27 August 2019

PureTech Health plc - Half-Year Report

Transformational momentum in the first half of 2019 positions PureTech for continued growth

Strong cash position of $149.2 million on a parent company level supports existing pipeline through first quarter of 2022

Affiliates well-positioned financially, having raised $322.8 million in the first half of 2019

PureTech Health plc (LSE: PRTC) ("PureTech Health," "PureTech," or "the Company"), today announces its half-yearly results for the six months ended 30 June 2019.

PureTech, which is comprised of PureTech Health plc and its affiliates[1] (together, "the Group"), is a clinical stage biotechnology company discovering, developing and commercialising highly differentiated medicines for devastating diseases, including intractable cancers, lymphatic and gastrointestinal diseases, central nervous system disorders, and inflammatory and immunological diseases, 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 affiliates, is comprised of 24 product candidates and one product that has been cleared by the US Food and Drug Administration (FDA). All of the underlying programmes 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.

1) Unless the context specifically indicates otherwise, references in this report to "affiliates" refer to the entities that PureTech founded and in which PureTech continues to hold equity. While PureTech maintains ownership of equity interests in its affiliates, the Company does not, in all cases, maintain voting control over or direct the management and development efforts for these entities. Consequently, not all such entities are consolidated in the financial statements. Where PureTech does not have majority voting control but still has significant influence (i.e., the affiliate represents an associate investee), the affiliate is accounted for under the equity method of accounting or as an investment held at fair value. Alternatively, where PureTech has neither control nor significant influence, the holding in such entity is recognised as an investment held at fair value. As of 30 June 2019, consolidated affiliates in which PureTech holds a majority equity interest are Alivio Therapeutics, Inc., Follica, Incorporated, Entrega, Inc., Vedanta Biosciences, Inc. and Sonde Health, Inc.; the consolidated affiliate in which PureTech holds a minority equity interest is Gelesis, Inc.; and deconsolidated entities include Akili Interactive Labs, Inc., Karuna Therapeutics, Inc., Vor Biopharma Inc. and resTORbio, Inc.

Operational Highlights

Internal Programmes

An important driver of PureTech's future growth is the Company's internal pipeline, which is centred on the lymphatic system and related immunological disorders. Recent scientific advances, including the work of PureTech's network of leading scientific collaborators, have uncovered the lymphatic system as one of the most critical players in the BIG Axis and as a rich source of pipeline expansion for PureTech.

Key developments and progress at a PureTech parent level include:

- A collaboration agreement with Boehringer Ingelheim (BI) to evaluate the feasibility of applying PureTech's lymphatic targeting technology to advance certain of BI's immuno-oncology product candidates in April 2019. Under the terms of the agreement, PureTech is eligible to receive up to $26 million in upfront payments, research support and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.
- PureTech's acquisition of a clinical-stage product candidate LYT-100 (deupirfenidone) for the potential treatment of lymphatic and fibrotic disorders, including lymphedema, in the July 2019 post-period. PureTech is developing LYT-100 for lymphedema – a debilitating and chronic condition that affects millions of people and is characterised by swelling due to the build-up of lymph fluid and inflammation – and other disorders of impaired lymphatic flow and conditions of inflammation and

fibrosis. A multiple dose study is planned, with results anticipated in 2020, and a clinical proof-of-concept study in adults with secondary lymphedema is planned for 2020, with results anticipated in 2021.

- PureTech announced that it is exploring the potential for a US listing on Nasdaq of American Depository Shares in the July 2019 post-period.
- Two of PureTech's programmes were selected for scientific posters at the 2019 American Association for Cancer Research (AACR) Annual Meeting in Atlanta, Georgia, in April 2019. The posters detailed the Company's first-in-class, fully-human monoclonal antibodies targeting galectin-9 (LYT-200) and immunosuppressive γδ1 (gamma delta1) T cells (LYT-210), which represent fundamental novel mechanisms of tumoral immune escape and immunosuppression in cancer. PureTech is developing LYT-200 and LYT-210 to treat intractable cancers, including colorectal cancer (CRC), cholangiocarcinoma, pancreatic cancer, along with other immunological disorders.
- PureTech expanded to new corporate headquarters and labs in Boston's Seaport District in June to advance and accelerate development of the Company's internal pipeline. In addition to the programmes mentioned above (LYT-100, LYT-200 and LYT-210), PureTech's internal pipeline also includes three discovery platforms: a synthetic lymphatic targeting chemistry platform and a milk exosome platform, both of which leverage the absorption of dietary lipids to traffic therapeutics via the lymphatic system, and a meningeal lymphatics platform for treating neurodegenerative diseases. PureTech has partnered with two major pharmaceutical companies on specific discovery projects related to its milk exosome and lymphatic targeting platforms, while retaining the value of those platforms for a broad range of both internal and partnering applications.

PureTech's affiliates (ordered by ownership[2]) have also made significant progress, including:

- Alivio (PureTech ownership: 82.7%)
    - In January 2019, Alivio Therapeutics entered into a partnership with Purdue Pharma L.P. to advance ALV-107, a non-opioid treatment being developed for interstitial cystitis/bladder pain syndrome (IC/BPS), through clinical development. Under the terms of the agreement, Alivio is eligible to receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Alivio retains the rights of its inflammation targeting platform for a range of internal and partnering applications.
- Follica (PureTech ownership: 77.9%; PureTech also has a right to royalty payments as a percentage of net sales)
    - In June 2019, Follica announced positive interim data from an ongoing safety and optimisation study of its regenerative platform for hair growth in male androgenetic alopecia (male pattern hair loss). A pivotal study is expected to initiate at the end of 2019 subject to continued safety and efficacy in the optimisation study.
- Entrega (PureTech ownership: 72.9%)
    - Entrega continued to advance its platform for the oral delivery of biologics, vaccines and other drugs, progressing a broader range of prototypes in additional preclinical studies as a part of its collaboration with Eli Lilly.
- Vedanta (PureTech ownership: 57.4%)
    - In the July 2019 post-period, Vedanta Biosciences announced the enrolment of the first patient in its Phase 1b/2 clinical study of its product candidate, VE416, for food allergy. Results are expected in 2020.
    - In May 2019, Vedanta Biosciences announced an $18.5 million extension of its Series C financing round, bringing the total for the round to $45.5 million.
    - In May 2019, Vedanta Biosciences presented expanded data from its Phase 1a/1b study of VE303, the company's product candidate for recurrent *Clostridium difficile* infection (rCDI) at Digestive Disease Week.
    - In January 2019, Vedanta Biosciences published seminal research in *Nature* that underlies Vedanta's proprietary oral immuno-oncology product candidate, VE800.
- Sonde (PureTech ownership: 55.9%)
    - In April 2019, Sonde completed a $16 million Series A financing round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand the

capability of its voice-based technology platform for monitoring and diagnosing mental and physical medical conditions and to fund commercialisation activities.
    - Sonde has collected voice data from over 14,000 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, respiratory and cardiovascular disease, as well as other health and wellness conditions
- Akili (PureTech ownership: 34.9%)
    - Akili is currently actively pursuing FDA clearance for AKL-T01. The regulatory clearance process for new categories of medicine, like digital therapeutics, can be lengthy with multiple steps and iterations. Based on interactions with the FDA to date and the novelty of the AKL-T01 technology, a final determination by the agency could be made beyond 2019.
    - In March 2019, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the development and commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to substantial royalties.
    - Akili is building its own commercial distribution platform for its digital therapeutic products to enable launch in a variety of commercial models. The company is building an integrated system for patient service, data processing, and distribution functions for its initial product launch, to allow flexibility, learning, and iteration as it continues to invest in the delivery of digital therapeutic solutions to the market. Akili's Shionogi partnership is structured to enable the implementation of this localised platform in Japan.
    - In April 2019, Akili announced the appointments of Santosh Shanbhag as chief financial officer and Jacqueline Studer, JD, as senior vice president and general counsel.
- Karuna (PureTech ownership: 31.6%; PureTech also has a right to royalty payments as a percentage of net sales)
    - In June 2019, Karuna announced the successful pricing of its initial public offering (IPO) of common stock on the Nasdaq Global Market under the symbol "KRTX." Gross proceeds were approximately $102.6 million, including the full exercise of the underwriters' over-allotment option.
    - In April 2019, Karuna completed an $82.1 million Series B round, including the issuance of $7.1 million in shares upon conversion of debt into equity.
    - In March 2019, Karuna announced the appointment of Troy A. Ignelzi as chief financial officer
- Vor (PureTech ownership: 30.2%)
    - In February 2019, Vor completed a $42.9 million Series A financing round to advance its lead cell therapy product candidate for the treatment of acute myeloid leukaemia (AML) and to further build its pipeline to treat haematologic malignancies.
    - In May 2019, the scientific founder of Vor Biopharma, Dr Siddhartha Mukherjee, and key individuals from his lab at Columbia University published a pre-clinical proof-of-concept study supporting Vor's lead product candidate, VOR33, and its technology platform for treating cancer via engineered haematopoietic stem cells (HSCs) in the *Proceedings of the National Academy of Sciences (PNAS).*
    - In the 2019 post-period, Vor announced the appointments of Robert Ang, MBBS, MBA, as president and chief executive officer and Bill Lundberg, MD, to the board of directors.
- resTORbio (PureTech ownership: 27.4%)
    - In May 2019, resTORbio initiated the first of two trials in its planned global Phase 3 clinical programme for the company's lead TORC1 inhibitor programme, RTB101, in clinically symptomatic respiratory illness. In the July post-period, resTORbio announced that it had completed patient enrolment in the first trial ahead of previously announced clinical timelines. Topline results are anticipated in 2020.
    - In March 2019, resTORbio closed an underwritten follow-on public offering with gross proceeds of approximately $50 million.

    - In April 2019, resTORbio initiated a Phase 1b/2a trial of RTB101, both alone and in combination with sirolimus, in Parkinson's disease, with results anticipated in 2020.
    - In May 2019, resTORbio announced the appointment of Lloyd Klickstein, MD, PhD, as chief scientific officer.
- Gelesis (PureTech ownership: 19.5%; PureTech also has a right to royalty payments as a percentage of net sales)
    - In April 2019, Gelesis received clearance from the FDA for its first product, PLENITY™ (Gelesis100), a prescription aid for weight management in adults with a Body Mass Index (BMI) of 25-40 kg/m^2, when used in conjunction with diet and exercise. Gelesis is initiating a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020. Gelesis also filed PLENITY for marketing authorisation in Europe in February 2019 and is currently actively pursuing marketing authorisation in Europe for PLENITY. Important safety information regarding PLENITY can be found at www.myplenity.com.
    - In March 2019, Gelesis presented its proprietary hydrogel platform at the Endocrine Society Annual Meeting in New Orleans, including clinical data from the company's pivotal GLOW study of PLENITY, and preclinical research suggesting that the company's pipeline candidate, GS300, may restore gut barrier function after damage. Gelesis also presented preclinical data at The International Liver Congress 2019 in April 2019, suggesting that GS300 may prevent the harmful effects of a high-fat diet on the liver and associated metabolic disorders.
    - In May 2019, Gelesis presented promising clinical data at Digestive Disease Week from a pilot proof of concept study of the company's novel hydrogel GS500 prototype in patients with chronic idiopathic constipation (CIC).
    - In April 2019, Gelesis announced an approximately $10.6 million grant from the Puglia (Apulia) Region of Italy to support the commercial manufacturing of PLENITY.

2) Relevant ownership interests for affiliate programs were calculated on a diluted basis as of 30 June 2019 (other than Follica which is as of 19 July 2019) including outstanding shares, options and warrants, but excluding unallocated shares authorised to be issued pursuant to equity incentive plans. Vor ownership assumes all future tranches are funded in the Series A financing round with PureTech investing an additional $0.7 million, and Sonde ownership assumes all future tranches are funded in the Series A financing round. resTORbio and Karuna ownerships are shown on an outstanding share basis, with resTORbio calculated as of 30 June 2019 and Karuna calculated as of 3 July 2019.

As at 30 June 2019, two of PureTech's affiliates, Karuna and Vor, have been deconsolidated from the Group's financial statements and will now be referred to as deconsolidated entities. PureTech maintains an equity stake and a presence on each company's board of directors, but it no longer holds a majority equity position or majority board control in each of these companies.

The Group continued to build its leading IP position, with more than 575 owned and licensed patents and patent applications (excluding patents/patent applications exclusively licensed or owned by deconsolidated entities Akili, resTORbio, Karuna, and Vor).

