	—	1,389
Conversion to preferred	—	(4,894)	—	—	—	(4,894)
Conversion to common	—	(2,418)	—	—	—	(2,418)
Deconsolidation	(5,017)	—	—	—	—	(5,017)
December 31, 2019 and January 1, 2020	—	—	—	50	75	125
Gross principal	—	—	25,000	—	—	25,000
Change in fair value	—	—	—	—	—	—
December 31, 2020	**—**	**—**	**25,000**	**50**	**75**	**25,125**

On March 15, 2019, Karuna was deconsolidated in conjunction with the closing of a Series B Preferred Stock financing and the outstanding convertible note liability of $5.0 million was derecognized.

In May 2017 and September 2017, Follica received $0.5 million and $0.6 million, respectively, from an existing third-party investor through the issuance of convertible notes. The notes bore interest at an annual rate of 10.0 percent, matured 30 days after demand by the holder, were convertible into equity upon a qualifying financing event, and required payment of at least five times the outstanding principal and accrued interest upon a change of control transaction.

On July 19, 2019, all of the outstanding notes, plus accrued interest, issued by Follica converted into 17,639,204 shares of Series A-3 Preferred Stock and 14,200,044 shares of common shares pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders. Third parties held 2,422,990 A-3 preferred shares and 1,981,944 common shares following the conversion. The preferred shares are classified as financial liabilities at fair value through the profit and loss. The common shares are accounted for as Non-controlling interests. See Note 18 for further details on such change in non-controlling interests.

On December 30, 2020, Vedanta issued a $25.0 million convertible promissory note to an investor. The note bears interest at an annual rate of 6.0 percent and matures on the first anniversary of the note. Prepayment of the note is not allowed and there is no conversion discount feature on the note. The note mandatorily converts in a Qualified equity financing and a Qualified Public Offering at the current price of the financing or offering, all as defined in the note purchase agreement. In addition, the note allows for optional conversion immediately prior to a Non Qualified public offering, Non Qualified Equity financing, or a Corporate transaction. In the case of a Non qualified financing or a Corporate transaction the note will convert to the preferred shares issued at the time of the last financing round at the price at such financing round. In the event of no conversion prior to a change in control transaction, the note is repaid at one and a half times the outstanding principal plus accrued interest.

18. Non-Controlling Interest

During the year ended December 31, 2019, the Company deconsolidated three of its subsidiaries which resulted in a change to the composition of its reportable segments. The Company has revised in the 2019 financial statements the 2018 financial information to conform to the presentation as of and for the period ending December 31, 2019. Please refer to Note 4 "Segment Information" for further details regarding reportable segments.

The following table summarizes the changes in the equity classified non-controlling ownership interest in subsidiaries by reportable segment:

	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Parent Company & Other $000s	Total $000s
Balance at January 1, 2018	(1,484)	(18,869)	(125,758)	525	(145,586)
Share of comprehensive loss	(7,315)	(10,710)	(8,980)	—	(27,005)
Deconsolidation of subsidiary	—	—	55,168	—	55,168
Equity settled share-based payments	—	2,476	6,345	67	8,888
Balance at December 31, 2018 and January 1, 2019	(8,799)	(27,103)	(73,225)	592	(108,535)
Share of comprehensive loss	(15,264)	(15,862)	(23,953)	—	(55,079)
Deconsolidation of sub sidiary	—	—	97,178	—	97,178
Subsidiary note conversion and changes in NCI ownership interest	—	23,049	—	—	23,049
Equity settled share-based payments	—	1,683	—	—	1,683

Purchase of minority interest	24,039	—	—	—	24,039
Other	24	—	—	1	25
Balance at December 31, 2019 and January 1, 2020	—	(18,233)	—	593	(17,640)
Share of comprehensive loss	—	(1,402)	—	(15)	(1,417)
Equity settled share-based payments	—	2,822	—	—	2,822
Other	—	30	—	(6)	24
Balance as of December 31, 2020	**—**	**(16,783)**	**—**	**573**	**(16,210)**

The following tables summarize the financial information related to the Group's subsidiaries with material non-controlling interests, aggregated for interests in similar entities, and before and after intra group eliminations.

	2020				
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s	Intra-group eliminations $000s	Total $000s
Statement of Comprehensive Loss					
Total revenue	**—**	**5,224**	**—**		**5,224**
Income/(loss) for the year	**—**	**(55,942)**	**—**	**1,073**	**(54,869)**
Other comprehensive income/(loss)	**—**	**—**	**—**		**—**
Total comprehensive income/(loss) for the year	**—**	**(55,942)**	**—**	**1,073**	**(54,869)**
Statement of Financial Position					
Total assets	**—**	**68,346**	**—**	**(7)**	**68,339**
Total liabilities	**—**	**200,430**	**—**	**(14,621)**	**185,809**
Net assets/(liabilities)	**—**	**(132,084)**	**—**	**14,615**	**(117,470)**

As of December 31, 2020, Controlled Founded Entities with non-controlling interests primarily include Alivio Therapeutics, Inc., Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences, Inc. Ownership interests of the non-controlling interests in Alivio Therapeutics, Inc., Follica Incorporated, Sonde Health Inc., and Vedanta Biosciences, Inc are 8.1 percent, 19.9 percent, 4.5 percent and 0.4 percent, respectively. In addition, Non-controlling interests include the amounts recorded for subsidiary stock options, with the vast majority comprising of Vedanta stock options.

	2019		
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s[1]
Statement of Comprehensive Loss			
Total revenue	6,079	1,968	—
Income/(loss) for the year	(24,289)	(26,250)	(47,905)
Other comprehensive income/(loss)	—	—	(10)
Total comprehensive income/(loss) for the year	(24,289)	(26,250)	(47,915)
Statement of Financial Position			
Total assets	17,614	5,290	—
Total liabilities	11,510	50,554	—
Net Liabilities	6,104	(45,264)	—

1 Non-Controlled Founded Entities non-controlling interest calculation does not include equity method accounting, fair value method accounting or the gain on the deconsolidation of subsidiary related to Vor, Karuna, Gelesis, resTORbio or Akili, which is recorded within PureTech Health, LLC. Please refer to Note 5.

