16 April 2018

PureTech Health plc

PureTech Health Announces Annual Results for Year Ended 31 December 2017

PureTech Health plc (LSE: PRTC) ("PureTech Health"), an advanced, clinical-stage biopharmaceutical company, today announced its annual results for the year ended 31 December 2017. The following information represents select highlights from the full Report, which is available on the Investor Relations section of the PureTech Health website at http://puretechhealth.com/reports-presentations.

Cash Position

- As of 31 December 2017, PureTech Health reports a consolidated cash balance of approximately $188.7 million, with approximately $126.7 million held at the Parent Company. Group cash and short-term investments (APM) was $242.1 million including the cash and short-term investment balances held at Independent Affiliates.[i]
    - Note - PureTech's recent placing with gross proceeds of approximately $100.0 million, resTORbio's IPO with $97.8 million in gross proceeds, and Gelesis' fundraising of $30.0 million all occurred in the 2018 post-period and are therefore not included in the above figures.

Pipeline/Clinical Highlights

- In 2017, PureTech Health made significant progress across its advanced pipeline of seven clinical and seven preclinical programmes focused on the crosstalk and biological processes associated with the brain-immune-gut (BIG) axis. The Group reported positive clinical results from two pivotal stage affiliates, Akili and Gelesis, and other affiliates continued to advance innovative candidates through clinical development:
    - Akili achieved the primary endpoint in a pivotal trial of its investigational digital medicine for paediatric ADHD and plans to file for US FDA approval in the second quarter of 2018.
    - Gelesis achieved significant weight loss with an excellent safety profile in its pivotal clinical trial with Gelesis100. The study achieved and exceeded one of two co-primary endpoints and Gelesis plans to file for US FDA approval in the second quarter of 2018 and for a European CE Mark in the second half of 2018. Gelesis also initiated a six-month efficacy proof-of-concept study in people with prediabetes or untreated diabetes for its second product candidate, Gelesis200.
    - resTORbio initiated a Phase 2b clinical study in respiratory tract infections in the elderly, with results expected in the second half of 2018. In the January 2018 post-period, resTORbio successfully listed on NASDAQ (TORC) with gross proceeds of $97.8 million.
    - Vedanta Biosciences initiated a Phase 1a/1b clinical trial of VE303, its lead, orally-administered product candidate for recurrent C. *difficile* infection.
    - Karuna developed a single capsule co-formulation of its proprietary product candidate (KarXT) for the treatment of schizophrenia and other disorders and is testing the co-formulation in a dose-ranging study in healthy volunteers.
    - Sonde generated and analysed voice data from over 3,000 subjects as part of the ongoing validation of its vocal biomarker technology for the detection of depression, suicidality, and Parkinson's disease. Sonde has also initiated research and development to expand its proprietary technology in Alzheimer's disease, respiratory disease, cardiovascular disease, and other conditions.

    - Follica progressed toward the initiation of the RAIN pivotal clinical study in androgenetic alopecia as well as the identification and testing of next-generation, proprietary compounds.
- PureTech Health grew its immunology-focused, internally-funded pipeline by generating compelling pre-clinical data, forging collaborations with leading experts, and securing key intellectual property for:
    - an approach harnessing the lymphatic system that transports certain immunomodulatory drugs directly into the mesenteric lymph nodes where they can directly affect immune cell priming and proliferation. This approach has the potential to more effectively treat cancer and inflammatory and autoimmune diseases with an improved safety profile, while also enabling oral administration of medicines that otherwise would not be orally bioavailable;
    - a milk exosome-based technology designed to enable the oral administration of biologics, nucleic acids (e.g. siRNA, mRNA, antisense oligonucleotides, CRISPR nucleic acid), and complex small molecules; and
    - a novel cell therapy approach involving engineered immune cells recruited and activated in a tissue selective manner and programmed with disease modifying activities for the potential treatment of cancer, inflammation, autoimmune disorders, and neuroinflammatory disorders.
- In 2017, the Group's affiliates attracted approximately $102.9 million in the form of financings and non-dilutive grants, including approximately $62.7 from validating financial and strategic investors.
- The Group also continued to build on its leading intellectual property position, with more than 500 owned and licensed patents and patent applications as of 31 December 2017.

Commenting on the annual results, Daphne Zohar, Co-founder and Chief Executive Officer of PureTech Health said:

"2017 was a pivotal year for PureTech Health. Last year I wrote that we would be focused on translating some of our exciting progress into value for shareholders and patients. I am very pleased to report that we are well on our way. Among the many milestones successfully achieved, two that stand out from a clinical perspective are the positive pivotal trial results and planned regulatory submissions from our affiliates – Akili (paediatric ADHD) and Gelesis (obesity).

"We also successfully executed on other planned clinical development including the initiation or continuation of eight clinical studies across a range of indications. We expect several of these studies to read out over the next 12-18 months, and we have plans to commence more than 10 additional clinical studies.

"resTORbio successfully completed an initial public offering on NASDAQ (TORC) in January 2018, raising $97.8 million in gross proceeds. I look forward to the continued progress of this now independent affiliate, including the results of its Phase 2b clinical trial later this year.

"These milestones, which individually could represent significant value inflection points for any biotech company, collectively demonstrate the unique value we are creating at PureTech Health.

"The majority of our next generation of programmes leverage the lymphatic system and immune cell trafficking, a vastly overlooked but critical immune transport framework. This breakthrough science forms the foundation for our internally-funded pipeline, which includes novel approaches for treating cancer, inflammation, autoimmune disorders, and neuroinflammatory disorders.

"We are poised for multiple value-driving catalysts and significant growth in the near-term, and I am confident that our entrepreneurial and flexible structure will continue to yield successes in the years to

come. I am thankful for our seasoned and dedicated team, board, and passionate collaborators who have worked so diligently to advance our pipeline and help bring important medicines to people in need. I am also grateful for the continued support of our new and existing shareholders – evidenced by the successful completion of our $100 million raise just this past month – who share our vision of building the biopharma company of the future."

PureTech Health today released its Annual Report for the year ended 31 December 2017. In compliance with the Financial Conduct Authority's Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM

- Annual Report and Accounts for the year ended 31 December 2017; and
- Notice of 2017 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy have been posted to shareholders. Copies are also available electronically on the Investor Relations section of the Company's website at http://puretechhealth.com/reports-presentations.

PureTech Health's 2018 Annual General Meeting will be held at 15.00 BST on Friday 18 May 2018 at the offices of DLA Piper UK LLP at 3 Noble Street, London, EC2V 7EE, United Kingdom.

About PureTech Health

PureTech Health (PRTC.L) is an advanced, clinical-stage biopharmaceutical company developing novel medicines targeting serious diseases that result from dysfunctions in the nervous, immune, and gastrointestinal systems (brain-immune-gut or the "BIG" axis), which together represent the adaptive human systems. PureTech Health is at the forefront of understanding and addressing the biological processes and crosstalk associated with the BIG axis. By harnessing this emerging field of human biology, PureTech Health is pioneering new categories of medicine with the potential to have great impact on people with serious diseases. PureTech Health is advancing a rich pipeline of innovative therapies that includes two pivotal stage programmes, multiple human proof-of-concept studies and a number of early clinical and pre-clinical programmes. PureTech's research and development pipeline has been advanced in collaboration with some of the world's leading scientific experts, who along with PureTech's team of biopharma pioneers, entrepreneurs and seasoned Board, identify, invent, and clinically de-risk new medicines. With this experienced team pursuing cutting edge science, PureTech Health is building the biopharma company of the future focused on improving and extending the lives of people with serious disease. For more information, visit www.puretechhealth.com or connect with us on Twitter @puretechh.

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Notes

(i) Group Cash is an alternative performance measure (APM) which includes cash reserves held at Independent Affiliates of $53.4 million that are not included in the consolidated statement of financial position. Group Cash is therefore considered to be more representative of the Group's cash available

to advance product candidates within its independent affiliates, growth stage affiliates and project stage programmes, as the cash held at independent affiliates not included in Consolidated Cash will be invested in activities that could ultimately result in value accretion for the Group.

(ii) Nature of announcement

The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for 2016 or 2017. Any references to page numbers in this announcement are to pages within the Annual Report and Accounts. Statutory accounts for the year ended 31 December 2017 have been reported on by the Independent Auditor and will be delivered to the Registrar when due.

(iii) Forward looking statements

This Annual Results Release and the Annual Report and Accounts contain statements that are or may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies. The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, those risks and uncertainties described in the risk management section. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this Annual Results Release. Except as required by law, regulatory requirement, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Letter from the Chairman

This year, the experienced and entrepreneurial team at PureTech Health achieved something tremendous with the clinical validation of two new categories of medicine Akili and Gelesis – for the treatment of serious medical needs. These positive pivotal trial results and their planned regulatory submissions represent an important transition point for both affiliates as they move towards commercialisation following potential regulatory approvals. As these and several other affiliates mature, PureTech Health remains focused on ways to unlock and realise value. For some affiliates, the path to value may be through initial public offerings that enable them to progress – as was the case for resTORbio in January 2018 (NASDAQ: TORC). For others, value realisation may involve partnerships, product launches, or trade sales. Though the specific path for each affiliate will be driven on a case-by-case basis in order to maximise shareholder value, PureTech Health maintains its core mission of delivering important new categories of medicine that drive value.

Underlying PureTech's unique approach is a deep understanding of the gap between what our bodies evolved to handle and the entirely different environment that the modern world presents. PureTech Health believes that this evolutionary disparity represents both a source of chronic disease and also an opportunity for innovation. An exemplary case study of this is Akili. Scientists are increasingly recognising that technological changes have far outstripped the rate of human evolution. Our brains are constantly bombarded by stimuli from smartphones, wearables, and multiple sources of information that were not present during human evolution. Our ancient bodies react to this modern world by having to process increased sensory stimuli interference, which can become debilitating in patients with diseases in which cognitive function is impaired. Overcoming this is the foundation for Akili's lead proprietary digital medicine, AKL-T01, which will be reviewed by the FDA for the treatment of paediatric ADHD. Products built on the same technology platform are currently being evaluated by Akili in a range of other neurological and psychiatric disorders.

Humans evolved multiple pathways to help us avoid starvation. The unfettered access to high caloric foods coupled with a sedentary lifestyle have resulted in one of the biggest burdens on our healthcare system.

Obesity is a major driver of healthcare costs and contributes to serious diseases like diabetes, cardiovascular disease, NASH/NAFLD, and a number of cancers. Intervening with an orally administered mechanical therapeutic approach that stimulates multiple pathways in the GI while limiting the amount of food intake was an inspired idea that has now achieved clinical validation across a range of studies and will be reviewed soon by the FDA for a weight loss indication.

Our species also evolved at a time when hygiene standards and exposure to germs were vastly different than they are today. In fact, it is only in the past decade that the significance of the microbiome has begun to be appreciated, and only in the past few years that the microbiome has even been considered a parameter in disease modelling. PureTech's Vedanta Biosciences was a first mover and has been working to decode the complex interactions between our immune system and the microbiome. It has also developed key intellectual property as well as clinical and manufacturing capabilities and is now in or nearing clinical testing across a range of indications from infection and cancer to autoimmune conditions, positioning the company at the forefront of translating this "novel parameter" into powerful medicine.