Upcoming Milestones (next 12 to 24 months; ordered by PureTech ownership)
Several milestones are anticipated over the next 12 to 24 months:

- PureTech expects to initiate a multiple dose Phase 1 clinical study of LYT-100, with results anticipated in 2020.
- PureTech expects to initiate a proof-of-concept study of LYT-100 in lymphedema patients in 2020, with results anticipated in 2021.
- PureTech expects to file an Investigational New Drug Application (IND) for LYT-200 in the first half of 2020 and to initiate a Phase 1a/1b study in solid tumours in 2020.
- PureTech expects to file an IND for LYT-210 in solid tumours and autoimmune diseases in 2021.
- Alivio expects to file an IND and initiate a clinical study for ALV-306 in distal colitis and pouchitis in 2020.
- Follica expects to initiate a pivotal study of FOL-004 in androgenic alopecia in 2019, with results anticipated in 2020.

- Vedanta Biosciences anticipates topline results from a Phase 1 study of VE202 (licensed to Janssen Biotech, Inc.) for inflammatory bowel disease (IBD) in the second half of 2019.
- Vedanta Biosciences anticipates topline results from a Phase 2 study of VE303 in rCDI in 2020.
- Vedanta Biosciences expects to initiate a Phase 1b/2 study of VE800 with Bristol-Myers Squibb's checkpoint inhibitor OPDIVO® (nivolumab) in advanced or metastatic cancers in 2019, with topline results expected in 2021.
- Vedanta Biosciences anticipates topline data from a Phase 1b/2 study of VE416 for food allergy in 2020.
- Sonde Health anticipates topline results from a depression detection study in 2020.
- Akili is currently actively pursuing FDA clearance for AKL-T01 in paediatric ADHD.
- Karuna anticipates topline results from a Phase 2 clinical study of KarXT for the treatment of acute psychosis in patients with schizophrenia in late 2019.
- Karuna expects to initiate a Phase 1b clinical study of KarXT in experimentally induced pain in healthy volunteers in the second half of 2019, with initial data anticipated in 2020, as well as a Phase 1b clinical study in healthy elderly volunteers to assess the safety and tolerability of KarXT for the treatment of psychosis in Alzheimer's disease later this year.
- resTORbio anticipates topline results from two Phase 3 studies of RTB101 in clinically symptomatic respiratory illness in 2020.
- resTORbio anticipates topline results from a Phase 1b/2a study of RTB101, alone or in combination with sirolimus, in Parkinson's disease in 2020.
- Gelesis is initiating a targeted US launch of PLENITY in the second half of 2019, with expected broad availability in the US by prescription in 2020. Gelesis is also currently actively pursuing marketing authorisation in Europe for PLENITY.
- Gelesis expects to initiate a pivotal study of GS500 in CIC in 2020.
- Gelesis plans to initiate a pilot study of Gelesis100 for weight loss in adolescents with overweight and obesity in 2020.
- Gelesis expects results from a proof-of-concept study of Gelesis200 in type 2 diabetes and pre-diabetes in 2020.
- Gelesis expects to initiate a pilot study of GS300 in non-alcoholic steatohepatitis/non-alcoholic fatty liver disease (NASH/NAFLD) in 2019.

Financial Highlights:

- Consolidated cash reserves[3] at 30 June 2019 were $202.1 million (31 December 2018: $250.9 million), of which $149.2 million (31 December 2018: $177.7 million) was held on a PureTech parent company level. The Group will no longer report "Group cash" including deconsolidated affiliates, in order to report the cash reserves available to the consolidated group. The Group will, however, continue providing information about funding raised by its affiliates.
- Affiliates strengthened their collective balance sheets by attracting $322.8 million in equity investments and non-dilutive funding, including $303.3 million from third parties. The balance of the funding is between PureTech and its affiliates.
- Operating Loss for the period was $70.3 million (30 June 2018: $52.3 million).

3) Cash reserves includes cash balances and short-term investments but does not include future committed tranches of previously closed financings which will be received in future periods.

Commenting on PureTech's half-yearly results, Daphne Zohar, co-founder and chief executive officer of PureTech, said:

"This has been a transformational period for PureTech, with positive developments across the Group including the FDA clearance of Gelesis' PLENITY, Karuna's Nasdaq IPO, two new collaborations with major pharmaceutical companies, the acquisition of a wholly-owned, clinical-stage product candidate for lymphedema – a debilitating condition that affects millions of people – several data presentations and trial initiations, and a significantly strengthened financial position across the Group. This continued momentum across PureTech's internal and affiliate programmes underscores PureTech's focus on delivering highly

differentiated medicines for devastating diseases and driving value for our shareholders through growth and potential monetization events."

Also commenting on PureTech's half-yearly results, Joep Muijrers, PhD, chief financial officer of PureTech, said:

"The continued outside interest in PureTech's activities was further validated by the $303.3 million raised by PureTech affiliates from third parties during the first half. Additional validation came from the second strategic partnership with a major pharmaceutical company for PureTech's internal product pipeline in less than a year. The resulting consolidated cash reserves of $202.1 million at period end, of which $149.2 million is held at the PureTech parent level, strongly positions PureTech and our affiliates to execute on our respective business and strategic objectives."

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For more information, visit www.puretechhealth.com or connect with PureTech on Twitter and LinkedIn.

This half-yearly results release may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of PureTech's business units.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

Interim Management Report

Introduction

PureTech's team, network, and expertise in the BIG Axis has enabled the company to identify and advance the latest scientific discoveries at the interface of the BIG systems. The company begins by collaborating with a cross-disciplinary group of experienced clinicians and the world's leading experts in brain-immune-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. Through this process, PureTech prioritises approaches that have the potential to reduce early development risk based on preliminary signals of human efficacy and favourable expected safety profiles. The Company then sources potential programmes from their laboratories of origin, PureTech's internal discovery platforms, or through other companies. This process leverages the Company's deep biological expertise and cross-disciplinary perspective, leading to the discovery and development of novel therapeutics.

PureTech's key relationships have consistently provided access to important discoveries before they were known to others in the industry. This proactive approach has enabled the licensing or filing of patents around the discoveries underlying the Company's pipeline prior to that work being published in dozens of papers in top tier scientific journals, including *Science, Cell,* and *Nature*.

This model has enabled the Company to access cutting edge scientific discoveries and rapidly convert these findings into valuable therapeutic product candidates. Historically, the pipeline has been developed with

strategic allies, including equity partners who helped to advance those programmes via affiliates. The Company's current pipeline of 24 product candidates includes three that are being advanced as part of PureTech's internal programmes, an additional 10 that are more than 50 per cent owned that are being developed by affiliates, and 11 that are less than 50 per cent owned that are being developed by affiliates.

As programmes have succeeded and resources have grown, PureTech has increasingly focused on its internal pipeline as an important driver of growth. This internal pipeline is centred on the lymphatic system and related immunological disorders. It currently consists of LYT-100, a wholly-owned clinical-stage product candidate that is initially being evaluated for lymphedema and other fibrotic and lymphatic disorders, and LYT-200 and LYT-210, two preclinical product candidates targeting foundational immunomodulatory mechanisms that are being developed for the treatment of intractable cancers and other immunological disorders. PureTech's internal pipeline also includes three discovery platforms: a synthetic lymphatic targeting chemistry platform, a milk exosome platform to enable oral administration of large molecules via the gut and the lymphatics system, and a meningeal lymphatics platform for treating neurodegenerative diseases. The Company has partnered with two major pharmaceutical companies on specific discovery projects related to the milk exosome and lymphatic targeting platforms, where it has retained the value of those platforms for a broad range of both internal and partnering applications.

PureTech intends to continue to leverage its experience and network to identify, invent and develop innovative new therapeutics leveraging the science of the BIG Axis, including the advancement of its internal pipeline and certain of the affiliate programmes, strategic partnerships, and other transactions and ongoing research and development efforts. The Company is also exploring the potential for a listing on Nasdaq in the United States of American Depository Shares through a registered IPO.

A selection of notable developments across the Group follows below.

Notable Developments

Internal Pipeline
In 2019, PureTech has significantly advanced its internal pipeline focused on the lymphatic system and related immunology mechanisms for the treatment of cancer, immunological, lymphatic, and CNS-related disorders. In order to support these efforts and accelerate its work, PureTech established a new corporate headquarters and labs in Boston's Seaport District in June 2019.

In April 2019, PureTech entered into a strategic collaboration with Boehringer Ingelheim (BI) to evaluate the feasibility of applying PureTech's lymphatic targeting technology to advance certain of BI's immuno-oncology product candidates. Under the terms of the agreement, PureTech is eligible to receive up to $26 million in upfront payments, research support, and preclinical milestones, and is eligible to receive more than $200 million in development and sales milestones, in addition to royalties on product sales.

Also in April 2019, PureTech presented two posters highlighting data on the development and preclinical efficacy of PureTech's immuno-oncology product candidates, LYT-200 and LYT-210 (in development for the potential treatment of historically difficult-to-treat cancers), at the American Association for Cancer Research (AACR) 2019 Annual Meeting. PureTech also received a US patent covering compositions of matter directed to fully human anti-galectin-9 antibodies for LYT-200 in the July 2019 post-period. PureTech intends to file an IND for LYT-200 in the first half of 2020 and to initiate a Phase 1a/1b study in solid tumours in 2020. PureTech also intends to file an IND for LYT-210 in solid tumours and autoimmune diseases in 2021.

In the July 2019 post-period, PureTech announced the acquisition of deupirfenidone (LYT-100), a clinical-stage product candidate for the potential treatment of lymphedema and other disorders of lymphatic flow and fibrosis. PureTech expects to initiate a multiple dose Phase 1 clinical study of LYT-100, with results anticipated in 2020. Following these results, PureTech expects to initiate a proof-of-concept study of LYT-100 in lymphedema patients in 2020, with results anticipated in 2021.

Affiliates (ordered by PureTech ownership)

PureTech's affiliates have had a strong start to 2019, with excellent clinical progress, new strategic partnerships, and validating financings.

Alivio Therapeutics continued to advance its targeted disease immunomodulation platform for the potential treatment of chronic and acute inflammatory disorders. In January 2019, Alivio entered into a strategic partnership with Purdue Pharma L.P. to advance Alivio's product candidate, ALV-107 (in development for the potential treatment of IC/BPS, through clinical development. Under the terms of the agreement, Alivio is eligible to receive up to $14.75 million in upfront and near-term license exercise payments and is eligible to receive royalties on product sales and over $260 million in research and development milestones. Purdue also has an option to collaborate on a limited number of additional compounds utilising Alivio's inflammation-targeting technology. Alivio plans to file an IND and initiate a clinical study for its lead product, ALV-306, in distal colitis and pouchitis in 2020.

Follica has continued to progress its regenerative biology platform designed to treat androgenetic alopecia, epithelial ageing, and other aesthetic conditions. In June 2019, Follica announced positive interim data from an ongoing safety and optimisation study of FOL-004 to treat hair loss in male androgenetic alopecia. The company plans to initiate a pivotal study in 2019, with topline results anticipated in 2020.

Entrega continued to advance its technology platform for the oral delivery of biologics, vaccines and other drugs that are otherwise not efficiently absorbed when taken orally. This approach uses a proprietary, customisable hydrogel dosage form to control local fluid microenvironments in the GI tract to both enhance absorption and reduce the variability of drug exposure. In the first half of 2019, Entrega continued to collaborate closely with Eli Lilly to explore the potential of Entrega's platform in oral macromolecule delivery, progressing a broader range of prototypes in additional preclinical studies.

Vedanta Biosciences has continued to advance its pipeline of rationally-defined bacterial consortia-based product candidates to address immune-mediated diseases through a number of milestones in 2019. The company is currently evaluating three of its orally-administered product candidates in clinical studies, and it expects to initiate a fourth in 2019. In May 2019, Vedanta Biosciences presented expanded, long-term positive data from its Phase 1a/1b study of VE303 for rCDI. A Phase 2 study of VE303 is ongoing, with results anticipated in 2020. Vedanta also announced the enrolment of the first patient in the Phase 1b/2 clinical study of VE416, Vedanta's product candidate in development for treatment of food allergies in adults and adolescents with a history of peanut allergy, in June 2019. Results from this study are also expected in 2020. A Phase 1 study of Vedanta's IBD candidate, VE202, is also progressing, with results anticipated in the second half of 2019. VE202 was licensed to Janssen Biotech, Inc. in 2015, and Vedanta Biosciences is eligible to receive development and commercialisation milestone payments of up to a total of $339 million in addition to royalty payments. The company is also preparing for the initiation of a Phase 1b/2 study of VE800 with Bristol-Myers Squibb's checkpoint inhibitor OPDIVO® (nivolumab) in advanced or metastatic cancers in 2019, with topline results expected in 2021. Notably, foundational preclinical research supporting the identification and development of VE800 was published in one of the top scientific journals, *Nature,* in January 2019.