	2018		
For the year ended December 31	Internal $000s	Controlled Founded Entities $000s	Non-Controlled Founded Entities $000s[1]
Statement of Comprehensive Loss			
Total revenue	2,195	18,504	20
Income/(loss) for the year	(8,454)	(26,206)	(41,239)
Other comprehensive income/(loss)	—	(214)	(214)
Total comprehensive income/(loss) for the year	(8,454)	(26,420)	(41,453)

1 Non-Controlled Founded Entities non-controlling interest calculation does not include equity method accounting, fair value method accounting or the gain on the deconsolidation of subsidiary related to resTORbio or Akili, which is recorded within PureTech Health, LLC. Please refer to Note 5.

On July 19, 2019 PureTech and a third party investor converted their convertible debt in Follica to Follica Preferred shares (presented as liabilities) and Follica common shares. The amount of convertible debt converted by the third party investor into Follica common shares amounted to $2.4 million (see also Note 16). As a result of the conversion Follica NCI share (in Follica common stock) was reduced from 68 percent to 19.9 percent, which resulted in a reduction in the NCI share in Follica's shareholders' deficit of $19.9 million. The excess of the change in the book value of NCI ($19.9 million noted above) over the contribution made by NCI ($2.4 million) amounted to $17.5 million and was recorded as a loss directly in shareholders' equity.

During 2019 a subsidiary of the Company fully funded by the Company ceased its operations and became inactive. This resulted in a change in the NCI share in the subsidiary deficit. As a result the Company recorded a loss directly in equity of $3.1 million.

On October 1, 2019, PureTech acquired the remaining 10.0 percent of minority non-controlling interests of PureTech LYT, Inc. (previously named Ariya Therapeutics, Inc.), increasing its ownership from 90.0 percent to 100.0 percent. In consideration for the acquisition of minority interests, PureTech issued 2,126,338 shares of common shares. The fair value of the shares issued in consideration for the minority non-controlling interest amounted to $9.1 million. The carrying

amount of the non-controlling interest at the acquisition was a $24.0 million deficit and the excess of the consideration paid over the book value of the non-controlling interest of approximately $33.1 million was recorded directly in shareholders' equity.

19. Trade and Other Payables

Information regarding Trade and other payables was as follows:

	2020	2019
As of December 31	**$000s**	$000s
Trade payables	**8,871**	11,098
Accrued expenses	**9,090**	8,651
Income tax payable	**1,260**	93
Other	**2,606**	—
Total trade and other payables	**21,826**	19,842

20. Long-term loan

In September 2020, Vedanta entered into a $15.0 million loan and security agreement with Oxford Finance LLC. The loan is secured by Vedanta's assets, including equipment, inventory and intellectual property. The loan bears a floating interest rate of 7.7 percent plus the greater of (i) 30 day U.S. Dollar LIBOR reported in the Wall Street Journal or (ii) 0.17 percent. The loan matures September 2025 and requires interest only payments for the initial 24 months. The loan also carries a Final fee upon full repayment of 7.0 percent of the original principal or $1.1 million. For loan consideration, Vedanta also issued Oxford Finance LLC 12,886 Series C-2 preferred share warrants with an exercise price of $23.28 per share, expiring September 2030. The outstanding loan balance totaled approximately $14.8 million as of December 31, 2020.

The following table summarizes long-term loan obligations as at December 31, 2020 and 2019:

	Long-term loan	
	2020	2019
	$000s	$000s
Balance at January 1,	**—**	—
Net loan proceeds	**14,720**	—
Accrued interest	**496**	—
Interest paid	**(296)**	—
Reclassification of accrued interest to other current liabilities	**(102)**	—
Balance at December 31,	**14,818**	—

The following table summarizes Vedanta's principal payments for the long-term loan as of December 31, 2020:

Balance Type	2021	2022	2023	2024	2025	Total
Principal	—	1,491	4,721	5,112	3,676	15,000
Unamortized loan discount and issuance costs	—	—	—	—	—	(182)
Total	**—**	**1,491**	**4,721**	**5,112**	**3,676**	**14,818**

21. Leases

The activity related to the Group's right of use asset and lease liability for the year ended December 31, 2020 and 2019 is as follows:

	Right of use asset, net	
	2020	2019
	$000s	$000s
Balance at January 1,	**22,383**	10,353
Additions	**—**	19,434
Subleases	**—**	(2,580)
Depreciation	**(2,699)**	(3,237)
Adjustments	**414**	—
Deconsolidated	**—**	(1,587)
Balance at December 31,	**20,098**	22,383

	Total lease liability	
	2020	2019
	$000s	$000s
Balance at January 1,	**37,843**	10,995
Additions	**—**	30,305
Cash paid for rent (principal + interest)	**(5,263)**	(4,173)
Interest expense	**2,354**	2,495
Adjustments	**414**	—
Deconsolidated	**—**	(1,779)
Balance at December 31,	**35,348**	37,843

The following details the short term and long-term portion of the lease liability as at December 31, 2020 and 2019:

	Total lease liability	
	2020	2019

	$000s	$000s
Short-term Portion of Lease Liability	**3,261**	2,929
Long-term Portion of Lease Liability	**32,088**	34,914
Total Lease Liability	**35,348**	37,843

The following table details the future maturities of the lease liability, showing the undiscounted lease payments to be paid after the reporting date:

	2020
	$000s
Less than one year	**5,422**
One to two years	**5,609**
Two to three years	**6,275**
Three to four years	**6,489**
Four to five years	**5,101**
More than five years	**16,452**
Total undiscounted lease maturities	**45,348**
Interest	**10,000**
Total lease liability	**35,348**

During the year ended December 31, 2019, PureTech entered into a lease agreement for certain premises consisting of approximately 50,858 rentable square feet of space located at 6 Tide Street. The lease commenced on April 26, 2019 ("Commencement Date") for an initial term consisting of ten years and three months and there is an option to extend for two consecutive periods of five years each. The Company assessed at lease commencement date whether it is reasonably certain to exercise the extension options and deemed such options not reasonably certain to be exercised. The Company will reassess whether it is reasonably certain to exercise the options only if there is a significant event or significant changes in circumstances within its control.