PureTech's embedded advisory network and nimble development processes enable the company to harness these new tools and technologies and accelerate promising breakthrough science. The company recognises that the human body interacts with the environment in complex ways – as evidenced by the growing appreciation of new categories of medicine like digital, mechanotherapeutics, and microbiome. But rather than view the nervous, immune, and gastrointestinal systems as distinct parts, PureTech Health views these critical systems as part of a continuum. This understanding has been forged by systems biology, artificial intelligence, and machine learning, which have helped to unpack the complexity of our biology and interpret function at a molecular level, highlighting the interconnectedness across these systems and laying the foundation for PureTech's core area of expertise: the brain-immune-gut (BIG) axis.

This fundamental interpretation of the human body as a dynamic network of systems has spurred internal efforts to develop entirely new approaches to solve major medical problems. For instance, a "holy grail" challenge is the ability to detect illness without requiring behaviour change on an out-patient basis before it progresses to permanent disease. Achieving this could lead to earlier interventions that greatly improve outcomes and result in cost savings across the system. One promising solution to this challenge is being developed by our affiliate Sonde Health. By leverageing artificial intelligence and machine learning, Sonde is progressing vocal biomarker technology to extract clinically meaningful health information from everyday voice interactions. This approach is based on the understanding that many conditions subtly affect the neurological, muscular, and respiratory systems required for speech production. Sonde's proprietary, voice-based technology is designed to harness this insight and analyse the subtle – yet quantifiable – changes in the vocal characteristics that may be caused by and indicate the presence of disease. Because the platform is based on how someone speaks, not what someone says, the approach can be applied across languages and lends itself to privacy preservation. As voice increasingly plays an important role in our daily lives – smartphones, smart speakers, etc. – Sonde's technology is designed to work on commonly owned devices, and is being explored in conditions such as depression, Alzheimer's disease, Parkinson's disease, colds, and allergies.

PureTech's culture of innovation and celebration of unexpected solutions foster these lines of thinking. As part of that strategy, PureTech Health continues to explore the full spectrum of opportunities available to accelerate the growth of its programmes and the development of their associated technologies. The company is committed not only to increasing shareholder value through the development of completely new approaches to medicine, but also to unlocking and realising value as programmes mature.

As we look towards 2018 and the next wave of innovation, I am excited to be involved as this excellent and accomplished team continues to deliver on its promise of creating new categories of medicine.

Joichi Ito
Chairman

Strategic report

Letter from the Chief Executive Officer

2017 was a pivotal year for PureTech Health. Among the many milestones successfully achieved, two that stand out from a clinical perspective are the positive pivotal trial results and planned regulatory submissions from our affiliates – Akili (paediatric ADHD) and Gelesis (obesity). We are delighted to have brought these two programmes from academic discovery to the verge of potential commercial launch where they could have a huge impact on people's lives.

Last year I wrote that we would be focused on translating some of our exciting progress into value for shareholders and patients. I am very pleased to report that we are well on our way. An example of clinical progress driving value is our affiliate resTORbio which is developing a new class of medicines to target senescence across a range of ageing-related disorders. resTORbio successfully completed an initial public offering on NASDAQ (TORC) in January 2018, raising $97.8 million in gross proceeds. We announced resTORbio's in-license of its lead candidates in ageing- related indications from Novartis in March 2017. Six weeks following the closing of this licensing transaction, we initiated a Phase 2b clinical study evaluating the effectiveness of these candidates in reducing the incidence of respiratory tract infections in elderly individuals at increased risk of morbidity and mortality related to those infections. It's important to note that these candidates have previously demonstrated efficacy in these same indications in studies conducted by Novartis, and we are fortunate to have the leader of that programme from Novartis, Joan Mannick, as Co-founder and Chief Medical Officer at resTORbio, along with Chief Executive Officer Chen Schor. I look forward to the continued progress of this now independent affiliate, including the results of its Phase 2b clinical trial later this year, which could represent a major value inflection point not just for resTORbio, but for the healthcare system, as a potential broad- spectrum immunotherapy for the ageing immune system with application across a range of ageing-related indications.

Affiliate IPOs represent one avenue for us to advance our pipeline and generate value for our shareholders. Our other growth-stage affiliates (Gelesis, Akili, Karuna, Vedanta Biosciences, Follica, Sonde, Alivio, Entrega, Vor, Nybo, and Commense) will access various avenues of funding to fuel their continued growth, including potential private rounds of equity financing, IPOs, strategic transactions, and industry partnerships at the global or regional levels. Our structure maximises optionality at the affiliate level, while creating near to mid-term value and a source of funding for PureTech Health to fuel our next wave of internally- funded pipeline programmes.

In addition to the key clinical milestones achieved with Gelesis, Akili, and resTORbio, we successfully executed on other planned clinical development including the initiation or continuation of eight clinical studies across a range of indications such as major depressive disorder, autism spectrum disorder, multiple sclerosis, Parkinson's disease, recurrent C. difficile infections, obesity, and schizophrenia. We expect several of these studies to read out over the next 12-18 months, and we have plans to commence more than 10 additional clinical studies.

I am proud of our team for achieving these milestones, which individually could represent significant value inflection points for any biotech company, and collectively demonstrate the unique value we are creating at PureTech Health.

As the programmes at our affiliates continue to mature and independently generate value for patients and shareholders, the next wave of programmes originating from our innovation engine is quickly advancing. We have honed our discovery efforts over the past two years on immunology given the rich therapeutic opportunities and the unique expertise of our internal team and global collaborators. The majority of our next generation of programmes leverage the lymphatic system and immune cell trafficking, a vastly overlooked but critical immune transport framework. This breakthrough science forms the foundation for our internally-funded pipeline, which includes novel approaches for treating cancer, inflammation, autoimmune disorders, and neuroinflammatory disorders. Through a combination of new discoveries

fostered both in-house and through collaborations established with leading immunologists and experts in lymphatic biology, we are poised to capitalise on these major areas of insight with potential to advance a new therapeutic paradigm. To date, we've generated compelling pre-clinical data and secured key intellectual property that will form the basis for our growing next wave of programmes that are highlighted in this report.

Bridging the novel approaches of our late-stage affiliate programmes with the discoveries driving our next wave of pipeline programmes is our scientific focus on the brain-immune-gut (BIG) axis. PureTech Health is at the forefront of understanding and addressing the biological processes and crosstalk associated with the BIG axis, and this emerging field of human biology is what underscores and unifies our pipeline.

Harnessing this critical and promising biological nexus is what enables us to pioneer new categories of medicine with the potential to have great positive impact on people struggling with serious diseases.

I'm delighted with the progress we've made in 2017, and I look enthusiastically towards 2018 and beyond. We are poised for multiple value-driving catalysts and significant growth in the near-term, and I am confident that our entrepreneurial and flexible structure will continue to yield successes in the years to come. I am thankful for our seasoned and dedicated team, board, and passionate collaborators who have worked so diligently to advance our pipeline and help bring important medicines to people in need. I am also grateful for the continued support of our new and existing shareholders – evidenced by the successful completion of our $100 million raise just this past month – who share our vision of building the biopharma company of the future.

Daphne Zohar
Chief Executive

Letter from the Chief Scientific Officer

PureTech Health had an exciting 2017. We achieved two pivotal clinical milestones, advanced research and development across multiple clinical and preclinical pipeline programmes, and deepened our understanding of the multi-faceted interactions of the nervous, immune, and gastrointestinal systems. These interactions, and a growing appreciation of the interplay between these systems in disease, inform our differentiated scientific strategy. Rather than viewing each of these systems in isolation, we are focused on the latest scientific discoveries that harness the connections between these networks to offer promising new targets and approaches for drug development.

This systems-based approach has enabled us to bring forth new categories of medicine that are now validated by late-stage clinical trial results or progressing through the clinic. Importantly, through this pioneering research and development, we have gained a new understanding of an underappreciated biological network that ties together recent discoveries on immune function and yields insights on previously unknown connections between the brain-immune-gut axis: the lymphatic system.

Until very recently, the lymphatic system was mostly studied in the context of tissue waste clearance and cancer metastases. An emerging body of work supports the significant transport capacity of this system, including the trafficking of immune cells, which connects the gastrointestinal tract, lymph nodes, and the central nervous system, and underscores the lymphatic system's vital role in proper immune function. This new layer of sophistication challenges us to revisit the rules of human biology and think creatively about the design of novel categories of therapeutics that could harness the pervasiveness and unique characteristics of this system. As we think of cancer, autoimmunity, and neurological disorders, we view the lymphatic system as a key node for tackling disease progression. This insight offers us an opportunity to tackle serious chronic diseases in a unique way.

PureTech's understanding of the lymphatic network, gained both through in-house activities and external collaborations with leading immunologists, has matured to where we believe it is now possible to

manipulate immune cell trafficking and behaviour for therapeutic benefits. With this knowledge, we are enabling certain drugs to directly target lymph nodes, potentially resulting in greater efficacy in the treatment of inflammatory and autoimmune diseases and cancer. We are also advancing a milk exosome-based technology, which is designed to enable oral administration of biologics, nucleic acids, and complex small molecules to the lymph nodes and other parts of the body.

Related to this work, we have assembled and developed a group of powerful technologies as well as forged relationships with key academic leaders to better address the processes underlying local immune microenvironments in oncology, autoimmunity, and neuroinflammation. We are advancing therapeutic approaches that target newly discovered local immunosuppressive mechanisms in pancreatic cancer and other solid tumours and are also developing a technology that targets inflammation locally to achieve a therapeutic effect without systemic immunosuppression.

I am truly excited about this next chapter of innovation at PureTech Health and see great potential to selectively reach targets and tissues locally to treat serious immunological disorders. I feel that PureTech Health is uniquely positioned to bring forth new medicines that target the lymphatic and immune systems, and I look forward to sharing further progress on this new frontier.

Joseph Bolen
Chief Scientific Officer

How PureTech Health is building value for investors

PureTech Health is building the biopharma company of the future, with a mission to improve and extend the lives of people with serious disease and a focus on driving significant value for shareholders. PureTech's innovative structure enables two paths towards value realisation.

The first leverages our internally-funded pipeline. This pipeline is centred around immunological disorders and leverages the emerging body of knowledge and data on lymphatic biology and immune cell trafficking to develop novel therapeutics. As these early- stage programmes mature, they have the potential to yield novel, safe and effective approaches to treating cancer, inflammation, autoimmune disorders, and neuroinflammation. As PureTech Health intends to internally develop this next generation of programmes, a myriad of monetisation options is available to generate the maximum value for our shareholders.

While these earlier-stage programmes advance through research and enter development, PureTech Health plans to advance one or more internally-funded clinical-stage programmes that are complementary to this immunology focus. PureTech Health believes this will provide additional growth opportunities.

The second path towards value realisation stems from PureTech's advantageous position of having significant ownership in an advanced clinical-stage pipeline of affiliates. These affiliates include two programmes that are heading towards regulatory filings with US and EU authorities (Akili and Gelesis), the now publicly-listed independent affiliate resTORbio (NASDAQ: TORC), as well as Vedanta Biosciences, Karuna, Follica and Sonde Health. In addition to equity ownership, PureTech Health is entitled to receive royalties from the commercialisation of products at some of these affiliates. This structure offers a potential source of significant value for shareholders as well as a future supply of funding to fuel PureTech's next wave of internally-funded programmes.

An advanced pipeline

PureTech Health has a rich pipeline of programmes that have made excellent progress over the course of 2017, with multiple programmes advancing in clinical development and approaching commercialisation.

Clinical stage affiliates

In 2017, PureTech Health reported positive clinical results from two pivotal stage programmes of its affiliates, Akili and Gelesis, and anticipates regulatory filings from both affiliates with the US Food and Drug Administration (FDA) in the second quarter of 2018.