In addition to clinical progress, Vedanta Biosciences announced an $18.5 million extension to its Series C financing round in May 2019, bringing the total for the round to $45.5 million.

Sonde has continued to advance its vocal biomarker technology designed to monitor and diagnose psychological and physical medical conditions. In April 2019, Sonde completed a $16 million Series A financing round, including the issuance of $6 million in shares upon conversion of debt into equity, to expand its capability across additional health conditions and device types and to fund commercialisation activities. Additionally, topline results from Sonde's ongoing depression detection study are anticipated in 2020.

Akili (deconsolidated entity) has continued to progress its pipeline of digital therapeutics designed to treat cognitive dysfunction associated with medical conditions across neurology and psychiatry, as well as complementary management-based care applications for caregivers to track behaviours and symptoms. Akili is currently actively pursuing FDA clearance for AKL-T01. The regulatory clearance process for new categories of medicine, like digital therapeutics, can be lengthy with multiple steps and iterations. Based on

interactions with the FDA to date and the novelty of the AKL-T01 technology, a final determination by the agency could be made beyond 2019.

In March 2019, Akili entered into a strategic partnership with Shionogi & Co., Ltd. for the development and commercialisation of two of Akili's digital medicine product candidates, AKL-T01 and AKL-T02 (in development for children with ADHD and Autism Spectrum Disorder, respectively), in Japan and Taiwan. Under the terms of the agreement, Akili will build and own the platform technology and received upfront payments totalling $20 million with potential milestone payments for Japan and Taiwan commercialisation of up to an additional $105 million in addition to royalties. The Akili and Shionogi teams have begun work on product localisation and clinical study design toward future regulatory submission and commercialisation.

Akili is building its own commercial distribution platform for its digital therapeutic products. The company is building an integrated system for patient service, data processing, and distribution functions for its initial product launch, to allow flexibility, learning, and iteration as it continues to invest in the seamless delivery of digital therapeutic solutions to the market. Akili's Shionogi partnership is structured to enable the implementation of this localised platform in Japan.

Karuna (deconsolidated entity) has made strong progress towards developing novel therapies to address disabling neuropsychiatric conditions, including schizophrenia, psychosis in Alzheimer's disease, and pain. In June 2019, Karuna announced the successful pricing of its IPO on Nasdaq under the ticker symbol "KRTX." Gross proceeds were approximately $102.6 million, including the full exercise of the underwriters' over-allotment option. Prior to this, in April 2019, the company completed an $82.1 million Series B financing, including the issuance of $7.1 million in shares upon conversion of debt into equity. In addition to notable financial developments, Karuna anticipates results from the Phase 2 study of KarXT (Karuna-Xanomeline-Trospium), its lead product candidate for the treatment of acute psychosis in patients with schizophrenia, in late 2019. Karuna also plans to initiate a Phase 1b clinical study of KarXT in experimentally induced pain in healthy volunteers in the second half of 2019, with initial data anticipated in 2020, and to initiate a Phase 1b clinical study in healthy elderly volunteers to assess the safety and tolerability of KarXT for the treatment of psychosis in Alzheimer's disease later this year.

Vor (deconsolidated entity) also progressed its pipeline of haematopoietic stem cell-based therapies for the potential treatment of haematologic malignancies. In February 2019, Vor announced a $42.9 million Series A financing round to advance Vor's lead candidate, VOR33, towards the clinic for the treatment of AML, and to further build its pipeline to treat haematologic malignancies. The scientific founder of Vor Biopharma, Dr Siddhartha Mukherjee, and key individuals from his lab at Columbia University published foundational proof-of-concept research supporting the development of VOR33 in PNAS in May 2019.

resTORbio (deconsolidated entity) advanced its pipeline of innovative medicines that target the biology of aging to prevent or treat ageing-related diseases. In March 2019, resTORbio announced the closing of an underwritten follow-on public offering of its common stock on Nasdaq under the ticker symbol "TORC," raising gross proceeds of approximately $50 million. In May 2019, resTORbio announced the initiation of a Phase 3 clinical programme of RTB101 in clinically symptomatic respiratory illness, following a positive End-of-Phase 2 meeting with the FDA. The two planned Phase 3 studies of RTB101, a selective inhibitor of the target of rapamycin complex 1 (TORC1) for the improvement of the function of the ageing immune system, are expected to read out in mid-2020. In April 2019, resTORbio also initiated a Phase 1b/2a study of RTB101, alone or in combination with sirolimus, in Parkinson's disease (PD). Results from this study are expected in 2020.

During 2019, Gelesis has rapidly advanced its pipeline of mechanobiology-based therapies to treat chronic diseases related to the gastrointestinal (GI) system. In April 2019, Gelesis received clearance from the FDA for PLENITY 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. Also in April 2019, Gelesis announced a $10.6 million grant by the Puglia (Apulia) Region as part of the Operative Program of the European Fund for Regional Development (FESR) to support the commercial manufacturing of PLENITY. Gelesis plans to initiate a targeted US launch of PLENITY in the second half of 2019 and anticipates PLENITY will be broadly available by prescription in the US in 2020. Gelesis also filed PLENITY for marketing authorisation in Europe in February 2019.

Building on its success with PLENITY, Gelesis has continued to progress additional product candidates through clinical and preclinical evaluation. In the first half of 2019, Gelesis presented clinical and preclinical data at three major medical meetings. In May 2019, Gelesis presented promising clinical data from a pilot study of its novel hydrogel GS500 prototype at Digestive Disease Week. GS500, which is being evaluated for the potential treatment of CIC, demonstrated a significant 16-hour reduction in colonic transit time in patients with CIC. Based on these findings, the company plans to initiate a pivotal study in 2020.

In March 2019, Gelesis presented three posters at the Endocrine Society Annual Meeting. In addition to highlighting clinical data from the pivotal study of PLENITY, the posters showcased preclinical research suggesting that Gelesis' pipeline candidate GS300, which is in development for NASH/NAFLD, could restore gut barrier function after damage. Gelesis presented additional preclinical data for GS300 at The International Liver Congress 2019 in April 2019, demonstrating that GS300 could prevent harmful effects of a high-fat diet on the liver and associated metabolic disorders. Gelesis anticipates initiating a proof-of-concept study of Gelesis300 in 2019.

Gelesis plans to initiate a pilot study of Gelesis100 for weight management in adolescents with overweight and obesity in 2020. Additionally, topline results are anticipated in 2020 from the Gelesis200 study in weight management and glycaemic control in adults with type 2 diabetes and pre-diabetes.

In January 2019, PureTech made the decision to de-prioritise Commense. PureTech has decided to retain certain intellectual property, but it will not allocate further resources to this programme pending the outcome of ongoing preclinical research with academic collaborators.

People

The Group continues to attract top talent at all levels across the organisation and has added more than 20 full-time team members in the first half of 2019 to support ongoing clinical and preclinical development (excluding new hires at Akili, resTORbio, Karuna, and Vor).

Affiliates also welcomed distinguished leaders to their teams and boards, including:

- Robert Ang, MBBS, MBA, Vor Biopharma president and chief executive officer: Prior to joining Vor Biopharma in the August 2019 post-period, Dr Ang was chief business officer of Neon Therapeutics, and was part of the early team establishing the company prior to its Series A investment and through its IPO. Prior to Neon, he served as senior vice president of business development at Bavarian Nordic, where he was primarily responsible for conducting a $975 million transaction between the company and Bristol-Myers Squibb for PROSTVAC, a Phase 3 immuno-oncology asset. Before joining Bavarian Nordic, Dr Ang served as head of both business development and medical affairs for Cadence Pharmaceuticals (now Mallinckrodt) and worked at Frazier Healthcare Ventures, a leading life sciences venture capital firm. At Frazier, he was involved in several pharmaceutical and biotechnology investments, including Cadence Pharmaceuticals, Incline Therapeutics (now The Medicines Company), Alnara Pharmaceuticals (now Eli Lilly) and Collegium Pharmaceuticals. Dr Ang also has experience in strategy consulting at the Boston Consulting Group and has general surgical training. He holds an MBBS (Doctor of Medicine) from the University of Western Australia and an MBA with honours from Columbia Business School.
- Troy A. Ignelzi, Karuna chief financial officer: Mr Ignelzi has spent 25 years supporting companies in finance, business development, and operations. He joined Karuna from scPharmaceuticals, where in his role as chief financial officer he helped oversee development from a privately-held clinical-stage company to a publicly-traded biopharma preparing for commercial launch. Prior to scPharmaceuticals, Mr Ignelzi was a senior executive at Juventas Therapeutics, Esperion Therapeutics, and Insys Therapeutics, helping raise public/private capital, expand development pipelines through licensing/acquisition, and advancing critical therapies, several of which are currently approved by the FDA. He also brings relevant commercial experience, having launched and promoted CNS drugs while at Eli Lilly. Mr Ignelzi received a BS in accounting from Ferris State University.

- Lloyd Klickstein, MD, PhD, resTORbio chief scientific officer: Dr Klickstein brings to resTORbio a strong background in drug discovery and development for new clinical indications with high unmet medical need. Prior to joining resTORbio, Dr Klickstein was the global head of translational medicine for the New Indication Discovery Unit and the Exploratory Disease Area at Novartis Institutes for Biomedical Research, where he led teams that brought forward multiple innovative programmes in a wide array of therapeutic areas, including the research and development of small molecules for nonalcoholic steatohepatitis, gene therapy for hearing loss, gene editing for sickle cell anaemia, and TORC1 inhibitors for diseases of ageing. Before Novartis, Dr Klickstein was an academic physician-scientist at Brigham and Women's Hospital (BWH), where he directed a basic research laboratory funded by the National Institutes of Health (NIH) and maintained an active clinical practice in the Arthritis Center. Dr Klickstein received a BS from Tufts University and an MD and PhD from Harvard University. He completed post-graduate clinical training in internal medicine, rheumatology, and immunology at BWH and a post-doctoral research fellowship at the Center for Blood Research.
- Bill Lundberg, MD, Vor Biopharma board of directors: Dr Lundberg is a medical oncologist with more than 15 years of experience managing and leading biotechnology research and development. Prior to joining Vor Biopharma in the July 2019 post-period, Dr Lundberg served as chief scientific officer at CRISPR Therapeutics, establishing the company in Cambridge, Massachusetts as the first US employee and leading the development of the company's first clinical trial application. Dr Lundberg was previously director and chief medical officer of Taligen Therapeutics and vice president and head of translational medicine at Alexion Pharmaceuticals, where he oversaw R&D from discovery through early clinical development. Prior to this, Dr Lundberg held roles of increasing responsibility in drug development and medical affairs at Xanthus (acquired by Antisoma), Wyeth (now Pfizer) and Genzyme. Dr Lundberg also currently serves as an independent Director of MERUS Therapeutics and a partner at Cold Spring Partners, LLC. Dr Lundberg received an MD from Stanford University School of Medicine, an MBA from Isenberg School of Management and a BS from Massachusetts Institute of Technology (MIT). He completed postdoctoral training at the Whitehead Institute and trained in internal medicine and oncology at Brigham and Women's Hospital and Dana-Farber Cancer Institute.
- Santosh Shanbhag, Akili chief financial officer: Mr Shanbhag is a senior financial executive with 20 years of experience leading financial operations for US and international organisations and executing complex business programmes for transformative healthcare companies. Prior to joining Akili, Mr Shanbhag held senior finance leadership roles at Vertex Pharmaceuticals, most recently as vice president and head of international finance and accounting, where he helped build-out the international business and secure reimbursement for novel medicines in key international markets. Prior to Vertex, Mr Shanbhag served in positions of increasing responsibility at Capgemini Consulting and Texas Instruments. He holds an MS in management & engineering from MIT and Sloan School of Management, and an MS in mechanical engineering from the University of Massachusetts, Amherst.
- Jacqueline Studer, JD, Akili senior vice president and general counsel: Ms Studer has decades of experience providing legal strategy and support to large and emerging growth healthcare companies. Prior to joining Akili, she served as corporate vice president, general counsel, and secretary at IDEXX Laboratories, where she led the legal, compliance, and regulatory organisations and was charged with building a legal, privacy, and regulatory organisation and framework to support the company's rapid global expansion. Ms Studer held prior roles leading the legal, privacy, and compliance organisations at Blue Health Intelligence and Allscripts Healthcare Solutions, and various leadership positions at GE Healthcare, including as general counsel of the GE Healthcare IT & Performance Solutions division. Ms Studer holds a bachelor's degree in management from Purdue University and a JD from Columbia University School of Law.