On June 26, 2019, PureTech executed a sublease agreement with Gelesis. The lease is for the approximately 9,446 rentable square feet located on the sixth floor of the Company's former offices at the 501 Boylston Street building. The sublessee obtained possession of the premises on June 1, 2019 and the rent period term began on June 1, 2019 and expires on August 31, 2025. The sublease was determined to be a finance lease and the Group, therefore, derecognized the right of use asset and recognized a lease receivable at inception of the sublease. As of December 31, 2020 the balances related to the sublease were as follows:

	Total lease receivable
	$000s
Short-term Portion of Lease Receivable	381
Long-term Portion of Lease Receivable	1,700
Total Lease Receivable	**2,082**

The following table details the future maturities of the lease receivable, showing the undiscounted lease payments to be received after the reporting date:

	2020
	$000s
Less than one year	**494**
One to two years	**504**
Two to three years	**513**
Three to four years	**523**
Four to five years	**353**
More than five years	**—**
Total undiscounted lease receivable	**2,387**
Unearned Finance income	**305**
Net investment in the lease	**2,082**

On August 6, 2019, PureTech executed a sublease agreement with Dewpoint Therapeutics, Inc. ("Dewpoint"). The sublease is for approximately 11,852 rentable square feet located on the third floor of the 6 Tide Street building, where the Company's offices are currently located. Dewpoint obtained possession of the premises on September 1, 2019 with a rent period term that began on September 1, 2019 and expires on August 31, 2021. The sublease was determined to be an operating lease.

Rental income recognized by the Company during the year ended December 31, 2020 was $1.08 million and is included in the Other income/(expense) line item in the Consolidated Statements of Comprehensive Income/(Loss). The following table details the future payments under the sublease, showing the undiscounted lease payments to be received after the reporting date:

	2020
	$000s
Less than one year	**722**
Total	**722**

Total rent expense under the Group's operating leases was approximately $2.5 million during the year ended December 31, 2018. Rent expense is included in the General and administrative expenses line item in the Consolidated Statements of Comprehensive Income/(Loss).

22. Capital and Financial Risk Management

Capital Risk Management

The Group's capital and financial risk management policy is to maintain a strong capital base so as to support its strategic priorities, maintain investor, creditor and market confidence as well as sustain the future development of the business. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may issue new shares or incur new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is clearly set out in Note 14.

Management continuously monitors the level of capital deployed and available for deployment in the Internal and Parent segments as well as at Founded Entities. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

The Group's Directors have overall responsibility for establishment and oversight of the Group's capital and risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main

objective in using financial instruments is to promote the development and commercialization of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds as secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and maintain insignificant exposure to other financial risks.

COVID-19

In December 2019, illnesses associated with COVID-19 were reported and the virus has since caused widespread and significant disruption to daily life and economies across geographies. The World Health Organization has classified the outbreak as a pandemic. The Group's operations, financial condition and results have not been significantly impacted during the year ended December 31, 2020 as a result of the COVID-19 pandemic. In response to the COVID-19 pandemic, the Group has taken swift action to ensure the safety of employees and other stakeholders. The Group continues to monitor the latest developments regarding the COVID-19 pandemic on business, operations, and financial condition and results, and have made certain assumptions regarding the pandemic for purposes of the Group's operational planning and financial projections, including assumptions regarding the duration and severity of the pandemic and the global macroeconomic impact of the pandemic. Despite careful tracking and planning, however, the Group is unable to accurately predict the extent of the impact of the pandemic on the business, operations, and financial condition and results in future periods due to the uncertainty of future developments. The Group is focused on all aspects of the business and is implementing measures aimed at mitigating issues where possible including by using digital technology to assist operations for R&D and enabling functions.

Credit Risk

The Group has exposure to the following risks arising from financial instruments:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, investments held at fair value and trade and other receivables. The Group held the following balances:

As of December 31	**2020** **$000s**	2019 $000s
Cash and cash equivalents	**403,881**	132,360
Short-term investments	**—**	30,088
Trade and other receivables	**2,558**	1,977
Total	**406,438**	164,425

The Group invests its excess cash in U.S. Treasury Bills, U.S. debt obligations and money market accounts, which the Group believes are of high credit quality. Further the Group's cash, cash equivalents and short-term investments are held at diverse, investment-grade financial institutions.

The Group assesses the credit quality of customers on an ongoing basis. The credit quality of financial assets that are neither past due nor impaired is assessed by historical and recent payment history, counterparty financial position, reference to credit ratings (if available) or to historical information about counterparty default rates. The Group does not have expected credit losses owing largely to a small number of counterparties and the high credit quality of such counterparties.

The aging of trade and other receivables that were not impaired at December 31 is as follows:

As of December 31	**2020** **$000s**	2019 $000s
Neither past due or impaired	**2,558**	1,977
Total	**2,558**	1,977

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group actively manages its risk of a funds shortage by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the nature of these financial liabilities, the funds are available on demand to provide optimal financial flexibility.