In addition to its successful pivotal study with its lead investigational digital medicine, AKL-T01, Akili is advancing its pipeline of programmes based on its industry-leading digital medicine platform technology in Phase 2 and pilot clinical trials across a variety of neurological and psychiatric conditions, including major depressive disorder (MDD), autism spectrum disorder (ASD), multiple sclerosis (MS), and various other neurodegenerative and inflammatory diseases. Additionally, Akili is developing complementary and integrated clinical monitors and measurement-based care applications.

Building on its success with Gelesis100, Gelesis is also advancing a broad pipeline of additional product candidates using its novel and tuneable, orally-administered mechanotherapeutics platform. This pipeline includes Gelesis200, which is being investigated to treat type 2 diabetes. Gelesis has initiated a six-month efficacy proof-of-concept study (LIGHT-UP) of Gelesis200 in people with prediabetes or untreated diabetes, with results expected within the next 12 months. In addition, Gelesis is advancing product candidates for treating liver diseases such as non-alcoholic steatohepatitis (NASH) and non- alcoholic fatty liver disease (NAFLD) (GS300), and gastrointestinal (GI) disorders such as inflammatory bowel disease (IBD) and intestinal mucositis (GS400).

In 2017, resTORbio made significant advancements in its clinical development pipeline and advanced its RTB101 and RTB101+everolimus candidates into a Phase 2b clinical study in respiratory tract infections (RTIs) in the elderly. The study is evaluating the effectiveness of RTB101 alone or in combination with everolimus in reducing the incidence of RTIs in elderly patients at increased risk of morbidity and mortality related to RTIs. Results are expected to read out in the second half of 2018. resTORbio's RTB101 and everolimus, along with more than 75 issued patents, were in-licensed from Novartis in March 2017 for ageing-related indications. These proprietary and selective mTORC1 inhibitors have potential broad application to conditions associated with ageing, including immunosenescence (ageing of the immune system), neurodegenerative diseases, and organ dysfunction. resTORbio has one of the most advanced clinical-stage anti-ageing programmes globally.

Karuna is progressing the development of its proprietary single capsule co-formulation of xanomeline and trospium chloride (KarXT) for the treatment of cognition and psychosis in serious disorders like schizophrenia, Alzheimer's disease, and bipolar disorder. A dose-ranging study in healthy volunteers using the single capsule formulation is underway, and a Phase 2 clinical trial for schizophrenia is planned to begin in the third quarter of 2018.

During the past year, Vedanta Biosciences advanced its pipeline of product candidates with the initiation of a Phase 1a/1b clinical trial for VE303, its lead, orally- administered, human microbiome- derived product candidate for the treatment of recurrent C. difficile infection. VE303 is the first known investigational drug consisting of rationally-defined bacterial consortium in powder form to enter the clinic. Key in-house manufacturing milestones have also been achieved, which places a Phase 2 study of VE303 on track to start in 2018. In collaboration with Janssen Biotech, Inc., VE202 is anticipated to enter the clinic in the second half of 2018 for the treatment of IBD. Vedanta Biosciences is also working in collaboration with leading oncology researchers around the world to gather data from interventional human clinical studies of checkpoint inhibitors for its immuno-oncology platform. In collaboration with its co-founder, Dr Kenya Honda, Vedanta Biosciences is advancing VE800, consisting of a rationally- defined bacterial consortium that potentiates cytotoxic CD8+ T-cells, which are key modulators of checkpoint therapy responses. Vedanta Biosciences intends to file an investigational new drug (IND) application for VE800 in 2018. Vedanta Biosciences is also planning to initiate a Phase 1 clinical trial in food allergy for its candidate, VE416, in the second half of 2018. In 2017, Vedanta Biosciences received issuances of foundational patents in the microbiome field in the US, Europe, Japan and other major markets.

In 2017, Follica continued to develop its innovative platform to address androgenetic alopecia, making additional progress toward the initiation of the RAIN pivotal study in androgenetic alopecia. The company also identified and tested next-generation, proprietary compounds based on the Follica's intellectual property. The Follica RAIN pivotal study is expected to commence following the completion of an ongoing optimisation study.

Sonde Health has advanced its vocal biomarker technology, which has demonstrated the potential to effectively screen and monitor for disease using information obtained from an individual's voice on commonly-owned devices. This year, Sonde's scalable cross- platform mobile research app and administrator interface were made available to academic collaborators and study participants. This allowed for the collection of voice data from over 3,000 subjects for the detection of depression, suicidality, and Parkinson's disease. The Company has also initiated research and development to expand its proprietary technology in Alzheimer's disease, respiratory and cardiovascular disease, and other health and wellness conditions.

In the February 2018 post-period, The Sync Project was acquired by Bose Corporation as part of a strategic decision to move that technology to a more consumer- facing path. As a result of the transaction, the Group recovered almost all of the invested capital in The Sync Project, demonstrating the Group's disciplined approach to managing its portfolio and strict focus on capital allocation.

Pre-clinical affiliates

Commense, Entrega, Alivio, Vor and Nybo have all made significant progress towards human clinical trials in 2017.

This year, Commense, our affiliate developing human microbiome-based products for the prevention and treatment of early childhood diseases, initiated preclinical studies for COM-101 based on technology licensed in from the laboratory of Dr B. Brett Finlay at the University of British Columbia, Canada. This work includes full characterisation of bacterial strains, in vitro and in vivo mechanism of action studies, and early development studies to inform manufacturing for the potential treatment of atopic dermatitis, allergy, and asthma.

Entrega has generated proof-of- concept data demonstrating delivery of therapeutic peptides into the bloodstream of large animals to validate its technology. In December 2017, Entrega entered into a research collaboration agreement with Eli Lilly to advance its technology platform for the oral administration of certain Eli Lilly products and therapeutic candidates.

Alivio continued to advance its proprietary technology that targets local inflammation to achieve a therapeutic effect without systemic immunosuppression in a number of serious inflammatory diseases, including IBD, rheumatoid arthritis, and organ transplant rejection. Data on Alivio's lead candidate, ALV-107, were presented at the 2017 Drug Discovery and Therapy World Congress, showing durable pain control throughout a 24-hour study period, lasting at least 12 times longer than lidocaine at a comparable dose, in a validated preclinical model for the treatment of interstitial cystitis/ bladder pain syndrome (IC/BPS). In March of 2017, the Bill & Melinda Gates Foundation awarded a $1.2 million grant to Professor Jeff Karp's Lab at Brigham and Women's Hospital (BWH) to support additional research on the underlying technology. In the April 2018 post-period, a preclinical study of the Alivio technology was published in Nature Communications. The study showed that an immunomodulatory drug, administered locally using the Alivio technology, substantially reduced measures of arthritis disease activity. By the last day of the study (day 14), the Alivio technology had reduced nearly all of the inflammation in the affected tissue, with a 5.7-fold improvement in the clinical score vs control, as compared to only 1.4-fold for the free drug. These findings further support Alivio's proprietary therapeutics platform and provide proof-of-concept for the potential application of the technology in inflammatory arthritis.

Vor continued to advance its proprietary approach of using antigen-modified haematopoietic stem cells (amHSCs) for treating a number of B-cell as well as other haematologic malignancies.

In April 2017, Nybo publicly disclosed its programme concurrently with a publication in Nature Medicine supporting its approach by Dr George Miller, one of the co-founders of Nybo. Nybo's monoclonal antibody therapeutic approach aims to target newly discovered immunosuppressive mechanisms involving gamma-delta T-cells in pancreatic cancer and other solid tumours. Proof-of-concept data has been generated in both mouse and human cancer pre-clinical models.

Internally-funded programmes

In addition to its affiliate programmes, PureTech Health is advancing an internally- funded pipeline consisting of new categories of immunomodulatory therapeutics based on a deep understanding of three key areas: immune cell trafficking, cellular activity, and diseased immune microenvironments. Novel insights into these mechanisms have the potential to yield a pipeline of transformative new therapies for patients with cancer, autoimmune, inflammatory, and neuroinflammatory diseases. Through a combination of in-house discoveries and collaborative innovation, PureTech Health is poised to capitalise on these major emerging areas of biology and insight.

In 2017, PureTech Health grew its internally-funded, immunology-focused pipeline by generating compelling pre- clinical data and filing for and securing key intellectual property for several programmes. One of these technologies is a milk exosome-based technology, which is designed to enable oral delivery of biologics, nucleic acids, and complex small molecules. Another technology uses a lipid prodrug approach that leverages the body's natural lipid transport mechanisms to substantially enhance the transport of compounds into the lymphatic system from an oral route, bypassing firstpass metabolism by the liver.

Valuation of PureTech Health

The Board believes that the value of PureTech's holdings in its growth stage affiliates ("Growth Stage Holdings Value") increased in a very significant way from 31 December 2016 to 31 December 2017, driven by the positive progress made over the year.

This sizable increase was due in large part to (i) the positive results from the Akili pivotal trial of its lead product candidate, (ii) the positive results from the Gelesis pivotal trial of its lead product candidate, (iii) the resTORbio programme launch with an in-license of lead clinical candidates from Novartis, clinical advancement of those candidates, private financings and – post period end – a successful initial public offering, (iv) advancement of important new internally-developed and funded immunology programmes not included in the 2016 Growth Stage Holdings Value, (v) the initiation of Vedanta Biosciences' Phase 1a/1b clinical trial for the treatment of recurrent C. difficile infection and in-licensing of an immuno-oncology candidate, (vi) clinical advancement of the Karuna affiliate, (vii) clinical advancement of the Sonde affiliate, and (viii) Entrega's collaboration with Eli Lilly and Company, among other positive developments.

Despite the notable growth in value, the Board, in consultation with its strategic advisors and key shareholders, has decided not to disclose its detailed internal valuations of its growth stage affiliates going forward, as noted in the interim results report and the recent Trading Update. The Company's view is that such disclosure, on balance, may not be in the best interests of PureTech Health and its shareholders. The Company maintains a balanced approach to valuation and the Company believes that such disclosure may set an artificially low external benchmark for the programmes and affiliates that may otherwise be ascribed substantially higher valuations by potential partners, investors and acquirers.

Internally-funded, immunology-focused pipeline

PureTech Health is advancing an internally-funded pipeline consisting of new categories of immunomodulatory therapeutics based on a deep understanding of three key areas: immune cell

trafficking, cellular activity, and diseased immune microenvironments. Novel insights into these mechanisms have the potential to yield a pipeline of transformative new therapies for patients with cancer, autoimmune diseases, and inflammatory, including neuroinflammatory, diseases. Through a combination of in-house discoveries and collaborative innovation, PureTech Health is poised to capitalise on these major emerging areas of biology and insight.

In 2017, PureTech Health grew its internally-funded, immunology- focused pipeline by generating compelling pre-clinical data and filing for and securing key intellectual property for several programmes:

Lipid prodrug technology designed to utilise natural lipid transport system to enable lymphatic targeting

PureTech's first publicly announced lymph-targeting platform, Glyph, is a lipid prodrug approach that leverages the body's natural lipid transport mechanisms to substantially enhance the transport of compounds into the lymphatic system from an oral route. Transport of immunomodulatory compounds directly into the lymphatic system facilitates entry into the mesenteric lymph nodes, where immune cell priming and proliferation in the GI tract take place. As 75 to 80 per cent of immune system cells reside in the GI tract-associated lymph nodes, modulation of immune cell homeostasis through lymphatic targeting of immunomodulatory agents is now possible with the Glyph technology. In pursuit of this objective, PureTech Health has successfully extended the lipid prodrug platform to encompass new drugs and new linker chemistries, which have demonstrated promising selective lymphatic targeting in preclinical studies.