Financial review

In the first half of 2019, PureTech Health continued to prudently deploy its cash reserves to advance both its affiliate and internal pipeline. The Company has progressed research and clinical activities across the internal pipeline in line with its forecasted expectations and continues to invest in infrastructure to support

the commercial launch of Gelesis100 for the treatment of obesity after it was approved by the FDA in April 2019 as well as in the progression of VE303.

Additionally, the Company continued to attract capital for its affiliates. The Company raised $322.8 million in the first half of fiscal year 2019. This included Karuna's Initial Public Offering (IPO), which generated $102.6 million of gross proceeds.

	2019 (30 June) $ millions	2018 (31 December) $ millions
Cash Reserves		
Group Cash Reserves[1]	**202.1**	250.9
PureTech Health Level Cash Reserves[1]	**149.2**	177.7
	H1 2019 $ millions	H1 2018 $ millions
Results of Operations		
Revenue	**4.4**	5.0
Operating Loss	**(70.3)**	(52.3)
Loss for the Period	**(14.0)**	(15.3)

1) Cash reserves includes cash balances, short-term investments, but does not include future committed tranches of previously closed financings which will be received in future periods.

Result of Operations

Revenue

Revenue in the first half of 2019 relates primarily to the Internal pipeline's license agreement with Roche, Alivio's USAMRAA grant award and license agreement with Imbrium, and Entrega's research collaboration with Eli Lilly. Given that the Roche license agreement was executed in the second half of 2018 and the Imbrium license agreement was executed in the first half of 2019, these contracts represent the majority of the increase in revenue compared to the first half of 2018. Future revenues may be earned under existing and new license and collaboration agreements (such as the BI and Imbrium agreements which were executed in the first half of 2019) and may include non-refundable license fees. Management evaluates opportunities to enter new license and collaboration agreements with the aim of balancing the value of these partnerships and retaining ownership in our programmes to achieve meaningful milestones. Revenue from license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event-driven. Furthermore, grant revenues are typically associated with specific deliverables that have finite timelines.

Operating expenses

Operating Loss increased 34.3 percent on a year-over-year basis. The largest driver of the increase during the first half of 2019 related to an increase in research and development spending, which is a result of the pre-commercialisation preparations for Gelesis and additional costs related to the Internal pipeline, which grew in line with expectations.

The 2018 Operating Loss included Akili, which was deconsolidated 8 May 2018, Vor, which was deconsolidated 12 February 2019, and Karuna, which was deconsolidated as of 15 March 2019. Excluding these three entities in both periods, Adjusted Operating Loss increased on a year-over-year basis by 57.0 percent. Similarly, research and development expense increased on a year-over-year basis by 61.0 percent while general and administrative expense increased by 34.8 percent. Research and development expense growth excluding the deconsolidated entities mentioned above was mainly driven by the continued increased investment in the Internal pipeline.

The Directors anticipate that operating expenses, particularly research and development-related expenses, will continue to increase as the Group advances its pipeline. These operating expenses will include regulatory activities, preparation for the commercial launch of Gelesis, clinical and preclinical studies, intellectual property registration, and the cost of acquiring, developing, and manufacturing clinical study materials. General and administrative costs, consisting primarily of personnel-related costs, lease costs, and professional fees, are anticipated to grow as well, and are primarily attributed to both marketing and sales efforts for Gelesis as well as increases in overall corporate expenses.

Net finance income/(cost)

The Group's results of finance activities was a modest net finance income consistent with the prior year. The income in both periods is related to interest received on short-term investments held at PureTech Health and certain subsidiaries. The Group, as described below, has adopted a conservative cash management policy and invested the significant cash reserves generated by the IPO and other financings in US Treasuries, which resulted in $2.2 million of income from interest earned on those securities.

The loss generated within Finance income/(costs) – fair value accounting during 2019 is a result of an increase of the fair value of financial liabilities, which is primarily attributable to an increase in the third-party liability for Gelesis, which increased by $28.8 million due to the fact that it received FDA approval for Gelesis100 in April 2019. Excluding Gelesis, the adjusted fair value of liabilities increased by $4.2 million, attributable to the growth in the underlying value of the subsidiaries.

The balance of subsidiary preferred stock held by external parties, and therefore the related balance of the aggregate liquidation preference, increased during the first half of 2019 due to new issuances of preferred stock by Gelesis, Vedanta and Sonde, which was partially offset by the deconsolidation of Karuna.

Refer to notes 9, 14, 15 and 16 in the financial statements for more information.

Deconsolidation of Vor

In February 2019, Vor completed the first closing of its Series A-2 Preferred Stock financing, which resulted in PureTech's voting ownership percentage related to Vor reduced to 47.5 percent, triggering deconsolidation. Although PureTech Health does not control Vor, PureTech Health maintains significant influence over the company's strategy and the direction of the company by virtue of its large, albeit non-majority, ownership stake and continued representation on Vor's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1 and Series A-2 preferred stock (collectively the "Vor Preferred Stock") held in Vor, resulting in a gain of $5.8 million. The Vor preferred stock was classified as an Investment held at fair value upon deconsolidation. Vor did not realise additional gains related to the growth in the fair value of the stock between the deconsolidation and 30 June 2019 given the short duration between the Series A-2 financing and the reporting date as well as the fact that there have been no substantial changes in the business that would impact its valuation. PureTech Health does not hold ordinary shares in Vor and therefore is not subject to equity method accounting under IAS 28.

Refer to note 3 in the financial statements for further information.

Deconsolidation of Karuna

In March 2019, Karuna completed two closings of its Series B Preferred Stock financing, which resulted in PureTech's voting ownership percentage related to Karuna reduced to 44.3 percent, triggering deconsolidation. Although PureTech Health does not control Karuna, PureTech Health maintains significant influence over the company's strategy and the direction of the company by virtue of its large, albeit non-majority, ownership stake and continued representation on Karuna's Board of Directors.

Upon deconsolidation, PureTech Health recognised the fair value of the Series A-1 preferred shares, Series A-2 preferred shares, Common Shares and Warrants held in Karuna, resulting in a gain of $57.4 million. The

Karuna preferred shares and warrants were classified as a Investments held at fair value upon deconsolidation. The ordinary shares as well as the Warrants, which were exercised in April 2019, are subject to equity method accounting under IAS 28 and were marked to nil prior to the IPO.

On 28 June 2019 Karuna completed their initial public offering. Upon completion of the public offering, the Karuna preferred shares held by PureTech Health converted to ordinary shares. In light of PureTech Health's equity interest in Karuna and corresponding voting rights, PureTech Health 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 the completion of the conversion. At the IPO, a gain of $40.7 million was recorded on PureTech Health's books to recognise the increase on value of the preferred shares from the date of deconsolidation through the IPO date. As the public offering was priced on the last business day of the first half, no changes in fair value of the investment are noted between the IPO and 30 June 2019.

Refer to note 4 in the financial statements for further information.

Financial Position

	2018 (30 June) $ millions	2018 (31 December) $ millions
Total non-current assets	**402.2**	182.0
Total current assets	**216.1**	259.8
Total assets	**618.3**	441.8
Non-current liabilities	**98.1**	9.0
Total current liabilities[(1)]	**312.6**	265.8
Total liabilities[(2)]	**410.7**	274.8

1) Included in current liabilities are $278.8 million related to non-cash liabilities associated with the fair value of financial instruments held by third parties under IFRS 9 as of 30 June 2019, and $242.5 million related to non-cash liabilities related to the derivatives, warrants and preferred shares under IFRS 9 at 31 December 2018.
2) Number do not add up due to rounding

The consolidated cash reserves, consisting of cash, cash equivalents and short term investments, were $202.1 million at 30 June 2019 (31 December 2018 – $250.9 million). Of this amount, $149.2 million (31 December 2018 – $177.7 million) of cash reserves is held at the PureTech Health level to fund activities of the Group, including supporting future activities of the affiliates, progressing affiliate programmes toward meaningful milestone events, funding the internal pipeline, and maintaining an appropriate infrastructure.

Other significant items impacting the Group's financial position include:

- Investments held at fair value and Investments in associates increased by $154.5 million to $324.3 million primarily driven by the deconsolidation of Vor and Karuna. Further, Akili and resTORbio were deconsolidated as of December 31, 2018 and increased in value by about $11.6 million.
- Current liabilities increased to $312.6 million, primarily as a result of a $36.3 million increase of value related to financial liabilities held by third parties.

Cash Flows

	H1 2019 $ millions	**H1 2018 $ millions**
Net cash outflow from operating activities	**(35.5)**	**(44.2)**
Net cash inflow/(outflow) from investing activities	**13.5**	**(43.2)**
Net cash inflow from financing activities	**37.0**	**104.8**

As noted above, the Group increased spending as expected, with increases in both research and development costs as well as general and administrative costs to support launch activities and corporate activities during the first half of 2019. The Directors anticipate that the Group's funds will be sufficient to

continue to progress both the deconsolidated entities and affiliates programmes to meaningful milestone events, invest in the Internal pipeline through 2020 and to fund infrastructure costs through 2022. The Group's net operating cash outflow reflects the payment of operating expenses which, with the exception of the non-cash charges highlighted in footnotes 3, 4, 8 and 9 of the Results of Operations Schedule, are cash based.

The net cash inflow from investing activities during the first half of 2019 relates to proceeds from maturities of short term investments, which was offset by purchases of short term investments, the deconsolidation of Vor and Karuna's cash balances, which totalled $12.3 million, as well as $10.4 million in expenditure for property and equipment.

The net cash inflow from financing activities during the first half of 2019 primarily relates to the net issuance of preferred shares at the subsidiary level, amounting to $30.9 million in net proceeds.

The Group is focused on maintaining liquidity as well as capital preservation of investments. As a result, surplus cash reserves have been placed in highly-rated, short duration vehicles, primarily US Treasuries with maturities under two years. The Group monitors market conditions to manage any risk to the investment portfolio and investigates opportunities to increase the yield on the amounts invested, while maintaining the Group's liquidity and capital preservation objectives. At 30 June 2019, the Group had $1.8 million of cash reserves held in Euros. These cash reserves are used to fund the operation of Gelesis' Italian manufacturing and research and development subsidiary. The Directors believe it is prudent to have these cash reserves denominated in Euros to fund operations.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that, to the best of their knowledge, this condensed financial information has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, and that this Half-Year Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The Directors of PureTech Health plc are as listed on pages 46 through 48 in the PureTech Health plc Annual Report for the year ended 31 December 2018.

Details of all the current Directors of PureTech Health plc are maintained on www.puretechhealth.com.

For and on behalf of the Board of Directors
Daphne Zohar
Chief Executive Officer

16 August 2019

Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss) for the Six Months Ended 30 June

		2019	2018*
		Unaudited	
	Notes	**$'000**	$'000
Contract revenue	5	**3,955**	1,711
Grant revenue	5	**432**	3,266
Total revenue		**4,387**	4,977
Operating expenses:			
General and administrative expenses		**(29,197)**	(24,059)
Research and development expenses		**(45,507)**	(33,258)
Operating loss		**(70,317)**	(52,340)
Other income/(expense):			
Gain on deconsolidation	2, 3	**63,231**	41,730
Gain/(loss) on investments held at fair value	2, 3	**52,375**	(14,308)
(Loss)/gain on disposal of assets		**(88)**	4,039
Other expense		**47**	(468)
Other income		**115,565**	30,993
Finance income/(costs):			
Finance income	9	**2,174**	1,368
Finance costs – subsidiary preferred shares	9	**(1,425)**	(106)
Finance costs – contractual	9	**(1,896)**	(115)
Finance (costs)/income – fair value accounting	9	**(32,978)**	11,147
Net finance (costs)/income		**(34,125)**	12,294
Share of net loss of associates accounted for using the equity method		**-**	(7,007)
Profit/(loss) before taxes		**11,123**	(16,060)
Taxation	10	**(25,142)**	752
Loss for the period		**(14,019)**	(15,308)
Other comprehensive loss			
Items that are or may be reclassified as profit or loss:			
Foreign currency translation differences		**(82)**	(127)
Unrealised gain on investments held at fair value		**-**	(85)
Total other comprehensive loss		**(82)**	(212)
Total comprehensive loss, net of tax		**(14,101)**	(15,520)
Loss attributable to:			
Owners of the Company		**28,342**	(7,315)
Non-controlling interests	18	**(42,361)**	(7,993)
		(14,019)	(15,308)
Comprehensive loss attributable to:			
Owners of the Company		**28,260**	(7,527)
Non-controlling interest	18	**(42,361)**	(7,993)
		(14,101)	(15,520)
Earnings/(loss) per share:			
Basic loss per share	7	$0.10	($0.03)
Diluted loss per share	7	$0.10	($0.03)

See accompanying notes to the condensed consolidated interim financial statements

* Prior year tax numbers have been adjusted – see note 10.