The table below summarizes the maturity profile of the Group's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of December 31, 2020 and 2019 based on contractual undiscounted payments:

	2020				
As of December 31	**Carrying Amount** **$000s**	**Within Three Months** **$000s**	**Three to Twelve Months** **$000s**	**One to Five Years** **$000s**	**Total** **$000s**
Long-term loan	**14,818**	**296**	**905**	**18,780**	**19,981**
Subsidiary notes payable	**26,455**	**1,455**	**25,000**	**—**	**26,455**
Trade and other payables	**21,826**	**21,826**	**—**	**—**	**21,826**
Warrants[2]	**8,206**	**8,206**	**—**	**—**	**8,206**
Subsidiary preferred shares (Note 15)[1]	**118,972**	**118,972**	**—**	**—**	**118,972**
Total	**190,278**	**150,756**	**25,905**	**18,780**	**195,441**

	2019				
As of December 31	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years $000s	Total $000s
Subsidiary notes payable	1,455	1,455	—	—	1,455
Trade and other payables	19,842	19,842	—	—	19,842
Warrants[2]	7,997	7,997	—	—	7,997
Subsidiary preferred shares (Note 15)[1]	100,989	100,989	—	—	100,989
Total	130,283	130,283	—	—	130,283

1 Redeemable only upon a liquidation or Deemed liquidation event, as defined in the applicable shareholder documents.

2 Warrants issued by subsidiaries to third parties to purchase preferred shares.

Interest Rate Sensitivity

As of December 31, 2020, the Group had cash and cash equivalents of $403.9 million. The Group's exposure to interest rate sensitivity is impacted by changes in the underlying U.K. and U.S. bank interest rates. The Group has not entered into investments for trading or speculative purposes. Due to the conservative nature of the Group's investment portfolio, which is predicated on capital preservation and investments in short duration, high-quality U.S. Treasury Bills and U.S. debt

obligations and related money market accounts, a change in interest rates would not have a material effect on the fair market value of the Group's portfolio, and therefore the Group does not expect operating results or cash flows to be significantly affected by changes in market interest rates.

Controlled Founded Entity Investments

The Group maintains investments in certain Controlled Founded Entities. The Group's investments in Controlled Founded Entities are eliminated as intercompany transactions upon financial consolidation. The Group is however exposed to a preferred share liability owing to the terms of existing preferred shares and the ownership of Controlled Founded Entities preferred shares by third parties. As discussed in Note 15, certain of the Group's subsidiaries have issued preferred shares that include the right to receive a payment in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, which shall be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of ordinary shares. The liability of preferred shares is maintained at fair value through the profit and loss. The Group's strong cash position, budgeting and forecasting processes, as well as decision making and risk mitigation framework enable the Group to robustly monitor and support the business activities of the Controlled Founded Entities to ensure no exposure to credit losses and ultimately dissolution or liquidation. Accordingly, the Group views exposure to 3rd party preferred share liability as low. Please refer to Notes 15 and 16 for further information regarding the Group's exposure to Controlled Founded Entity Investments.

Non-Controlled Founded Entity Investments

The Group maintains certain investments in Non-Controlled Founded Entities which are deemed either as investments and accounted for as investments held at fair value or associates and accounted for under the equity method (please refer to Note 1). The Group's exposure to investments held at fair value is $530.2 million as of December 31, 2020 and the Group may or may not be able to realize the value in the future. Accordingly, the Group views the risk as high. The Group's exposure to investments in associates is limited to the carrying amount of the investment in an Associate. The Group is not exposed to further contractual obligations or contingent liabilities beyond the value of initial investment. As of December 31, 2020, Gelesis was the only associate. The carrying amount of the investment in Gelesis as an associate was zero. Accordingly, the Group does not view this as a risk. Please refer to Notes 5, 6 and 16 for further information regarding the Group's exposure to Non-Controlled Founded Entity Investments.

Equity Price Risk

As of December 31, 2020, the Group held 3,406,564 common shares of Karuna. The fair value of the Group's investment in the common stock of Karuna was $346.1 million .

The investment in Karuna is exposed to fluctuations in the market price of these common shares. The effect of a 10.0 percent adverse change in the market price of Karuna common shares as of December 31, 2020 would have been a loss of approximately $34.6 million recognized as a component of Other income (expense) in the Consolidated Statements of Comprehensive Income/(Loss).

Foreign Exchange Risk

The Group maintains consolidated financial statements in the Group's functional currency, which is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income/(loss) for the respective periods. Such foreign currency gains or losses were not material for all reported periods. See Note 9.

The Group recorded foreign currency losses in respect of foreign operations of $0.5 million, $0.0 million and $0.2 million for the periods ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively, which are included within Other comprehensive income/(loss) in the Consolidated Statements of Comprehensive Income/(Loss).

The Group does not currently engage in currency hedging activities since its foreign currency risk is limited, but the Group may begin to do so in the future if and when its foreign currency risk exposure changes. Instruments that may be used to hedge future risks include foreign currency forward and swap contracts. These instruments may be used to selectively manage risks, but there can be no assurance that the Group will be fully protected against material foreign currency fluctuations.

23. Commitments and Contingencies

The Group is party to certain licensing agreements where the Company is licensing IP from third parties. In consideration for such licenses the Group has made upfront payments and may be required to make additional contingent payments based on developmental and sales milestones and/or royalty on future sales. As of December 31, 2020 these milestone events have not yet occurred and therefore the Company does not have a present obligation to make the related payments in respect of the licenses. Many of these milestone events are remote of occurring. As of December 31, 2020 payments in respect of developmental milestones that are dependent on events that are outside the control of the company but are reasonably possible to occur amounted to approximately $5.3 million. These milestone amounts represent an aggregate of multiple milestone payments depending on different milestone events in multiple agreements. The probability that all such milestone events will occur in the aggregate is remote. Payments made to license IP represent the acquisition cost of intangible assets. See Note 12.

The Company is party to certain sponsored research arrangements as well as arrangements with contract manufacturing and contract research organizations, whereby the counterparty provides the Company with research and/or manufacturing services. As of December 31, 2020 the noncancellable commitments in respect of such contracts amounted to approximately $5.1 million.

24. Related Parties Transactions

Related Party Subleases

During 2019, PureTech executed sublease agreements with a related party Gelesis. Please refer to Note 21 for further details regarding the sublease.