The immune system is tasked with protecting the body from threats and promoting tissue homeostasis and self-tolerance. To achieve this goal, cells of the immune system must first reach the intended tissue from the site of origin (e.g. the thymus or bone marrow), or, while in homeostatic transit, hone to tissues that have signalled that potentially pathologic changes have occurred. These patterns of immune cell trafficking are tightly scripted by signals encoded at multiple levels. PureTech's understanding of both the trafficking signals used by immune cells and the conduits (e.g. the lymphatics) used by immune cells have matured to where PureTech Health believes it is now possible to manipulate immune cell trafficking as a fundamentally novel therapeutic paradigm in medicine.

Milk-derived exosomes may enable oral administration of therapeutics to the lymphatics

PureTech's novel milk exosome-based technology, Calix, was also announced in 2017 and may be uniquely positioned to (1) facilitate the oral delivery of complex payloads such as nucleic acids, peptides, and small molecules, (2) target stomach cancers and associated metastases, and/or (3) enable mRNA- based therapeutics to target the GI epithelium. Milk exosomes represent a significant opportunity to potentially resolve the long-standing challenge of oral bioavailability of macromolecules and complex small molecules.

Exosomes, which contain mixtures of lipids, proteins and nucleic acids, play a critical physiologic role in intercellular communication and the transport of macromolecules between cells and tissues. Mammalian-derived exosomes have attractive potential as vehicles for the administration of a variety of drug payloads, especially nucleic acids, since their natural composition will likely provide superior tolerability over the variety of synthetic polymers currently in use. However, most sources of mammalian exosomes are not suitable or viable as vehicles for oral administration of drugs due to their lack of stability under the harsh physiologic conditions associated with transit through the stomach and small intestine. However, the milk-derived exosomes that form the basis for the Calix technology have evolved naturally and specifically to accomplish the task of oral transport of complex biological molecules.

PureTech Health has already successfully isolated milk exosomes and loaded exogenous siRNA, which further suggests suitability for targeting of biologic payloads to the lymphatics.

Beyond these publicly disclosed programmes, PureTech Health is pursuing an approach to address a number of neuroinflammatory conditions by harnessing the recently discovered lymphatic system in the

brain, the glymphatics. This is just one of the potential programmes built out of PureTech's expertise in lymphatics that will contribute to the expansion of this internally-funded, immunology- focused pipeline.

Risk management

The execution of the Group's strategy is subject to a number of risks and uncertainties. As a developer of advanced and early stage technologies addressing significant unmet medical needs, the Group inherently operates in a high-risk environment. The overall aim of the Group's risk management effort is to achieve an effective balancing of risk and reward, although ultimately no strategy can provide an absolute assurance against loss.

Risks are formally identified by the Board and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible effect on the Group. The principal risks that the Board has identified as the key business risks facing the Group are set out in the table below along with the consequences and mitigation of each risk. Any number of these could have a material adverse effect on the Group or its financial condition, development, results of operations, subsidiary companies and/or future prospects.

1. The science and technology being developed or commercialised by some of the Group's businesses may fail and/or the Group's businesses may not be able to develop their intellectual property into commercially viable products or technologies. There is also a risk that certain of the businesses may fail or not succeed as anticipated, resulting in significant decline of the Group's value.

   Impact: The failure of any of the Group's businesses could decrease the Group's value. A failure of one of the major businesses could also impact on the perception of the Group as a developer of high value technologies and possibly make additional fundraising at the PureTech or subsidiary company level more difficult.

   Mitigation: Before making any decision to develop any technology, extensive due diligence is carried out by the Group which covers all the major business risks, including technological feasibility, market size, strategy, adoption and intellectual property protection.

   A capital efficient approach is pursued such that some level of proof of concept has to be achieved before substantial capital is committed and thereafter allocated. Capital is tranched so as to fund programmes only to their next value milestone. Members of the Group's Board serve on the Board of directors of each business so as to maintain control over each business's strategy and to oversee proper execution thereof. The Group uses its extensive network of advisors to ensure that each business has appropriate domain expertise as it develops and executes on its strategy. Additionally, the Group has a diversified model with numerous assets such that the failure of any one of the Group's businesses would not result in a significant decline of the Group's value.

2. Clinical trials and other tests to assess the commercial viability of a product candidate are typically expensive, complex and time- consuming, and have uncertain outcomes. Conditions in which clinical trials are conducted differ, and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. If the Group's product candidates fail to achieve successful outcomes in their respective clinical trials, the products will not receive regulatory approval and in such event cannot be commercialised. In addition, if the Group fails to complete or experiences delays in completing clinical tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all.

   Impact: A critical failure of a clinical trial may result in termination of the programme and a significant decrease in the Group's value. Significant delays in a clinical trial to support the

appropriate regulatory approvals could impact the amount of capital required for the business to become fully sustainable on a cash flow basis.

Mitigation: The Group has a diversified model such that any one clinical trial outcome would not significantly impact the Group's ability to operate as a going concern. It has dedicated internal resources to establish and monitor each of the clinical programmes in order to try to maximise successful outcomes. Significant scientific due diligence and preclinical experiments are done prior to a clinical trial to attempt to assess the odds of the success of the trial. In the event of the outsourcing of these trials, care and attention is given to assure the quality of the vendors used to perform the work.

3. The pharmaceutical industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations which govern the testing, approval, manufacturing, labelling and marketing of pharmaceutical products. Stringent standards are imposed which relate to the quality, safety and efficacy of these products. These requirements are a major determinant of whether it is commercially feasible to develop a drug substance or medical device given the time, expertise, and expense which must be invested. The Group may not obtain regulatory approval for its products. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory. Even if products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects.

   Impact: The failure of one of the Group's products to obtain any required regulatory approval, or conditions imposed in connection with any such approval, may result in a significant decrease in the Group's value.

   Mitigation: The Group manages its regulatory risk by employing highly experienced clinical managers and regulatory affairs professionals who, where appropriate, will commission advice from external advisors and consult with the regulatory authorities on the design of the Group's preclinical and clinical programmes. These experts ensure that high quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organisations with global capabilities are retained to manage the trials. Additionally, the Group has a diversified model with numerous assets such that the failure to receive regulatory approval or subsequent regulatory difficulties with respect to any one product would not result in a significant decline of the Group's value.

4. There is a risk of adverse reactions with all drugs and medical devices. If any of the Group's products are found to cause adverse reactions or unacceptable side effects, then product development may be delayed, additional expenses may be incurred if further studies are required, and, in extreme circumstances, it may prove necessary to suspend or terminate development. This may occur even after regulatory approval has been obtained, in which case additional trials may be required, the approval may be suspended or withdrawn or additional safety warnings may have to be included on the label. Adverse events or unforeseen side effects may also potentially lead to product liability claims being raised against the Group as the developer of the products and sponsor of the relevant clinical trials.

   Impact: Adverse reactions or unacceptable side effects may result in a smaller market for the Group's products, or even cause the products to fail to meet regulatory requirements necessary for sale of the product. This, as well as any claims for injury or harm resulting from the Group's products, may result in a significant decrease in the Group's value.

   Mitigation: The Group designs its products with safety as a top priority and conducts extensive preclinical and clinical trials which test for and identify any adverse side effects. Insurance is in place to cover product liability claims which may arise during the conduct of clinical trials.

5. The Group may not be able to sell its products profitably if reimbursement from third-party payers such as private health insurers and government health authorities is restricted or not available because, for example, it proves difficult to build a sufficiently strong economic case based on the burden of illness and population impact. Third-party payers are increasingly attempting to curtail healthcare costs by challenging the prices that are charged for pharmaceutical products and denying or limiting coverage and the level of reimbursement. Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community. Alternatively, the Group's competitors – many of whom have considerably greater financial and human resources – may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group.

   Impact: The failure of the Group to obtain reimbursement from third party payers, as well as competition from other products, could significantly decrease the amount of revenue the Group may receive from product sales for certain products. This may result in a significant decrease in the Group's value.

   Mitigation: The Group engages reimbursement experts to conduct pricing and reimbursement studies for its products to ensure that a viable path to reimbursement, or direct user payment, is available. The Group also closely monitors the competitive landscape for all of its products and adapts its business plans accordingly.

6. The Group may not be able to obtain patent protection for some of its products or maintain the secrecy of its trade secrets and know-how. If the Group is unsuccessful in doing so, others may market competitive products at significantly lower prices. Alternatively, the Group may be sued for infringement of third-party patent rights. If these actions are successful, then the Group would have to pay substantial damages and potentially remove its products from the market. The Group licenses certain intellectual property rights from third parties. If the Group fails to comply with its obligations under these agreements, it may enable the other party to terminate the agreement. This could impair the Group's freedom to operate and potentially lead to third parties preventing it from selling certain of its products.

   Impact: The failure of the Group to obtain patent protection and maintain the secrecy of key information may significantly decrease the amount of revenue the Group may receive from product sales. Any infringement litigation against the Group may result in the payment of substantial damages by the Group and result in a significant decrease in the Group's value.

   Mitigation: The Group spends significant resources in the prosecution of its patent applications and has an in-house patent counsel. Third party patent filings are monitored to ensure the Group continues to have freedom to operate. Confidential information (both of the Group and belonging to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in the Group's employment and advisory contracts. Licenses are monitored for compliance with their terms.

7. The Group expects to continue to incur substantial expenditure in further research and development activities. There is no guarantee that the Group will become profitable, either through commercial sales, strategic partnerships or sales of a business, and, even if it does so, it may be unable to sustain profitability.

   Impact: The strategic aim of the business is to generate profits for its shareholders through the commercialisation of technologies through product sales, strategic partnerships and sales of

businesses. The timing and size of these potential inflows is uncertain, and should revenues from our activities not be achieved, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the Group's business.

Mitigation: The Group retains significant cash in order to support funding of its operating companies. The Group has close relationships with a wide group of investors and strategic partners to ensure it can continue to access the capital markets and additional monetisation and funding for its businesses. Additionally, its operating companies are able to raise money directly from third party investors and strategic partners.

8. The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. The Group and many of its businesses are located in the United States which is a highly competitive employment market. Moreover, the rapid development which is envisaged by the Group may place unsupportable demands on the Group's current managers and employees, particularly if it cannot attract sufficient new employees. There is also risk that the Group may lose key personnel.

   Impact: The failure to attract highly effective personnel or the loss of key personnel would have an adverse impact on the ability of the Group to continue to grow and may negatively affect the Group's competitive advantage.

   Mitigation: The Board annually seeks external expertise to assess the competitiveness of the compensation packages of its senior management. Senior management continually monitors and assesses compensation levels to ensure the Group remains competitive in the employment market. The Group maintains an extensive recruiting network through its Board members, advisors and scientific community involvement. The Group also employs an executive as a full-time in-house recruiter.

Brexit

On 23 June 2016, the UK electorate voted to leave the European Union in a so-called "Brexit" referendum. The full consequences of the decision to leave the European Union will not be known for some time. The uncertainty surrounding the implementation and effect of Brexit has caused and is likely to continue to cause increased economic volatility.

The Group principally operates in the United States and holds substantially all assets in U.S. dollars. Accordingly, the Group does not believe there is significant risk associated with Brexit.

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

We confirm that to the best of our knowledge:

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

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

By Order of the Board

Stephen Muniz
Company Secretary

Financial Review

During 2017, PureTech Health continued to deploy its cash reserves to advance its pipeline by both progressing and de-risking its independent and growth stage affiliates and project stage programmes and identifying and initiating future programmes.