Condensed Consolidated Statement of Financial Position as of the Period Ended

	Notes	30 June 2019 Unaudited $'000	31 December 2018 Audited $'000
Assets			
Non-current assets			
Property and equipment, net	12	**17,091**	8,323
Right of use asset, net	11	**52,686**	-
Intangible assets, net	13	**7,593**	3,080
Investments held at fair value	2	**206,269**	169,755
Investments in associates	3	**118,006**	-
Deferred tax assets	10	**142**	449
Other non-current assets		**440**	370
Total non-current assets		**402,227**	181,977
Current assets			
Trade and other receivables		**5,964**	1,328
Prepaid expenses and other current assets		**5,921**	5,380
Other financial assets		**2,144**	2,199
Short-term investments		**70,031**	133,828
Cash and cash equivalents		**132,048**	117,051
Total current assets		**216,108**	259,786
Total assets		**618,335**	441,763
Equity and liabilities			
Equity			
Share capital		**5,375**	5,375
Share premium		**278,385**	278,385
Merger reserve		**138,506**	138,506
Translation reserve		**(72)**	10
Other reserve		**20,380**	20,923
Accumulated deficit		**(92,371)**	(167,692)
Equity attributable to the owners of the Company		**350,203**	275,507
Non-controlling interests	18	**(142,567)**	(108,535)
Total equity		**207,636**	166,972
Non-current liabilities			
Deferred revenue		**49**	83
Deferred tax liability	10	**31,397**	6,428
Lease liability, non-current	11	**56,112**	-
Other long-term liabilities		**10,576**	2,516
Total non-current liabilities		**98,134**	9,027
Current liabilities			
Deferred revenue		**10,122**	6,560
Lease liability, current	11	**1,146**	-
Trade and other payables		**21,539**	15,875
Subsidiary:			
Notes payable	15	**7,391**	12,010
Warrant liability	14	**24,382**	13,012
Preferred shares	16	**247,070**	217,519
Other current liabilities		**915**	788
Total current liabilities		**312,565**	265,764
Total liabilities		**410,699**	274,791
Total equity and liabilities		**618,335**	441,763

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Shares	Amount $'000s	Share premium $'000s	Merger reserve $'000s	Translation reserve $'000s	Other reserve $'000s	Accumulated deficit $'000s	Total parent equity $'000s	Non-controlling interests $'000s	Total equity $'000s
Balance 1 January 2018	**237,429,696**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(124,745)**	**217,430**	**(145,586)**	**71,844**
Net loss	-	-	-	-	-	-	(7,315)	(7,315)	(7,993)	(15,308)
Foreign currency exchange	-	-	-	-	(127)	-	-	(127)	-	(127)
Unrealised loss on investments	-	-	-	-	-	-	(85)	(85)	-	(85)
Total comprehensive Income loss for the period	**-**	**-**	**-**	**-**	**(127)**	**-**	**(7,400)**	**(7,527)**	**(7,993)**	**(15,520)**
Deconsolidation of subsidiary	-	-	-	-	-	(4)	619	615	55,168	55,783
Issuance of placing shares	45,000,000	626	96,866	-	-	-	-	97,493	-	97,493
Exercise of share-based awards	64,171	-	-	-	-	-	122	122	-	122
Subsidiary dividends to non-controlling interests	-	-	-	-	-	-	(8)	(8)	-	(8)
Equity settled share-based payments	-	-	-	-	-	1,616	-	1,616	2,139	3,755
As at 30 June 2018 (unaudited)	**282,493,867**	**5,305**	**278,454**	**138,506**	**97**	**18,790**	**(131,412)**	**309,741**	**(96,272)**	**213,469**
As at 1 January 2019	**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	**-**	**-**	**-**	**-**	**-**	**-**	**(642)**	**(642)**	**-**	**(642)**
Adjusted balance as of 1 January 2019	**282,493,867**	**5,375**	**278,385**	**138,506**	**10**	**20,923**	**(168,334)**	**274,865**	**(108,535)**	**166,330**
Net income/(loss)	-	-	-	-	-	-	28,342	28,342	(42,361)	(14,019)
Foreign currency exchange	-	-	-	-	(82)	-	-	(82)	-	(82)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**(82)**	**-**	**28,342**	**28,260**	**(42,361)**	**(14,101)**
Deconsolidation of subsidiary	-	-	-	-	-	(3,794)	47,621	43,827	5,189	49,015
Equity settled share-based payments	-	-	-	-	-	3,251	-	3,251	3,140	6,391
Balance 30 June 2019 (unaudited)	**282,493,867**	**5,375**	**278,385**	**138,506**	**(72)**	**20,380**	**(92,371)**	**350,203**	**(142,567)**	**207,635**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

	Note	30 June 2019	30 June 2018*
		Unaudited	
		$'000	$'000
Cash flows from operating activities			
Loss for the period		**(14,019)**	(15,308)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation		**2,936**	1,002
Equity settled share-based payment expense	8	**6,391**	3,755
Gain on deconsolidation of subsidiary	2, 3	**(63,231)**	(41,730)
(Gain)/loss on investments held at fair value	2	**(52,375)**	14,308
Unrecognised gain on investment		**(505)**	(102)
Share of net loss of associates		**-**	7,007
Non-cash rent expense		**1,967**	-
Deferred taxation	10	**25,142**	(890)
Unrealised gain/(loss) on foreign currency transactions		**75**	(100)
Finance income/(costs)	9	**34,125**	(10,814)
Changes in operating assets and liabilities:			
Trade and other receivables		**(4,635)**	(1,578)
Prepaid expenses and other current assets		**4,738**	433
Deferred revenues		**8,545**	(1,609)
Trade and other payables		**7,476**	1,479
Other liabilities		**7,888**	(70)
Net cash used in operating activities		**(35,482)**	(44,217)
Cash flows from investing activities:			
Purchase of property and equipment	12	**(10,358)**	(2,020)
Proceeds from sale of assets	16	**-**	50
Disposal of property and equipment		**-**	125
Purchase of intangible assets	13	**(4,706)**	-
Purchases of shares in associate		**(5,650)**	(3,500)
Purchases of investments held at fair value		**(12,744)**	-
Cash in subsidiary eliminated upon deconsolidation		**(12,336)**	(13,390)
Purchases of short term investments		**(39,694)**	(126,625)
Proceeds from maturity of short term investments		**99,000**	102,182
Net cash provided by/(used in) investing activities		**13,512**	(43,178)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	15	**1,607**	150
Repayment of long-term debt		**(178)**	(185)
Proceeds from issuance of shares	16	**30,914**	105,949
Issuance of warrant	14	**4,706**	-
Subsidiary distributions to non-controlling interests		**-**	(1,070)
Net cash provided by financing activities		**37,049**	104,844
Effect of exchange rates on cash and cash equivalents		**(82)**	(24)
Net increase in cash and cash equivalents		**14,997**	17,425
Cash and cash equivalents at beginning of period		**117,051**	72,649
Cash and cash equivalents at end of period		**132,048**	90,074
Supplemental disclosure of deconsolidations:			
Assets less cash and cash equivalents		**2,887**	1,951
Liabilities		**(64,239)**	(42,106)
Equity		**49,016**	26,765
Total cash and cash equivalents - deconsolidated		**(12,336)**	(13,390)

See accompanying notes to the condensed consolidated interim financial statements.

* Prior year tax numbers have been adjusted – see note 10.

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Reporting entity
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 4AB, UK. These condensed consolidated financial statements ("interim financial statements") as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as "the Group"). PureTech is a clinical stage biotechnology company discovering, developing and commercialising highly differentiated medicines for dysfunctions of the Brain-Immune-Gut (BIG) axis.

Basis of accounting
These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's last consolidated financial statements as of and for the year ended 31 December 2018. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information included in the annual report and accounts as of and for the year ended 31 December 2018.

The Group has prepared trading and cash flow forecasts for the Group covering the period to the first quarter of 2022. After making enquiries and considering the impact of risks and opportunities on expected cash flows the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the half-yearly results.

This is the first set of the Group's financial statements in which IFRS 16, Leases, ("IFRS 16") has been applied. Changes to significant accounting policies are described below.

These interim financial statements were authorised for issue by the Company's Board of Directors on 16 August 2019.

Accounting policies
The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its consolidated financial statements in its 2018 Annual Report and Accounts, with the exception of the new standards the Group adopted as of 1 January 2019, included below.

IFRS 16, Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after 1 January 2019 and supersedes: IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases —Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet accounting model which requires the lessee to recognise assets representative of the right to use the leased item, and liabilities to pay rentals for all leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The Group expects the adoption of IFRS 16 will not materially increase the assets and liabilities on the Consolidated Statements of Financial Position or affect its results of operations.

The Group's operating leases impacted by IFRS 16 principally include leases from real estate.

Existing finance leases will continue to be treated as finance leases. For existing operating leases, 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 will not be restated. Upon transition, the Group has applied the following practical expedients:

- excluding initial direct costs from the right-of-use assets;
- use hindsight when assessing the lease term;
- not reassessing whether a contract is or contains a lease; and
- not separating the lease components from the non-lease components in lease contracts.

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 is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group used its incremental borrowing rate. 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 as follows:

	1 January 2019
	$000's
Right of use asset	10,353
Lease liability	10,995
Accumulated deficit	(642)

In the first half of 2019, the Company entered into additional leases that added substantially more right of use assets and lease liabilities to the statement of financial position. This includes three different spaces for the Company and its consolidated subsidiaries, amounting to approximately $102.3 million of additional future lease commitments. Further information regarding the right of use asset and lease liability can be found in Note 11.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Investments held at fair value

resTORbio

On 28 January 2018, resTORbio, Inc., closed its initial public offering. Prior to the resTORbio IPO, PureTech recorded a loss of $14.3 million during the year ended December 31, 2018 to the Consolidated Statement of Income/(Loss) within Gain on investments held 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 converted to common shares. In light of PureTech's ordinary share holdings in resTORbio and corresponding voting rights, PureTech had re-established a basis to account for its investment in resTORbio under IAS 28. The preferred stock investment held at fair value was therefore reclassified to investment in associate upon the completion of the conversion.

During the six months ended 30 June 2019, the Company recognised a gain of $15.5 million that was recorded on the line item Gain on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss).

Akili
During the six months ended 30 June 2019, the Company recognised a loss of $3.9 million that was recorded on the line item Loss on investments held at fair value within the Consolidated Statements of Comprehensive Income/(Loss).

On 3 May 2019, PureTech's remaining three representatives on Akili's board of directors stepped down. Now that PureTech has no representation on Akili's board, only maintains 33.4% ownership, does not have access to Akili's financial information and is not able to participate in policy-making processes, it has been determined that PureTech has lost significant influence over Akili. As such, the interests in Akili will be accounted for as investments held at fair value in accordance with IFRS 9.

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

On 12 February 2019, Vor completed the first close of a Series A-2 Preferred Stock financing with PureTech as well as several new investors. The financing provided for the purchase of 62,819,866 shares of Vor Series A-2 Preferred Stock.

As a result of the issuance of the preferred shares to third-party investors, following the close of the Series A-2 financing, PureTech's ownership percentage and corresponding voting rights related to Vor dropped from 79.5% to 47.5%, and PureTech simultaneously lost control over Vor's board of directors, both of which triggered a loss of control over the entity. As of 12 February 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 Group's Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss). While the Company no longer controls 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. 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 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 ordinary shares is nil. Therefore, PureTech had no basis to account for its investment in Vor under IAS 28, Investment in Associates and Joint Ventures. The preferred shares held by PureTech fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value through profit and loss.

During the six months ended 30 June 2019, the Company recognised a $5.8 million gain on the deconsolidation of Vor, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss).

One S.r.l.
On 25 June 2019, the Group entered into an agreement with One S.r.l. in order to reduce a royalty to be paid. As part of this agreement, the Group agreed to purchase 10% of One S.r.l.'s equity interest. As of 30 June 2019, the carrying value of the Group's interest in One S.r.l. is $12.7 million.