Key Management Personnel Compensation

Key management includes executive directors and members of the executive management team of the Group. The key management personnel compensation of the Group was as follows for the years ended December 31:

	2020	2019	2018
As of December 31	**$000s**	$000s	$000s
Short-term employee benefits	**4,833**	5,543	3,998
Share-based payments	**5,822**	2,774	3,062
Total	**10,656**	8,317	7,060

Short-term employee benefits include salaries, health care and other non-cash benefits. Share-based payments are generally subject to vesting terms over future periods.

Convertible Notes Issued to Directors

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of December 31, 2020, 2019 and 2018, the outstanding related party notes payable totaled $89 thousand, $84 thousand and $79 thousand, respectively, including principal and interest.

The notes issued to related parties bear interest rates, maturity dates, discounts and other contractual terms that are the same as those issued to outside investors during the same issuances, as described in Note 17.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the following businesses and sourcing companies as at December 31, 2020:

	Business Name (Share Class)	**Number of shares held as of December 31, 2020**	**Number of options held as of December 31, 2020**	**Ownership Interest[1]**
Directors:				
Ms. Daphne Zohar[2]	Gelesis (Common)	**59,443**	**1,339,114**	**5.10 %**
Dame Marjorie Scardino	—	**—**	**—**	**— %**
Kiran Mazumdar-Shaw	—	**—**	**—**	**— %**

Dr. Robert Langer	Entrega (Common)	**—**	**332,500**	**4.24 %**
	Alivio (Common)	**—**	**1,575,000**	**6.14 %**
Dr. Raju Kucherlapati	Enlight (Class B Common)	**—**	**30,000**	**3.00 %**
	Gelesis (Common)	**—**	**20,000**	**0.10 %**
Dr. John LaMattina[4]	Akili (Series A-2 Preferred)	**37,372**	**—**	**0.15 %**
	Akili (Series C Preferred)	**11,755**	**—**	**0.05 %**
	Gelesis (Common)[4]	**51,070**	**—**	**0.20 %**
	Gelesis (Common)[5]	**—**	**83,050**	**0.30 %**
	Gelesis (Series A-1 Preferred)[4]	**49,253**	**—**	**0.20 %**
	Vedanta Biosciences (Common)	**—**	**25,000**	**0.22 %**
Mr. Christopher Viehbacher	—	**—**	**—**	**— %**
Mr. Stephen Muniz	Gelesis (Common)[5]	**—**	**20,000**	**0.10 %**
Senior Managers:				
Dr. Bharatt Chowrira	Karuna (Common)[5]	**10,000**	**—**	**0.04 %**
Dr. Eric Elenko	—	**—**	**—**	**— %**
Dr. Joep Muijrers	—	**—**	**—**	**— %**
Dr. George Farmer	—	**—**	**—**	**— %**
Dr. Joseph Bolen	Vor (Common)	**—**	**125,000**	**0.04 %**

1 Ownership interests as of December 31, 2020 are calculated on a diluted basis, including issued and outstanding shares, warrants and options (and written commitments to issue options) but excluding unallocated shares authorized to be issued pursuant to equity incentive plans and any shares issuable upon conversion of outstanding convertible promissory notes.

2 Common shares and options held by Yishai Zohar, who is the husband of Ms. Zohar. Ms. Zohar does not have any direct interest in the share capital of Gelesis. Ms Zohar recuses herself from any and all material decisions with regard to Gelesis.

3 Shares held through Dr. Bennett Shapiro and Ms. Fredericka F. Shapiro, Joint Tenants with Right of Survivorship.

4 Dr. John and Ms. Mary LaMattina hold 50,540 shares of common shares and 49,524 shares of Series A-1 preferred shares in Gelesis. Individually, Dr. LaMattina holds 530 shares of Gelesis and convertible notes issued by Appeering in the aggregate principal amount of $50,000.

5 Options to purchase the listed shares were granted in connection with the service on such founded entity's Board of Directors and any value realized therefrom shall be assigned to PureTech Health, LLC.

Directors and senior managers hold 23,245,840 ordinary shares and 8.1 percent voting rights of the Company as of December 31, 2020. This amount excludes options to purchase 3,459,344 ordinary shares. This amount also excludes 6,204,268 shares, which are issuable based on the terms of performance based RSU awards granted to certain senior managers covering the financial years 2020, 2019 and 2018. Such shares will be issued to such senior managers in future periods provided that performance conditions are met and certain of the shares will be withheld for payment of customary withholding taxes.

25. Taxation

Tax on the profit or loss for the year comprises current and deferred income tax. Tax is recognized in the Consolidated Statements of Comprehensive Income/(Loss) except to the extent that it relates to items recognized directly in equity.

For the years ended December 31, 2020, 2019 and 2018, the Group filed a consolidated U.S. federal income tax return which included all subsidiaries in which the Company owned greater than 80 percent of the vote and value. For the years ended December 31, 2020, 2019 and 2018, the Group filed certain consolidated state income tax returns which included all subsidiaries in which the Company owned greater than 50 percent of the vote and value. The remaining subsidiaries file separate U.S. tax returns.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are recognized in Consolidated Statements of Comprehensive Income/(Loss) except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Amounts recognized in Consolidated Statements of Comprehensive Income/(Loss):

	2020	2019	2018
As of December 31	**$000s**	$000s	$000s
Income/(loss) for the year	**4,568**	366,065	(70,659)
Income tax expense/(benefit)	**14,401**	112,409	2,221
Income/(loss) before taxes	**18,969**	478,474	(68,438)

Recognized income tax expense/(benefit):

	2020	2019	2018
As of December 31	**$000s**	$000s	$000s
Federal	**21,796**	—	2
Foreign	**—**	—	—
State	**—**	—	496
Total current income tax expense/(benefit)	**21,796**	—	498
Federal	**(7,349)**	83,776	2,034
Foreign	**—**	—	(311)
State	**(46)**	28,633	—
Total deferred income tax expense/(benefit)	**(7,395)**	112,409	1,723
Total income tax expense/(benefit), recognized	**14,401**	112,409	2,221

The tax expense was $14.4 million, $112.4 million and $2.2 million in 2020, 2019 and 2018 respectively. The decrease in tax expense is primarily the result of the decrease in profit before tax.