The Company has progressed research and clinical activities, including commencing new clinical trials. The increased activities have been further supported by financings and grant awards that have occurred in 2017. The Company's growth stage affiliates, project stage programmes and independent affiliates together attracted financing totalling $94.1 million, which included $53.9 million from third party, validating financial and strategic investors in 2017. In addition, Vedanta Biosciences was awarded a research grant of up to $5.4 million from CARB-X and Gelesis was awarded €2.9 million from the Italian Ministry of Economic Development.

Vor BioPharma and Nybo Therapeutics have graduated to growth stage in 2017 after reaching a requisite level of maturity during the year, including successfully securing intellectual property, achieving some level of technological de-risking during 2017, establishing management teams and completing business plans. In addition, these programmes engaged key scientific founders. In March 2017, resTORbio was promoted from a project programme into a growth stage affiliate upon the concurrent execution of its license agreement with Novartis and Series A financing. Furthermore, upon closing of its Series B financing, the Company's ownership in resTORbio decreased below 50 per cent, and its representation on the Board decreased to less than a majority of Directors, resulting in resTORbio becoming an independent affiliate, as further described below.

The Group continues to source and develop new ideas, including those that formed the basis of Glyph and Calix, as well as execute on pipeline opportunities. In addition, PureTech Health continues to evolve shared functions to support the increased level of activities of the growth stage affiliates and project stage programmes.

Financial Highlights

	2017 $ millions	2016 $ millions
Cash Reserves		
Group Cash Reserves – Alternative Performance Measure (APM)[1,2]	**242.1**	281.5
Consolidated Cash Reserves[2]	**188.7**	281.5
PureTech Level Cash Reserves[2]	**126.7**	192.1
Results of Operations		
Revenue	**2.5**	4.4
Operating Loss	**(115.4)**	(73.9)
Adjusted Operating Loss[3]	**(100.8)**	(62.2)
Loss for the Period	**(70.7)**	(81.6)
Adjusted Loss for the Period[4]	**(99.6)**	(60.1)

1 Group Cash includes cash reserves held at independent affiliates of $53.4 million that are not included in the consolidated statement of financial position. Group Cash Reserves is therefore considered to be more representative of the Group's cash available to advance product candidates within its independent affiliates, growth stage affiliates and project stage programmes, as the cash held at independent affiliates not included in Consolidated Cash will be invested in activities that could ultimately result in value accretion for the Group.

2 Cash reserves includes cash balances and short-term investments. PureTech Level Cash Reserves represent cash and short-term investments held at PureTech Health LLC, PureTech Management, Inc., PureTech Health PLC, and PureTech Securities Corporation.

3 Stated before the effect of share-based payment of $11.8 million (2016 – $10.2 million), depreciation of $1.6 million (2016 – $1.2 million), amortisation of $0.5 million (2016 – $0.3 million) and impairment of tangible assets of $0.6 million (2016 – nil). These items are non-cash charges. Adjusted operating loss is therefore considered to be more representative of the operating performance of the Group. Non-cash items are

excluded due to the nature of the Group in that the businesses require the cash investment in order to operate and continue with their R&D activities and this is therefore deemed to be an appropriate alternative performance measure.

4 Stated before the charges discussed in Note 3 above as well as the IAS 39 fair value accounting charge of $71.7 million (2016 – $3.4 million) and finance cost – subsidiary preferred shares of $9.5 million (2016 – $6.4 million) and Share of net loss of associates accounted for using the equity method of $17.6 million (2016 – nil). Adjusted Loss for the Period is also adjusted for the non-cash gain from the deconsolidation of resTORbio of $85.0 million (2016 – nil) and the gain on Available for Sale investments of $57.3 million (2016 – nil). These items are also non-cash expenses and income, respectively. Adjusted loss for the period is therefore considered to be more representative of the operating performance of the Group. In 2016, both the Loss for the period and Adjusted loss for the period were positively impacted by recognition of a $1.6 million tax benefit.

Revenue

Revenue for 2017 was mainly comprised of grant revenue received by Vedanta and Gelesis. The primary reason for the decrease in revenue relates to non- recurring $4.0 million non-refundable milestone payments Vedanta Biosciences received in 2016 as a result of successfully achieving two additional milestones that resulted in two separate $2.0 million payments as part of its collaboration with Janssen Biotech, Inc. Payments such as this are not expected to be a recurring event in each period.

The Group's operations do not yet generate consistent product revenues. Certain growth stage affiliates have generated revenue from collaborations with third parties, including the revenue events described above. Future revenues from growth stage affiliates are expected to be earned under existing and new license and collaboration agreements and may include non-refundable license fees. Management evaluates opportunities to enter new licenses 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 these license and collaboration agreements during the development and approval period is typically driven by achievement of contractual milestones, which tend to be event driven. Therefore, significant period to period changes in revenue are to be expected and are not necessarily indicative of the Group's overall revenue trend.

Operating Expenses

Operating expenses, before the impact of non-cash items noted in Footnote 3 of the Results of Operations Schedule above, increased 55 per cent on a year-over-year basis. The increase in expenses is attributable to increased support for the Group's research and development efforts as well as increased pre-commercial activities. The Group carried out development activities to progress its affiliates and programmes by initiating new clinical trials and advancing existing clinical studies, adding headcount and expanding its footprint requiring leasing additional space, the result of which was an increase of 73 per cent in research and development expenses from the prior year. General and administrative expenses increased at a rate of 31 per cent over the prior year. The lower growth rate of general and administrative expenses continues to reflect the ability of the Group to leverage its existing infrastructure. Parent company operating expenses did not materially change over the three years ended 31 December 2017.

The Directors anticipate that the Company's operating expenses will continue to increase as the Group advances its pipeline. Research and development activities will include regulatory activities, clinical and preclinical studies, intellectual property registration and the cost of acquiring, developing and manufacturing clinical study materials. General and administrative costs consist primarily of personnel-related costs, preparation for commercial launches of later stage affiliates, lease costs and professional fees, and are anticipated to grow at a similar rate to research and development costs as Akili and Gelesis pre-commercial activities ramp up.

Net finance costs

Net finance costs, before consideration of the items noted in Footnote 4 in the Results of Operations Schedule above, increased by $0.7 million from income of $0.5 million in 2016 to income of $1.2 million in 2017. The income in both periods is related to interest received on short term investments held at both PureTech and certain subsidiaries. The Group, as described below, has adopted a conservative cash

management policy and invested the significant cash reserves generated since IPO in U.S. Treasuries, which resulted in $1.7 million of income from interest earned on these securities.

The Group's IAS 39 fair value accounting charge relates to derivative liabilities associated with preferred stock conversion rights, convertible notes and warrants at the subsidiary level. Consistent with prior periods, this charge was driven by the changes in the equity values of the underlying subsidiaries. When the Group realises an increase in the value of the subsidiaries that are consolidated for accounting purposes, a charge will be recognised when there are external preferred shareholders. The increase in the expense of $68.3 million from the prior period was related to the increase in the value of the Group's subsidiaries, mainly driven by resTORbio (whose expense was included in the Group's consolidated statement of income/(loss) prior to deconsolidation), Akili, Vedanta and Gelesis. In addition to the IAS 39 fair value accounting charge, the Group recognised a finance cost of $9.5 million in 2017 due to the accretion to the liquidation preference on subsidiary preferred stock held by external parties. The balance of subsidiary preferred stock held by external parties increased during 2017 due primarily to the issuances of preferred stock in the Vedanta, Entrega and The Sync Project financings.

Deconsolidation of resTORbio

In March 2017, resTORbio completed the initial closing of its Series A Preferred Stock financing, at which point PureTech gained control and consolidated resTORbio as part of the Group. In connection with the Series A Preferred Stock Financing, resTORbio also executed a license agreement with Novartis. In November 2017, resTORbio closed its Series B Preferred Stock financing and concurrently PureTech saw its voting ownership percentage related to resTORbio reduced to 44.4 per cent, triggering a loss of control over the entity and deconsolidation. Although PureTech does not control resTORbio, PureTech maintains significant influence over the company's strategy and the direction of the company by virtue of its large, albeit minority, ownership stake and its continued representation on resTORbio's board of directors.

Upon deconsolidation, PureTech recognised the fair value of the common shares and Series A Preferred Stock held in resTORbio, resulting in a gain of $85.0 million. As PureTech maintained significant influence in resTORbio, PureTech's common stock holdings were subject to equity method accounting under IAS 28, which resulted in PureTech's investment being adjusted by the share of profits and losses generated by resTORbio in December 2017 of $17.6 million. resTORbio's December 2017 loss was mainly driven by fair value accounting for financial liabilities, in accordance with IFRS, which resulted in a loss driven by the further increase in the equity value of resTORbio, as the entity approached its initial public offering. Additionally, the Series A Preferred Stock held in resTORbio was classified as an available-for-sale investment upon deconsolidation. PureTech revalued the available-for-sale investment as of 31 December 2017 and recognised a gain of $57.3 million based on the increase in the fair value of our Series A Preferred Stock between 30 November 2017 and 31 December 2017.

Subsequent to the period, on 30 January 2018, resTORbio completed an initial public offering which resulted in conversion of the Series A Preferred Stock into common shares. In the period between 31 December 2017 and closing of the IPO, PureTech will recognise gains related to the increase in fair value of our Series A Preferred Stock. Upon conversion of the Series A Preferred Stock into common shares upon closing of the IPO, PureTech's converted common stock will be subject to equity method accounting under IAS 28 and the investment will be adjusted by the share of profits and losses generated by resTORbio until such a point where PureTech no longer has significant interest in resTORbio as defined under IAS 28.

Refer to note 3 below and note 5 in the financial statements for further information. [Note 5 can be found on page 107 of the full report, available at http://puretechhealth.com/reports-presentations].

Financial Position

Cash and short-term investments make up a significant portion of the Group's current assets of $198.1 million. Amounts that cannot be immediately deployed have been used to purchase U.S. Treasuries with

short durations. Consolidated cash reserves, consisting of all cash, cash equivalents and U.S. Treasuries, were $188.7 million at 31 December 2017 (2016 – $281.5 million). Of this amount, $126.7 million (2016 – $192.1 million) of cash reserves are held at the PureTech Health level to fund all activities of the Group, including supporting progression of the subsidiaries and independent affiliates, funding pipeline development and maintaining an appropriate infrastructure.

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

- Available for Sale Investments increased to $131.4 million, primarily driven by the deconsolidation and fair value increase related to resTORbio, as described above.
- Current Liabilities increased to $273.9 million, primarily as a result of the increase of derivative and preferred share liabilities resulting from a combination of the issuance of new preferred stock, convertible notes and non-cash IAS 39 accounting charges related to the increase in the equity values of the underlying subsidiaries.

Financial Position

	2017 **$ millions**	2016 $ millions
Non-current assets	**141.7**	10.6
Current assets	**198.1**	288.1
Total assets	**339.8**	298.7
Non-current liabilities	**2.0**	2.3
Total current liabilities	**273.9**	204.1
Total liabilities	**275.9**	206.4

As noted above, the Group increased spending as expected. The Directors anticipate that the Group's funds, inclusive of the $100.0 million of gross proceeds received on 4 April 2018 in connection with the 2018 Offering, will be sufficient to continue to progress the existing independent and growth stage affiliates to meaningful milestone events and pipeline development through 31 December 2020 and to fund infrastructure costs through 31 December 2021.

Cash Flows

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 and 4 of the Results of Operations Schedule above, are primarily cash based.

The net cash inflow from investing activities during 2017 primarily relates to maturities of short-term investments, which was partially offset by the $19.0 million investment in resTORbio's Series A financing.