Valuation of level 3 investments held at fair value

The following weighted average assumptions were used to determine the fair value of the investments held at fair value at 30 June 2019:

Expected volatility	50.0 - 80.5%
Expected dividend yield	0.0%
Risk free interest rate	1.75 - 2.50%
Estimated fair value of the convertible preferred stock	$0.20 - $7.80

The fair value of these investments held at fair value may differ significantly in the future from the carrying value as of 30 June 2019, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss) at that time. The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's investment at fair value:

Input	**Sensitivity Range**	**Investments held at fair value Increase / (Decrease) $000s**
Subsidiary Enterprise Value	-2%	(1,125)
	2%	1,124
Volatility	-10%	312
	10%	(213)
Time to Liquidity	-6 Months	7,167
	+6 Months	(5,815)
Risk-free Rate	-0.07%/-0.01%	7,167
	+0.02%/+0.09%	(5,815)

3. Investments in Associates

Karuna

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

On 15 March 2019, Karuna completed the first closing of a Series B Preferred Stock financing with PureTech as well as several new investors. The financing provided for the purchase of 5,285,102 shares of Karuna Series B Preferred Stock at a purchase price of $15.14 per share.

As a result of the issuance of the preferred shares to third-party investors, following the close of the Series B financing, PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 70.9% to 44.3%, and PureTech simultaneously lost control over Karuna's board of directors, both of which triggered a loss of control over the entity. As of 15 March 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 Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss). At the date of deconsolidation, PureTech recorded a $57.4 million gain on the deconsolidation of Karuna, which was recorded to the Gain on the deconsolidation of subsidiary line item in the Condensed Consolidated Statement of Income/(Loss) and Other 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 has the power to participate in the financial and operating policy decisions of the entity, although it does not control these policies. As PureTech is able to demonstrate that it has significant influence over Karuna, the entity will be accounted for as an associate under IAS 28.

Upon the date of deconsolidation, PureTech held shares of preferred stock and ordinary shares of Karuna and a warrant issued by Karuna to PureTech. The preferred shares and warrant held by PureTech fall under the guidance of IFRS 9 and will be treated as financial assets held at fair value and all movements to the value of PureTech's share in the preferred stock will be recorded through the Condensed Consolidated Statements of Income/(Loss) and Other Comprehensive Income/(Loss), in accordance with IFRS 9.

As of the date of deconsolidation, PureTech's investment in common shares of Karuna is subject to equity method accounting with an initial investment of $120. In accordance with IAS 28, PureTech's investment was adjusted by the share of profits and losses generated by Karuna subsequent to the date of deconsolidation. In March 2019, PureTech exercised the warrants for a total of $58,328. At that time, the shares had a fair value of $183,911 that was reclassified between the investment held under the equity method balance and the investment held at fair value. Due to the relatively small investment in associate balance and overwhelmingly large losses by Karuna, the common share investment accounted for under the equity method is remeasured to nil as of 30 June 2019.

On 28 June 2019, Karuna priced its IPO. Following the closing of the IPO, PureTech's ownership percentage and corresponding voting rights related to Karuna dropped from 44.3% to 31.6%; however, PureTech has 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 ordinary share holdings in Karuna and corresponding voting rights, PureTech had re-established a basis to account for its preferred stock investment in Karuna under IAS 28. The preferred stock investment held at fair value was therefore reclassified to investment in associate upon the completion of the conversion.

During the six months ended 30 June 2019, the Company recognised a gain of $40.6 million that was recorded on the line item Gain on investments held at fair value within the Consolidated Statements 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 30 June 2019, Karuna maintained a carrying value of $118.0 million.

4. Reportable segments

Information about Reportable Segments

	30 June 2019				
	Internal $'000	Subsidiaries $'000	Deconsolidated Entities $'000	Parent Company & other $'000	Consolidated $'000
Consolidated Statements of Comprehensive Loss					
Contract revenue	2,479	1,263	-	213	3,955
Grant revenue	15	417	-	-	432
Total revenue	**2,494**	**1,680**	**-**	**213**	**4,387**
General and administrative expenses	(1,157)	(14,249)	(2,580)	(11,211)	(29,197)
Research and development expenses	(10,757)	(28,141)	(5,947)	(662)	(45,507)
Total operating expenses	**(11,914)**	**(42,390)**	**(8,527)**	**(11,873)**	**(74,704)**
Other income	17	(39)	-	115,587	115,565
Net finance costs	(688)	(35,917)	70	2,410	(34,125)
Income/(loss) from continuing operations	**(10,091)**	**(76,666)**	**(8,457)**	**106,337**	**11,123**
Income/(loss) before taxes pre IAS 39 fair value accounting, finance cost - subsidiary preferred shares, share-based payment expense, impairment of tangible assets, depreciation of tangible assets and amortisation of intangible assets	**(9,974)**	**(37,888)**	**(7,293)**	**108,466**	**53,311**
Finance costs - subsidiary preferred shares	-	(1,425)	-	-	(1,425)
Finance costs - IAS 39 fair value accounting	-	(33,074)	40	56	(32,978)
Share-based payment expense	(3)	(3,137)	(1,192)	(2,059)	(6,391)
Depreciation of tangible assets	(70)	(1,013)	(12)	(126)	(1,221)
Amortisation of intangible assets	(44)	(129)	-	-	(173)
Loss before taxes	(10,091)	(76,666)	(8,457)	106,337	11,123
Taxation	-	(172)	-	(24,970)	(25,142)
Income/(loss) for the year	**(10,091)**	**(76,838)**	**(8,457)**	**81,367**	**(14,019)**
Other comprehensive income	-	(82)	-	-	(82)
Total comprehensive income/(loss) for the year	**(10,091)**	**(76,920)**	**(8,457)**	**81,367**	**(14,101)**
Total comprehensive income/(loss) attributable to:			-		
Owners of the Company	(2)	(45,002)	(8,103)	81,367	28,260
Non-controlling interests	(10,089)	(31,918)	(354)	-	(42,361)
Consolidated Statements of Financial Position:					
Total assets	7,615	73,539	-	537,181	618,335
Total liabilities	28,082	324,693	-	57,924	410,699
Net assets/(liabilities)	**(20,467)**	**(251,154)**	**-**	**479,257**	**207,636**

	31 December 2018				
	Internal $'000	Subsidiaries $'000	Deconsolidated Entities $'000	Parent Company & other $'000	Consolidated $'000
Consolidated Statement of Financial Position					
Total assets	2,985	39,767	-	399,011	441,763
Total liabilities	13,365	251,372	-	10,054	274,791
Net (liabilities)/assets	**(10,380)**	**(211,605)**	**-**	**388,957**	**166,972**

	30 June 2018				
	Internal $'000	Subsidiaries $'000	Deconsolidated Entities $'000	Parent Company & other $'000	Consolidated $'000
Consolidated Statements of Comprehensive Loss					
Contract revenue	-	1,697	-	14	1,711
Grant revenue	-	3,246	20	-	3,266
Total revenue	**-**	**4,943**	**20**	**14**	**4,977**
General and administrative expenses	(914)	(9,792)	(3,599)	(9,754)	(24,059)
Research and development expenses	(3,628)	(24,904)	(4,299)	(427)	(33,258)
Total operating expenses	**(4,542)**	**(34,696)**	**(7,898)**	**(10,181)**	**(57,317)**
Other income	-	4	-	30,989	30,993
Net finance costs	(253)	(5,781)	14,928	3,400	12,294
Share of net loss of associates accounted for using the equity method	-	-	-	(7,007)	(7,007)
Income/(loss) from continuing operations	**(4,795)**	**(35,530)**	**7,050**	**17,215**	**(16,060)**
Income/(loss) before taxes pre IAS 39 fair value accounting, finance cost - subsidiary preferred shares, share-based payment expense, impairment of tangible assets, depreciation of tangible assets and amortisation of intangible assets	**(4,783)**	**(28,673)**	**(7,410)**	**18,522**	**(22,344)**
Finance costs - subsidiary preferred shares	-	-	-	(106)	(106)
Finance costs - IAS 39 fair value accounting	-	(4,271)	14,855	563	11,147
Share-based payment expense	(5)	(1,752)	(372)	(1,626)	(3,755)
Depreciation of tangible assets	(5)	(758)	(22)	(127)	(912)
Amortisation of intangible assets	(2)	(76)	(1)	(11)	(90)
Loss before taxes	(4,795)	(35,530)	7,050	17,215	(16,060)
Taxation	-	(279)	2	1,029	752
Income/(loss) for the year	**(4,795)**	**(35,809)**	**7,052**	**18,244**	**(15,308)**
Other comprehensive income	-	(127)	-	(85)	(212)
Total comprehensive income/(loss) for the year	**(4,795)**	**(35,936)**	**7,052**	**18,159**	**(15,520)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(1,032)	(24,654)	-	18,159	(7,527)
Non-controlling interests	(3,763)	(11,282)	7,052	-	(7,993)

During the six months ended 30 June 2019, two entities, Vor Biopharma, Inc. and Karuna Therapeutics, Inc. (formerly Karuna Pharmaceuticals, Inc.) were reclassified from Subsidiaries to

Deconsolidated Entities as of 12 February 2019 and 15 March 2018, respectively, due to the loss of control.

5. Revenue

Revenue recorded in the statement of comprehensive loss consists of the following:

For the six months ended 30 June	**2019 $000s**	2018 $000s
Contract revenue (IFRS 15)	3,955	1,711
Grant revenue (IAS 20)	432	3,266
Total revenue	**4,387**	4,977

Disaggregated revenue

The Group disaggregates revenue from 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 the transfer of control of the underlying performance obligations and the geographic location of the customer.

Timing of revenue recognition	**2019 $000s**	2018 $000s
Transferred at a point in time	-	1,415
Transferred over time	3,955	296
Total revenue	**3,955**	1,711

Customers over 10% of revenue	**2019 $000s**	2018 $000s
Roche Holding AG	2,479	-
Eli Lilly and Company	765	282
Imbrium Therapeutics L.P.	457	-
BMEB Services LLC, as subsidiary of Google	-	1,415
Total revenue	**3,701**	**1,697**

All amounts recorded in revenue from customers were generated in the United States.

6. Equity

At 30 June 2019 and 31 December 2018, 282,493,867 common shares were outstanding including all vested common shares issued pursuant to PureTech Health LLC Incentive Compensation arrangements detailed in note 8.

7. Loss per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding during the six months ended 30 June 2019 and 2018, respectively.

Loss attributable to common shareholders

For the six months ended:	30 June 2019		30 June 2018*	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Profit/(loss) for the period, attributable to the owners of the Company	28,342	28,342	(7,315)	(7,315)
Profit/(loss) attributable to common shareholders	28,342	28,342	(7,315)	(7,315)

* Prior year tax numbers have been adjusted – see note 10.

Weighted average number of common shares

For the six months ended:	30 June 2019		30 June 2018	
	Basic	Diluted	Basic	Diluted
Issued common shares	282,712,583	282,712,583	236,897,579	236,897,579
Effect of shares issued	-	-	27,939,449	27,939,449
Effect of dilutive shares	-	10,533,006	-	-
Weighted average common shares	282,712,583	293,245,589	264,837,028	264,837,028

Dilutive securities consist of common shares issued pursuant to PureTech Health LLC's Incentive Compensation arrangements that have vested as well as the common shares that were issued as part of PureTech's IPO.

The profit/(loss) per share for the six months ended 30 June 2019 and 2018 is as follows:

	30 June 2019		30 June 2018	
	Basic	Diluted	Basic	Diluted
Loss per share	$0.10	$0.10	($0.03)	($0.03)

8. Share-based Payments

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

Share-based Payment Expense
The Group share-based payment expense for the six months ended 30 June 2019 and 2018, respectively, were comprised of charges related to the PureTech Health plc stock option issuances and subsidiary stock plans, as disclosed in the annual report and accounts.

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

	For the six months ended 30 June	
	2019 $'000	2018 $'000
General and administrative	3,847	2,700
Research and development	2,544	1,055
Total	**6,391**	**3,755**

There was no income tax benefit recognised for share-based payment arrangements during the periods presented due to existence of operating losses for all issuing entities.

The Performance Share Plan
As of 30 June 2019, the Company had issued 6,931,990 RSUs and stock options under the Performance Share Plan ("PSP"), net of forfeitures.

RSUs
The Group incurred share-based payment expense for the RSUs of $1.2 million and $1.3 million for the six months ended 30 June 2019 and 2018, respectively.

Stock Options
During the six months ended 30 June 2019, the Company granted 1,274,388 stock option awards under the PSP.

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

For the six months ended:	30 June 2019	30 June 2018
Expected volatility	36.0%	45.00%
Expected term (in years)	5.47	6.07
Risk-free interest rate	2.25%	2.79%
Expected dividend yield	—%	—%
Grant date fair value	$0.89	$0.97
Share price at grant date	$2.49	$2.05

The Group incurred share-based payment expense for the stock options of $0.9 million and $0.3 million for the six months ended 30 June 2019 and 2018, respectively.