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the U.S. A reconciliation of the U.S. federal statutory tax rate to the effective tax rate is as follows:

	2020		2019		2018	
As of December 31	**$000s**	**%**	$000s	%	$000s	%
Weighted-average statutory rate	**3,984**	**21.00**	97,183	21.00	(14,372)	21.00
Effects of state tax rate in U.S.	**1,844**	**9.72**	22,111	4.78	(3,267)	4.77
R&D and orphan drug tax credits	**(5,642)**	**(29.74)**	(6,321)	(1.37)	(3,268)	4.78
Share-based payment measurement	**327**	**1.73**	433	0.09	3,429	(5.01)
Mark-to-market adjustments	**919**	**4.84**	3,725	0.80	(3,745)	5.47
Transaction Costs	**361**	**1.91**	—	0.00	—	0.00
Interest Expense	**(2,258)**	**(11.91)**	1,030	0.22	—	0.00
Executive Compensation	**827**	**4.36**	—	0.00	—	0.00
Accretion on preferred shares	**—**	**0.00**	—	0.00	22	(0.03)
Deconsolidation adjustments	**—**	**0.00**	(13,658)	(2.95)	9,688	(14.16)
Mark-to-market investment in subsidiary	**—**	**0.00**	—	0.00	(55)	0.08
Income of partnerships not subject to tax	**—**	**0.00**	—	0.00	(78)	0.11
Recognition of deferred tax assets not previously recognized	**—**	**0.00**	(6,251)	(1.35)	—	0.00
Current year losses for which no deferred tax asset is recognized	**13,948**	**73.53**	14,514	3.14	13,012	(19.01)
Other	**91**	**0.48**	(356)	(0.06)	854	(1.25)
	14,401	**75.92**	112,409	24.29	2,221	(3.25)

The Company is also subject to taxation in the UK but to date no taxable income has been generated in the UK. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit).

Deferred Tax Assets and Liabilities

Deferred tax assets have been recognized in the U.S. jurisdiction in respect of the following items:

	2020	2019
As of December 31	**$000s**	$000s
Operating tax losses	**39,901**	68,690
Capital loss carryovers	**—**	2,292
Research credits	**10,805**	9,931
Share-based payments	**5,429**	9,711
Deferred revenue	**358**	1,125
Lease Liability	**9,657**	10,339
Other temporary differences	**2,078**	2,117
Deferred tax assets	**68,228**	104,205
Investment in subsidiaries	**(120,676)**	(173,069)
ROU asset	**(5,491)**	(6,115)
Fixed assets	**(3,588)**	(3,225)
Other temporary differences	**(27)**	—
Deferred tax liabilities	**(129,782)**	(182,409)
Deferred tax assets (liabilities), net	**(61,554)**	(78,204)
Deferred tax liabilities, net, recognized	**108,626**	115,445
Deferred tax assets, net, recognized	**—**	(142)
Deferred tax assets (liabilities), net, not recognized	**47,072**	37,099

We have recognized deferred tax assets related to entities in the U.S. Federal and Massachusetts consolidated return groups due to future reversals of existing taxable temporary differences that will be sufficient to recover the net deferred tax assets. Our remaining deferred tax assets have not been recognized because it is not probable that future taxable profits will be available to support their realizability.

There was movement in deferred tax recognized, which impacted income tax expense by approximately $7.4 million benefit, primarily related to changes in the value of investments. The Company sold a portion of its stock in Karuna during 2020 and was able to partially offset its gains by using various attributes (i.e. net operating losses, research and development credits, etc.) resulting in current tax expense of $21.8 million.

The Company had U.S. federal net operating losses carry forwards ("NOLs") of approximately $169.7 million, $243.0 million and $238.1 million as of December 31, 2020, 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire through 2037 with the exception of $101.9 million which is not subject to expiration. The Company had U.S. Federal research and development tax credits of approximately $3.9 million, $7.4 million and $6.7 million as of December 31, 2020, 2019 and 2018, respectively, which are available to offset future taxes that expire at various dates through 2040. The Company also had Federal Orphan Drug credits of approximately $5.2 million and $3.7 million as of December 31, 2020 and 2019, which are available to offset future taxes that expire at various dates through 2040. A portion of these Federal NOLs and credits can only be used to offset the profits from the Company's subsidiaries who file separate Federal tax returns. These NOLs and credits are subject to review and possible adjustment by the Internal Revenue Service.

The Company had Massachusetts net operating losses carry forwards ("NOLs") of approximately $67.4 million, $273.0 million and $179.5 million for the years ended December 31, 2020, 2019 and 2018, respectively, which are available to offset future taxable income. These NOLs expire at various dates beginning in 2030. The Company had Massachusetts research and development tax credits of approximately $2.1 million, $1.6 million and $1.3 million for the years ended December 31, 2020, 2019 and 2018, respectively, which are available to offset future taxes and expire at various dates through 2035. These NOLs and credits are subject to review and possible adjustment by the Massachusetts Department of Revenue.

Utilization of the NOLs and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. The Company notes that a 382 analysis was performed through December 31, 2020. The results of this analysis concluded that certain net operating losses were subject to limitation under Section 382 of the Internal Revenue Code. None of the

Company's tax attributes which are subject to a restrictive Section 382 limitation have been recognized in the financial statements.

Uncertain Tax Positions

The Company has no uncertain tax positions as of December 31, 2020. U.S. corporations are routinely subject to audit by federal and state tax authorities in the normal course of business.