The net cash inflow from financing activities during 2017 was primarily from $12.4 million of proceeds from outside investors in equity financings of growth stage affiliates and $2.6 million from issuances of convertible notes. The net cash inflow from financing activities does not include third party equity investments in resTORbio of $46.0 million from outside investors which are not included in our consolidated statement of cash flows (see note 5 below and note 15 in the financial statements). [Note 15 can be found on page 116 of the full report, available at http://puretechhealth.com/reports-presentations].

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 U.S. Treasuries with maturities under one year. 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 31 December 2017, the Group held $2.3 million of cash reserves 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 Euro to fund operations.

Cash Flows

	2017 $ millions	2016 $ millions
Operating Cash Flows	**(88.7)**	(58.0)
Investing Cash Flows	**83.7**	(43.2)
Financing Cash Flows	**14.7**	29.5

Consolidated Statements of Comprehensive Income/(Loss)
For the years ended 31 December

	Note	**2017 $000s**	2016 $000s
Revenue from customers	3	**650**	4,333
Grant revenue	3	**1,885**	98
Total revenue		**2,535**	4,431
Operating expenses:			
General and administrative expenses	6	**(46,283)**	(37,155)
Research and development expenses	6	**(71,672)**	(41,205)
Operating loss		**(115,420)**	(73,929)
Other income:			
Gain on deconsolidation of affiliate	5	**85,016**	—
Gain on available-for-sale investments	12	**57,334**	—
Other income		**14**	46
Other income		**142,364**	46
Finance income/(costs):			
Finance income	8	**1,750**	1,292
Finance costs – subsidiary preferred shares	8	**(9,509)**	(6,368)
Finance costs – contractual	8	**(553)**	(801)
Finance costs – IAS 39 fair value accounting	8	**(71,735)**	(3,422)
Net finance costs		**(80,047)**	(9,299)
Share of net loss of associates accounted for using the equity method	5	**(17,608)**	—
Loss before taxes		**(70,711)**	(83,182)
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		**25,118**	(61,669)
Finance costs – subsidiary preferred shares	8	**(9,509)**	(6,368)
Finance costs – IAS 39 fair value accounting	8	**(71,735)**	(3,422)
Share-based payment expense	7	**(11,849)**	(10,153)
Impairment of tangible assets	10	**(637)**	—
Depreciation of tangible assets	10	**(1,617)**	(1,223)
Amortisation of intangible assets	11	**(482)**	(347)
Loss before taxes		**(70,711)**	(83,182)
Taxation	25	**14**	1,574
Loss for the year		**(70,697)**	(81,608)
Other comprehensive income/(loss):			
Items that are or may be reclassified as profit or loss			
Foreign currency translation differences		**408**	(91)
Gain on available-for-sale investments	12	**1,750**	4
Total other comprehensive income/(loss)		**2,158**	(87)
Total comprehensive loss for the year		**(68,539)**	(81,695)
Income/(loss) attributable to:			

Owners of the Company		**30,869**	(48,792)
Non-controlling interests	16	**(101,566)**	(32,816)
		(70,697)	(81,608)
Comprehensive income/(loss) attributable to:			
Owners of the Company		**33,027**	(48,879)
Non-controlling interests	16	**(101,566)**	(32,816)
		(68,539)	(81,695)
Earnings/(loss) per share:			
Basic earnings/(loss) per share	9	**$0.13**	$(0.21)
Diluted earnings/(loss) per share	9	**$0.13**	$(0.21)

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

Consolidated Statements of Financial Position

For the years ended 31 December

	Note	**2017 $000s**	2016 $000s
Assets			
Non-current assets			
Property and equipment, net	10	**6,862**	6,924
Available-for-sale investments	12	**131,351**	83
Intangible assets, net	11	**3,309**	3,524
Deferred tax assets	25	**142**	—
Other non-current assets	21	**73**	65
Total non-current assets		**141,737**	10,596
Current assets			
Trade and other receivables	21	**1,797**	125
Prepaid expenses and other current assets		**6,638**	5,662
Other financial assets	13, 21	**927**	897
Short term investments	21	**116,098**	218,510
Cash and cash equivalents	21	**72,649**	62,959
Total current assets		**198,109**	288,153
Total assets		**339,846**	298,749
Equity and liabilities			
Equity			
Share capital	14	**4,679**	4,609
Merger reserve	14	**138,506**	138,506
Share premium	14	**181,588**	181,658
Translation reserve	14	**224**	(184)
Other reserve	14	**17,178**	13,412
Accumulated deficit	14	**(127,873)**	(160,335)
Parent equity	14	**214,302**	177,666
Non-controlling interests	14, 16	**(150,305)**	(85,255)
Total equity	14	**63,997**	92,411
Non-current liabilities			
Deferred revenue	3	**159**	203
Other long-term liabilities		**1,828**	2,055
Total non-current liabilities		**1,987**	2,258
Current liabilities			
Deferred revenue	3	**1,652**	2,202
Trade and other payables	19	**16,358**	11,121
Subsidiary:			
Notes payable	17, 21	**7,455**	6,953
Derivative liability	21	**114,263**	71,240
Warrant liability	18, 21	**13,095**	14,942

Preferred shares	15, 21	**120,051**	96,937
Other current liabilities		**988**	685
Total current liabilities		**273,862**	204,080
Total liabilities		**275,849**	206,338
Total equity and liabilities		**339,846**	298,749

See the accompanying notes to the consolidated financial information. Registered number: 09582467.
The financial statements on pages 88 to 131 were approved by the Board of Directors and authorised for issuance on 16 April 2018 and signed on its behalf by:

Daphne Zohar
Chief Executive Officer
16 April 2018

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

Consolidated Statements of Changes in Equity
For the years ended 31 December

	Share Capital									
	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 2016	226,173,751	4,523	181,744	138,506	(93)	7,627	(111,420)	220,887	(56,834)	164,053
Net loss	—	—	—	—	—	—	(48,792)	(48,792)	(32,816)	(81,608)
Foreign currency exchange	—	—	—	—	(91)	—	—	(91)	—	(91)
Unrealised gain	—	—	—	—	—	4	—	44	—	4
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**(91)**	**4**	**(48,792)**	**(48,879)**	**(32,816)**	**(81,695)**
Gain/(loss) arising from change in non-controlling interests	—	—	—	—	—	—	(23)	(23)	23	—
Issuance of shares as equity incentives	6,538,791	86	(86)	—	—	—	—	—	—	—
Subsidiary dividend	—	—	—	—	—	—	(100)	(100)	—	(100)
Equity settled share based payments	—	—	—	—	—	5,781	—	5,781	4,372	10,153
Balance 31 December 2016	232,712,542	4,609	181,658	138,506	(184)	13,412	(160,335)	177,666	(85,255)	92,411
Net income/(loss)	—	—	—	—	—	—	30,869	30,869	(101,566)	(70,697)
Foreign currency exchange	—	—	—	—	408	—	—	408	—	408
Unrealised gain	—	—	—	—	—	—	1,750	1,750	—	1,750
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**408**	**—**	**32,619**	**33,027**	**(101,566)**	**(68,539)**
Gain/(loss) arising from change in non-controlling interest	—	—	—	—	—	(16)	—	(16)	28,449	28,433
Issuance of shares as equity incentives	5,277,375	70	(70)	—	—	—	—	—	—	—
Subsidiary dividends	—	—	—	—	—	—	(91)	(91)	—	(91)
Buyback of shares, net of tax	(30,028)	—	—	—	—	—	(66)	(66)	—	(66)
Equity settled share based payments	—	—	—	—	—	3,782	—	3,782	8,067	11,849
Balance 31 December 2017	**237,959,889**	**4,679**	**181,588**	**138,506**	**224**	**17,178**	**(127,873)**	**214,302**	**(150,305)**	**63,997**

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

Consolidated Statements of Cash Flows
For the years ended 31 December

	Note	**2017 $000s**	2016 $000s
Cash flows from operating activities			

Loss for the year		**(70,697)**	(81,608)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Non-cash items:			
Depreciation and amortisation	10, 11	**2,099**	1,570
Impairment of tangible assets	10	**637**	—
Equity settled share-based payment expense	7	**11,849**	10,153
Gain on available-for-sale investments	12	**(57,334)**	—
Loss on short-term investments		**219**	—
Gain on deconsolidation of resTORbio	5	**(85,016)**	—
Share of net loss of associate	5	**17,608**	—
Non-cash share of net loss for deconsolidated subsidiary		**8,027**	—
Deferred tax asset	25	**(142)**	
Subsidiary research and development tax credit		**(1,152)**	(783)
Non-cash rent expense		**106**	174
Unrealised gain on foreign currency transactions		**342**	—
Finance costs	8	**81,797**	10,526
Changes in operating assets and liabilities:			
Accounts receivable, net	21	**(1,672)**	581
Other financial assets	13	**(30)**	—
Prepaid expenses and other current assets		**168**	(1,994)
Deferred revenues	3	**(725)**	(344)
Accounts payable and accrued expenses	19	**5,237**	3,524
Other long-term liabilities		**(9)**	168
Net cash used in operating activities		**(88,688)**	(58,033)
Cash flows from investing activities:			
Purchase of property and equipment	10	**(2,091)**	(3,676)
Purchases of intangible assets	11	**(80)**	—
Cash in associate eliminated upon deconsolidation		**(16,340)**	—
Purchases of short term investments	21	**(147,203)**	(312,825)
Proceeds from maturity of short term investments	21	**249,396**	273,270
Net cash provided by/(used in) investing activities		**83,682**	(43,231)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	17	**2,616**	2,060
Repayment of long-term debt		**(163)**	—
Proceeds from subsidiary notes payable	17	**—**	268
Proceeds from the issuance of shares, net of issuance costs	15	**12,400**	27,260
Buyback of shares		**(66)**	—
Subsidiary dividend payments		**(91)**	(100)
Net cash provided by financing activities		**14,696**	29,488
Effect of exchange rates on cash and cash equivalents		**—**	(16)
Net increase/(decrease) in cash and cash equivalents		**9,690**	(71,792)
Cash and cash equivalents at beginning of year		**62,959**	134,751
Cash and cash equivalents at end of year		**72,649**	62,959
Supplemental disclosure of non cash investment and financing activities:			
Conversion of subsidiary notes payable and accrued interest into preferred stock		**1,306**	95
Supplemental disclosure of deconsolidated loss, net of non cash items			
Non-controlling interest		**(28,449)**	—
Parent share of loss of deconsolidated entity		**(14,224)**	—
Total net loss of deconsolidated entity		**(42,673)**	—
Loss attributable to cash spend		**8,660**	—
Total non-cash loss		**(34,013)**	—
Add:			
Depreciation expense		**36**	—
Amortization expense		**188**	—
Derivative fair value adjustment		**25,747**	—
Equity in exchange for services		**15**	—
Net loss of deconsolidated entity, net of non-cash items		**(8,027)**	—

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

Extracts from notes to the financial statements

1. Accounting policies

Description of Business

PureTech Health plc ("PureTech", the "Parent" or the "Company") is an advanced, clinical-stage biopharmaceutical company developing novel medicines targeting serious diseases that result from dysfunctions in the nervous, immune, and gastrointestinal systems (brain-immune-gut or the "BIG" axis), which together represent the adaptive human systems. PureTech consists of the Parent and its subsidiaries (together, the "Group"). The Company's ordinary shares are admitted to the premium listing segment of the Official List of the U.K. Listing Authority and are traded on the Main Market of the London Stock Exchange. The Company is at the forefront of understanding and addressing the biological processes and crosstalk associated with the BIG axis. By harnessing this emerging field of human biology, PureTech is pioneering new categories of medicine with the potential to have great impact on people with serious diseases. PureTech is advancing a rich pipeline of innovative therapies that includes two pivotal stage programmes, multiple human proof-of-concept studies and a number of early clinical and pre-clinical programmes. PureTech's rich research and development pipeline has been advanced in collaboration with some of the world's leading scientific experts, who along with PureTech's team of biopharma pioneers, entrepreneurs and seasoned Board, identify, invent, and clinically de-risk new medicines. With this experienced team pursuing cutting edge science, PureTech Health is building the biopharma company of the future focused on improving and extending the lives of people with serious disease. The Group provides a combination of experienced management and administrative support to its subsidiaries in which it typically holds a significant ownership interest. Cash contributed by the Parent to its subsidiaries in the form of equity and debt investments is used to fund research, development, regulatory and commercialisation preparation activities and to support administration and operations.