Pre-IPO Incentive Compensation
In May 2015 and August 2014, prior to the Company's IPO, the PureTech Health LLC Directors approved the issuance of shares to management, the directors and certain advisors of PureTech Health LLC, subject to vesting restrictions. 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 Group incurred an expense of $0.2 million in share-based payment expense for the six months ended 30 June 2018 related to PureTech Health LLC incentive compensation.

As of 30 June 2018, all shares related to the pre-IPO incentive compensation plan had fully vested.

Subsidiary Stock Plans
During the six months ended 30 June 2019, Vedanta granted an aggregate of 23,250 stock option awards under its stock plan. There were no other grants within the subsidiaries during the period.

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

For the six months ended June 30:	2019	2018
Expected volatility	90.94%	92.28%
Expected term (in years)	5.95	6.14
Risk-free interest rate	1.88%	2.65%
Expected dividend yield	-%	-%
Grant date fair value	$13.98	$11.25
Share price at grant date	$18.71	$14.66

The subsidiaries incurred $4.3 million and $2.1 million in share-based payment expense for the six months ended 30 June 2019 and 2018, respectively.

9. Net Finance Costs

The following table provides the classification of finance income and costs:

	2019 $'000s	2018 $'000s
Finance income		
Interest income on bank deposits	2,174	1,368
Total finance income	2,174	1,368
Finance costs		
Finance costs - contractual:		
Interest expense on other borrowings	69	(2)
Non-cash interest expense on convertible securities	(2,032)	(225)
Currency gain	67	112
Total finance costs - contractual	(1,896)	(115)
Finance costs – subsidiary preferred shares:		
Accretion from subsidiary preferred shares	-	(106)
Loss on issuance of preferred shares	(1,425)	-
Total finance costs – subsidiary preferred shares	(1,425)	(106)
Finance costs – fair value accounting:		
Fair value adjustment – warrant liability	(6,664)	52
Fair value adjustment - convertible notes	1,029	1,394
Fair value adjustment - preferred shares	(27,343)	9,701
Total finance costs – fair value accounting	(32,978)	11,147
Finance (costs)/income, net	**(34,125)**	**12,294**

10. Income Taxes

Deferred tax adjustment

During 2018, the Directors identified that as at 30 June 2018, a non-cash gain in respect of 'Investments held at fair value', offset against available tax losses, should have resulted in a deferred tax liability of $3.7m, whereas it was previously calculated as $4.4m. As a result, a prior year adjustment has been made to correct the position. The impact of this has been as follows:

- The tax (charge)/ credit for the period ended 30 June 2018 is now reported as a credit of $0.8 million (previously a credit of approximately $0.1 million).
- The net loss for the period ended 30 June 2018 is now reported as $15.3 million (previously a loss of $16.0 million).
- Loss attributable to the owners of the company for the period ended 30 June 2018 is now reported as $7.3 million (previously as loss of $8.0 million).
- The total comprehensive loss for the period ended 30 June 2018 is now reported as $15.5 million (previously a loss of $16.2 million).
- Net loss and the deferred taxation line item are now reported as $15.3 million (previously a loss of $16.0 million) and $0.9 million (previously $0.2 million) within the Condensed Consolidated Statements of Cash Flows, respectively. The change did not impact net cash used in operating activities.
- Loss attributable to the owners of the company used in the calculation of earnings per share for the period ended 30 June 2018 is now reported as $7.3 million (previously as loss of $8.0 million). The change did not impact earnings per share.

Current period taxation

Tax benefit/(expense) is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate in respect of continuing operations was 228.9% and 4.7% for the six months ended 30 June 2019 and 2018, respectively. The effective tax rate in the current period is driven almost exclusively by the large gain taken upon deconsolidation during the period. Without gains upon deconsolidation in the period, the effective tax rate would have been 5.1%.

11. Leases

	Right of use asset, net
	$000s
Balance at 31 December 2018	-
Adoption of IFRS 16	10,353
Balance at 1 January 2019	10,353
Additions	45,467
Depreciation	(1,547)
Deconsolidated	(1,587)
Balance at 30 June 2019	**52,686**

	Lease liability (current)	Lease liability (non-current)	Total lease liability
	$000s	$000s	$000s
Balance at 31 December 2018	-	-	-
Adoption of IFRS 16	-	10,995	10,995
Balance at 1 January 2019	-	10,995	10,995
Additions	1,164	46,271	47,435
Cash paid less interest expense	-	607	607
Deconsolidated	(18)	(1,761)	(1,779)
Balance at 30 June 2019	**1,146**	**56,112**	**57,258**

Additions in the period relate to three leases that were entered into by PureTech and its consolidated subsidiaries during the six months ended 30 June 2019. Amounts were arrived at using the contractual minimal lease payments, present valued using the applicable incremental borrowing rate, which ranged from 4.89% to 7.40%.

In the period, PureTech entered into a lease agreement for certain premises consisting of approximately 50,858 rentable square feet of space. The lease commences on April 26th, 2019 ("Commencement Date") for an initial term consisting of ten (10) years and three (3) months and there is an option to extend two (2) consecutive periods of five (5) years each.

12. 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 at 1 January 2018	6,082	469	1,214	2,899	74	10,738
Additions	1,586	27	477	2,070	171	4,331
Disposals	(261)	(8)	(260)	(27)	-	(556)
Exchange differences	(101)	-	-	(18)	(6)	(125)
Balance at 31 December 2018	7,306	488	1,431	4,924	239	14,388
Additions	2,505	950	21	2,872	4,010	10,358

Disposals	(85)	-	(12)	(27)	-	(124)
Deconsolidated	(109)	-	(62)	(180)	-	(351)
Exchange differences	(11)	-	-	(1)	24	12
Balance at 30 June 2019	**9,606**	**1,438**	**1,378**	**7,588**	**4,273**	**24,283**

Accumulated depreciation	Laboratory and Manufacturing Equipment $000s	Furniture and Fixtures $000s	Computer Equipment and Software $000s	Leasehold Improvements $000s	Construction in Process $000s	Total $000s
Balance at 1 January 2018	(2,360)	(175)	(534)	(807)	-	(3,876)
Depreciation	(1,032)	(60)	(296)	(1,088)	-	(2,476)
Disposals	114	2	74	20	-	210
Exchange differences	56	-	-	21	-	77
Balance at 31 December 2018	(3,222)	(233)	(756)	(1,854)	-	(6,065)
Depreciation	(647)	(57)	(144)	(368)	-	(1,216)
Disposals	29	-	4	-	-	33
Deconsolidated	35	-	15	9	-	59
Exchange differences	(5)	-	-	2	-	(3)
Balance at 30 June 2019	**(3,810)**	**(290)**	**(881)**	**(2,211)**	**-**	**(7,192)**

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 at 1 January 2018	3,722	294	680	2,092	74	6,862
Balance at 31 December 2018	4,084	255	675	3,070	239	8,323
Balance at 30 June 2019	5,796	1,148	497	5,377	4,273	17,091

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 Group recorded depreciation expense of $1.2 million and $2.5 million during the six months ended 30 June 2019 and 2018, respectively.

13. 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 cash and non-cash consideration transferred. Information regarding the cost and accumulated amortisation of intangible assets is as follows:

Cost	Licenses $000s
Balance at 1 January 2018	5,018
Additions	125
Deconsolidation of subsidiary	(76)
Balance at 31 December 2018	5,067
Additions	4,706
Deconsolidation of subsidiary	(326)
Balance at 30 June 2019	**9,447**

Accumulated Amortisation	Licenses $000s
Balance at 1 January 2018	(1,709)
Amortisation	(302)

Deconsolidation of subsidiary	24
Balance at 31 December 2018	(1,987)
Amortisation	(173)
Deconsolidation of subsidiary	306
Balance at 30 June 2019	**(1,854)**

	Licenses
Intangible assets, net	$000s
Balance at 1 January 2018	3,309
Balance at 31 December 2018	3,080
Balance at 30 June 2019	**7,593**

Amortisation expense is included in the Research and development expenses line item in the accompanying Consolidated Statements of Comprehensive Income/(Loss). Amortisation expense, recorded using the straight-line method, was $0.2 million and $0.3 million during the six months ended 30 June 2019 and 2018, respectively.

14. Warrant Liabilities

The following table summarised the changes in the Group's subsidiary warrant liabilities arising out of the Gelesis and Follica warrants measured at fair value using significant unobservable inputs (Level 3):

	Subsidiary Warrant Liability $'000
Balance as of 31 December 2017	13,095
Change in fair value	(83)
Balance as of 31 December 2018	13,012
Issuance of warrants	4,706
Change in fair value	6,664
Balance as of 30 June 2019	24,382

The change in the fair value of the subsidiary warrants was recorded in finance costs, net in the Condensed Consolidated Statement of Income/(Loss) and Other Comprehensive Income/(Loss). The $24.4 million warrant liability is primarily attributable to the Gelesis warrants, which carried a liability balance of $21.2 million. There were additional warrants issued by Gelesis in the period with a fair value of $4.7 million. The remaining balance is attributable to Follica warrants.

The following weighted average assumptions were used to determine the fair value of the warrants at 30 June 2019:

Expected volatility	61.5%
Expected dividend yield	0.0%
Risk free interest rate	1.9%
Estimated fair value of the convertible preferred stock	$17.70
Exercise price of warrants	$0.04 – $17.70

The fair value of these warrant liabilities may differ significantly in the future from the carrying value as of 30 June 2019, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statement of Income/(Loss) at that time.

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's warrant liabilities:

Input	Sensitivity Range	Warrant Liability Increase / (Decrease) $000s
Subsidiary Enterprise Value	-2%	(3,800)
	2%	3,800
Volatility	-10%	(51)
	10%	28
Time to Liquidity	-6 Months	16,676
	+6 Months	(15,283)
Risk-free Rate	-0.08%	16,676
	+0.17%	(15,283)

15. Subsidiary Notes Payable

The subsidiary notes payable are comprised of loans and convertible notes. The notes payable consists of the following:

	30 June 2019 $'000s	31 December 2018 $'000s
Loans	**2,372**	2,552
Convertible notes	**5,019**	9,458
Total subsidiary notes payable	**7,391**	12,010

Convertible notes outstanding were as follows:

	Karuna	Follica	Knode	Appeering	Total
	$'000s	$'000s	$'000s	$'000s	$'000s
1 January 2018	4,289	494	50	75	4,908
Gross principal	4,700	1,124	-	-	5,824
Adjustment for fair value	(93)	(35)	-	-	(128)
Conversion	(7,581)	-	-	-	(7,581)
Adjustment due to the adoption of IFRS 9	1,523	4,912	-	-	6,435
31 December 2018	**2,838**	**6,495**	**50**	**75**	**9,458**
Issuance	1,607	-	-	-	1,607
Adjustment for fair value	571	(1,601)	-	-	(1,030)
Conversion	(5,016)	-	-	-	(5,016)
30 June 2019	**-**	**4,894**	**50**	**75**	**5,019**

The Follica convertible notes were converted to preferred stock in a round shortly after 30 June 2019. See note 20 for further details. To arrive at the fair value of those notes, management determined the fair value of the notes to be equal to the conversion value.

16. Subsidiary Preferred Shares

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 those specified in the subsidiary's charters or upon the vote of the holders of the subsidiary preferred shares specified in the charter. Under certain scenarios the number of common shares receivable on conversion will change and therefore, a variable number of shares will be issued.

The preferred shares are entitled to vote with holders of ordinary shares on an as converted basis. The Group recognises 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. Preferred shares are not allocated a proportion of the subsidiary losses.

The balance as of 30 June 2019 and 31 December 2018 represents the fair value of the instruments for all subsidiary preferred shares except for Tal, which represents the host instrument at amortised cost. The following summarises the subsidiary preferred share balance:

	30 June 2019	**31 December 2018**
	$'000s	**$'000s**
Entrega	**3,048**	2,780
Follica	**2,538**	60
Gelesis	**175,615**	140,192
Karuna	**-**	32,342
Sonde	**5,112**	-
The Sync Project	**54**	109
Tal	**113**	113
Vedanta	**60,590**	41,923
Total subsidiary preferred share balance	**247,070**	217,519

The following weighted average assumptions were used to determine the fair value of the preferred shares at 30 June 2019:

Expected volatility	28.0% - 85.0%
Expected dividend yield	0.0%
Risk free interest rate	1.72% - 2.34%
Estimated fair value of the convertible preferred stock	$1.21 - $14,762

The fair value of these preferred shares may differ significantly in the future from the carrying value as of 30 June 2019, and, accordingly, adjustments will be recorded in the Condensed Consolidated Statement of Income/(Loss) at that time.