26. Sale of assets

In February 2018, The Sync Project, Inc. ("Sync") entered into an asset purchase agreement with Bose Corporation for the sale of certain assets and liabilities. The total aggregate purchase price was $4.5 million, consisting of approximately $4.0 million paid at closing and $0.5 million in cash deposited into escrow to be held for 12 months in order to secure the indemnification obligations of Sync after the closing date.

PureTech Health derecognized certain assets and liabilities based on their historical costs. The excess of the consideration transferred over the historical costs of the assets and liabilities resulted in a gain of approximately $4.0 million, which was recorded to the line item "Gain/(loss) on disposal of assets" on the accompanying Consolidated Statements Comprehensive Income/(Loss) for the year ended December 31, 2018.

Additionally, as part of the derecognition, the Company and certain preferred shareholders received a cash distribution of approximately $3.3 million during the year ended December 31, 2018. During the year ended December 31, 2019, certain preferred shareholders received further cash distributions of $0.1 million. As of December 31, 2020, no remaining third party obligations remained.

27. Tal Merger Agreement

During the year ended December 31, 2018, Tal Medical, Inc. ("Tal") a subsidiary of the Group entered into an option agreement with a third party, through which the third party was given the option to acquire substantially all of Tal's assets. The option was contingent on the third party raising gross proceeds of $15.0 million prior to January 1, 2019 (the option expiration date). Upon the expiration of the option all external investors, not including PureTech, would be entitled to a distribution equal to the cash on hand on the date of expiration, and Tal's operations would wind down. As of December 31, 2018, the minimum gross proceeds were not raised, resulting in the option expiring. As a result, the preferred shares were adjusted to the cash distribution the external investors were entitled to, which totaled $0.1 million, resulting in gain of $11.0 million being recognized in Finance income/(costs) – fair value accounting line of the Consolidated Statements of Comprehensive Income/(Loss) for the year ended December 31, 2018. In 2019 a merger was executed between PureTech and Tal wherein PureTech became the sole shareholder of Tal following the liquidation of all assets. In 2019, certain preferred shareholders received distributions of $0.1 million in connection with the merger. As of December 31, 2019 and 2020 Tal was an inactive entity in the Group's Parent segment.

28. Subsequent Events

The Company has evaluated subsequent events after December 31, 2020, the date of issuance of the Consolidated Financial Statements, and has not identified any recordable or disclosable events not otherwise reported in these consolidated financial statements or notes thereto, except for the following:

On January 8, 2021, PureTech participated in the second closing of Vor's Series B Preferred Share financing. For consideration of $0.5 million, PureTech received 961,538 shares.

On February 9, 2021, Vor closed its initial public offering of 9,828,017 shares at a price to the public of $18.00 per share. Subsequent to the closing, PureTech held 3,207,200 shares of Vor common stock, representing 8.6 percent of Vor common stock.

On February 9, 2021, PureTech Health sold 1,000,000 common shares of Karuna for aggregate proceeds of $118.0 million. Following the sale PureTech holds 2,406,564 shares of Karuna common stock, representing 8.2 percent of Karuna common stock.

PureTech Health plc Statement of Financial Position

For the years ended December 31

	Note	**2020** **$000s**	2019 $000s
Assets			
Non-current assets			
Investment in subsidiary	2	**161,082**	141,348
Intercompany long-term receivable	3	**297,556**	—
Total non-current assets		**458,638**	141,348
Current assets			
Intercompany receivables	3	**—**	296,531
Total current assets		**—**	296,531
Total assets		**458,638**	437,879
Equity and liabilities			
Equity			
Share capital	4	**5,417**	5,408
Share premium	4	**288,978**	287,962
Merger reserve	4	**138,506**	138,506
Other reserve	4	**20,725**	991
Accumulated deficit (Income/(loss) for the year $(2,739))	4	**(10,621)**	(7,882)
Total equity		**443,005**	424,985
Current liabilities			
Trade and other payables		**621**	1,235
Intercompany payables	5	**15,012**	11,658
Total current liabilities		**15,633**	12,893
Total equity and liabilities		**458,638**	437,878

Please refer to the accompanying Notes to the PureTech Health plc financial information. Registered number: 09582467.

The PureTech Health plc financial statements were approved by the Board of Directors and authorized for issuance on April 14, 2021 and signed on its behalf by:

Daphne Zohar

Chief Executive Officer

April 14, 2021

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

PureTech Health plc Statements of Cash Flows

For the years ended December 31

	2020	2019
	$000s	$000s
Cash flows from operating activities		
Net loss	**(2,739)**	(2,689)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash items:		
Intercompany receivable	**—**	(539)
Intercompany payable	**3,354**	1,453
Accounts payable and accrued expenses	**(614)**	1,235
Net cash (used in) operating activities	**—**	(540)
Cash flows from investing activities:		
Net cash provided by (used in) investing activities	**—**	—
Cash flows from financing activities:		
Exercise of share based awards	**—**	540
Net cash provided by (used in) financing activities	**—**	540
Effect of exchange rates on cash and cash equivalents	**—**	—
Net decrease in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplemental disclosure of non-cash investment and financing activities:		
Increase in investment against share-based awards	**19,734**	—
Issuance of shares against intercompany receivable	**—**	9,106
Exercise of share-based awards against intercompany receivable	**1,025**	—

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

PureTech Health plc Statements of Changes in Equity

For the years ended December 31

			Share	Merger		Accumulated	
		Amount	Premium	Reserve	Other Reserve	deficit	Total equity
	Shares	$000s	$000s	$000s	$000s	$000s	$000s
Balance January 1, 2019	**282,493,867**	**5,375**	**278,349**	**138,506**	**991**	**(5,192)**	**418,029**
Total comprehensive loss for the period							
Issue of shares to Ariya founders	2,126,338	28	9,078	—	—	—	9,106
Issuance of restricted stock units	513,324	—	—	—	—	—	—
Exercise of share-based awards	237,090	5	535	—	—	—	540
Net loss	—	—	—	—	—	(2,689)	(2,689)
Balance December 31, 2019	**285,370,619**	**5,408**	**287,962**	**138,506**	**991**	**(7,881)**	**424,986**
Total comprehensive loss for the period							
Exercise of share-based awards	514,406	9	1,016	—	—	—	1,025
Equity settled share-based payments	—	—	—	—	33,902	—	33,902
Settlement of restricted stock units (RSU)	—	—	—	—	(12,888)	—	(12,888)
Vesting of restricted stock units	—	—	—	—	(1,280)	—	(1,280)
Net loss	—	—	—	—	—	(2,739)	(2,739)
Balance December 31, 2020	**285,885,025**	**5,417**	**288,978**	**138,506**	**20,725**	**(10,620)**	**444,285**