The financial information set within this document does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2017 will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; their report were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Use of Judgments and Estimates

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

Significant judgements and estimates are made by the Group when determining the fair value of the financial instruments and associated derivatives, including the methodology for valuing the subsidiaries, the assumptions used in the forecasts and in determining the appropriate discount rate. Significant judgement is applied in determining:

- Valuation of warrants, derivatives and other financial instruments measured at fair value through profit or loss;
- Financial instrument classification and determination of embedded derivatives;

In relation to financial instrument classification, due to the complexity of the accounting standards and the nature of agreements, this is considered to be a significant area of judgement.

Information about the other critical judgments and estimates are included in the following notes.

Going Concern

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 through the period ended 31 December 2020. Based on the cash and cash equivalents available to the Group as of 31 December 2017, the Group has sufficient cash reserves to continue to provide capital, alongside outside investors, to its existing subsidiary companies and to create and fund project stage programmes and growth stage affiliates through 31 December 2020, assuming broadly our expected level of required investments in businesses and other operating expenditures.

Fair Value Measurements

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

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

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

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

The carrying amount of cash and cash equivalents, accounts receivable, short term investments, restricted cash, deposits, accounts payable, accrued expenses and other current liabilities in the Group's consolidated statements of financial position approximates their fair value because of the short maturities of these instruments.

Operating Segments

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

Certain prior period amounts have been reclassified to conform with the current-period financial statement presentation.

Equity Method Accounting
Associates

An associate is an entity over which the Group has significant influence. Significant influence is where the Group has the power to participate in the financial and operating policy decisions of an entity but it does not control or influence joint control over those policies.

Associates are accounted for using the equity method unless the associate is classified as held for sale. Under the equity method, the Group's investment is recorded at cost adjusted by the Group's share of

post-acquisition profits and losses and other movements in the investee's reserves. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

If there is objective evidence that an associate is impaired, an impairment charge is recognised if the carrying amount of the investment exceeds its recoverable amount.

Upon loss of significant influence over an associate, any retained investment is measured at fair value with any difference to carrying value recognised in the Consolidated Statements of Comprehensive Income/(Loss).

2. Operating Segments

Basis for Segmentation

The Directors are the Group's strategic decision makers. The Group's operating segments are reported based on the financial information provided to the Directors at least quarterly for the purposes of allocating resources and assessing performance. The Directors monitor the results of three operating segments. Each operating segment is considered a distinct unit by the Directors. The Group's operating segments, which are also reportable segments, are outlined below. Substantially all of the revenue of the Group is generated within the U.S. and accordingly, no geographical disclosures are provided.

Growth Stage Affiliates

Affiliates in this segment are those whose activities focus on actively developing products to solve major healthcare problems in varied markets. All affiliates shown below are included in one operating segment which is also a reportable segment:

Affiliate (alphabetical)	Principal Activities and Target Market
Akili Interactive Labs	A clinical stage affiliate developing a digital medicine platform for the treatment and assessment of cognitive dysfunction across several neurological and psychiatric indications including attention-deficit hyperactivity disorder, major depressive disorder, autism spectrum disorder, multiple sclerosis, and various neuroinflammatory diseases.
Alivio Therapeutics	A preclinical stage affiliate developing therapies to treat a range of acute and chronic inflammatory disorders via targeted disease immunomodulation.
Commense	A clinical stage affiliate developing microbiome-derived immune modulators for maternal and paediatric health.
Entrega	A preclinical stage affiliate developing a novel approach to oral delivery of biologics, vaccines, and other drugs that are otherwise not efficiently absorbed when taken orally.
Follica	A clinical stage affiliate developing an innovative platform to address androgenetic alopecia.
Gelesis	A clinical stage affiliate developing first-in-class mechanotherapeutics to treat obesity and other chronic diseases related to the gastrointestinal pathway.
Karuna Pharmaceuticals	A clinical stage affiliate developing a selective muscarinic receptor agonist programme for the treatment of psychosis and cognition across multiple central nervous system disorders including schizophrenia and Alzheimer's.
Nybo Therapeutics	A preclinical stage affiliate developing a monoclonal antibody-based therapeutic to treat pancreatic cancer and other solid tumours.
Sonde Health	A clinical stage affiliate developing a voice-based technology platform for monitoring and diagnosing mental and physical medical conditions including depression, Alzheimer's disease, multiple sclerosis, and Parkinson's disease.

The Sync Project	A clinical stage progamme developing a platform and products that seek to explore and leverage the health potential of music by utilizing a platform that takes in physiological data from sensors and correlates that data with musical data components (e.g. beat and rhythm).
Vedanta Biosciences	A clinical stage affiliate developing a new category of therapies for immune-mediated and infectious diseases based on rationally-defined consortium of human microbiome-derived bacteria.
VorBioPharma	A preclinical stage affiliate developing novel antibody and cell therapies with broad potential for treating cancer.

Project Stage Programmes

Programmes in this segment are those whose activities are focused on financing, sourcing and creating new product candidates and newly created programmes whose technologies are in the process of validation. This segment includes the following programmes:

Affiliate	**Principal Activities and Target Market**
Project stage programmes	
Calix	A preclinical stage programme developing a milk exosome-based technology designed to enable the oral administration of biologics, nucleic acids (e.g. siRNA, mRNA, antisense oligonucleotides, CRISPR nucleic acid), and complex small molecules.
Glyph	A preclinical stage programme developing a lipid prodrug technology to enable lymphatic targeting.
Tal Medical	A clinical stage medical device programme developing an innovative, non-invasive neurostimulation treatment for psychiatric disorders including depression and bipolar disorder.

Post period end, Tal Medical will no longer be deemed a project stage programme due to limited operational activity. The Group expects that subsidiaries within the project stage programmes will become growth stage affiliates. Upon the transition of a project stage programme to growth stage affiliate, the Group plans to retrospectively restate operating segments as if the subsidiary had been a growth stage affiliate for all periods presented.

During 2017, Vor Biopharma and Nybo Therapeutics graduated to growth stage affiliates primarily due to successfully securing intellectual property, establishing management teams, developing a sustainable business plan, achieving some level of technological de-risking and engaging key scientific founders.

The Group has retrospectively restated 2016 segment amounts to reflect the above transitions.

Independent Affiliate Companies

In March 2017, resTORbio completed the initial closing of its Series A Preferred stock financing, with subsequent closings in August and October 2017. The Series A financing was led by PureTech and included participation from Novartis Institutes for Biomedical Research, Inc. and OrbiMed Private Investments VI, LP ("Orbimed"). In November 2017, resTORbio closed its Series B Preferred Stock financing, which was led by OrbiMed and included participation from Fidelity Management & Research Company, Rock Springs Capital, Quan Capital and Nest Bio. As a result of these issuances, PureTech saw its voting rights and ownership percentage related to resTORbio drop from 53.79% to 44.44%, triggering a loss of control over the entity, as explained in Note 3.

Although PureTech no longer controls resTORbio, PureTech maintains significant influence over the company's strategy and the direction of the company by virtue of its large, albeit minority, ownership stake and its continued representation on resTORbio's board of directors. As such, as of year end 2017, PureTech has decided that it is appropriate to add a new operating segment for resTORbio and for further companies who follow the strategic path of resTORbio. The new segment will be called Independent Affiliate Companies. As of 31 December 2017, resTORbio was the only company in this segment.

	2017				
	Growth Stage Affiliates $000s	**Project Stage Programmes $000s**	**Independent Affiliate Programmes $000s**	**Parent company & other $000s**	**Consolidated $000s**
Consolidated Statements of Comprehensive Income / (Loss)					
Revenue from customers	**625**	**—**	**—**	**25**	**650**
Grant revenue	**1,885**	**—**	**—**	**—**	**1,885**
Total Revenue	**2,510**	**—**	**—**	**25**	**2,535**
General and administrative expenses	**(26,927)**	**(1,363)**	**(1,746)**	**(16,247)**	**(46,283)**
Research and development expenses	**(59,950)**	**(1,980)**	**(9,179)**	**(563)**	**(71,672)**
Total operating expenses	**(86,877)**	**(3,343)**	**(10,925)**	**(16,810)**	**(117,955)**
Other income	**—**	**—**	**142,350**	**14**	**142,364**
Net finance costs	**(53,631)**	**(445)**	**(31,747)**	**5,776**	**(80,047)**
Share of net loss of associate accounted for using the equity method	**—**	**—**	**(17,608)**	**—**	**(17,608)**
Income / (loss) from continuing operations	**(137,998)**	**(3,788)**	**82,070**	**(10,995)**	**(70,711)**
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	**(79,548)**	**(2,382)**	**114,024**	**(6,976)**	**25,118**
Finance costs – subsidiary preferred shares	**(8,985)**	**(524)**	**—**	**—**	**(9,509)**
Finance costs – IAS 39 fair value accounting	**(39,993)**	**5**	**(31,747)**	**—**	**(71,735)**
Share-based payment expense	**(7,994)**	**(73)**	**(15)**	**(3,767)**	**(11,849)**
Impairment of tangible assets	**—**	**(637)**	**—**	**—**	**(637)**
Depreciation of tangible assets	**(1,206)**	**(155)**	**(4)**	**(252)**	**(1,617)**
Amortisation of intangible assets	**(272)**	**(22)**	**(188)**	**—**	**(482)**
Loss before taxes	**(137,998)**	**(3,788)**	**82,070**	**(10,995)**	**(70,711)**
Taxation	**28**	**—**	**—**	**(14)**	**14**
Income / (loss) for the year	**(137,970)**	**(3,788)**	**82,070**	**(11,009)**	**(70,697)**
Other comprehensive income	**408**	**—**	**—**	**1,750**	**2,158**
Total Comprehensive income / (loss) for the Year	**(137,562)**	**(3,788)**	**82,070**	**(9,259)**	**(68,539)**
Total comprehensive income / (loss) attributable to:					
Owners of the Company	**(64,918)**	**(3,314)**	**110,518**	**(9,259)**	**33,027**
Non-controlling interests	**(72,644)**	**(474)**	**(28,448)**	**—**	**(101,566)**
Consolidated Statements of Financial Position					
Total assets	**78,854**	**1,491**	**129,519**	**129,982**	**339,846**
Total liabilities	**296,732**	**12,932**	**—**	**(33,815)**	**275,849**
Net assets / (liabilities)	**(217,878)**	**(11,441)**	**129,519**	**163,797**	**63,997**

	2016			
	Growth Stage Affiliates $000s	Project Stage Programmes $000s	Parent Company & Other $000s	Consolidated $000s
Consolidated Statements of Comprehensive Income/(Loss)				
Revenue from customers	4,000	333	—	4,333
Grant revenue	98	—	—	98
Total revenue	4,098	333	—	4,431
General and administrative expenses	(18,405)	(1,988)	(16,762)	(37,155)
Research and development expenses	(35,617)	(5,256)	(332)	(41,205)
Total operating expenses	(54,022)	(7,244)	(17,094)	(78,360)
Other income	46	—	—	46
Net finance costs	(17,339)	4,469	3,571	(9,299)
Loss from continuing operations	(67,217)	(2,442)	(13,523)	(83,182)