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's preferred share liabilities:

Input	**Sensitivity Range**	**Preferred Share Liability Increase / (Decrease) $000s**
Subsidiary Enterprise Value	-2%	(4,283)
	2%	4,282
Volatility	10%	422

	-10%	(532)
Time to Liquidity	-6 Months	17,205
	+6 Months	(15,785)
Risk-free Rate	-0.08%/-0.01%	17,205
	+0.02%/+0.17%	(15,785)

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 then outstanding are entitled to be paid their respective liquidation preference out of the assets of the subsidiary available for distribution to stockholders and before any payment is 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 do not own a majority of the outstanding shares of the surviving company will 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 will also be deemed a liquidation event.

As of 30 June 2019 and 31 December 2018, 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:

	30 June 2019	**31 December 2018**
	$'000s	**$'000s**
Entrega	**2,216**	2,216
Follica	**1,893**	1,895
Gelesis	**85,857**	77,301
Karuna	**-**	24,343
Sonde	**15,750**	-
Tal	**-**	113
Vedanta Biosciences	**60,591**	41,923
Total minimum liquidation preference	**166,307**	147,791

For the six months ended 30 June 2019 and the year ended 31 December 2018, the Group recognised the following changes in subsidiary preferred shares:

	$'000s
Balance at 1 January 2018	215,635
Issuance of new preferred shares	54,537
Conversion of convertible notes	7,930
Decrease in value of preferred shares measured at fair value	(23,110)
Sale of The Sync Group	(1,062)
Deconsolidation of Akili	(36,517)
Accretion	106
Balance at 31 December 2018	**217,519**
Issuance of new preferred shares	32,340
Loss on issuance of new shares	1,564
Increase in value of preferred shares measured at fair value	27,343
Deconsolidation of Karuna	(36,747)
Conversion of Karuna	5,017
Balance at 30 June 2019	**247,070**

2019

On 4 April 2019, Sonde received $5.3 million from outside investors through the issuance of its Series A-2 Preferred Stock as part of a $16.0 million financing. 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.

In March and May 2019, Vedanta completed a second and third closing of its Series C Preferred Stock financing for aggregate proceeds of $18.7 million. PureTech 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.

2018

On 28 February 2018, Gelesis received $8.5 million from outside investors through the issuance of its Series 2 Growth Preferred Stock as part of a $30.0 million financing. 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.

In May 2018, Akili issued Series C Preferred Stock for aggregate proceeds of $55.0 million. PureTech did not participate in this financing. Upon closing of Akili's Series C financing, the subsidiary was deconsolidated from PureTech (see note 3).

17. 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.

The fair value of financial instruments by category at 30 June 2019 and 31 December 2018:

	30 June 2019					
	Carrying Amount		Fair Value			
	Financial Assets $000s	Financial Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
U.S. treasuries	70,031	-	70,031	-	-	70,031
Money markets	109,656	-	109,656	-	-	109,656
Investments in affiliates	118,006	-	118,006	-	-	118,006
Investments held at fair value	206,599	-	100,089	-	106,510	206,599
Trade and other receivables	5,964	-	-	5,964	-	5,964
Total financial assets	**510,256**	**-**	**397,782**	**5,964**	**106,510**	**510,256**
Financial liabilities:						
Subsidiary warrant liability	-	24,382	-	-	24,382	24,382
Subsidiary preferred shares	-	247,070	-	-	247,070	247,070
Subsidiary notes payable	-	7,391	-	2,497	4,894	7,391
Total financial liabilities	**-**	**278,843**	**-**	**2,497**	**276,346**	**278,843**

	31 December 2018			
	Carrying Amount		Fair Value	
	Financi	Financia		

	al Assets $000s	l Liabilities $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s	Total $000s
Financial assets:						
U.S. treasuries	133,828	-	133,828	-	-	133,828
Certificates of deposit	2,199	-	-	2,199	-	2,199
Other deposits	100	-	-	100	-	100
Investments held at fair value	169,755	-	84,479	-	85,276	169,755
Trade and other receivables	1,328	-	-	1,328	-	1,328
Total financial assets	**307,210**	**-**	**218,307**	**3,627**	**85,276**	**307,210**
Financial liabilities:						
Subsidiary warrant liability	-	13,012	-	-	13,012	13,012
Subsidiary preferred shares	-	217,519	-	-	217,519	217,519
Subsidiary notes payable	-	12,010	-	12,010	-	12,010
Total financial liabilities	**-**	**242,541**	**-**	**12,010**	**230,531**	**242,541**

Roll forward of Level 3 Investments held at fair value

	$'000s
Balance at 1 January 2019	85,276
Deconsolidated	12,028
Purchases	13,074
Loss on changes in fair value	(3,868)
Balance at 30 June 2019	**106,510**

Roll forward of Level 3 Liabilities

	Subsidiary convertible notes	Subsidiary warrant liabilities	Subsidiary preferred shares	Total
Balance at 1 January 2019	-	13,012	217,554	230,566
Issuance of warrants	-	4,706	-	4,706
Issuance of preferred shares	-	-	32,478	32,478
Issuance of convertible notes	1,607	-	-	1,607
Conversions	(5,017)	-	5,017	-
Deconsolidated	-	-	(36,747)	(36,747)
(Gain)/loss on issuance and changes in fair value	(1,029)	6,664	28,768	34,403
Transfers from Level 2	9,333	-	-	9,333
Balance at 30 June 2019	**4,894**	**24,382**	**247,070**	**276,346**

The table below summarises the maturity profile of the PureTech's financial liabilities, including subsidiary preferred shares that have customary liquidation preferences, as of 30 June 2019 and 31 December 2018 based on contractual undiscounted payments:

	30 June 2019				
	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years Months $000s	Total $000s
Subsidiary notes payable	7,391	7,391	-	-	7,391
Trade and other payables	21,869	21,869	-	-	21,869
Warrants	24,382	24,382	-	-	24,382
Subsidiary preferred shares	247,070	247,070	-	-	247,070
Balance at 30 June 2019	**300,712**	**300,712**	**-**	**-**	**300,712**

	31 December 2018				
	Carrying Amount $000s	Within Three Months $000s	Three to Twelve Months $000s	One to Five Years Months $000s	Total $000s
Subsidiary notes payable	12,010	12,010	-	-	12,010
Trade and other payables	15,875	15,875	-	-	15,875
Warrants	13,012	13,012	-	-	13,012
Subsidiary preferred shares	217,519	217,519	-	-	217,519
Balance at 30 June 2019	**258,416**	**258,416**	**-**	**-**	**258,416**

18. Non-Controlling Interest

The following summarises the changes in the equity classified non-controlling ownership interest in subsidiaries by reportable segment during the six months ended 30 June 2019:

	Internal $'000	Subsidiaries $'000	Deconsolidated Entity $'000	Parent Company & Other $'000	Total $'000
Non-controlling interest as of 31 December 2018	**(8,787)**	**(95,313)**	**(5,189)**	**754**	**(108,535)**
Share of comprehensive loss	(10,089)	(31,918)	(354)	-	(42,361)
Deconsolidation of Karuna and Vor	-	-	5,189	-	5,189
Equity-settled share-based payment	-	-	-	3,140	3,140
Non-controlling interest as of 30 June 2019	**(18,876)**	**(127,231)**	**(354)**	**3,894**	**(142,567)**

19. Related Party Transactions

Key Management Personnel Compensation

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

	30 June 2019 $'000	30 June 2018 $'000
Short-term employee benefits	1,449	1,458
Share-based payments	1,586	2,085
Total	**3,035**	**3,543**

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

Convertible Debt Issued to Directors, Key Management Personnel, and Key Personnel of the Businesses

Certain members of the Group have invested in convertible notes issued by the Group's subsidiaries. As of 30 June 2019 and 31 December 2018, the outstanding related party notes payable totalled approximately $0.1 million in each period. Interest expense charged on the related party notes was immaterial for the six months ended 30 June 2018 and 2017, respectively.

The notes issued to related parties bear interest and include 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 10.

Directors' and Senior Managers' Shareholdings and Share Incentive Awards

The Directors and senior managers hold beneficial interests in shares in the operating companies and sourcing companies as at 30 June 2019 as set forth below. These represent legacy holdings from before the Company IPO.

Directors	Business Name (Share Class)	Number of Shares Held as of 30 June 2019	Number of Options Held as of 30 June 2019	Ownership Interest[1]
Mr. Joichi Ito	Akili (Series A-2 Preferred)	26,627	---	0.09%
Ms. Daphne Zohar[2]	Gelesis (Common)	59,443	939,086	5.10%
Dame Marjorie Scardino	---	---	---	---
Dr. Bennet Shapiro	Akili (Series A-2 Preferred)[3]	33,088	---	0.11%
	Gelesis (Series A-1 Preferred)	23,418	---	0.02%
	Gelesis (Common)	24,009	10,840	0.01%
	Vedanta Biosciences (Series B Preferred)	11,202	---	0.11%
	Vedanta Biosciences (Common)	---	25,000	0.24%
Dr. Robert Langer	Entrega (Common)	---	332,500	4.09%
	Alivio (Common)	---	1,575,000	6.30%
Dr. Raju Kucherlapati	Gelesis (Common)	---	20,000	0.01%
Dr. John LaMattina	Gelesis (Series A-1 Preferred)[4]	49,523	---	0.05%
	Gelesis (Common)[4]	54,119	83,050	0.04%
	Vedanta Biosciences (Common)	---	25,000	0.24%
Dr. Robert Hortvitz	---	---	---	---
Mr. Christopher Viehbacher	---	---	---	---
Mr. Stephen Muniz	Gelesis (Common)	---	20,000	0.01
Senior Managers				
Dr. Eric Elenko	---	---	---	---
Dr. Joep Muijrers	---	---	---	---
Dr. Bharatt Chowrira	---	---	---	---
Dr. Joseph Bolen	Vor (Common)	---	125,000	0.12%

Notes:

(1) Ownership interests are as at 30 June 2019 and are calculated on a diluted basis, including issued and outstanding shares, warrants and options to purchase shares (and written commitments to issue options), but excluding unallocated shares authorised to be issued pursuant to equity incentive plans, and any shares of ordinary shares issuable upon conversion of outstanding convertible promissory notes.

(2) Common stock and options held by Yishai Zohar, 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 M Shapiro and Ms Fredericka F Shapiro, JTWROS.

(4)

LaMattina Gelesis split	Common	Series A	Options
John and Mary LaMattina	50,540	49,523	-
John LaMattina	3,579	-	83,050

Transactions with Other Related Parties

In March 2018, existing shareholder Invesco Asset Management Limited ("Invesco") participated in the Company's equity offering purchasing 14,365,000 common shares at the placing price of 160 pence per share.

In addition, in March 2018, the Company announced that Gelesis, a subsidiary of the Company, closed a $30.0 million financing round (the "Gelesis Financing"). The funds from this financing will be drawn down by Gelesis at its discretion. Pursuant to the Gelesis Financing, Invesco committed $18.0 million of funding through its subscription for equity in Gelesis and, assuming Gelesis draws down the full $30.0 million in financing, Invesco will hold approximately 24.2% of the total issued share capital of Gelesis (on an undiluted basis).

In June 2019, the Company and Gelesis executed a sublease agreement whereby Gelesis will sublet PureTech's former office space through August 2025 on Boylston Street in Boston, Massachusetts.

20. Subsequent Events

On 1 July 2019, the Company concluded that it no longer exerted control over Gelesis because it does not have control of its Board of Directors and only owns 25.2% of the outstanding voting shares. On 1 July 2019, two of the PureTech representatives on the board of directors resigned. As a result, Gelesis will be deconsolidated from the Group.

On 11 July 2019, the Company announced that it is exploring the potential for a listing on Nasdaq in the United States of American Depository Shares ("ADSs") representing common shares in the Company through a registered initial public offering in the United States (the "US Listing"). The US Listing would be expected to include an issue of new common shares underlying the ADSs. The terms of any US Listing have not yet been determined and there can be no assurance as to the timing or completion of any US Listing. The Company intends that the potential US Listing would be in addition to the Company's premium listing on the Official List of the UK Financial Conduct Authority and trading on the main market of the London Stock Exchange.

On 19 July 2019, all of the outstanding notes issued by Follica, a subsidiary, converted into 17,639,204 shares of Series A-3 Preferred Stock and 14,200,044 shares of common stock pursuant to a Series A-3 Note Conversion Agreement between Follica and the noteholders.