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

Notes to the Financial Statements

1. Accounting policies

Basis of Preparation and Measurement

The financial statements of PureTech Health plc (the "Parent") are presented as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 and have been prepared under the historical cost convention in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. The financial statements of PureTech Health plc also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). A summary of the significant accounting policies that have been applied consistently throughout the year are set out below.

Functional and Presentation Currency

The functional currency of the Parent is United States ("U.S.") Dollars and the financial statements are presented in U.S. Dollars.

Investments

Investments are stated at historic cost less any provision for impairment in value and are held for long-term investment purposes. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Impairment

If there is an indication that an asset might be impaired, the Parent would perform an impairment review. An asset is impaired if the recoverable amount, being the higher of net realizable value and value in use, is less than its carrying amount. Value in use is measured based on future discounted cash flows attributable to the asset. In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognized in the profit and loss account.

Financial Instruments

Currently the Parent does not enter into derivative financial instruments. Financial assets and financial liabilities are recognized and cease to be recognized on the basis of when the related titles pass to or from the Parent Company.

Equity Settled Share Based Payments

Share based payment awards granted in subsidiaries to employees and consultants to be settled in Parent's equity instruments are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. The grant date fair value of employee share-based payment awards granted in subsidiaries is recognized as an increase to the investment with a corresponding increase in equity over the requisite service period related to the awards. The fair value is measured using an option pricing model, which takes into account the terms and conditions of the options granted.

2. Investment in subsidiary

	$000s
Balance at May 8, 2015	—
Investment in PureTech LLC as a result of the reverse acquisition	**141,348**
Increase due to equity settled share based payments granted to employees and service providers in subsidiaries	**19,734**
Balance at December 31, 2020 and 2019	**161,082**

PureTech consists of the Parent and its subsidiaries (together, the "Group"). Investment in subsidiary represents the Parent's investment in PureTech LLC as a result of the reverse acquisition of the Group's financial statements immediately prior to the Parent's initial public offering ("IPO") on the London Stock Exchange in June 2015. PureTech LLC operates in the U.S. as a US-focused scientifically driven research and development company that conceptualizes, sources, validates and commercializes unexpected and potentially disruptive approaches to advance the needs of human health. For a summary of the Parent's indirect subsidiaries please refer to Note 1 of the Consolidated Financial Statements of PureTech Health plc.

In 2020, the Parent recognized a $19.7 million increase in its investment in its operating subsidiary PureTech LLC due to equity settled share based payments granted to employees and service providers in subsidiaries. $24.8 million relates to amounts which should have been recognized at December 31, 2019. The prior year balance sheet has not been adjusted since the directors do not believe this item is qualitatively material to users of the financial statements, it has no impact on distributable reserves of the Parent and no impact on the Group consolidated financial statements. The disclosure relating to such share based payment awards is detailed in Note 8 of the of the accompanying Consolidated Financial Statements.

3. Intercompany receivables

The Parent has an accounts receivable balance from its operating subsidiary PureTech LLC of $297.6 million due to cash received from the IPO and other share issuances.

As of December 31, 2020 the intercompany receivable balance was classified as a long-term receivable since the Parent does not expect to realize the receivable within the next 12 months.

4. Share capital and reserves

PureTech plc was incorporated with the Companies House under the Companies Act 2006 as a public company on May 8, 2015.

On March 12, 2018, the Company raised approximately $100.0 million, before issuance costs and other expenses, by way of a Placing of 45,000,000 placing shares.

On June 24, 2015, the Company authorized 227,248,008 of ordinary share capital at one pence apiece. These ordinary shares were admitted to the premium listing segment of the United Kingdom's Listing Authority and traded on the Main Market of the London Stock Exchange for listed securities. In conjunction with the authorization of the ordinary shares, the Parent completed an IPO on the London Stock Exchange, in which it issued 67,599,621 ordinary shares at a public offering price of 160 pence per ordinary share, in consideration for $159.3 million, net of issuance costs of $11.8 million.

Additionally, the IPO included an over-allotment option equivalent to 15 percent of the total number of new ordinary shares. The stabilization manager provided notice to exercise in full its over-allotment option on July 2, 2015. As a result, the Parent issued 10,139,943 ordinary shares at the offer price of 160 pence per ordinary share, which resulted in net proceeds of $24.2 million, net of issuance costs of $0.8 million.

In 2020, Other reserves increased by $19.7 million due to equity settled share based payments granted to employees and service providers in subsidiaries. See Note 2 above.

5. Intercompany payables

The Parent has a balance due to its operating subsidiary PureTech LLC of $15.0 million, which is related to IPO costs and operating expenses. These intercompany payables do not bear any interest and are repayable upon demand.

6. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent's profit and loss account has not been included in these financial statements. The Parent's loss for the year was $2.7 million.

7. Directors' remuneration, employee information and share-based payments

The remuneration of the executive directors of the Parent Company is disclosed in Note 24, Related Parties Transactions, of the accompanying Consolidated Financial Statements. Full details for directors' remuneration can be found in the Directors' Remuneration Report. Full detail of the share-based payment charge and the related disclosures can be found in Note 8, Share-based Payments, of the accompanying Consolidated Financial Statements.

The Parent had no employees during 2020 or 2019.