Income/(loss) before taxes pre IAS 39 fair value accounting, finance cost – subsidiary preferred shares, share-based payment expense, depreciation of tangible assets and amortisation of intangible assets	(47,681)	(6,471)	(7,517)	(61,669)
Finance costs – subsidiary preferred shares	(5,817)	(551)	—	(6,368)
Finance costs – IAS 39 fair value accounting	(8,439)	5,017	—	(3,422)
Share-based payment expense	(4,186)	(187)	(5,780)	(10,153)
Depreciation of tangible assets	(769)	(228)	(226)	(1,223)
Amortisation of intangible assets	(325)	(22)	—	(347)
Loss before taxes	(67,217)	(2,442)	(13,523)	(83,182)
Taxation	1,577	8	(11)	1,574
Loss for the year	(65,640)	(2,434)	(13,534)	(81,608)
Other comprehensive loss	(91)	—	4	(87)
Total comprehensive loss for the year	(65,731)	(2,434)	(13,530)	(81,695)
Total comprehensive loss attributable to:				
Owners of the Company	(32,915)	(2,434)	(13,530)	(48,879)
Non-controlling interests	(32,816)	—	—	(32,816)
Consolidated Statements of Financial Position:				
Total assets	100,569	4,225	193,955	298,749
Total liabilities	216,568	11,577	(21,807)	206,338
Net assets/(liabilities)	(115,999)	(7,352)	215,762	92,411

The Parent commences initiatives in themes, raises capital for investment in new companies and existing subsidiaries, provides other corporate shared services and support for all subsidiaries and manages the new programme creation process.

The activity between the Parent and the reporting segments has been eliminated in consolidation. These elimination amounts are included in the Parent and other amounts shown above.

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed in note 16. [Note 16 can be found on page 118 of the full report, available athttp://puretechhealth.com/reports-presentations].

The Group's revenue generated outside of the U.S. was approximately $0.5 million and $0.1 million for the years ended 31 December 2017 and 2016, respectively.

The Group's non-current assets consisted property and equipment of which $1.2 million were located in Italy as of 31 December 2017 and 2016.

Growth Stage Affiliate Valuation

The Board, in consultation with its strategic advisors and key shareholders, has decided not to disclose its internal valuations of its growth stage affiliates going forward, commencing as of 31 December 2017. The Company's view is that such disclosure, on balance, may not be in the best interests of PureTech Health and its shareholders. The Company maintains a balanced approach to valuation and the Company believes that it may be creating an artificially low external benchmark for the programmes and affiliates that may otherwise be ascribed substantially higher valuations by potential partners, investors and acquirers.

3. Investments in Associates

In 2016 PureTech obtained common shares from resTORbio in exchange for services, resulting in PureTech having control of the entity and resTORbio meeting the definition of a subsidiary. In March 2017, resTORbio executed a licensing agreement with Novartis through which resTORbio obtained rights to intellectual property in exchange for 2,846,791 Series A Preferred Shares. PureTech also participated in the Series A

Preferred Share financing round, purchasing 9,834,369 shares for $1.932 per share. In October 2017, the Series A Preferred Share Purchase Agreement was amended to provide for Orbimed's purchase of 3,105,590 Series A Preferred Shares at the purchase price of $1.932 per share.

As a result of the issuances of the Preferred Shares to third party investors, PureTech's ownership percentage and corresponding voting rights related to resTORbio dropped from 53.79 per cent to 44.44 per cent, triggering a loss of control over the entity. As of November 2017, resTORbio was deconsolidated from the Group's financial statements, resulting in only the profits and losses generated by resTORbio through November 2017 being included in the Group's Consolidated Statements of Comprehensive Income/(Loss). Upon the date of deconsolidation, PureTech recognized an investment in resTORbio related to its common shares of $17.6 million and an available-for-sale investment related to its Series A Preferred Share investment of $72.2 million. As a result of the deconsolidation and fair value accounting for investments held on the date of deconsolidation, PureTech recorded and unrealized gain of $85.0 million through the Consolidated Statements of Comprehensive Income/(Loss).

While the Company no longer controls resTORbio, it was concluded that PureTech still had significant influence over resTORbio by virtue of its large, albeit minority, ownership stake and its continued representation on resTORbio'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 those policies. As PureTech is able to demonstrate that it has significant influence over resTORbio in December 2017, the entity will be accounted for as an associate under IAS 28 Equity Accounting ("IAS 28").

As of 31 December 2017, PureTech's investment in resTORbio was subject to equity method accounting. In accordance with IAS 28 PureTech's investment is to be adjusted by the share of profits and losses generated by resTORbio, subsequent to the date of deconsolidation. resTORbio's loss for December 2017 was greater than the initial investment recorded by PureTech upon deconsolidation, therefore the share of net loss of associate accounted for using the equity method will be constrained to the investment recognized upon deconsolidation. PureTech recognized $17.6 million as its share of loss from resTORbio through the Consolidated Statements of Comprehensive Income/(Loss), bringing PureTech's investment to zero.

	2017	
Investment in resTORbio	**Common Shares**	**$000s**
At 1 January	2,415,300	—
Fair value adjustment as of 30 November	—	17,607,537
Share of net loss of associate accounted for using the equity method	—	(17,607,537)
At 31 December	**2,415,300**	**—**

4. Earnings per Share

The basic and diluted loss per share has been calculated by dividing the income/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years ended 31 December 2017 and 2016, respectively.

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

	2017		2016	
	Basic $000s	**Diluted $000s**	Basic $000s	Diluted
Income/(loss) for the year, attributable to the owners of the Company	**30,869**	**30,869**	(48,792)	(48,792)
Income/(loss) attributable to ordinary shareholders	**30,869**	**30,869**	(48,792)	(48,792)

Weighted-Average Number of Ordinary Shares:

	2017		2016	
	Basic	**Diluted**	Basic	Diluted
Issued ordinary shares at 31 December	**232,712,542**	**232,712,542**	226,173,751	226,173,751
Effect of shares issued	**2,819,846**	**2,819,846**	3,338,215	3,338,215
Effect of dilutive shares	**—**	**3,388,920**	—	—
Weighted average number of ordinary shareholders	**235,532,388**	**238,921,308**	229,511,966	229,511,966

Earnings/(Loss) per Share:

	2017		2016	
	Basic	**Diluted**	Basic	Diluted
Basic and diluted earnings/(loss) per share	**$0.13**	**$0.13**	$(0.21)	$(0.21)

For the years ended 31 December 2017 and 2016 there were 5,727,477 and 8,860,528 shares, respectively, excluded from the computation of diluted weighted average common shares outstanding because such shares are considered anti-dilutive due to the fact that they are not vested.

5. Subsidiary Preferred Shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a liability in accordance with IAS 39 as the subsidiaries have a contractual obligation to deliver: 1) cash or other assets to the holders under certain future events; and/or 2) a requirement to deliver an uncertain number of common shares upon conversion. The preferred shares do not contain mandatory dividend rights. The preferred shares are convertible into common shares of the subsidiary at the option of the holder and mandatorily convertible into common shares of the subsidiary upon its listing on a public market at a price above those specified in the subsidiary's charter or upon the vote of the holders of a majority of the subsidiary preferred shares. Under certain scenarios the number of common shares receivable on conversion will change.

In accordance with IAS 39 when the conversion feature qualifies for bifurcation it has been accounted for as a derivative liability at fair value with the residual proceeds allocated to the subsidiary preferred shares at issuance. When the conversion feature does not qualify for bifurcation the preferred shares are recorded at fair value and adjusted through the profit and loss. The preferred shares are entitled to a vote with the holders of common stock on an as converted basis. The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a sale of the respective subsidiary.

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 shares of the subsidiary losses.

The following summarises the subsidiary preferred share balance:

	2017	2016
As of 31 December	**$000s**	$000s
Akili	**19,935**	18,465
Entrega	**2,071**	—
Follica	**465**	159
Gelesis	**58,714**	56,333
Karuna	**5**	—
The Sync Project	**1,734**	—
Tal	**11,219**	10,695
Vedanta Biosciences	**25,908**	11,285
Total subsidiary preferred share balance	**120,051**	96,937

As is customary, in the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares which are outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of common 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 shall be deemed to be a liquidation event. Additionally, a sale, lease, transfer or other disposition of all or substantially all of the assets of the subsidiary shall also be deemed a liquidation event.

The minimum liquidation preference that would be payable to the third-party subsidiary preferred holders upon a liquidation event of the subsidiaries is as follows:

	2017	2016
As of 31 December	**$000s**	$000s
Akili	**21,972**	21,972
Entrega	**2,216**	—
Follica	**2,020**	2,020
Gelesis	**60,490**	60,490
Karuna	**413**	413
The Sync Project	**1,998**	—
Tal	**11,430**	11,430
Vedanta Biosciences	**30,295**	15,445
Total minimum liquidation preference	**130,834**	111,770

For the two-year period ended 31 December 2017, the Group recognised the following changes in the value of subsidiary preferred shares:

	$000s
Balance at 1 January 2016	65,502
Issuance of new preferred shares	27,655
Value of derivatives at issuance	(2,588)
Accretion	6,368
Balance at 31 December 2016	96,937
Issuance of new preferred shares	24,969
Value of derivatives at issuance	(364)
Increase in value of preferred shares measured at fair value	31,747
Deconsolidation of resTORbio	(42,747)
Accretion	9,509
Balance at 31 December 2017	**120,051**

2017

In January 2017, Vedanta closed the second tranche of its Series B Preferred Stock financing for gross proceeds of $24.9 million with $9.9 million from outside investors.

Between January and May 2017, Sync received $1.1 million from outside investors through the issuance of convertible notes, which is included as proceeds from issuance of convertible notes in the Consolidated Statement of Cash Flows. In May 2017, these notes, plus accrued interest, converted into preferred shares in accordance with the terms of the notes.

Between September and December 2017, Sync received an additional $0.8 million through the issuance of Series A-2 Preferred Stock, of which PureTech invested $0.3 million.

In December 2017, Entrega closed a Series A-2 Preferred Stock financing in which Eli Lilly invested $2.0 million in conjunction with its entry into a Research Collaboration Agreement with Entrega, pursuant to which Eli Lilly will contribute a total of $3.0 million to Entrega through 2020.

In March 2017, resTORbio executed a licensing agreement with Novartis through which resTORbio obtained rights to intellectual property in exchange for preferred shares which were valued at $5.0 million. Between March and October 2017, resTORbio issued Series B Preferred Stock for aggregate proceeds of $25.0 million, of which PureTech invested $19.0 million. Upon closing of resTORbio's Series B financing, the subsidiary was deconsolidated from PureTech (see Note 3).

2016

During 2016, Akili issued Series B Preferred Stock for aggregate proceeds of $42.4 million, of which PureTech invested $25.0 million.

In June 2016, Vedanta Biosciences closed a $50.0 million Series B Preferred Stock financing in which PureTech invested $30.0 million. Of the $50.0 million, $25.0 million was funded in 2016, with $15.0 million of that amount contributed by PureTech. The remaining $24.9 million was received in January 2017, with $15.0 million of that amount contributed by PureTech. Also, in conjunction with this transaction, preferred shares were issued upon conversion of $0.6 million of outstanding convertible notes.